I say that because I ask the House to be patient with me as I mention a few thoughts concerning the Bretton Woods Agreements Act, and the International Monetary Fund. Frankly, we are sitting in a climate as far as the world is concerned that is very unpredictable. We may be closer to an economic collapse than any of us care to believe. I believe the time has come when we, as perhaps the seventh strongest nation in the free world, should be addressing our thoughts, certainly domestically, to what we can do to try to avert this collapse. We should also consider what can we do of an international nature if the collapse is to be avoided.

I felt that in committee we had a worth-while hearing as to what were certain of the minister's views on this bill, the ongoing position with respect to the International Monetary Fund and what was the exposure. In short, I felt that some of the answers given in committee, while perhaps truthful and honest, were quite alarming.

First, I would like to recall for hon. members that as we live with inflation in this country, and to a greater or lesser extent with inflation in other countries, let us not forget that this is a highly unusual phenomenon. Inflation is not a natural thing. The byproduct of inflation, high interest rates, is not a natural phenomenon. I find it is alarming to hear, especially the socialists to our left—even their leader—rationalizing inflation and basically an unsound monetary and fiscal position as if it were something normal. I will come back to that a little later.

Let us not forget that when this country was formed in 1867 the world of that time, as far as economic conditions were concerned, was relatively stable. I think members might be interested to note that as we live with ever-rising interest rates and with an anxiety as far as the investment community is concerned in putting money out beyond five, ten, certainly 20 years, today the average investor is asking what he can get on his money for the next 90 days or one year. He does not want to know what he can get on his money for 20 years because inflation may be such that it has eroded the value of his money and he would lose whatever stake he invested.

Let us not forget that it was never always that way. For example, I have referred to 1867 when the world was relatively stable as far as monetary conditions were concerned. It is perhaps interesting to note that between 1860 and 1876, of 87 foreign government loans of $1 million or more placed in London, nearly half had maturities of terms from 100 years to perpetuity. I say to members, think of the contrast in the mental attitude then with that of today. People then were so confident with the well-being of the economic world situation that they were prepared, in the case of those loans, to put the bulk of their money out for 100 years to perpetuity. Contrast that with the fact that on a recent issue we offered 13.75 per cent on our money for 20 years and there was some doubt whether even at that price the issue would sell.

In committee I referred to an article that appeared only last month, on June 23, in the reputable magazine *Forbes*. The article is entitled "Recycling Petrodollars—How Much More can the System Take?" I invite hon. members to read this article. In particular, I ask them to note the two scenarios which the writer and the editorial board of *Forbes* magazine suggest at page 98 of the magazine, which reads as follows:

At the moment the world faces two equally grim scenarios:

Scenario one: Lending will continue to dwindle, and there will be defaults from which the various governments will have to rescue their banks. The poor countries will no longer be able to buy goods from the industrial countries, which, in turn, will suffer depressed economies and lack the means to pay OPEC. The entire world economy will sink into low gear. The poor will starve. The rich countries will stagnate. Even the Communists will have nothing to cheer about. The U.S.S.R. and Eastern Europe depend heavily on world trade, and all seek cheap credits.

That is scenario one, Mr. Speaker. The article continues:

Scenario two: The merry-go-round will speed up again. OPEC will continue raising oil prices. The politicians, unwilling or unable to impose austerity on the industrial countries, will encourage the banks to provide plenty of liquidity both for their own economies as well as for those of the poorer countries; and inflation will move up another notch or two. For a while the faster inflation will enable the poor countries to handle the debts they constantly incur because they will be servicing the debt with dollars that are constantly shrinking. But the faster inflation, with its attendant disruptions, will end up by paralysing the international capital flows upon which everybody's trade and prosperity depend.

There is, of course, a way out. With a strengthened IMF, the nations might gradually accept a painful but bearable slowdown in their economies while the money supply is brought under control. This is probably the only way out.

I read that into the record as I did in committee because I felt that I would like to have a comment from an official in the finance department as to whether they felt that with those two scenarios, the conclusion of the writer of the article in *Forbes* was accurate.

For the record, this is what Mr. Hilton, a senior official with the Department of Finance, had to say. He had read the article. He read the two scenarios and he stated:

I think that the analysis probably could be in greater detail, but I think that the current trend of thinking in the western community is that inflation is the greater danger so that Scenario 2 is really not one that people are concentrating on or more to the point, they are trying to prevent, so it means that there has to be an adjustment process so that there is adequate financing through the world. That financing is important to all countries, both developing and developed and particularly important to a country like Canada where our trade lines are more important to our economic performance than anything else. The problem is whether we have a system strong enough that can adapt and accommodate so that the channels of financing can continue through the 1980s. I think that we have a small period of time.

● (1610)

Think of it, here we are in July, 1980, being told by a senior finance official that, in terms of these economic conditions internationally, we have only a small period of time left to make the suitable corrections. Mr. Hilton went on to state:

I agree with the conclusion that no one country in the world is going to be able to develop a set of international policies, financial policies or financial actions with which it is going to save itself. It is going to have to be done collectively and the collective implementation of that policy is probably going to have to be done through existing institutions of which the most important is going to be the IMF.

The possibility of finding some further strengthening of the IMF has been mentioned earlier today and that may be in the form of more direct participation by the surplus countries and particularly the OPEC countries so that the strength and the power of the IMF can be used for the benefit of all its members.

I think in conjunction with the IMF because there is going to be the poorer countries of the world are going to need to continue receiving financial flows that cannot be expected through the private system, that we will have to transfer some of the aid transfer mechanism and in this connection, the World Bank is the most important organization because it is large. We can move large amounts of dollars and it works in conjunction with the IMF. And, finally, I think that