Canadian Parliament debates motion to study scrapping national currency

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By a vote of 175 to 67, Canada's House of Commons rejected Monday a motion to study the creation of a North American monetary union--i.e., to consider scrapping Canada's national currency, the Canadian dollar.

The motion was introduced by the Bloc Québécois, which favors Quebec's secession from the Canadian federal state. Most Tory MPs and 19 of the 49 Reform MPs present in the House joined the BQ in supporting the motion. MPs from the ruling Liberal Party and the social-democratic New Democratic Party voted unanimously against.

BQ leader Gilles Duceppe argued that the creation of a monetary union based on the North American Free Trade zone (which unites Canada, the US and Mexico) and ultimately embracing all the Americas would be in the interest of both Quebec and Canada. "Everybody knows our world is evolving toward three great economic and political blocs," declared Duceppe. "The development of an economic bloc also supposes--in the rather short term--the existence of a common currency and common political institutions." The BQ leader predicted that within 20 years there will be just three major currencies--the yen, the euro and the US dollar--and warned that the Canadian government's refusal to recognize the inevitability of monetary union with the US was making the Canadian dollar a target of speculators and contributing to economic uncertainty and instability.

The Liberals and New Democrats attacked the BQ's advocacy of a monetary union as a ploy aimed at furthering its secessionist agenda and said Canada's adoption of the US dollar would entail an impermissible loss in Canadian economic "sovereignty"--that is in the Canadian bourgeoisie's power to shape fiscal and economic policy. "The Bloc Québécois is not talking about a new currency," Finance Minister Paul Martin told reporters at the conclusion of the debate. "They're talking about ourselves using the American dollar and being totally subject to American monetary policy. Given the differences in our economy, it is not an idea that will carry a lot of weight." For his part, NDP finance critic Nelson Riis derided the BQ proposal as "a call to be a banana republic."

Unquestionably, the BQ's advocacy of monetary union is self-interested. In the short term, the Quebec *indépendantistes* hope to deflect concerns about the financial cost of secession by pointing to the increasingly perilous state of the Canadian dollar. In the longer term, they hope to use the economic and political arrangements associated with globalization to forge new ties with international capital that obviate the need to have Bay Street and Ottawa act as intermediaries. A monetary union with the US would go a long way toward insulating Quebec from Canadian financial and economic pressure in the event of independence. The Scottish National Party, which advocates an independent Scotland in the European Union, has a similar strategy.

There was never any question of the BQ motion passing. But, as the vote for the motion from Tory and Reform MPs indicates, it is not just the advocates of an independent Quebec who are questioning the continued existence of the Canadian dollar. In recent months, there have been a spate of newspaper commentaries that have bluntly questioned the rationale of the Canadian bourgeoisie maintaining its own currency.

The more perceptive commentators have conceded that Canada is caught between a rock and a hard place. With the advent of the euro, Canada risks finding itself outside of an emerging tri-polar monetary system. But

in the Americas, unlike Europe, there is no possibility of a new currency being created by a large group of countries, of which the most important are relatively commensurate in terms of the size of their population and economies. Any monetary union of the Americas, even if it stretched from Ellesmere Island to Tierra del Fuego, would be a US dollar bloc.

Adding to the anxiety over the future of the Canadian dollar is its shrinking value. Over the past quarter century, the Canadian dollar has fallen from par with the US dollar to just above 65 cents US, meaning it now costs about $1.50 Canadian to buy a US dollar. To the consternation of much of big business, the Chretien Liberal government failed to aggressively defend the dollar last year when it came under pressure in the fallout from the East Asian crisis, allowing it to depreciate by about 7.5 percent.

A declining dollar hits the bourgeoisie, by lowering the value of its Canadian-denominated assets, by making Canadian companies more susceptible to foreign takeovers, and by raising the cost of imported machinery and US dollar denominated borrowings.

The advocates of a strong dollar are pressing the Liberals to attract an inflow of foreign capital, so as to boost the dollar's value, by slashing taxes on corporate profits and the rich and by intensifying the assault on social and public services.

This week *National Post* editorialist Terence Corcoran, a free-market ideologue, deplored the Chretien government's indifference to the devaluation of the dollar in an editorial entitled, "Maybe Canada is for sale." Wrote Corcoran, "We know Prime Minister Chretien cares little about the dollar. Good for exports, he says. But it's also good for foreign firms buying up Canadian companies, and bad for Canadian companies looking to expand abroad."

In a related development, Quebec nationalists are seeking to pressure the pro-separatist Parti Québécois provincial government to refuse to give regulatory approval to a reorganization of Canada's stock exchanges, because it will see the Montreal Stock Exchange (MSE) confined to a niche market. Under the reorganization, the MSE, Canada's oldest stock exchange, will gain a monopoly over trading in derivatives in Canada, but will cede to the Toronto Stock Exchange an exclusive right to trade senior stocks. Asked *Le Devoir*'s lead editorialist: "Has the Parti Québécois government, whose objective is to convince the electorate that independence will allow us to control development tools, come to the point where it is satisfied with the status of a regional franchise when it comes to share offerings by corporations?" Michel Vastel, an ardent nationalist and *Le Soleil* columnist, accused the PQ government of reconciling itself to "the crumbs tossed our way by the Toronto masters."

Proponents of the reorganization note that Montreal's share of Canadian stock trading has fallen precipitously in the 1990s and warn that unless Canada's stock exchanges become more efficient they will lose business to the US and overseas. As it is, Canada's stock exchanges account for a mere 2 percent of world stock market activity.