dollar. There are two of them and I will come to them in a moment. They are serious in the financial and real world that Canadians are living in now. But we heard nothing. We heard noting in defence of the government's policy. All we got was a little forerunner of the Liberal party's election campaign which suggests that all of the country's problems are to be blamed on everyone else instead of upon themselves.

The Leader of the Opposition (Mr. Clark) at one point in his comments today—and on this I agree with him; anything I do not agree will I will come to later in my remarks—said very correctly that the real problem of the Canadian dollar is not to be attributed to interest rates or some other minor aspect in an over-all monetary or financial policy, but to the performance of the Canadian economy as a whole. That is the problem.

The reason we have a strong Japanese yen, a strong West German mark and a strong Swiss franc is that we have strong Japanese, Swiss and German economies. In these countries and others there are governments which are seriously committed to national economic performance. Canada is in trouble today and has a weak Canadian dollar because we have a weak Canadian government, that has no sense of purpose.

Some hon. Members: Hear, hear!

Mr. Broadbent: That is the reality.

There are two principal instruments in dealing with this 83 cent dollar that have been applied, on the one hand, by the Minister of Finance and, on the other, by the Bank of Canada. I want to deal with them because every now and then it is appropriate for a politician in Canada to deal with a matter of substance and say where he and his party stand on the issue. The two instruments that the government has seized upon are interest rate tinkering and borrowing money abroad.

In a matter of months we have gone from an interest rate structure of 7.5 per cent to 11.25 per cent. One direct result of this policy has not been a good one. What impact has occurred as a result of jacking up the interest rate in this way? If I remember correctly, seven times in the last year we have had an interest rate increase. This was effected by the Bank of Canada with the full support, policy, and I am sure direction, of the Government of Canada. The negative effect has caused interest rates to increase and Canadian businessmen have been affected. This meant Canadian businesses could not expand and provide more jobs which are badly needed.

Second, mortgage rates have increased. This meant that Canadian families who wanted to buy homes have not been able to get a home at all or have had to pay much more for it. This has resulted in restricting consumer credit. Consumer credit costs were increased along with the bank rate. In each one of these instances, either interest rates for businessmen, consumer credit or mortgage rates, the effect has been negative, not positive, on the Canadian economy. The effect has been a generation, not a reduction, of the pressures of internal inflation.

I doubt whether the Minister of Finance—although I am stretching a point here—the minister who has just spoken would deny these negative effects, but they would say, however, there have also been positive effects. They would say the interest rate upward pressure, which we think is a fundamentally faulty policy and ought not to have been embarked upon, was needed. Why? To attract investment into Canada and to make up for the outflow of capital.

What has happened during the period we have had this upward pressure on interest rates? In 1978 it did not work. That is a simple reality. In the past year, not coming in but going out of this country, there was some $2 billion of investment capital by Canadian firms. What were these firms investing in? Most of the money was going to the United States. It was going to the country which for most of that period had lower interest rates. If interest rates were a prime consideration in terms of attracting capital, then obviously it would not have been going in that direction. And why does a country like Switzerland, which had much lower interest rates than Canada throughout this period, get all the foreign investment it wants?

I will come to the different question of whether we want it in a moment, but first I want to deal with the argument that it has been effective. It is the government's position and that of the Bank of Canada that we needed to have these higher interest rates—admitting it was harmful in terms of domestic inflation—because we had to get this investment capital. In Canada we are now experiencing a net outflow of capital; it is not coming in. Countries that wanted investment, like Switzerland and the United States, have had lower interest rates than we have, yet they have been attracting and getting investment capital for what I regard as the central economic reason that investors had more over-all confidence in the performance of their economies. That is the reality.

The other method of propping up the dollar used by the government and the Bank of Canada has been to borrow directly abroad and to issue new bonds. The reality of this in terms of its effects has been even more alarming as an illustration of faulty economic policy. The Bank of Canada borrowed a total of $3.5 billion abroad last year, $2 billion in loans and $1.5 billion in bond issues. We estimate that the direct cost to the Canadian taxpayer of borrowing this money abroad last year was $268 million. That money has gone; it has gone forever. In addition to that cost, as a result of the additional $1.4 billion which was borrowed in Canada by the Canadian banks the total outlay for Canadians for this faulty policy is some $378 million. That is more than $1 million a day which this government has spent in propping up the dollar. This is more than $1 million a day which my party would argue could have been much more sensibly spent in restructuring and rebuilding a manufacturing sector in Canada that could be generating more jobs.

Some hon. Members: Hear, hear!

Mr. Broadbent: There are two brief but cogent arguments against the central pillars of this financial policy, the interest rate approach on the one hand, and borrowing abroad on the other. I will not elaborate further upon them.