Mr. Pearson: Mr. Speaker, the point I was raising has long since been passed by the Prime Minister, but perhaps he will allow me to ask it now although he refused to do so previously. He was telling us about the advantages of our foreign trade from the steps which had been taken under pressure during the election campaign. Will he explain the figures with regard to our international balance of payments for the first six months of this year?

Mr. Diefenbaker: I am glad the Leader of the Opposition asked that question. I expected he would do so as he had those figures before him when he met Governor Rasminsky.

Mr. Pearson: Mr. Speaker, I rise on a point of order. The Prime Minister obviously did not understand my question. I asked him what are the figures for our international balance of payments for the first six months of this year.

Mr. Diefenbaker: I am going to give them. I am going to give the applicable ones. I say that the Leader of the Opposition, having this information, did not interpret it except in an unfair manner. That is what I say.

Some hon. Members: Oh, oh.

An hon. Member: Answer the question.

Mr. Pearson: May I repeat my question to the Prime Minister. Obviously he did not catch it.

An hon. Member: Sit down.

Mr. Speaker: Order. While the hon. gentleman may address a question to an hon. member who has the floor and who may accept it, the matter of the nature of the answer to the question is still with the hon. member who has the floor.

Mr. Martin (Essex East): He asked for it.

Mr. Speaker: If it does not meet the wishes of the questioner, that does not raise a point of order nor does it call for a repeated question. It may call for subsequent comment.

Mr. Pearson: The Prime Minister refuses to answer.

Mr. Diefenbaker: I intend to answer the question in more detail than the hon. gentleman will wish to hear. This is one part I intend to follow somewhat carefully in my manuscript.

Some hon. Members: Oh, oh.

An hon. Member: Are you scared?

Mr. Diefenbaker: Mr. Speaker, I should not think hon. members would laugh about anybody following a manuscript after the exhibition we had yesterday in that respect.

[Mr. Churchill.]

Mr. Fleming (Eglinton): Three hours of it.

Mr. Diefenbaker: In 1949—and I start there —the question was frequently asked in the house whether or not the Canadian dollar was going to be depreciated in value and the answer was consistently that such was not necessary and indeed would be dangerous. Finally, in 1950, it became clear that the then par value of the Canadian dollar which was equal to 90 and 10/11 cents could not be maintained because of the large inflow of United States capital. It was decided not to establish a new par value but to permit market forces to determine the rate from day to day. There was to be no intervention by the use of the exchange fund other than what was necessary to maintain orderly market conditions from day to day. The decision was taken at the time, with the acquiescence of the international monetary fund, which was a body established for this purpose by the Bretton Woods agreement to which Canada adhered in 1946. This action by the fund was taken in recognition of Canada's unique circumstances. It was anticipated at the time that Canada would eventually return to a fixed exchange rate when the circumstances were right. In fact, this flexible exchange system lasted for almost 12 years, and for most of the period the Canadian dollar was at a premium over the U.S. dollar owing to the large inflow of foreign capital into Canada.

During the early 1950's there was an exceptional demand in the world for Canadian basic materials, and there was heavy investment in Canada's resource industries giving rise to inflationary pressure. The large inflows of capital and the matching import of goods and services from abroad were a reflection of these demands and helped to keep inflationary pressures within reasonable bounds.

In subsequent years, Mr. Speaker, the world economic environment changed; western Europe and Japan were reconstructed and shortages disappeared. World demand for Canadian resources exports grew less rapidly; the rate of capital investment in these industries declined and unemployment, both of men and capital equipment increased. Under these circumstances one would normally have expected the exchange rate to have declined and Canada's deficit on current international transactions, that is on the export and import of goods and services, to have shrunk, thereby encouraging a fuller utilization of Canadian production capacity. In fact, there were countervailing pressures due to the continuing large flow of capital into Canada which tended to maintain the premium on the Canadian dollar.