

I say the government's failure to force the banks to reduce their interest rates is the major cause of Canada's current economic difficulty. That policy must be changed and it must be changed now.

Let us look at some aspects of ordinary existence by ordinary people in this country as they find themselves living in the midst of this monetary madness. First, let me deal with home owners. Two years ago a mortgage could be obtained in Canada for 11 per cent. The increase to the current level of 18.5 per cent—and it will go up again after today's announcement—means an increase in carrying costs in terms of monthly payments of 65 per cent. That means a mortgage of \$70,000 will now cost \$1,052 per month to carry compared with a former cost of \$673 per month.

● (1530)

Home ownership is now out of reach of everyone but those earning beyond \$50,000 a year. Put differently, for the first time in my life as an adult and for the first time since the great depression, 90 per cent of Canadians cannot afford to buy their own homes. That is surely the most glaring statistic of all in terms of the government's high interest rate policy. The government says it is pleased with the statistics which show that housing starts have increased recently, but what good is a housing policy that produces houses which only 10 per cent of Canadians can afford?

What about the farmers in Canada? During the past year farm bankruptcies were up 78 per cent over the year before; that is, 1980 over 1979. In the first three months of 1981, farm bankruptcies have continued to climb and this time they are up 70 per cent over the same period last year. Farm bankruptcies are only the tip of the iceberg. Not included in these figures are foreclosures and sell-outs that have been forced upon the farmers of Canada.

What about our small business people? The federal government's failure to understand the interests of small businessmen is profound in its implications, not simply for the people directly involved as owners of small businesses, but for the majority of Canadians because the majority of men and women who work in Canada work for small businesses, not large corporations. When a small businessman goes belly up, the ordinary men and women of Canada also go belly up in terms of losing their occupation. Whether we are talking about farmers, small businessmen, home owners or fishermen, the problem of inflation directly relates to the high interest rate policy and its effect on the majority of Canadians.

Having listed in a very brief way the problems faced by Canadians in these particular occupations, I want now to deal with the government's response to this profoundly serious situation. What has been the government's response when confronted with the evidence? There certainly have been pious expressions of concern. Beyond that, they have said two things. First, they said that high interest rates are needed to bring down the level of inflation. The second argument, whether in the words of the Minister of Finance or the Prime Minister, has been that opposition suggestions, all nicely lumped to-

gether, would exacerbate the inflation problem rather than reduce it.

Last week in a debate on a similar topic, I noted that it was once the practice of the Liberals to refer to the Conservative party when they were in government as a non-government. At that time I said that the Liberals, given their present attitude on interest rates, were providing Canadians with what could only be described as a "con" government. I want to say precisely what I mean by that in terms of the two arguments I just said they make, first that the high interest rate policy is needed to bring down the level of inflation, and second, that opposition suggestions would be counterproductive when it comes to inflation. It is exactly the reverse of the truth.

A con government, like a con artist, likes precisely to do that. He likes to take black and pretend it is white or take white and pretend it is black. The minister dismisses a good argument if it is from the opposition and maintains a bad argument simply because it has come from the government.

Let me deal with the first argument, the interest rate policy being good for inflation. The record is clear. The record of Margaret Thatcher's government in England is clear. The record of Carter's performance, followed by his successor in the White House in the United States, is also clear. The record of the Conservative party when they were in power, followed by the Liberals when they came back into office, is clear. Every time you have had an interest rate increase, rather than leading to a reduction in the rate of inflation it has led to an increase in inflation. Surely that message will get through to the Government of Canada. They should stop paying attention to an ossified, rigid theory which emanated some time ago from Milton Friedman of the University of Chicago and has been accepted holus-bolus by too many governments in the western world, start looking at the evidence, ignore abstract theory and begin paying attention to the real problems in Canada.

The second point concerns their suggestion that the NDP proposals in themselves would contribute to the problem of inflation. I want to take that on particularly this afternoon in this important debate. Our central suggestion when it comes to the interest rate policy has been to force the banks, through direct action by the Minister of Finance and the Bank of Canada, to bring down interest rates in Canada step by step to the level of inflation.

It has been suggested that the results of this would be entirely negative, would inevitably lead to an outflow of capital and exacerbate the problem. I suggest that reducing the interest rate would have early tangible, positive effects. It would enable Canadians to own and maintain their home. It would enable farmers, instead of having to sell, to maintain their farms. It would enable all those I talked about earlier to cope with their economic situation and in some cases, such as small businesses, to more than cope and be able to expand. Those would be some of the positive, tangible effects on the economy and on people of a change in interest rate policy.

Let me consider the one negative possibility which the government has raised time after time on this issue, the