

Lurching From Crisis To Crisis

MacDUFF OTTAWA REPORT

The Trudeau Government is beginning to take on more and more aspects of the former Pearson Administration.

It appears to be lurching from crisis to crisis.

The sudden, surprise disclosure Sunday May 31, by Finance Minister Edgar Benson that the government had decided to free the Canadian dollar and let it float, finding its own level in the international markets, was reminiscent of the manner in which the former Liberal government acted or reacted. More than once members of Pearson's Cabinet had to summon the press and make announcements that followed quick emergency decisions by his cabinet.

Prime Minister Pierre Trudeau returned to Ottawa from his Pacific tour late May 29. He summoned his cabinet into special session Saturday after being briefed on developments that had taken place during his absence from the country, touring Asiatic countries.

He found Canada was facing a crisis. The Canadian dollar has extremely strong in the exchange market since the start of 1970. The overall official reserve position rose during the past five months by more than U.S. \$1,200 million, not including the allocation of special drawing rights. The reserves have been increasing at an accelerating rate.

In the first quarter the reserves rose by U.S. \$367 million excluding the allocation of \$124.3 million of special drawing rights on January 1, 1970. In April they rose by \$225 million. In May the official reserves rose by \$262 million and in addition, as a result of swaps and forward transactions, \$360 million had been acquired for future delivery for a total increase of \$622 million in one month.

The accumulation of these large reserves in 1970 has greatly increased the cash requirements of the government of Canada. Its cash balances have been substantially reduced and an additional \$250 million has been acquired by the sale of a special issue of treasury bills in order to provide additional resources to the exchange fund.

If the trend had been allowed to continue Canada's official reserves would have risen rapidly to levels far in excess of Canada's needs. Large-scale speculative buying of Canadian dollars would have been encouraged with disruptive effects upon the international payments system and with large windfall profits for speculators.

The cabinet was faced with being forced to act and act at once to permit some appreciation of the market rate of exchange in order to prevent the situation getting completely out of hand. The government could have decided to revise the value of the Canadian dollar upward three or four cents from its pegged price of 92.5 cents in terms of U.S. currency. That was considered by the cabinet at the Saturday meeting May 30, and rejected as no solution.

The New Democratic Party has for many months been urging the government to place the Canadian dollar on a "floating" basis, that is to loosen it from its peg and allow it to float to find its own rate of value in terms of U.S. Each time the NDP spokesmen have put forward this idea, Finance Minister Benson or some other federal government member has batted it down as an unworkable and unthinkable suggestion.

One of the great arguments against the floating rate of exchange is that it means exporters and importers really do not know for certain what prices they can expect to receive or have to pay because the value of the Canadian dollar could be fluctuating. It also means that Canadian exports go up in price, because the Canadian dollar is bound to increase beyond its former pegged price of 92.5 cents U.S. That means Canadian exports increase in cost and are much less competitive on world markets.

Canada is a trading nation and must keep its exports competitive on the world markets. Since the Canadian dollar was pegged low in 1962 the Canadian economy has strengthened. Exports have steadily increased and exporters and importers have had a stable dollar with which to do business. Setting the Canadian dollar free to bounce around in value until it finds its proper value in terms of U.S. could have severe consequences for the economy. The government was aware of this and consequently promised that this was only a temporary move.

The cabinet also recognized that in freeing the dollar it was breaking its International Monetary Fund agreement. It notified the IMF of its intentions a few hours in advance of the announcement. The IMF nations were not happy with Canada's decision.

However Mr. Benson refused to indicate when the government would return a "pegged" rate for the Canadian dollar. Nor would he hazard a guess for reporters at what rate he expected the dollar would reach and remain fairly settled after the initial fluctuations after it was set free to "float".

Two days after the announcement it had moved up on international exchange markets to 97.5 cents in U.S. funds.

Canadian officials breathed a little easier. They had been fearful that it might reach par with the Yankee dollar. That would create an awkward situation.

It was clear the cabinet had been pushed into the "floating" decision by developments. It was not a "planned-in-advance" decision. As a matter of fact three days before it was taken in the cabinet Mr. Benson was asked in the commons if he was considering setting the dollar to float on the international markets. He replied emphatically in the negative. Later he explained that cabinet had made no decision at that time, only reaching the decision after Mr. Trudeau returned to Canada.

So much for the much publicized long-range planning that is supposed to be taking place as the new Trudeau administration steers its course toward the "just society". The decision to set the dollar free could have strong and unforeseen effects on the economy. The government's experts were "flying by the seat of their pants" scoffed Opposition Leader Robert Stanfield and he was right.

STOUFFVILLE: If no formula to reduce the financial burden on residential property owners due to reassessment is worked out by June 25, village council intends to extend the due date (now July 1) for the first instalment of 1970 taxes.

PINDER BROS. LTD.

STEEL LINTELS

1 BEAMS

Kept in Stock

Portable Crane

Service

STEEL

FABRICATING

To Custom

Specifications

2 Otonabee

BA. 1-3344

THE COOLEST BUYS on the HOTTEST ITEMS



SPECIAL!
Yacht Mop

.69

Thick and thirsty to absorb spills in a jiffy! Bushy cotton yarn head attached to durable hardwood handle. Clean up on the savings while quantities last.



