

and operated. Interest rates also have a devastating effect on small business. Again let me be more explicit. In Prince Albert last month, a dealer in carpets closed his shop. He had approximately \$100,000 worth of carpets in stock. However, the interest on those carpets increased to the extent that he felt he could not afford to stay in business. There are thousands of stores like his. I predict a rash of bankruptcies among small businesses during the next year.

● (2020)

Interest rates have a domino effect. For example, a lumber mill closed a month ago at Meadow Lake just outside of my riding, which put approximately 100 men out of work. The mill closed down because it could not sell its lumber. The lumber yards quit buying lumber because the construction people stopped building houses. Orders for houses dropped drastically. The lumber yard laid off men because they were no longer needed. The house construction industry was not building houses because sales had dropped off. Again, men were being laid off because few houses were being built. Real estate people were having difficulty selling houses because mortgage rates were too high.

We all know the story of the battle that was lost for the want of a horseshoe nail. The analogy is clear, Mr. Speaker. The government may lose this battle because it has failed to deal with high interest rates.

Some hon. Members: Hear, hear!

Mr. Hovdebo: I have heard hon. members opposite say that mortgage rates are going down. But, down from where? Interest rates have moved up from 11 per cent to in excess of 15 per cent and then have moved back to 14.75 per cent. I do not call that a reduction.

I want to speak now about the farmer. The farmer has been dealt a triple blow by this budget and this government. First, interest rates were increased by this government. They were not lowered in the budget. However, I have already dealt with that point.

Prices are being increased for farm fuel at a rate of approximately 60 cents per gallon by the end of next year due to the artificial increase in the cost of crude. In addition, the farmer will be required to pay 25 cents per gallon tax on all fuel he buys. Granted he will receive a 10 cent rebate, but he still has to pay the full amount to get the fuel. I hope that the government will consider paying 16 per cent interest on the money that makes up that rebate because that is what the farmer will be paying for it.

Incidentally, this 15-cent tax will cost Canadian farmers approximately \$170 million. The farmer is devastated by these extra costs. That is how this government fulfils its promise to protect the family farm. These kinds of costs heaped on farms that are already marginal will cause bankruptcy. The family farm is in danger.

Statistics Canada, that much beleaguered entity, indicated that the number of families living below the poverty line in

Canada has increased by only 1 per cent. I stress the word "only" because the Statistics Canada report did so. Most of us are losing buying power through the effect of interest rates and inflation. But those who are on low or fixed incomes are hurting the most because they so easily slip below the poverty line.

It is a sad state when in a country as rich as Canada 700,000 families are living below the poverty line. Again, that figure is from Statistics Canada. This budget will increase that number by pushing up the cost of rent, fuel and other items. Meanwhile, corporate profits increased substantially during the last year, and this budget will not affect them. In fact it is likely to increase the profits of many companies. This budget will increase the number and speed by which people fall below the poverty line. Poverty is not an economic problem as much as it is a problem of lack of will and neglect on the part of the government.

During the last 100 years, people of the western world developed political democracy to a point where we pride ourselves on our freedom. But also during the last 100 years we have contradicted that by losing control of the economy. One hundred years ago, farmers, tradesmen, storekeepers and professionals owned and controlled the means by which they lived. However, the industrial revolution concentrated the machinery of production and of distribution in the hands of those who supplied the capital. While we won the right to vote, we lost control of the economy.

We are subjected to an almost continuous campaign to sell us on the idea of the free enterprise system. However, as Tommy Douglas put it in 1958, "The economic system under which we live is neither free nor enterprising".

We have heavy unemployment, a surplus of most staples and most manufactured goods, and if the free enterprise market system is working, then the cost of living and the price of retail goods should go down. This is the law of supply and demand. Instead, the cost of living continues to rise and retail costs continue to do likewise. The market system no longer works because most prices these days are set by agreement based on the cost of production plus a fairly hefty profit. The prices are set by the producer in every industry except farming.

While we have become politically free, we have become economically enslaved. It is still true today that he who controls the means by which we live, controls me. Political power follows economic power. People who control the economy take steps to control the political nation, and I want to stress that point—people who control the economy take steps to control the political nation to protect their investment in the nation. When decisions made in this House favour corporations and when budgets favour those corporations, then we confirm that that statement is true. We confirm that corporations that control the economy are protecting their investment by controlling the political action of the government.

We hear much about the dangers of government control of the economy. What is the danger of a country in which corporations control the government? In Canada we have not only accepted the idea of the state being controlled by corpora-