spoken on borrowing Bills. The first time, if I remember correctly, I tried to put across to the house the necessity in Canada of getting our interest rates down. The second time I put forward a couple of ideas about how to keep interest rates going down, and on this occasion I will simply use one technique that I believe is mentioned in the Bill.

Essentially, what we are at the end of is about eight years of a policy by all Governments to spend their way to prosperity and political support. Now we are paying the price.

In 1974 this Parliament accepted two budgets. Those budgets double taxation on the resource industries of Canada by the law of this land. That started us on the road to this tremendous borrowing. It was hoped inflation would come so that the borrowing could be paid back in cheaper dollars. This tend kept up. We applied in the year 1975, when I believe it started, a type of monetarism in our monetary policy that tried to control things by raising interest rates. Of course, this was the most fatal blunder of all. Interest rates were the inflation. Honest and sincere people in our various central banks around the world thought that if they could get interest rates up higher this would control the inflationary process. However, interest is the biggest cost there is today in large and small scale enterprises. The inflationary pressure of the cost push which comes from raising interest rates destroyed not only the little person, whether he was a farmer or a small-businessman, but the largest international companies all over the world. This is the situation we face. We were told several months ago that the Government wanted to borrow all these billions of dollars at a time when the country was striving desperately to get out of what was almost a depression, with many businesses going bankrupt and the cash flow declining. When the Government announced that it would borrow large sums of money, a terror went through the business world. When businessmen saw large amounts of deficits, not only in Canada but in other countries of the world, they thought that there would be no money for them to borrow themselves.

● (1540)

My warning has been constant—are there not other ways to get around the situation? I have tried to put forward some constructive suggestions. For example, on March 28 I suggested that we use the Bank of Canada like the Americans were using their federal reserve system. Their charts showed that since last July the money supply carefully put into circulation by the federal reserve had had increased by more than 10 percent. If we look at the charts for Canada, the money supply went up and down but now it is roughly the same as it was a year ago, if measured by the M-1 figure. The point of my suggestion was to indicate that as the Americans used their federal reserve system to get a little more money into circulation slowly and carefully, not saying too much about it, inflation came down. According to the book, when more money is put into circulation inflation is supposed to rise. But the opposite happened because, as they put a greater amount of money into circulation slowly, interest rates came down with it. The real inflation was the inflation rate. This is why the inflation rate dropped in the United States, and our country naturally followed.

We are at a very critical time. Our interest rates have come down a little, to around 10 per cent, using the bank rate and the prime rate. But they must come down another 2 per cent or 3 per cent to let us hang on. If we are to use the credit system in our business operations we must be able to do so at a reasonable cost which is not inflationary. Our country is beginning to struggle to rise to its feet again and the inflation rate is falling. If we want to check that gentle motion, all we have to do is to throw the big borrowings on to the Canadian markets and the United States. Then we will see inflation rise once again.

Again I suggest that we should look carefully at using the Bank of Canada. The law allows us to do so. It has been used by previous Governments to take advantage carefully of everything they could to save them from borrowing more money. As we know, this can be done under the Bank of Canada Act without interest.

My second suggestion, which I have been making in the House for two years, was that various Government agencies which have the power to lend money should use that power by accepting money from any source under the Farm Credit Corporation. They do not have to borrow it from the federal Government, but they could lend that money at half the interest rates. They could take away the tax rights of the borrowers and not apply tax to the lenders in order to arrive at half the interest rates. We could apply this suggestion to housing, to exporting and the Farm Credit Corporation, which covers a great section of our needs. The techniques of the Small Business Development Bond and of the income averaging annuity available, the people of Canada will provide all the money needed for these agencies outside the Government to supply the capital we need at a low interest rate in order to operate.

Bill C-151 has a clause which has been in other Bills. I would like to draw attention to it. Subclause 2(3) reads:

> For greater certainty, any amount borrowed under this section may be borrowed in a currency other than that of Canada—

An Hon. Member: It is always there.

Mr. Hamilton (Qu'Appelle-Moose Mountain): That is right, but the point is that it has not been used to the extent it should have been used. I know of one or two cases where it has been used but at high rates of interest. I am simply saying to the Government in all seriousness that with world banks overflowing with money it could go to any group of German or Swiss banks—and we know from where the money comes—and borrow money as low as 6 per cent as long as it is repaid in the currency in which it was borrowed. The Government could borrow all the money it wants, whether it be $14 billion or $20 billion. If it wants to be sure about the exchange rate, there is a special system whereby all banks work together to provide an insurance, for which the Goverment would have to pay a very small premium, in case of any future changes in the value of the currency.