what we are heading into if we continue along with the government policies that are in place today. Thousands more Canadian people will be broken in pocket book and in spirit if the government and its bureaucracy continue to impose this bookkeeping type of economic discipline on the average Canadian. Admittedly, material expectation levels have to be brought down, but does the government also want to destroy the expectations for work, achievement and security?

The only difference of opinion between the government and a large majority of Canadians is whether interest rates are to be brought down now or whether many more Canadians are to be added to the roll call of casualties of present policies. The benefits of lower interest rates are many. First, we would have more competitive production and exports from our industry. We would also, with lower interest rates, be able once again to start building and modernizing new plants with new investment. Housing would once again become viable in this great country. There would be a substantial reduction in government borrowing costs. We would be able to remove that terrible burden from the backs of Canadian taxpayers. There would be substantial increases in tax revenues to the government if we lowered interest rates. Also there would be lower transfer payments for unemployment and welfare costs. We would have, as a result of rising revenues to the government, a lower federal deficit.

One of the two principal negatives of lower interest rates, which are quoted by all those associated directly or indirectly with present government policies, is that they will cause more inflation. I could hardly believe my ears today when I heard the Minister of Finance (Mr. MacEachen) say in the House that lower interest rates will cause more inflation. To the people on the government side and their advisers who keep saying this, I say that the opposite is the case. High interest rates have not decreased inflation in the country. They delivered lower inflation in the United States, but the cause of high interest rates there was the Eurodollar call on its reserves. Their problem is not our problem. We can control our own destiny if we manage our affairs properly. Throughout the world the nations with the lowest interest rates have the lowest rates of inflation. The literature, the statistics and magazines are full of proof in that regard. It is logical that businesses being subject to high interest rates have higher interest costs which have to be incorporated into their prices?

The second negative we keep hearing from the government and its advisers against low interest rates is that they cause a weakening of the currency. I heard the minister say this in the House today when he spoke. I say again to hon. members of the government that the opposite is the case, for around the world the nations with low interest rates have strong currencies. All we have to do is to look at Switzerland and Japan. Switzerland has an interest rate of about 6 per cent and Japan has an interest rate of about 7.75 per cent; both have strong currencies. To some considerable degree their strong currencies are the direct consequence of the normal function of future exchange markets. Why do we in Canada not learn that?

Now I should like to move to the part of the motion to "stimulate production, investment and jobs". Over time we Canadians as a whole live only as well as the total which we produce. To achieve our previous standard of living and to maintain the promise and opportunity this very rich and great land offers, it is necessary to have all of us increase our expectations for work, achievement and security. Increased production, investment and jobs require continuing and increased purchasing power and desire in the domestic market, particularly through productive investment. It is no good having people with savings and capital sitting on 15 per cent and 20 per cent rates of interest. The need for that money is out in the creative areas which create jobs, modernize plants and deliver wealth. Increased production also requires export markets. Both domestic and export markets reap the maximum benefits from long-term financing at reasonable cost. In other words, lower interest rates and demands are placed on the cash flows of the productive elements of the nation.

Why has this Liberal government moved the country to short-term financing where mortgages are on a one-year term, at a floating rate and very difficult to renew for most people?

To strengthen the dollar we must address the policies of the Bank of Canada. One of my colleagues spoke about that tonight. I believe that this is where we are going wrong.

• (2130)

To enjoy confidence and stability and to reduce inflation we must have a strong dollar. This means that the Bank of Canada must have undoubted reserves to cover foreseeable obligations. In the long run, these reserves will have to be earned through the export of goods and services or the sale of Canadian assets. I would prefer the former.

Prudent management of our short-term position, combined with long-term borrowings, can give us breathing room for long-term correction, if we have the will. Devaluation makes for little improvement in exports. It only causes significant further inflation.

My reading tells me that for each cent the Canadian dollar drops we increase the upward pressure on the cost-price index by one third per cent to one half per cent.

Since the Minister of Finance was asking many questions of my leader today, I will ask him some questions. What is wrong with the Bank of Canada borrowing adequate funds internationally on a medium to long-term basis to maintain undoubted reserves and to permit orderly repayment of private and corporate borrowings? The nationalization program of the Minister of Energy, Mines and Resources (Mr. Lalonde) and the follow-through from the private sector has cost this country some $18 billion to $19 billion of call on its reserves. We now have to address that. This would not increase our over-all external debt. The debits and credits would balance.

Another question: why does the Bank of Canada not maintain a forward exchange market in the Canadian dollar at levels which will eliminate undue pressure on domestic interest rates?

Why does the government budget not provide something like $2 billion a year for the Bank of Canada operating deficit