

The setting up of the new facility will be a major step forward in strengthening the international monetary system. It will not, however, be a universal panacea. If countries persistently mismanage their own economies, even the most perfect management of the supply of international liquidity will not shield them or their trading partners from the consequences. Balance-of-payments disequilibria will continue to be one of the clearest and most disturbing manifestations of such mismanagement. The improved management of international liquidity will contribute towards an environment favourable to an appropriate adjustment of national policies. The smooth functioning of the international system will still depend essentially upon the national policies of each of our countries.

Canada has had its share of difficulties in finding the right combination of policies to achieve our various goals. For several years members of the staff of the Fund have in our annual consultations pondered with us in a very frank and thoroughgoing fashion on the problems of formulating fiscal and monetary policies appropriate to the needs of the Canadian economy. In the past year or 18 months, we have been successful in moving the Canadian economy from an unsustainable rate of growth to one that is within our capacity, without completely interrupting the expansion. In the process our imports have continued to rise. But it is clear that we have been more successful in maintaining economic growth than we have been in achieving stability of costs and prices. It is our purpose, however, to combine continued growth with price stability (indeed, I doubt whether, in the long run, the one can be achieved without the other), and we intend to make use of every means available to us to restore the balance.

Let me now turn to matters related to the World Bank group. The most important item is the replenishment of the resources of the International Development Association. Both the level and conditions of the replenishment must be settled.

The Canadian Government has not taken a final decision on the level of replenishment. I have no doubt that, when it is asked to do so, it will be influenced primarily by the needs of the developing countries and their capacity to use aid effectively. As I indicated at last year's meeting, we believe that IDA should be replenished at a figure substantially higher than the present one. Some time ago, the President of the World Bank suggested a figure of \$1,000 million a year for three years; an alternative which has been discussed is an escalated increase ending in the third year at \$1,000 million and averaging \$800 million over three years.

An increase in IDA's commitment authority to \$1,000 million a year would involve an additional transfer of resources from developed countries of \$750 million a year, or about \$1.25 a head; an increase to \$800 million would involve one of \$550 million, or about \$0.90 a head. It would be difficult to argue that either one of these increases is excessive when contrasted with existing per capita incomes in developed countries of \$2,000 and in developing countries of \$160, or with the expected annual increase in these incomes of \$70 or \$3 respectively.