

Income Tax Act

dollar, we are doomed to a continual contraction of our economy and to a further squeeze on the Canadian dollar.

I do not know who the minister's advisers are, and I shudder to think who some of them may be, but I would suggest to the minister that he consult some of the best and most sophisticated economic minds in this country with regard to the question of the pegged exchange rate and the outflow of capital from Canada, because Canada is no longer an appealing investment area. As I have urged him again and again, I urge him now that instead of relying on these ineffectual taxation measures to control prices, he institute a real prices review board to bring publicity over most of the range of prices, and in the specific area of administered prices have the courage to co-operate with the provinces and establish price control in these areas; that he negotiate with the International Monetary Fund to allow us to escape from the strait-jacket of the fixed exchange rate and return to the floating exchange rate; and that he impose exchange controls to control the outflow of capital from this country, which at the present time is proceeding at the rate of a haemorrhage.

If the minister does this, he will place himself in a position where it will be possible for him to expand the Canadian economy, to cause unemployment to decline and production to rise, and to ensure the stability of the Canadian dollar on a firm foundation of the productive capacities of the country, a country which probably has the largest per capita store of natural wealth of any country in the world. Canada will be able to expand, but we will not be able to expand if we follow the policies which the minister suggested this afternoon.

I was very interested by the statement he made today, that—

—the Canadian government on its side has felt that these steps by the United States should be matched by further reciprocal helpful steps on the Canadian side.

I am in favour of Canada helping her friends, but I hope no one has any illusion as to how we are helping them, and under what difficulty we are doing so, by the measures that the minister proposed today. Obviously through the measures the minister proposed we are helping them to overcome their internal difficulties, which have been created by the disastrous war in southeast Asia. There can be no question about that.

I should also like to find out from the minister how he proposes to carry out his undertaking, as stated this afternoon, that it is the Canadian government's intention—

—to take any steps necessary to ensure that the exemption from the United States program does not result in Canada being used as a "pass-through" by which the purpose of the United States balance of payments program is frustrated.

The minister told me that he has many ways of doing this short of foreign exchange controls, and that some of them would be very successful. This is not what I hear from the banking fraternity. What I hear from them is that they thumb their noses at the Minister of Finance and propose to go on doing so. Exhortation will not make shrewd businessmen divest themselves of a valuable business opportunity.

In addition to that, we are going to help the United States in another curious way. We are going to invest our entire holding of United States dollars, apart from the necessary working balances, in United States government securities which do not constitute a liquid claim on the United States. What does this mean? It means that we are going to help the Americans with their balance of payment program by funnelling back to the United States American dollars which we earn either through exports or through various operations, and placing them in United States government securities which do not constitute a liquid claim on the United States, which will be neutralized, and which will be non-negotiable securities for an undisclosed fixed term.

In return for that, the United States, plus the central banks of Germany and Italy, will provide us with \$900 million United States as a stand-by credit. Presumably when our transfer of funds to government securities in the United States reaches a sufficiently high level, we shall draw on this \$900 million, and the process will continue indefinitely because this government will not take the fiscal steps that could be taken to get us out of this tangle.

I want to say right now that I think it is high time, in the interest of our own safety as a national entity, that we start to disengage ourselves from the United States in as many areas as we can. We should be establishing relationships with other parts of the world, not doing as the minister did the other day when he dashed off to Washington and tied us ever more firmly to the United States economy, which today is of course under the very