

*The Address—Mr. Fulton*

were matched only by the loud voice in which they were delivered and the frequency with which they were repeated.

I am making this comparison between what was said this September and what was said last March for a very definite purpose, a purpose quite removed from what would be a natural desire to show that the minister was wrong on the former occasion. I believe our exchange control policy is still wrong. It is still hampering and harming the restoration of convertibility and the free flow of trade. It is therefore important for us to examine what has been said and done to see how wrong it was, in order that we may ascertain what can be done to put it right.

Two things must be borne in mind, Mr. Speaker. First, in considering the earlier statements and actions, may I ask you to bear in mind that it was not so much the relation of the Canadian dollar to the pound which was being discussed as the fixing of the dollar at parity with the United States dollar. It was our contention that that was an improper move. Second, I am not saying the dollar should have been kept at parity. I am not opposing the devaluation to ninety cents within the limitations imposed by the confines of the government's own crippled and reluctant thinking in terms of foreign exchange control. I am saying that their whole exchange control program is confused and contradictory. The government are not qualified to make a guess at where our dollar should be fixed—and they have just guessed at ninety cents. I say the price of the dollar in international exchange should not be fixed by the government at all.

Let us consider what has happened under this control policy. It is certain that one of the obstacles to trade is the lack of convertibility of exchange. In 1946 the government fixed our dollar at par, a rise in price of ten cents, not domestically, but for foreign countries wishing to buy our goods. It is certain also that we cannot buy from foreign countries unless they buy from us. To fix our dollar at a price higher than people have previously paid, and higher than many are willing or able to pay, can hardly be other than a further blow to convertibility. Shortly thereafter Canada lost a billion dollars of her exchange reserves. We found that we were buying far more from the United States than they were buying from us. The austerity program was inaugurated in November, 1947. Together with the continuation of parity, that was supposed to fix everything. Indeed, last March the minister said it had practically fixed everything. There is the first contradiction.

On March 17, 1949, the minister said that, as a result of the various government

measures, our position was much better and was improving all the time. These remarks will be found at pages 1564 and 1565 of *Hansard* of that date. He admitted that Canada was not yet in the clear, but he stated that things were vastly improved, and claimed that the credit for this was partly due to the parity rate, so he refused to alter it. Six months later, this September, the minister admits that when he spoke in March he knew things were getting worse, not better. On page 57 of *Hansard* of September 19, the minister is reported as saying:

However, at the beginning of 1949 it was clear that the worsening world dollar situation and our rising imports from the United States would result in a sharp reduction in our current account surplus. The current account surplus in our balance of payments has in fact been declining and it is now estimated that, for the year as a whole, it will in any case be very small.

A little further on in the same speech, he said:

In these circumstances, it is highly desirable to pursue policies which would help to prevent a deficit in our trading position.

These words show that the deterioration was known to the minister at the time he made his earlier statement in March of this year. But the astounding and disconcerting fact remains that he painted that contrary picture in March, and he used what he then stated as the facts of our trade and exchange picture to justify the continuance of parity fixation; whereas he now uses the so-called facts of our trade and exchange picture, quite apart from the pound devaluation, to justify a devaluation of our dollar in terms of the United States dollar.

In view of an apparently deliberate inconsistency of this sort, the minister can hardly expect us to have confidence in his qualifications to control and set the exchange value of our dollar. Indeed, contradiction follows hard upon contradiction. In the speech of last March the minister went on to say how favourable our trade position was becoming, not only with the United States but indeed with the whole world. After painting this glowing picture he used these words on March 17, to be found at page 1569 of *Hansard*:

Now, Mr. Speaker, in the light of our export position and our over-all balance of payments position, are my hon. friends—

Referring to the members of the official opposition.

—really prepared to maintain that the present official quotation of the Canadian dollar is not realistic? These factors would seem to me to lead to the conclusion, if anything, that the present exchange rate of our currency is too low, and that the Canadian dollar should be appreciated.