

*Statement on Foreign Exchange*

appropriate and prudent to protect the Canadian dollar against speculation and strengthen our position. I regret, as we all will regret, that external circumstances have made this step necessary.

Today the market situation has improved. The value of the Canadian dollar in the market has risen and we have bought some United States dollars to ensure that the market readjustment was an orderly one. It is of course too early to draw definite conclusions, but the change is distinctly encouraging.

Our present exchange parity is appropriate to our economic situation and should be and will be maintained. We have very large exchange and gold reserves to defend it, and we also have access to large supplementary sources of finance through the International Monetary Fund and through a reciprocal support arrangement between the Bank of Canada and the federal reserve system, which was increased last fall to \$750 million. Our basic position is safeguarded by our unrestricted access to the long-term capital market of the United States, where Canada and Canadian borrowers enjoy high credit ratings. We are fully prepared, if this should be necessary, to use our reserves and the other resources available to us, to defend the Canadian dollar in the exchange markets.

**Hon. Robert L. Stanfield (Leader of the Opposition):** Mr. Speaker, this is a subject on which, of course, one must weigh his words with some care. I am pleased at the reassurance of the minister regarding the determination to maintain the value of our dollar. I am also pleased that he is able to report to the house that the initial results, at least, of the increase in the bank rate appear to be favourable, and certainly I know every member of the house hopes most fervently that these initial, apparently beneficial, results will continue and that nothing further will be required.

I am sure we all have a tremendous confidence in the future of our country, and it should be a matter for all of us who are responsible to make certain that we realize the potential of our country. However, Mr. Speaker, I do not think it would be inappropriate for me to say that the results in the country of the increase in the bank rate are not likely to be very desirable from a domestic point of view, and that consequently it is regrettable that the Governor of the Bank of Canada found it necessary to make this decision.

[Mr. Sharp.]

I emphasize that in the circumstances I am not criticizing his decision. I am quite prepared to accept his judgment in this regard. Nevertheless I think that this is a further indication of the importance of confidence in government or, if you like, in the country—confidence in our willingness and readiness to assure that our country will maintain its economic strength.

Just as I had occasion in the course of the so-called mini-budget debate to suggest that the Canadian people were being asked to pay higher taxes as a measure of trying to restore confidence in the government, I now think that the increase in the bank rate is a further price that the Canadian people will pay with regard to confidence in and credibility of the government.

I do not wish, Mr. Speaker, to appear to be lecturing the government in any pedantic way, but I think it would be appropriate for me to remind members of the government that they have a heavy responsibility during coming months, or for at least as long as it remains their responsibility to form a government.

**Some hon. Members:** Hear, hear.

• (3:00 p.m.)

**Mr. Stanfield:** I hope they will make every effort to demonstrate to all concerned that they are prepared to do what is necessary to ensure the economic future, strength and stability of our country, because it is really a question of confidence. I hope the government will pursue policies and attitudes which will inspire confidence. As I take my seat I again repeat that I hope the measure that is taken by the Bank of Canada will have not only the initial result but the continuing results that are considered necessary in this situation.

**Mr. Colin Cameron (Nanaimo-Cowichan-The Islands):** Mr. Speaker, like the Leader of the Opposition (Mr. Stanfield), I am well aware that this is a very delicate matter on which to speak and that one must weigh one's words very carefully, because the basis of the operation of a modern monetary system is confidence. I myself am very disturbed by the inevitable results of the action the government has taken, action which it was obliged to take because of its previous policy decisions about which I have spoken on previous