

low. Despite the millions of dollars of profits Shell has made, Shell does not pay any federal income tax because of the write-offs allowed. The taxpayers of Canada are funding, on the average, about 65 cents out of every dollar that oil companies spend on exploration.

In addition, we give them all kinds of other depletion allowances, etc. Then, as the government does not collect taxes from them at the normal rate, it is little wonder that this government has a revenue problem and has to seek more borrowing authority.

As I have indicated, the minister has changed his tune now that he is on the treasury benches. He is arguing that he has to borrow and that he has to keep interest rates high. What is the rationale behind the high interest rate policy? One of the arguments—and we heard the governor of the Bank of Canada before a committee yesterday reiterate it—is that interest rates need to be kept high so that we can attract foreign capital. What is the result of foreign capital being attracted into Canada? Surely if high interest rates attract capital, not only should Canadian investment be attractive to foreigners but it should also be attractive to Canadian investors. Despite this high interest rate policy we still find capital flowing out of the country. In 1978 the net capital outflow was \$2 billion. Something does not gibe here. The argument does not always work. There are other factors at work. The government never likes to talk about this, but when it keeps attracting foreign capital, it also attracts foreign ownership.

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Foreign ownership of our economy is, indeed, at the root of many of the problems we face, because as long as 80 per cent of our oil industry is foreign-owned, as long as 60 per cent of our manufacturing industry is foreign owned—one can go through it sector by sector and realize that the majority of it is foreign-owned—how can the national government ever expect to implement policies for the benefit of Canada?

Endorsement of a high interest policy and dependency on foreign capital are an admission of bankruptcy in terms of any strategy which seeks to regain Canadian control and initiative in the development of our economy. The foreign ownership syndrome into which the government is locked, following exactly the same bias as the previous Liberal government, means we shall never be able to develop a healthy manufacturing industry since foreign ownership is mainly designed to extract raw materials for manufacture into final form elsewhere.

What is happening to our manufacturing sector? In 1953, 26 per cent of all jobs was in manufacturing. By 1979 the proportion had declined to 19 per cent. Do we ever stop to think why there is such high unemployment in this country? In the job intensive sector, manufacturing, employment has gone down. We depend more and more upon the extraction of raw materials and the export of raw or semi-processed materials, and we are providing fewer jobs in Canada. This is reflected in declining employment.

Borrowing Authority

A further consequence is that we have to import foreign goods which are always more expensive in the long run in terms of their effect on the balance of payments; the only way we can get our balance of payments back into equilibrium is by exporting more oil, natural gas or raw materials. Hence the vicious circle continues and Canada goes on suffering from unemployment, a weak dollar, and high inflation.

The policies the minister is following are identical with those of the previous government, and our economy has been in serious trouble for the past decade so I cannot see how those policies followed by the Conservatives can extricate us from the predicament in which we find ourselves. The Conservatives are ignoring the structural weaknesses in our economy, the need for an over-all industrial strategy, and the need to help the weaker sectors of the economy regain some strength.

In the context of this very high interest rate I am thinking in particular of what is happening to small business. We see on the order paper a bill in the name of the Minister of State for Small Businesses and Industry (Mr. Huntington) to increase funding for the Federal Business Development Bank. Hopefully, we shall get to that bill later on, because I have some comments to make on it. But this kind of tokenism does not get to the real problem facing small business. The real problem facing small business today is the cash flow problem, the difficulty of finding finance at a reasonably low rate.

The high interest rate policy adopted by the Minister of Finance flies in the face of all the Conservative promises to small business. Small business has always had trouble in ensuring an adequate cash flow. Through its high interest policy whereby 16 per cent or more has to be paid for loans, the minister is driving small firms out of business. Inventories are down because small business cannot afford to build them up in the circumstances. Bankruptcies, which were at a record rate last year under the Liberal administration, are going to be even higher this year because of the high interest policy of the Minister of Finance.

Again and again we see the rhetoric on one side and the economic reality of the policies of the government on the other. I do not think the small business community is fooled by the bland assurances of the minister or of the Prime Minister that a high interest rate is necessary now because the economic problems have to be solved that way before the Conservative party can carry out its pledge of bringing down interest rates in the long term. I wonder how long the long term is going to be. I would be prepared to bet that even if the government survives four years in office the interest rate will not go down. Structural problems in the economy and the monetary thinking of the governor of the bank, supported by the Minister of Finance, indicate that, if anything, the interest rate will continue to rise. This will lead to more bankruptcies and more unemployment.

Economists were predicting a very bad situation for the economy over the winter months late in 1980 before the present government came to power because of the structural weaknesses I have described and because of the spill-over of the recession in the United States. We have now embarked on