not go into that in detail but I think the hon. member deserves those few remarks.

On the other hand, by his remarks he opened himself up to attack by the Minister of Finance (Mr. MacEachen) when he said that he did not understand the system. The Minister of Finance did not go any further, but at least it indicates that the speech of the hon. member for Kamloops-Shuswap (Mr. Riis) had got through into the hides of the government benches. Naturally there are differences between the parties on many things. But if we can agree in this House that interest rates are the chief issue of the day because people instinctively know they are the one thing that is bringing this economy down and is the biggest component of inflation, we would come a long way in concentrating our efforts on fighting inflation. Inflation is interest rates, and vice versa. It is all the same thing.

Let me cite a few figures. In 1979, the PC caucus got their prime minister to refer the subject of interest rates to the Standing Committee on Finance, Trade and Economic Affairs, whereby that committee could question the Governor of the Bank of Canada and the Minister of Finance and make them produce figures to show whether their policies were right or whether they had evidence that their policies were working. When these so-called knowledgeable men, including the Governor of the Bank of Canada, could not produce evidence that their policies were working from 1975 on, interest rates did not move upwards for four months until we elected a subservient government which bowed its head to these men of great wisdom. And interest rates have risen and stayed high ever since. When the people have a chance to speak to their elected representatives, the "unwashed" who do not know too much about all the ins and outs of this fine theory, we get sound input which has more common sense than you can get from all the experts.

• (1450)

I said a moment ago that we have to take a look at the figures. I have put them on the record many times. It used to be that we considered inflationary forces to arise mostly from government expenditures, and it was for many years quantitatively the main pressure on prices to move upwards. However, today interest rates lead the race many times over. At any given moment over $500 billion are out under fixed rates, and if you use an average interest rate of 15 per cent, then there is an additional $75 billion annual cost to the economy to carry this interest load. That means that prices rise. The cost to government of servicing our debt is upwards of $13 billion a year. So you can see that interest rates are a much bigger factor in the forcing up of prices.

I do not have the figure on the rise in land costs in the last five years, but I know it is huge. Nor do I have the figure on labour costs, except I know that in the last couple of years they have tended not to grow as fast as inflation. So I would say in all fairness, using the quantitative approach rather than the subjective slogans we are using, that we can say with some conviction that we are right when we say interest rates are the biggest part of the inflationary pressures today in Canada. If you want to fight inflation, the first target has to be interest rates, and that is why I think the House should pay credit to the NDP for bringing in this motion. It gives us a chance to discuss it.

Now, as for the Bank of Canada, I join with the hon. member for Etobicoke Centre (Mr. Wilson) in saying do not try to pin the tail of this donkey on to the Governor of the Bank of Canada. He is able, sincere and wants desperately to be a good central banker, but he is going through a period of great change in economic theory. Economists have admitted that they do not know where they have been, where they are or where they are going. All these fellows are naturally feeling for what the right thing is, and in the meantime they try to hang on to the obsolete dictums they have and then they get into trouble. But the hon. member for Etobocoke Centre was right when he said the heart of this belief in a high interest rate policy lies right in the Department of Finance and that is why the former parliamentary secretary to the Minister of Finance knows exactly where the trouble lies. He has got up here and poured out his credibility while trying to say the Department of Finance speaks for God and is always perfect and right. Back off, my friend!

Mr. Smith: Wilson agrees with it.

Mr. Hamilton (Qu'Appelle-Moose Mountain): What the Governor of the Bank of Canada should do is stop this weekly bank rate announcement. It is nonsense. No one borrows from the bank, so why should he set a bank rate? It is just a psychological indication of what the bank governor thinks the interest rate should be. But he knows, and you can read it in all his statements, that he is mainly concerned with trying to stabilize the value of our dollar by the use of interest rates. It is not concern over the money supply, it is an attempt to stabilize the exchange rate.

Secondly, the bank should stop interfering as much as it does with the exchange rate. Concentrating on the exchange rate is not solid management of the currency.

Mr. Smith: Look at our reserves, they have not changed for years.

Mr. Hamilton (Qu'Appelle-Moose Mountain): It is being done by the use of the interest rate technique.

Thirdly, the bank should stick to its primary business, which I think members of all parties would support, and that is, it should control the money supply, hold it in tune with the growth of the economy. If the central bank withdrew from this silly fiddling around with interest rates and concentrated instead on their main function, that of controlling the money supply, I think they would get themselves out of the firing line and we could concentrate our fire on those people in the Department of Finance who take such rigid stands which are not proven necessary by the facts.

Many countries of the world have the same problems as those facing Canada today, and they are wondering what they