SAVE! ROTARY Sprinkler

1.88
Reg. \$2.25

Handy compact unit with bright red base, chromed brass arms. Spins a gentle, penetrating spray over a 35-ft. circular area. Buy now!



Sale

We reserve the right to limit quantities on all sale items



SPECIAL PURCHASE! Beach Towels

Quality terry-cloth in vibrant colors — go great for swimming and sunning at the beach or pool-side. 30 x 60"; fringed top and bottom. Assorted patterns.

1.88
EACH



Special! 45" Wading Pool

Wonderful splash-about spot for kiddies on hot summer days. Strong, molded plastic with attractive ripple design — can be sunk into the ground as a permanent pool. Doubles as a sandbox too!

2.69

Special! Air Mattress

Here's a Sun Fun Buy for light-as-air lazing on the lake, or basking on the beach. Rugged vinyl construction, 5-tube design. 30 x 72" long; colorful design. Limited quantity only.

2.99



Save! **HARD POINT**

22" Saw

5.99

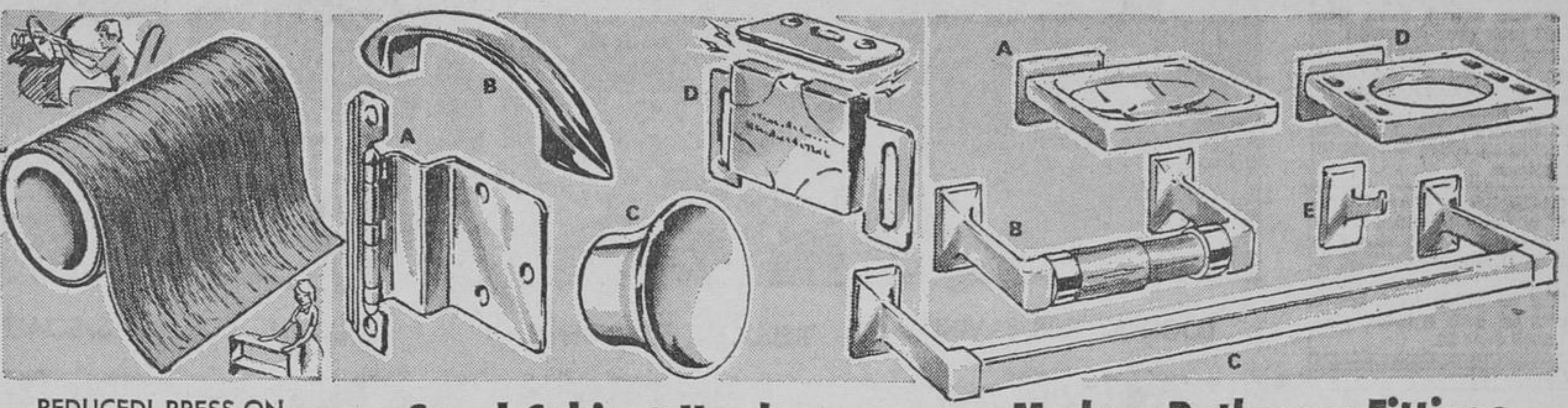
Spear and Jackson. A cut above the rest in price and value! Teflon®-S coated blade with hand set fleam teeth.

SPECIAL! 5-in-1

Screwdriver

.79

A versatile tool for the handyman! 1 slot, 1 Phillips-type, 2 Robertson-type bits, 1 awl. Hollow plastic handle for storage.



REDUCED! PRESS-ON Walnut Trim

Self-adhesive vinyl in rich, wood-grain pattern.

3" x 3 ft. Reg. 84¢ **.66**
3" x 6 ft. .99 6" x 6 1/2 ft. **1.77**

Save! Cabinet Hardware

Stamped chrome-plated steel in elegant and modern styling. At Sun Fun Sale specially reduced prices!

- A. 3/8" INSET DOOR HINGES — Pair Reg. 32¢ **.27**
- B. 4" PLAIN DRAWER PULL — Each Reg. 23¢ **.19**
- C. 1 1/2" CONCAVE DOOR KNOB — Reg. 21¢ **.17**
- 2" CONCAVE DOOR KNOB — Reg. 24¢ **.19**
- D. HEAVY-DUTY MAGNET CATCH Reg. 19¢ **.15**

Modern Bathroom Fittings

White hi-impact plastic. (Glue and screws included).

- A. SOAP DISH — Easy to mount, Reg. 75¢ **.59**
- B. TISSUE HOLDER — Reg. 75¢ **.59**
- C. TOWEL BAR SET — Includes brackets, 12" bar **.59**
- 18" ... Reg. 85¢ **.69** 24" ... Reg. 95¢ **.79**
- D. TUMBLER/TOOTHBRUSH HOLDER — Holds 6 brushes **.59**
- E. ROBE HOOK — Card of 2. Reg. 55¢ **.49**

Apply for a **CANADIAN TIRE** Credit Card Today

EXTRA! Cash BONUS COUPONS

CANADIAN TIRE
ASSOCIATE STORE
70 Yonge Street North, Richmond Hill
884-1196