

Interest Rate Policy

I wish to go back and relate some of the concerns I have with regard to small businessmen. Small business in this country is responsible for the creation of more permanent jobs than any other sector of the economy. It is not only small business, but farmers and new businesses who are particularly hurt by high interest rates.

Not only can small business not afford to carry the inventory which would have created jobs in order to produce it, it is also losing sales. When a potential customer is not able to make a purchase, not only is the sale lost and, therefore, revenue, but the high interest rates are draining that small business of any profit it may be making.

In the case of the farming community, as the hon. member for Medicine Hat (Mr. Hargrave) pointed out, this is an added cost in terms of farm machinery and whatever else is required in order to be productive. When there is a breakdown of machinery, more time is required to get replacement parts and eventually the whole system is affected, and this hurts the economy.

I urge the minister to take these matters into consideration. Rather than support strictly a monetary approach, which is the demand side of our inflationary concern, he should take into consideration current interest rates as they affect production. Many small business people know that the present interest rates add to inflation rather than prevent it. In his speech this afternoon, the minister, to paraphrase him, said he did not want us to cancel out what we were doing with the right hand by doing something else to counteract it with the left hand. That is exactly what the national energy policy is doing. The figures I have in front of me indicate that by mid-1981, that would be in August, approximately 20,000 jobs will be lost to the oil industry and the service industry connected to that industry. These figures also show that about 139 oil rigs will have left the country, and this represents approximately \$1 billion in capital cost. As a result of the government raising interest rates to attract capital, our dollar is helped and inflation is kept in check, particularly if we keep our dollar from falling any further. On the other hand, the National Energy Program is actually driving capital out of the country. I would argue very strongly that if the minister looked at some of the statements he made, he would see that the policies his own government is pursuing are cancelling out what the government is doing.

● (2010)

Again I would urge the government to proceed as quickly as possible, with as much good will as possible, and with a genuine attempt at negotiation to reach an energy agreement with the producing provinces.

When we pursue a monetary policy, as we are doing in this country, strictly by trying to slow down the rate of expansion in the money supply by simply using interest rates, we are not fully realizing what has happened to money as a commodity. Money is no longer simply a medium of exchange as it was 300 or 400 years ago. I forget my history in respect of the development of the medium of exchange, but money, it seems

to me, has now become a commodity. It is needed in terms of production in the same way that farmers need fuel, seed and fertilizer, and in the same way a small businessman needs an office or a premises in which to do business. If we think of money in these kinds of terms, I think it would be easier for us to realize, when we raise the cost of that commodity dramatically, what this does to the productive process in this country.

This country was originally settled so people could come here, have some economic freedom and make the country productive. Yet, when we see interest rates at what I would call an "Al Capone" level, it is obvious that is what prevents us from being productive. I am sure if interest rates were at 20 per cent or 25 per cent as recently as three years ago, they would have been referred to as "Al Capone" interest rates. In spite of this, we see speakers from the government side standing up to defend what I would call those "Al Capone" or exorbitant interest rates.

I would like to touch upon the amendment moved by my colleague, the hon. member for Calgary Centre (Mr. Andre) in the time left to me. It sets out that our party supports the extension of the small business development bond, and I heartily endorse that suggestion. I see the Minister of State for Small Businesses and Tourism has joined us in the House this evening. This is something to which he should pay close attention because it is an interesting concept in the sense that the small business development bond allows the incorporated small business person in this country to borrow at half of prime plus 1 per cent or two per cent. At today's rates, that would mean the incorporated small businessman could borrow at something like 12 per cent.

The reason banks are able to make these loans is that they can treat this income as dividend interest rather than straight interest and they are taxed on it at a lower rate. On the other side of this very interesting concept is the fact that the small business which borrows this money cannot claim it as an expense.

It seems to me this is precisely the kind of program that is needed. Most small businessmen are not now really concerned about making a lot of profit. They are not concerned about deductions when they file income tax returns. They are simply concerned about staying alive from one year to the next. The people who would make the most use of this are those people who are not taxable. That is a very interesting idea and a very useful concept. I would urge both ministers whom I see in the House to consider extending the small business development bond, making it available to unincorporated businesses and for things other than straight capital items, for instance, making it available to small businesses for financing the purchase of inventory and the expansion of premises. It could also be made available to farmers for the purchase of livestock and for lines of credit during a planting and growing season. If that could be done, it would certainly go a long way toward alleviating the interest problems of small businesses. Small businesses are more responsible for the creation of jobs in this country than any other sector of the economy.