

have over-capacity in Canada, and until we become healthier in that regard we cannot expect capital expenditure at a high rate. But it is a very significant factor in a fully operating economy, where your desire is to have maximum employment and maximum happiness and satisfaction for people living in Canada.

These are all things I point out to my friend, and to all honourable senators. I point them out not with the intention of saying that you must draw the conclusion that Canada has gone down the drain. So far as Canada and my love and respect for Canada are concerned, I bow to no one, not even when my friend attempts to wrap himself in the glories of Canada and brings in, under the great flag that he wraps around himself, even as distinguished a person as Mr. Chalmers. I still avow that no matter what I say here I say it in the spirit of a true Canadian, and I have the right to point out that things are not as rosy as we are led to believe and that these are factors which should be considered.

Even the honourable senator from Carleton (Hon. Mr. O'Leary) did not go as far as the honourable senator from Pickering (Hon. Mr. Grosart), because after the senator from Carleton had reached that crescendo in his oratorical effort of praising the prosperity of Canada, he then went on to say:

While I say to you that everything in Canada is reasonably prosperous, I would not like to conclude by saying that everything in Canada is well and that everything in Canada is going to be well.

There is the difference, and the significant difference between myself and my honourable friend from Pickering is that I believe Canada, under proper guidance, can work herself out of her problems. I am not one of those who are going to sing in high C, or get up on cloud nine, in order to try and persuade Canadians to believe that our condition is infinitely better than on a factual study one can logically conclude.

There are some other points I wish to make in connection with what the honourable senator from Carleton (Hon. Mr. O'Leary) said. I regret that the Senate was used as a sounding board for airing a family quarrel between British and Canadian Tories. In my view it contributed nothing to the quality of the debate in this chamber. If one's spleen gets worked up to the extent that one has to ourst forth in such expressions and wash the party linen in public, my friend had other facilities available for doing so, and his doing so in this chamber did not add anything to our deliberations here.

Another point that interested me was the statement by my friend the honourable senator from Carleton that in Canada discussion of the European Common Market has been almost wholly illiterate. I suggest to my friend that perhaps he should change his circle of friends, because if he came over and talked to us or moved in other circles he might think differently. There seems to be a pretty good understanding of what the Common Market is in those circles, and it may be that my friend has just been keeping the wrong company too long.

If honourable senators will permit me to revert for a moment to the question of devaluation: it is an interesting and very serious story as far as Canada is concerned, for I have indicated to you the vital importance of capital inflow. Not only do we have to close the gap between exports and imports but we also have to provide for that tremendous amount of money which moves out of Canada in the form of intangibles, non-merchandise transactions, dividends, freight, insurance premiums, and that sort of thing. Therefore, we must provide ourselves with the means to take care of them.

In the late months of 1961 and the early months of 1962 our foreign exchange margin showed a wide spread. The only way one could interpret it was that there was a reasonably wide spread. The continuing view was that the Canadian dollar was weakening and that devaluation would have to come. To prevent the dollar from dropping further, a substantial amount of money was used out of our exchange funds in January and February of 1962 to try to bolster the dollar at 95 cents. In March nothing of importance happened in relation to the dollar or the fund, but in April the downward pressure commenced again, and the net loss of U.S. dollars for April was in the order of \$115 million. Before the rate was fixed at 92½ cents on May 2, we had a loss of about another \$116 million.

The decision as to devaluation was taken on May 2, and yet as late as two weeks before that date the then Minister of Finance, the Honourable Mr. Fleming, had stated that our best interests did not dictate such a course. I do not cite that to question the judgment of the then minister, but only to point out that the circumstances which had developed in the period of two weeks from the time he made the statement were of such importance that he had to reverse his opinion and go for devaluation of the dollar at 92½ cents. I say that was the time that the emergency should have been recognized. That was the time when, if we had any remedial measures, they should have been brought into force. In