Mr. Don Blenkarn (Mississauga South): Mr. Speaker, yesterday we received the news that the inflation rate, the CPI in November, had risen a full 1.2 per cent. Since this government took office, counting the months of April to November, the price index has risen 7.9 per cent in a period of eight months. In other words, it is clear that the inflation rate is the inflation rate set down in the fairy tale budget of the Minister of Finance accelerating. The suggestions in that budget were totally wrong, inaccurate and put forward incompetently. The inflation rate figures mean nothing except that the inflation index is going up and up, higher and higher.

Let me refer for a moment to a speech made last spring by the Minister of State for Finance (Mr. Bussières), who I see here in the House. In that speech he said essentially that interest rates are a symptom of inflation. The only way we are likely to achieve lower interest rates on a sustained basis, he said, is by achieving a substantially lower rate of inflation. The clear indication of where we are going with the inflation rate was given to us yesterday when the Bank of Canada rate went to 17.36 per cent, the highest ever in the history of this country, dramatically higher than at any time in the past, unbelievably high. When we wind up with the news that the chartered banks have established a prime rate of 18.25 per cent and an interest rate which, I might point out to members of the House, was deemed not long ago to be a usury rate—

An hon. Member: An Al Capone rate.

Mr. Blenkarn: My friend here says "an Al Capone rate". That is the prime rate, the rate at which the most creditworthy companies are entitled to borrow money. I do not have many of those in my riding. Indeed, very few of my constituents ever thought of getting the prime rate. My law firm does not have a client who gets the prime rate. The rate is prime plus 1 per cent, prime plus 2 per cent, indeed, prime plus 4 per cent. It means that the businesses and the ordinary people of this country are now required to pay 20 per cent for their money. If they can stay in business, that interest will be passed on in ever-higher prices. The government has us on a treadmill—rates go higher, prices go higher, wages must go higher and follow. We go on and on; the dollar goes down and our economy goes down. The only things which go up are unemployment and prices.

● (1110)

There is a problem in the country in determining the interest rate factor. I should like to discuss what has happened. Until last spring the Bank of Canada rate was an administered rate, determined by the Bank of Canada on some fuzzy basis when it decided to impose the rate. However, last spring interest rates went wild and the Bank of Canada decided that it would peg the prime rate it would charge the banking system at a quarter of 1 per cent over the 90-day treasury bill average.

Why does the rate go so high? It is because the Bank of Canada must go to the market every week now to borrow nearly $1 billion. Most of that is not fresh money; most of it is a rollover of existing treasury bills and other debt instruments which are outstanding.

The Bank of Canada statement points out that the amount of treasury bill debt held by the Government of Canada is $20.605 billion. Treasury bills are all written for 90 or 182 days, except for some which were written a few weeks ago on a much shorter basis. The treasury bills must be rolled over; at least $1 billion a week must be rolled over. What is happening?

The borrowing requirements or the need for the government to roll over its current debt every week creates an interest climate in the country dependent largely upon the enormous amount of Government of Canada borrowing. All government debt at this point today is in excess of $80 billion net debt. That is the debt owed by the Government of Canada or the public of Canada to the Bank of Canada. The tragedy of the situation is that most of that debt is current account debt. I am glad the Minister of State for Finance (Mr. Bussières) is here. If we were writing a balance sheet, the balance sheet for Canada incorporated would show at least $40 billion net debt within the year. Indeed it would be in excess of that because the rest of the debt, the very large majority of it, is due within less than three years.

The situation is that the government debt, the urgency and the current account nature of the debt, requires the Bank of Canada to be continually in the market borrowing, forced to pay whatever it must pay just to keep the bills of the Government of Canada paid. We need to borrow fresh money to the tune of $12 billion a year on top of the money that we must borrow to roll over the existing debt. This continual demand on the money market of the country makes it virtually impossible for the Bank of Canada to do anything except pay what it must in order to get the money.

When the Governor of the Bank of Canada appeared before the Standing Committee on Finance, Trade and Economic Affairs on October 30, he was asked what he could do. He was asked when there was a limit to the amount of money which could be borrowed. He said that he could borrow all the money he wanted, as long as he paid what he was required to pay for borrowing it. I said, "Are you not drawing up a supply of money?" He said, "As long as I can outbid all other bidders in the money market and as long as I can issue treasury bills and bonds at higher rates of interest, I can get the money".

What does that do to the rest of Canada? The government has soaked up the savings or the loose money of Canadians. The government soaks up the vast majority of the savings of Canadians. A year ago I asked some people from the Bank of Canada what they thought were the free savings of Canadians. They came in with a figure of somewhere around $12 billion. In order to finance its fiscal requirements the government needs $12 billion. We can see that the government is soaking up most of the available money. How is the government doing it? It is doing it by bidding up the rate of interest. They bid it up every week. Consequently they are paying 17.11 per cent on the average 90-day bill. That is how the Bank of Canada rate is determined. The banking system goes along with the govern-