Now, this was a perfectly normal thing. Canada was a very rapidly growing country with inadequate domestic savings, importing capital in a perfectly normal way. As long as that situation was stabilized and reliable, then by definition they were not in any disequilibrium. Indeed, much of the time you could say it was the other way around. They were beginning to be in a surplus position. Witness the fact that during the period when they had a fluctuating exchange rate the Canadian dollar stood at a premium with respect to the U. S. dollar year after year.

Now for a lot of reasons this has become more unstable. It has become more unstable because the Canadian officials themselves have become restive about it. They have thought that Canada is too much dependent on foreign capital, that this visible deficit is too big, that they are too vulnerable to the effects of a cutoff of the capital.

When the U. S. announced the equalization tax and made it apply to Canada in the first announcement, overnight Canada had the biggest foreign-exchange crisis for 48 hours that they had ever had in their history, because everyone knew that if this resulted in suddenly cutting off the net inflow of capital, then at worst they would be in a balance of payments crisis which, if it couldn't be alleviated, would mean that they would be on the edge of not what we could call a chronic disequilibriam but a disequilibrium which would be so acute that if they didn't do something about it in a hurry they would lose all of their reserve in a couple weeks' time.