

fact, all that happened was that we were carried along, and the Government persisted in announcing to the public that 92½ cents was a fair figure, that the dollar would be able to hold its own at that level, and that our position was secure.

Immediately after the election a real emergency was apparent and it became necessary to introduce measures of austerity, to announce that we were going on a house-keeping savings program to the extent of \$250 million, and to arrange for loans from the International Monetary Fund, from the Bank of England and from the Reserve Bank of the United States, together with lines of credit to the order of over \$1 billion.

On an examination of the figures it will become apparent that our exchange fund had dropped from about \$2 billion at the beginning of 1962 to less than \$1½ billion on May 2, 1962. Surely there was enough significance in that drop and in the force of those circumstances which compelled the Minister of Finance to change his opinion on devaluation to convince us that we should then have got going with our measures for correction, instead of waiting until a further impact developed with the result that by the time we announced austerity we had lost another \$300 million or \$400 million.

Now we come to assess the situation—and I do not want my friend to think I am picking on him, but he made some statements which I feel lack factual support, and I hope I am successful in pointing out to him the fact that there is some question as to whether or not any factual support exists for what he says. He commented in his speech on the tremendous increase of \$636 million in the exchange fund since “D-day” came on June 24. He says, pointing to that buoyancy and the resiliency in our economy which could produce such a change so quickly, we are off again, free-wheeling, and the sky is the limit. The upsurge had stopped suddenly, and we were on the way again.

Hon. Mr. Grosart: Is the honourable senator suggesting that I used the phrase “the sky is the limit”? I am wondering if he is suggesting that I used any of these extravagant phrases. It might be fair to keep to the phrases I used.

Hon. Mr. Hayden: If my friend feels my paraphrasing of what he said is not accurate, then I shall withdraw the phrases I used and retain the exact language he used. I shall put it whichever way he prefers. “The sky is the limit” is my expression, but I thought it flowed freely and logically, from what he said, much more so than did some of his conclusions.

Now let us see how this situation has built up. Does my friend know—or should I say does he recall, because I would assume that he did know in July—that there was an advance debt repayment by France which swelled our exchange funds by \$62 million? Does he recall that in October there was an advance debt repayment by the Netherlands that swelled the exchange fund by a further \$32 million? Does he know that the take-over by Shell Oil of shares of Canadian Oil resulted in an increase in exchange to Canada of the order of \$110 million? Does my friend appreciate too that this replenishment of the exchange fund took place in July and August, our tourist season, which produces substantial exchange funds? Before I would embark on a prediction that all is well, I would want to wait a little longer and see how we fare in September, October, November and December, when those favouring forces will not be working as strongly for us and when we will have a chance to see whether our economy has got out of the priming-of-the-pump stage, and has acquired sufficient momentum to operate on its own.

There you have an increase of about \$700 million in the exchange fund, but I would say that these advance debt repayments, the proceeds of the Canadian Oil takeover, and the tourist traffic revenue, would amount to approximately \$400 million or \$500 million of that.

There is still another factor that my friend must consider, namely, that the businessmen of Canada who sold their goods outside Canada and who, during the period since the beginning of the year, were receiving payment in United States dollars, left these United States dollars abroad because from the signs then apparent they expected there must, of necessity, be some devaluation, and after June 24 they started closing out those accounts and bringing that money back into Canada, thereby further increasing the exchange fund.

These are the different factors involved, and I cite them to my friend, not because I am unhappy that they occurred, but in case he should be tempted to take off again on one of his descriptions of the biggest upsurges of prosperity that Canada has ever had. I would point out to him that these were things which he cannot say were done by this great Government which he did so much to elect—and may I add that he did a good job so far as getting them elected. These are things that I am very happy to say indicate that some of our economic forces can operate irrespective of government. I say that in the most general language in the world, because some decisions can be made without having to refer to government.