figures and high interest rates. As I said, we have dealt with the matching of government revenues and government expenditures. I think he has something much more fundamental to deal with than merely trying to find enough money to carry on the operations of government. He has perhaps a very difficult situation to face because almost every way he turns he finds a lion in his path. He finds his hands tied wherever he wants to move.

One of the most glaring examples of this is the fact he has committed the government of Canada to two different policies, to be carried out simultaneously, that are in fact contradictory. Not long ago we saw the Bank of Canada attempting to cope with this problem of a fixed exchange rate plus an agreement with the United States to maintain reserves below a certain maximum level.

• (4:30 p.m.)

As you will recall, Mr. Speaker,—and I am sure the minister does,—it was necessary for the Bank of Canada to move into the market to keep the Canadian dollar down to the pegged level, and in the process they were bound to add to their holding of United States dollars, bringing that holding very close to the ceiling.

I think these two contradictory policies are the result of a curious preoccupation which the government of Canada and many others in Canada seem to have had for some years past, and that is the provision of capital for the development of our country. We are told—to my mind told *ad nauseam*—about the necessity for continually attracting new capital into Canada in order to proceed with the development of this country.

When the minister was in New York—this was the time you remember, Mr. Speaker, when he took time off to pray for stability in the United States economy—the minister also did something that was a little more practical; he tried to persuade the owners of United States capital that Canada was a very safe and sane place in which to invest, and the minister hoped that the United States would invest.

What I am interested in, Mr. Speaker, is why we go to New York in the person of our minister to ask the United States to keep the tap turned on, but at the same time to keep the plug out of the tub at the other end. I have before me figures which appear in the quarterly review of the Canadian balance of international payments, produced by the Dominion Bureau of Statistics, and in which this is reported:

> Canada's current account deficit with the United States in the second quarter of 1967 (excluding gold production available for export which is conventionally attributed to the United States account) was $544 million. Net capital movements between the two countries produced an inflow of $58 million as an influx of $239 million of long-term capital was in part offset by an outflow on short-term account of $181 million. In sum these transactions with the United States gave rise to net payments by Canada of $486 million, over twice the corresponding figure for the first quarter.

This seems to me to raise some doubts in one's mind as to whether or not the inflow of capital from the United States is really required for the financing of our development—indeed, whether it is playing any part in the financing of our development—or if it is in effect merely coping with the results of past inflows of capital from abroad.

In the Dominion Bureau of Statistics report there are figures showing that in 1966 the receipts in the form of interest and dividends, gold available for export, and all other transactions but not merchandise transactions, amounted to $1,151 million. I find that for the first two quarters of 1967 there are receipts of about $510 million, and apparently they are fairly evenly distributed through the year. I think it is not too rash to suggest that our total in 1967 will be not much over $1 billion.

On the other hand, the interest and dividend payments we have made in 1966 amount to $1,135 million, and all other transactions except merchandise transactions amount to $13,15 million. In 1967 for the first two quarters some $543 million was paid on interest and dividends, and all other transactions amounted to $847 million. Again to make a projection, one would assume that for the year very close to $1,700 million will be going out of the country in the form of capital, to which I suggest the report refers. An outflow on short term account of $181 million is mentioned in one place.

It seems to me, Mr. Speaker, that this is the problem faced by the government. We keep our interest rates higher than those of the United States in order to attract the inflow of capital. We are repeatedly told that is why we have to keep our rates higher, while our bank rate has to be raised above that of the United States. Admittedly the bank rate has only a slight connection perhaps with the general level of interest rates. I notice that Mr. Coleman of the Royal Bank suggested that the reason they raised their

[Mr. Cameron (Nanaimo-Cowichan-The Islands).]