he was playing a role in opposition. He promised that if he was in government and interest rates were as high as those under the Tories, he would resign. They are much higher today. We hope the minister will live up to his promise. We will have to wait and see.

The government's efforts to fight inflation with ever higher interest rates have not, to use the words of the governor of the Bank of Canada, been of limited success. It has been an utter disaster. In fact, the short-term objectives have not really centred on inflation at all but rather on supporting the value of the Canadian dollar relative to that of the United States.

This objective has more or less been achieved. The exchange rate has moved within a fairly narrow range, from 82.5 cents U.S. to 86 cents since the beginning of 1979, but the price of exchange rate stability has been very high.

No country has experienced a continuous and unstable deterioration in the value of its currency and yet has been considered to be well run or well managed. However, the true value of a nation's currency depends on the health and vitality of its economy. It depends on the productivity of its citizens and a nation's ability to develop a sound and efficient manufacturing base to enable it to pay its way in the world economy.

Countries that have strong currencies have strong economies. The national productivity and world trade performance of West Germany, Switzerland and Japan are unexcelled and certainly must be considered exemplary in today's society. The Canadian economy, on the other hand, under this government and previous Liberal and Tory governments has been mismanaged on a plane unparalleled among western industrialized nations, with the possible exception of Great Britain over the last two or three years.

No country in the world has allowed the vital sectors of its economy to become so dominated by foreign economic interests. The National Energy Program bears testimony to this in our key energy sector right from the beginning, and the trend continues today. First it was the fur trade, followed by the squared timber trade, and now in the automotive and food industries we are still hewers of wood and drawers of water. No western industrialized nation has allowed its research and development effort to fall to the level tolerated in our country.

We hold up our head with a great deal of pride and say we have the same level of research and development as Greece and Portugal. With no reflection on Greece and Portugal, they are not considered to have the potential of the dynamic country that Canada ought to be and would be if it were not for the retarded policies of this country.

No other advanced industrialized nation with any sense at all has pursued the kind of bankrupt, short-term, get-rich-quick policies that have left Canada with a fundamentally unsound structure to its balance of international payments. Contrary to what the Parliamentary Secretary to the Minister of Energy, Mines and Resources indicated about Canada's trade balance being fine, we are looking at a chronic current account deficit in the amount of $5 billion. We have a chronic service account deficit of over $9 billion resulting from the outflow of profits, dividends, interest and other payments to the foreign owners of the Canadian economy. We have a staggering deficit of over $16 billion in our trade on fully manufactured goods.

These are the real underlying sources of weakness in the Canadian dollar. Under the mismanagement of the present Prime Minister and his Minister of Finance over the past 13 years, the value of the Canadian dollar has fallen by over 20 per cent with respect to the United States dollar and by more than 40 per cent in relation to the stronger currencies of western industrialized nations. If I can paraphrase a familiar quote from Pogo, indeed "we have found the problem and they is" the Liberal government.

Our dollar would be much lower if it was not for the massive interventions in the foreign exchange markets since 1977 by the Bank of Canada to support the Canadian dollar and, of course, the bank's policy of maintaining high and rising interest rates, but exchange rate stability has been achieved over the last few years at a very high price.

There is the myth that our Canadian dollar is floating. We then must ask why we have to regularly support its value artificially in the 80-cent U.S. range.

Mr. Deans: It's not floating, it's sinking.

Mr. Riis: It is not a floating dollar but a sinking dollar and going down fast. Interest rate instability resulting from the Bank of Canada's monetary policies has made our financial institutions reluctant to extend fixed rate loans. This in turn has compounded business's task of planning ahead and financing long-term investment projects. When one cannot tell what the interest rate is going to be from one week to another, one is obviously reluctant to plan for six months in the future, let alone six years or 30 years down the road. In fact, a recent survey of over 10,000 small and medium-sized businesses disclosed that high interest rates were the most important factor in the decision for them to curtail planned expansion.

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High interest rates contribute to a decline in our national productivity by forcing planners to discount projects in which they have invested heavily and which may result in broad based economic benefits, but over a long period of time. Thus a greater part of our economic activity is focused on rearranging industrial assets rather than increasing their size; that is, investing in new productivity, new capital creating new jobs and new opportunities for our communities.

One of the best illustrations of this type of distortion created by both high inflation and high interest rates is the growing wave of corporate takeovers resulting in increased business concentration in our economy. This is surely not at all in the best interest of Canadians.

Interest paid by one corporation on funds borrowed to finance a takeover is tax-deductible in our system. This lowers dramatically the after-tax cost of a merger, and in the present