

Finance

held in the United States to carry out our understanding with the United States government to which I have referred.

Since the understanding was reached with the United States in December, and announced in January, the United States bond market has declined. The lower bond prices make the re-purchase of Canadian securities more attractive from our point of view, but we find it has made the institutions holding them reluctant to sell at prices that involve a book loss. In these circumstances we feel we should have authority to purchase a greater range of securities, more widely held, that will still enable us to accomplish the purpose we had in mind.

We have found that we can accomplish the purpose that both governments were seeking by purchasing outstanding securities of the International Bank for Reconstruction and Development that are held by United States residents. Such purchases constitute a movement of capital to the United States offsetting the flow of capital to Canada involved in the sale of new Canadian issues in the United States market.

We are therefore asking authority in the estimates to enable us to purchase such securities for this purpose. This will give us some flexibility in carrying out the arrangement we made with the United States government should the over-all Canadian balance of payments be such as to require further action to attain the objective on which we agreed. I am confident that members of the house and others will agree that the bonds issued by the International Bank are an eminently good investment.

Hon. Marcel Lambert (Edmonton West): Mr. Speaker, the long range effect of the government's policy as enunciated today, and as earlier enunciated in January, is rather too serious a matter for any off the cuff comment. It does indicate to me, however, that there is perhaps an over-cautious concern with the balance of payments problem which is something we have inherited since 1963 as a result of the agreement the then minister of finance entered into with the United States, and as a result of the interest equalization problem and our own cost of living or inflationary problem in this country.

I think the two are very closely related, but unfortunately far more attention is being paid to our obligation under the balance of payments problem than to the cost of living. It is all very well to benefit the United States authorities and the United States government,

[Mr. Sharp.]

but in the interval the Canadian public is having to take it in the neck as the cost of living goes up day by day.

Mr. Colin Cameron (Nanaimo-Cowichan-The Islands): Mr. Speaker, the announcement of the Minister of Finance of course merely tends to again underline the fact that now we have literally no control over our monetary policy in Canada; it is now completely out of our hands. One weapon of governmental operation has been removed. I suggest to the minister that sooner or later he will have to face this problem of control of our monetary policy and seriously consider removing ourselves from the fixed exchange rate and going back to a floating exchange rate. I understand, of course, quite well that we would have some difficulty with the International Monetary Fund, but I am convinced this fund would not expel Canada from its ranks if we took the action which is becoming increasingly important and necessary.

[Translation]

Mr. Gilles Grégoire (Lapointe): Mr. Speaker, I will not hide the fact that we are somewhat surprised to hear the Minister of Finance (Mr. Sharp) tell us that the government now wants to redeem, before maturity, the Canadian bonds held by Americans.

The Minister of Finance does not tell us where he will get the money to redeem those bonds. He announces supplementary estimates. Will this be taken out of the people's taxes? Will we have to borrow elsewhere to redeem the bonds held by American citizens? If we are in a position today to redeem those bonds before maturity, why then did we borrow from the Americans when we did?

Mr. Speaker, our balance of payments problem stems, not from our trade, for in that respect we have a favourable balance of payments, but from the fact that too much money leaves Canada for the United States in interest, dividends and profits. From 75 to 80 per cent of our natural resources and industry is held by Americans, and we send them profits, interest and dividends: that is the source of our difficulties.

Mr. Speaker, we, Créditistes, have been saying this for a long time: we have the Bank of Canada; let us use it, instead of the United States, to develop both our natural resources and our industries. Then our profits, our interest, our dividends will stay in Canada, and we will not have the problems which confront us today.