

ers buying goods and services with borrowed money must therefore pay their own interest and that of the producer as well since it is already included in the price of those goods and services. Mr. Speaker, when the government members tell us that inflation cannot be controlled because it is due to a number of external causes, they show how little they know about the problem. I do not pretend that there are no external factors involved, but I think we should first consider domestic factors such as our money supply, and in that respect bankers recognize that I am right. Since the reasons for inflation have been identified by economists, why is the government unable to come up with an aggressive policy to control spiralling prices and do for prices what they have been doing for salaries for over two years? Must we believe that the government has abdicated in front of the financial power of chartered banks and big concerns?

It seems that the Canadian government has adopted the American president's declaration that any hope to control inflation is a myth. And yet Germany and Switzerland have done just that. Why do we not lead the way for once? I would like to quote here the projections for 1978 of the Friedbert and Co. Ltd. group in Toronto: "In 1978 and 1979, more than \$10 billion in net financial requirements will be needed by the private sector, a fact which will push interest rates to record levels". And since the government itself goes to the private sector to finance its debt, it will be victim as well of these higher interest rates. The end result will be unprecedented profits for chartered banks and lending institutions. These last few years inflation has been the most controversial economic problem, but there has been no real action to control it. We must not let inflation become part and parcel of our system, already bad enough as it is. History tells us that the surge of prices gives way to economic instability and threaten the personal financial security of social groups such as people living on pensions and the unemployed.

We can easily see how important it is to revamp our system. Unfortunately the longer we allow inflation to stay with us the more problems we must expect to have, in number and complexity. All government policies so far have proved useless. Indeed I had the opportunity to discuss this question at length during the debate on Bill C-18 about anti-inflation controls. Perhaps government policies were not entirely useless but they did not go to the heart of the problem. As I said earlier, inflation is related to prices and prices are a monetary measure. Money is created by chartered banks, their reserves being controlled by the Bank of Canada. No one here can deny that these institutions have a decisive influence on the conditions determining our purchasing power. One of the determining factors in extending credit to the people is that borrowed money has to be paid back with interest. For the mere fact that he is paying interest on his credit, an individual sometimes happens to pay three times the value of the products he buys. A typical example would be the case of a house bought with a

mortgage loan. We are faced with much the same situation as regards the national debt.

Not later than this morning, Mr. Speaker, we could read the following headline in the economic pages of *Le Devoir*:

Hydro-Quebec invested \$2 billion in 1977, half of the hydro bill goes to pay the interest on the debt.

Just think of it, Mr. Speaker, half of the bill goes to pay the interest on the debt.

A little further, we can read this and I quote:

The interest on the long term debt amounted to \$620.8 million against revenue of \$1.2 billion. The decrease in the value of the dollar cost Hydro-Quebec \$10 million in 1977.

We also see in the annual report that the average interest rate for this public company was 8.32 per cent in 1977, and that it got a \$55 million loan from ten chartered banks in the country at a rate of 9.25 per cent.

Mr. Speaker, such indebtedness is unacceptable when we have all the tools required to make these funds available to the quasi-public sector at administrative interest rates. Interest rates are no longer related to administrative costs. High interest rates are therefore a direct cause of high prices. If the interest rates were lowered to reflect the administrative cost of a loan, the current trend towards rising prices would obviously be greatly reduced. This is what I have suggested on many occasions by explaining that the issue of new credit by the Bank of Canada to finance the public debt as well the financial requirements of the public and quasi-public sectors would not have an inflationary effect and would at the same time contribute to lighten the financial burden of our present high unemployment rate.

The major legal responsibility of the Bank of Canada is to administer the money supply in the best interest of the Canadian community, and the increase in the cost of living is directly opposed to this interest. The Bank of Canada therefore has a duty to control these high interest rates which are a major cause of the ever higher cost of living. Our present monetary system is clearly at the source of the inflationary trend of interest rates. I therefore suggest, Mr. Speaker, that the centre of gravity of financial control, which is now solely in the hands of the bankers as concerns the population as a whole, be transferred so as to create an economy which would truly serve the consumer. I also suggest the distribution of a basic income to all citizens to enable them to obtain the necessities of life. Finally, I would like the obvious defects of the present price system to be eliminated since these defects lead our economy from inflation cycles to recession cycles. To this end, the Bank of Canada, the last resort institution of money and credit, must steer its monetary policy to achieve a harmonious development of our economy. Such a philosophy of credit will greatly contribute to stabilizing the purchasing power of the consumer.

I also wanted to talk about a national guaranteed income. Mr. Speaker, we now have a tendency in this country to want