Terminator 101 wrote on Sat, 13 December 2008 16:20Well, that kind of makes sense. And if there were more train and bus routes in Canada, gas would probably be even cheaper here.

Now if someone could explain the current Candian-US dollar ratio.

I think I heard somewhere that it is because US is buying less from Canada, but that can't be true since now that the Canadian dollar is lower, it would actually be beneficial for US to import from Canada.

The main reason our dollar rose so much against the American dollar the previous years was because our dollar was tied to oil! Because Canada is a commodity based economy, resource prices have a big impact on our economic performance. When the Alberta Tar Sands were going like gangbusters, our dollar followed accordingly.

However, because of oil's massive decline, America's economic problems and our weakened manufacturing sector, the dollar has lost parity with America's. As long as oil stays low, and we continue to rely on an economically depressed America as our major buyer for goods, our dollar will continue to stay low.

Because there's less money going around in the States, there's less incentive to buy products in general, and not just Canada. However, you're correct that it's beneficial for the US to buy from us; our manufacturing sector has traditionally relied on the low dollar in order to be competitive. Their competitive advantage was killed when the dollar rose.

Once again, I am simplifying everything, but it should give a decent idea of what's happening.

Edit: For what it's worth, I don't think it's prudent to assign blame on a political basis for this crisis. Much of what happened was caused due to market manipulations stretching back years, upon years. Oil prices and the sub-prime lending fiasco were just the straws that broke the camel's back.