

*Interest Rate Policy*

environment of high interest rates and inflation many corporations are more interested in buying other businesses than they are in producing and selling products to customers. We are not seeing, then, our economy expanding, developing and growing. We are simply seeing mergers and monopolies evolving.

In fact, the value of mergers in both Canada and the United States rose from \$12 billion in 1975 to \$22 billion in 1977, and from \$34 billion in 1978 to \$40 billion in 1979. In fact, Canadian companies last year spent more on acquisitions than they did on research and development.

These are only a few of the consequences of this government's misguided monetary policy. The death knell is being sounded for Canadian business, especially small Canadian business. The death rate is certainly greater than the birth rate for Canadian small businesses, which obviously means that the end is very close.

Inventory growth has a powerful influence on how the economy performs. In 1980, cutbacks in inventories made the difference between a positive economic performance and a negative one. Our present high interest rates have dramatically increased the cost of carrying inventories for all businesses, but this burden falls especially hard on small businesses. As a result, they must cut back on their type of investment which reduces their ability to carry adequate inventories. It reduces their ability to compete effectively with larger corporations, with the national chains and with the multinationals, again causing difficulties for the small business.

Small businesses, by their very nature, must be flexible and responsive to changes in market conditions if they are to survive and prosper. Uncertainty and instability undermine the effectiveness of business, especially small business, to make sound investment decisions, create new jobs for Canadians and contribute to our future prosperity.

A prime responsibility of government, then, is the establishment of policies that contribute to a stable, well managed economic environment, and encourage confidence in the future. Unfortunately the legacy of policies adopted in the 1970s, and now in the 1980s, under this government, is a climate of uncertainty and an economy in decline.

**Mr. Jack Shields (Athabasca):** Mr. Speaker, I treasure this last ten minutes in the evening for the opportunity it gives me to outline just a few thoughts. I have listened with a great deal of interest to the debate that has gone on today, particularly those speeches from the government benches and from my socialist friends to the left.

We heard the socialists say they blame inflation on high interest rates, on multinationals, the money-grubbing, profit-hungry banks, big business and the greedy speculator. Then we heard from the government side that everything is going well, we are all living well in this country, and the government cannot do anything about interest rates because our economy is so closely tied to that of the United States.

Time after time we hear stories about small business firms going under. We hear about farms and others going bankrupt. We hear about people losing their homes. All this is denied, of

course, by members on the government benches. The fact is that all these things are happening.

The Liberals in their speeches about high interest rates and inflation say it is a result of that little bit of greedy push by Alberta which wants oil prices and commodity values to go up to something comparable to what is being paid elsewhere in the world.

All this distresses me because it becomes very obvious that this government is not only bankrupt financially, and obviously has nowhere to file its bankruptcy, it is bankrupt of ideas and solutions. It is very clear that if a business or a wage earner goes into debt by overspending and then begins to borrow funds to pay that debt, the business or the individual will go bankrupt. This government has declared personal bankruptcy but it has no place to file. This shows up in the strength of the Canadian dollar.

To make a case to the world that we are doing all right here in Canada and that Canada is endowed from coast to coast with riches galore, while countries like Japan and Germany are doing without, we prop up the Canadian dollar which is not worth the 83 cents indicated on the foreign market. This is the direct result of the system we are operating.

There is one cause, and one cause only, for inflation, and that is government spending and waste. The more government gets involved in the day to day operations of people's lives, the more it is going to spend and the more inflation will increase. The government does not have the income, and it is not getting it in taxes. What is the government after? It is after more money to run the system. The government does not say it has to get its spending in line. If the government would say it was going to cut back on expenditures this year and next year and balance the budget, then I would humbly submit that the investment community around the world would look at Canada and begin to see immediately that Canada is the place to invest. The Canadian dollar would then strengthen and interest rates would go down because we would have something attractive for the investor. They would have confidence in the Canadian economy.

What are they saying about us in other countries? We become very incensed when we look at things around what we call Parliament Hill. We read editorials about our own words day after day and we begin to think that maybe this is the centre of the world. What are some of the others saying about us? Let me just tell you. The California business research firm, Environmental Risk Limited, has ranked Canada 29th on a list of 45 nations as a place to invest. We are preceded by places such as Singapore, Switzerland, Taiwan and South Korea. That feeling is being expressed not only in the United States but also in other countries. Why? Look at the idiotic and absolutely asinine national energy policy introduced last October. What did it do? This government moved in on the one industry which is healthy and strong and creating jobs and activity right across Canada and, with its national energy policy, killed the goose which was laying the golden egg and keeping the economy humming. Now the government is beginning to sweat because it sees that the national energy policy