

Inquiries of the Ministry

Mr. Stanfield: In view of the fact this is taking place despite the deficit on current account and the falling off in our trading position, and in view of the fact the main reason for the increase in the level of our dollar seems to be the inflow of short-term money resulting from the differential between our short-term interest rates and other short-term interest rates, can the minister give us any information as to the volume of the inflow of short-term money coming into Canada?

• (1410)

Mr. Turner (Ottawa-Carleton): Mr. Speaker, the hon. gentleman is quite right that if one were to take the current account alone, which has fallen off from a surplus position, one might draw one's conclusions as to the exchange rate. But aside from the general weakness of the U.S. dollar, which has made that problem a universal one, there are two situations in Canada affecting the Canadian dollar particularly, and about which I have been concerned.

One has to do with the amount of current borrowing for long-term funds by the provinces on foreign markets. The other has to do with a strong demand by the Canadian banks for short-term capital, short-term money, in order to relieve their liquidity problems. I might say that on that latter subject I had some discussion with the Canadian Bankers Association when I was in Winnipeg on Thursday night.

Mr. Stanfield: Am I to infer from the final sentence in the minister's answer that he has suggested some guidelines to the banks with regard to the borrowing of short-term funds from abroad?

Mr. Turner (Ottawa-Carleton): Mr. Speaker, I spoke to representatives of the Canadian banks on the occasion of the annual meeting of the Canadian Bankers Association in Winnipeg last Thursday. During the course of my remarks I said we were concerned about rates of interest and the exchange value of the Canadian dollar.

I have now received from the president of the Canadian Bankers Association a request that I approve an agreement among the banks that will have the effect of reducing the rates paid by banks on their larger certificates of deposit, that is to say, street deposits maturing within one year. I have already indicated my approval in principle of this agreement under section 138 of the Bank Act because in my view it will contribute to the objectives of the government in the field of finance affecting interest rates and in the realm of foreign exchange.

Mr. Stanfield: I would like to ask the minister whether it is the position of the government to permit the Canadian dollar to remain at this level or whether the minister is considering measures to assist our producers and exporters in the event that this condition continues?

Mr. Turner (Ottawa-Carleton): Mr. Speaker, our producers and exporters, manufacturers and processors, have already received a good deal of flexibility and support as a result of the budget measures announced in the House on May 8. As to whatever other action the government might take, that would depend on events.

[Mr. Turner (Ottawa-Carleton).]

INCREASE IN SHORT-TERM CAPITAL COMING INTO CANADA—CONSULTATION WITH BANKS TO LOWER INTEREST RATES

Mr. T. C. Douglas (Nanaimo-Cowichan-The Islands):

Mr. Speaker, in view of the fact that most economic analysts think that part of the reason for the rise in the Canadian dollar vis-à-vis the American dollar is the large amounts of foreign capital which are coming into Canada on a short-term basis to take advantage of the high interest rates here, would the minister tell the House to what extent there has been an increase in the amounts of short-term capital coming into the country in the last six months? Has there been a substantial increase, and to what extent?

Hon. John N. Turner (Minister of Finance): Yes, Mr. Speaker. If the hon. gentleman is referring to the response of short-term money crossing into Canada as a result of Canadian banks certificates of deposit, yes, that amount was substantial, in fact, in the amount of half a billion dollars.

Mr. Douglas: Is the minister taking any steps to consult with the banks and other financial institutions with a view to bringing our interest rates into line with the interest rates for short-term capital both in Europe and in the United States so as to make Canada a less attractive market for these short-term deposits of capital from outside and in order to stop the upward spiral of the Canadian dollar?

Mr. Turner (Ottawa-Carleton): Yes, Mr. Speaker. That was the result of the request that the major banks made to me and with which I agreed. It would have the effect of reducing the interest rate on certificates of deposit to about 5½ per cent, which is about 1 per cent below what it was on Friday. That will have the effect of being less attractive to short-term money coming into Canada.

Mr. Douglas: In view of the minister's statement that part of this serious situation is due to the purchase of bonds in the United States by provinces and municipalities in view of the attractive rates available there, is the government taking any steps to provide a market in Canada for provincial and municipal borrowing?

Mr. Turner (Ottawa-Carleton): I am exploring ways for extending the facilities of the Canadian capital market, and I will be talking with the provinces about the question of borrowing outside and the accommodation that might be achieved by them within the Canadian capital market.

PURCHASE OF AMERICAN DOLLARS—REQUEST FOR INFORMATION

Right Hon. J. G. Diefenbaker (Prince Albert): Mr. Speaker, I asked a couple of questions on Friday and they were replied to by the Secretary of State for External Affairs as Acting Prime Minister who said that they would no doubt be answered when the Minister of Finance returned to the House. I should like to know whether the minister would provide the House with a record of the purchases of American dollars by the Canadian government during the past month. Usually the