

who would borrow, say, \$1,000 at 10 per cent, and as inflation hit 10 per cent they were getting their money free. People knew that. There was a false optimism that that cycle could continue.

● (1750)

Canadian farmers and businessmen were not alone in that optimism, I must say right away. I remember reading an investment article in *Esquire* magazine in the late 1970s urging people to get into the stock market or to get into real estate based on that inflation psychology. Of course, that kind of cycle ends some day. There comes a time when the crunch hits when interest rates will not stay below inflation but will skyrocket upward. That happened and people with fixed investments, like farmers, were caught when the ultimate cure arrived. When high interest rates arrived on the scene, they arrived because the western world had been on an inflation binge, and finally the lenders were not going to watch their positions erode any longer. Lenders were not going to give money cheap any more. They were not going to see their savings disappear. Therefore, interest rates went up over 20 per cent. That caught farmers, small-businessmen and home owners. I believed, and I said to those folks in Bruce-Grey, that the real answer to their problems in farm financing and high interest rates was to cure inflation. That was an honest answer. I think as we look at the economic performance over the past year, we can agree that that happened. Interest rates came down from their peak above 20 percent. They are now down to 10 per cent to 12 per cent on home mortgages. Interest rates are more manageable for folks today because inflation is a more manageable phenomenon. That is a tough thing to tell somebody in the middle of a crunch when his family has to make tough economic decisions to survive the next week, let alone the next year until a long-term cure arrives.

As we look at this issue of agri-bonds, let us not be confused. We will do our people no good at all if we tell them that there are quickie answers to those kinds of emergencies. We must try in real distress situations to help the distressed and give them a bridge across these difficulties. Nevertheless, we cannot go to a whole community, like the farming community, and say that their problems will be solved by one quickie answer. That quickie answer will lead us all into a blind alley.

As we study this question of agri-bonds, we had better ask ourselves: Are we going to use agri-bonds for people in distressed situations or are we going to try to use them for the whole community? Are we going to use them for fixed periods of time or are we going to put them in place permanently? We know, because we can see in France today, the ravages caused by quickie cures to long-term problems. The French economy has been slower than some in its recovery because the French Government tried some quickie cures to some very deep problems, like inflation. As a result, the French brought in even more inflation causing longer-term problems. We must avoid that, and I do not think we want to tell Canadian farmers that we are really going to resolve their problems with this one approach. First, we had better resolve in our committee to

Agri-bond Program

whom we are going to make the agri-bonds available. Are we going to make them available for everyone or are we going to make them available for people in trouble? If we do this, how are we going to do it so we do not create a blind alley and an economic trap that will eventually lead people into worse trouble? I can think of lots of other examples besides this one where governments have tried short-term, very attractive cures or palliatives that have led people into ultimate distress. I would think the AHOP—the housing program—and the “home ownership made easy” programs in the 1970s were examples of where that kind of optimism—ultimately created huge, huge problems for individual families.

Mr. Nickerson: Good Liberal programs.

Mr. Fisher: Second, I would like to ask the committee to take a look at the way an investment program like this could distort the market. There is a feeling that if we lower interest rates we give our customers or our community room on land prices. That is not always true. If land is a highly desired commodity and we lower interest rates, then all we are going to do is to give people room to increase the capital. That is definitely what happened in some parts of the United States where this kind of cure was brought in, where interest rates were taken out and lowered in some way. Capital costs then simply went up to absorb the vacuum. You do not see prices coming down. You see other costs going up, Mr. Speaker. We had better take a good look at that.

Third, we should look at the way this kind of special treatment will affect all other Canadians. What will happen to home owners? What will happen to small business? What will happen to people who own Canada Savings Bonds? What will happen to people who own commercial loans? The interest on their investments will continue to be taxable. How do we justify to them that they must pay tax on their bank accounts while someone else invests in a farm and gets that investment at a lower tax rate or tax free? That is not impossible to do. We do that all the time. We do it with people who invest in small businesses instead of big business. We do it with people who invest in other high priority economic activities. But it will be incumbent upon the committee to address that question.

I would caution the committee, as it works on this, that the Lortie Commission looked at this question for mortgages. They were unable to find proper solutions. When the Lortie Commission looked at the mortgage proposals, it recommended that they should be abandoned because the proposals were too complex.

Those are just three issues. I think we have a variety of others. I would first of all suggest that we have to look at whether this is a genuine cure, a palliative, or a dead end. Second, we have to decide what we are going to say to people in other market. Third, we have to decide what effect this will have on land prices in the farm community.

For the reasons I have already explained, I move, seconded by the Hon. Member for Lambton-Middlesex (Mr. Ferguson), who is an outstanding expert and who is ready to second any motion that I offer and therefore is very high in my esteem: