

Supply—Finance

increase in consumer prices. The government should start at the business end of this problem by allocating manpower, physical and capital resources the task of increasing productivity.

The other method by which the government has sought to cope with this problem is the undertaking of certain monetary measures. Last year the government removed the ceiling on the bank rate. We had all sorts of assurances from the Minister of Finance that the increased competition from banks and lending institutions would result in a decline in interest rates. Instead we have the highest interest rates in living memory, with a prime bank rate of more than 7 per cent. We have to go back before the 1900's to find a time when the bank rate was that high.

What is the result of these exorbitant interest rates? The result is that we are putting available capital up for auction to the highest bidder and therefore capital is not going where it is needed according to social requirements. Capital is going to whoever can pay these excessive interest rates. There has been no attempt to allocate our capital resources. Some industries are overcapitalized, some are undercapitalized and some essential services such as housing are being starved. This is not leadership, Mr. Chairman. This is a betrayal of the trust which the people of Canada have reposed in this government.

The government has raised the central bank rate to 7 per cent in response to the appeal by the President of the United States to United States subsidiaries in this and other countries to send part of their profits back to the United States. I am not going to condemn the President of the United States for doing something which I presume is essential to the economic well-being of that country, but as a Canadian I have to recognize the fact that what the United States is doing is transferring some of the cost of the Viet Nam war to its trading partners. That is exactly what is happening. The United States is seeking to export some of its problems, first by cutting down overseas investment and, second, by asking these subsidiaries to send back part of their retained earnings to the United States.

As every member knows, these subsidiaries responded with almost indecent alacrity. The New York weekly bond market report states that in three weeks in January the auto and rubber industries in Canada sent back \$150 million to the United States. The rush by

[Mr. Douglas.]

many United States subsidiaries to send money back to the United States was so great that the Minister of Finance telephoned Mr. Fowler, the secretary of the treasury, and asked him to clarify the position. The minister telephoned from Winnipeg in great alarm. Mr. Fowler issued a statement telling the subsidiaries not to make abnormal, and I emphasize that word "abnormal", transfers of money back to the United States. There have been large transactions. From the best figures we can get, the Bank of Canada had to find \$350 million in January and another \$113 million in February to stop this trend, and the end has not yet been seen.

The government has done nothing about applying any exchange controls. In most of the countries of western Europe, if you want to transfer a large sum of money you have to get a permit from the central banking authority. The government has done nothing about this situation except to make a rather pathetic appeal to the government of the United States. Those are the two things the government has done in respect of fiscal and monetary policies.

I was pleased yesterday when the Minister of Finance said he had come to the conclusion that fiscal and monetary policies were not enough. Bless his heart. We have been telling him that ever since he became Minister of Finance. Fiscal and monetary policies are useful instruments but they are blunt instruments. If we are going to grapple with this situation there are other steps which must be taken. Let me outline one or two of the steps we have suggested from time to time.

The first step we have suggested is the establishment of a prices review board which would have the power to review prices and deal with cases where increases in consumer prices were unwarranted or unjustified. We would seek concurrent legislation in the provinces to give the board the necessary power to make companies which were profiteering at the expense of the Canadian people roll back their prices.

The Assistant Deputy Chairman: Order, please. I regret to interrupt the hon. member but his allotted time has now expired.

Some hon. Members: Carry on.

The Assistant Deputy Chairman: Does the committee give its unanimous consent to the hon. member to continue?

Some hon. Members: Agreed.