

Proceedings on Adjournment Motion

requested that the application for satellite transmission, as I understand the problem, be deferred till certain other technical problems have been resolved. But the matter is under active consideration, and since the hon. member has brought it to the attention of the Department of Transport I want to assure him that I personally will be pleased to look into it on his behalf.

FINANCE—REQUEST FOR STATEMENT ON ECONOMIC AND FINANCIAL POLICY

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, when the Minister of Finance was being questioned today about the statement that he is going to present to the house when his estimates come before the house tomorrow, I asked him the following question:

I have a supplementary question, Mr. Speaker. I should like to ask the minister whether in making that statement he could, for the information of dullards like me and others, specify the advantages of a fixed exchange rate or the disadvantages of a floating exchange rate.

I must say, Mr. Speaker, that exchange rates are a bit beyond the intellectual capacity of the hon. member for Kootenay West to absorb; however, I am anxious to learn. On reading the history of exchange rates I find that there has been no pattern with any nation throughout the years. Most nations, I find, have acted in what they thought was the national interest in periods of emergency. I find Conservative governments taking both sides of the question, Liberal governments taking both sides of the question, and socialist governments have taken one or the other side of the question at certain times. That is the reason I asked this question.

I understand that at the present time the minister is strongly in favour of a fixed exchange rate. Before the minister replies I want briefly to refer to an article that appeared in the *Star* for February 16 written by Peter Newman in connection with the report of the Watkins task force. I must say that I think the *Star* is to be complimented for publishing this article, which is a report on foreign investment in Canada.

• (10:20 p.m.)

It reads as follows:

A floating rate for the international value of the Canadian dollar would help protect jobs and guard against inflation in this country, suggests the Watkins task force report on foreign investment.

The present fixed rate—92½ cents U.S.—restricts independent Canadian policy in these areas, the report says.

It comes down on the side of the "flexibles" in the continuing argument over exchange rate policy. They include many bankers and financial men, as well as politicians.

The government has been committed to the fixed rate since 1962. At that time, a floating rate had to be abandoned as part of the price of massive international help in supporting Canada's efforts to relieve speculative and other pressures against the dollar.

Other major world trading nations also have fixed rates, by agreement under the International Monetary Fund. Their purpose is to assure currency values to international traders and investors.

The report says "it is likely that the most effective means for lessening these constraints (on Canadian economic policies) would be a return to a flexible exchange rate system."

Backers of the flexible exchange rate see it this way:

When there is a heavy flow of money from Canada, the natural tendency is for the value of the dollar to drop.

If it drops far enough, it helps correct the outflow by discouraging imports and encouraging exports.

That is, it brings more money in to Canada and lessens the amounts going out.

But Canada can't now let the dollar drop more than 1 per cent below its pegged rate.

This means it may be compelled to attract money to Canada by raising interest rates, slashing government spending and raising taxes.

And that may interfere with policies of growth and full employment.

After hearing arguments on both sides of this question I can well understand that many of the Canadian people are confused. This is why I asked the minister the question I did. I hope he will respond favourably to my invitation because I think his comments would be most interesting to members of the house, and informative to the Canadian public.

Hon. Mitchell Sharp (Minister of Finance): As the hon. member has suggested, it is my intention when my estimates are called tomorrow to discuss both international and domestic matters, and I shall of course at that time be talking about some recent developments in the exchange market.

I cannot promise, now, that I shall engage in a dissertation on the respective merits of fixed and floating exchange rates. The only thing that causes me a little wonder is that the hon. member should raise any question about this at all. I understood that the party to which he belongs is fully committed to the floating exchange rate. However, I shall listen with great interest to the views of his party, and perhaps the hon. gentleman himself will enter the debate when he has an opportunity to do so.

Motion agreed to and the house adjourned at 10.25 p.m.