

dollar in order to generate a trade surplus. Again, the facts do not bear this out.

Canada has had a floating exchange rate since 1970. This means that the level of the Canadian dollar is determined by market forces. From time to time, the Bank of Canada has intervened in the exchange markets to maintain orderly conditions and to counter short-term speculative pressures. This has been aimed at smoothing out the movement of the dollar, not at achieving a specific level.

A review of official intervention in recent years shows that Canadian actions have had the net effect of resisting downward pressure on the Canadian dollar, as was noted by Secretary Baker in his appearance before the Joint Economic Committee of Congress on January 30th.

If you are familiar with Canadian affairs, you will be aware that your prime bank rate stands at 7.5 percent while ours is 9.25 percent. Canadian interest rates have recently run from 2 to almost 3 points higher than yours, in support of the value of our currency.