

that time. He was referring to the Conservative budget of R. B. Bennett. Speaking of his course of action, R. B. Bennett's Conservative finance minister said, as quoted by the Minister of Industry, Trade and Commerce:

This course may result in hardship. It may entail sacrifice, but in the long run it will result in less hardship and will call for less sacrifice than that which would flow from a policy less courageous.

The Minister of Industry, Trade and Commerce was directing his remarks to the then minister of finance, the hon. member for St. John's West (Mr. Crosbie), and he said:

Mr. Minister, I want to point out to you that your high interest rate policy would slow down the economy; it will mean the loss of thousands of jobs; it will mean increases in the cost of living. It will probably bring the housing and construction industry to a halt, with thousands of jobs being lost in those sectors.

There was a person crying about gloom and doom. I point out that at the time this committee hearing took place the prime interest rate was 14 per cent. If it was fair for the then finance critic in the previous Parliament to talk about economic chaos as a result of a 14 per cent prime rate, when today we have a 17.32 per cent prime interest rate, a record high interest rate for Canada, certainly it should be our duty as opposition members to let this government know that a record high interest rate will cause severe problems for the economy.

● (0420)

I would like to speak now about a statement made by the Minister of State for Finance (Mr. Bussi eres). He said earlier this evening that the enemy is not interest rates, the enemy is inflation. When we get interest rates of 20 per cent or better, and that is what a lot of small businessmen will be paying in this country, they will be paying prime plus one, plus two, and in some cases plus 2.5 per cent, which will get them very close to 20 per cent, I submit that those kinds of interest rates add significantly to their costs, and interest rates at this level are a major factor in inflation. To argue otherwise is to kid ourselves.

I will now turn to the cattle business with which I am fairly familiar, Mr. Speaker. The cattle business affects us all because it affects the price of food. We all know that meat is a basic commodity in Canadian diets. A cow-calf operator's major cost is interest cost. It can cost a cow-calf producer as much as \$130 or \$140 a year just to pay interest costs. That is about equal to the cost that a farmer would incur to winter a cow.

We know that in our country we have fairly long winters. We sometimes say that we have six months of winter and six months to get ready for it. So, when we get to a situation where interest costs are roughly equal to the cost of wintering a cow, that gives you an idea of how interest rates affect the inflation rate, and that is reflected in the price of food which the consumer has to pay. That is one of the reasons why we see an increase in the cost of living, which affects the inflation rate. So for the minister to say that the enemy is not interest rates, the enemy is inflation, is a disgrace for a minister of state for finance. He should certainly know better.

Economic Conditions

In that context I would also like to challenge every government member who has spoken here this evening to go back to his riding, and when he is asked about interest rates over the holiday break, to make the same kind of points to his constituents that he tried to make here tonight and defend the interest rates which this government is shoving down the throats of Canadian people. I would like to see how many votes they would get and how popular they would be with their constituents. To give them the same kind of clap-trap that they have been passing across the floor this evening is shameful. All of them should be ashamed of themselves because I know they know better, and that includes the hon. member for Ottawa Centre (Mr. Evans). He knows better than that. I have heard the Prime Minister (Mr. Trudeau) refer to him as a brilliant economist. When he makes the kind of statement he made tonight, I think it points to the fact that they are both wrong.

An hon. Member: It was one of the funniest jokes he ever told in his life.

Mr. Mayer: Now I should like to talk, if I may, about how interest rates affect the farming community. Farming in this country is a seasonal operation because of the type of climate we have. If we are going to be productive and plan our production properly, we have to do it at least a year ahead. When farmers sow a crop in the spring, many of them plan to put it through livestock in order to market it. That means that a farmer who plants a field in the spring of 1981, harvests it in the fall of 1981, stores it, and markets it through livestock, the following year. In fact that crop may not be marketed for at least a year and in some cases 15 months after the decision was made to produce a certain crop on a particular field.

When we see interest rates move up at the kind of pace we have seen in the past month, we realize that there is no way in which a farmer can adjust to those kinds of interest rates. This creates complete havoc as far as his planning is concerned. It discourages him from long-range planning, which you have to do in the agricultural industry to maintain a stable supply of food for Canadian consumers. These interest rates are completely counterproductive. I do not consider myself to be an old timer in farming, but I can remember when a finished animal sold in the 20-cent-a-pound range, and I can show you figures now where the interest costs of producing an animal are roughly equal to the total cost of selling a finished animal as recently as 20 years ago. That is what inflation has done to the price of raising livestock in this country. I disagree totally with the Minister of State for Finance when he says that interest rates are not the enemy, that the enemy is inflation. In fact interest rates are a very big factor in the inflation rate in this country.

Mr. Smith: Tell us your solution.

Mr. Mayer: You want some solutions? I will give you some solutions. One of the things that the government could do right now would be to increase the initial price for grain in western Canada.

Some hon. Members: Hear, hear!