necessary to correct a fundamental disequilibrium. As I pointed out yesterday, in making that determination, which is merely a determination of fact, the fund, as you will see from the last sentence of that paragraph, has no right to inquire into the domestic, social or political policies which gave rise to the necessity for the change. Here, as I say, there is a new concept introduced which is, in a sense, as Keynes has said, the antithesis of the gold standard concept. The gold standard concept is exchange stability above all. The concept which is introduced here is if it is necessary to correct a fundamental disequilibrium then adjustment of the exchange rate is the recognized technique. That is the main reason why I feel that this is not the gold standard which is criticized, the gold standard that people who object to the gold standard have in mind.

There is another difference, too, and I will refer to this only briefly because we went into it at some length last night. Under the gold standard the main burden of adjustment when there is a lack of balance in international payments is placed on the debtor country. I know Mr. Quelch has argued that too much of the burden of adjustment is placed on the debtor country in this agreement, but it is a fact that apart from the relatively moderate interest charges there are very few pressures in this document on debtor countries to correct any unbalance in their international payments whereas on the contrary there is a very drastic pressure in the form of the scarce currency provisions on creditor countries to correct a lack of adjustment in their balance of payments.

By Mr. Coldwell:

Q. Is that the main objection of the American Bankers Association to this stabilization fund?—A. The scarce currency provisions—no, sir. The main objection of the American Bankers Association—

Q. I do not want to interrupt your thought.—A. I have their report here, and if you like I will come back to it later on.

By Mr. Blackmore:

Q. Would the witness care to define fundamental disequilibrium?—A. May I come back to that, too, Mr. Blackmore? Under the gold standard—and this is another essential point of difference—there is a two-way convertibility between national currency and gold. Under the gold standard anyone holding national currency, let us say Canadian dollars, has the right to go to whoever it may be, the mint, or whoever is doing this on behalf of the government, and demand a certain amount of gold in exchange. That is one type of convertibility.

On the other hand, anyone having gold has the right to go to the mint and demand national money in exchange. That is a very essential feature in the operation of the gold standard. Under these proposals there is no two way convertibility. There is no right on the part of anyone holding national currency, whether it be Canadian dollars or pounds sterling, who is resident in Canada or in the United Kingdom, to go to our mint or theirs and demand gold in exchange.

What is retained is the other type of convertibility, that is to say, that gold continues to be used to settle international balances. This agreement does not demonetize gold. That is the only real place that gold holds in this agreement, that gold continues to be used to settle international balances, not as a regulator of domestic policy which is the real heart of the case against the gold standard, but gold continues to be used to settle international balances.

Now, it is a question that may be open for discussion whether that in itself is a good thing or not. Certainly it is a thing about which Canada as a gold producer, looking at the question from the point of view of its own national interest, would find it rather difficult to make any complaint.

An Hon. MEMBER: Hear, hear.