

Many experts have worked on these problems in recent years and much has been written. They have helped considerably to clarify the issues. They have certainly proved that it would be technically feasible to create a new asset and to control its supply. But governments still have not reached agreement on a mutually-acceptable scheme. We in Canada are becoming increasingly impatient over this failure to reach agreement.

The international payments system has been subjected to severe strains in recent years as a result of pressures on the major reserve currencies. So far, these strains have been successfully met through the close co-operation of the monetary authorities and the IMF. But these have been essentially ad hoc measures. Their success has been due to the ability of the authorities to convince the international financial community that the management of the international system was in firm, competent hands. The longer governments take to settle their differences on basic improvements in the system, the more they leave the burden of short-term financing and adjustment to ad hoc arrangements.

Why have countries been unable to reach agreement on these vital questions? Differences over basic political objectives have quite clearly been a contributing factor. But they do not provide the whole answer. There is a genuine concern in Europe that the collective ability to create new international liquidity would constitute a temptation to many countries to postpone or evade actions that are needed to run their own economies properly.

We in North America tend to criticize Europeans for adhering to policies and arrangements which make it harder for us and for the less-developed countries to correct our balance-of-payments deficits. Many Europeans, on the other hand, believe that the English-speaking countries - and they include Canada in that category - have a basic inflationary bias and would press for the creation of excessive amounts of international liquidity in order to cover continuing balance-of-payments deficits that should be eliminated or financed on a long-term basis.

Despite these differences over the creation of new reserves, we have in recent years made progress in the Organization for Economic Co-operation and Development and in the Monetary Fund towards a better understanding of the means by which deficits or surpluses in international payments can and should be adjusted. The system of surveillance of each other's economic policies and balance-of-payments positions is laying the basis for further advances in this area.

I come now to the third matter I wish to mention - prolonging and managing prosperity.

During the 30 years since the depths of the depression, we have come to understand much better the workings of our North American economy. Economists have produced much better methods of analysis for us. Statisticians have produced more and better statistics, and should produce even more and bring them out more quickly. Informed and serious economic forecasting has become common in business as well as in government. Politicians have learned much more about economics - even if they do not always reveal it or apply it. Public opinion has accepted