

*Finance*

friend, but the moment the president of the Royal Bank of Canada and the economic adviser to the Bank of Nova Scotia say the same thing the proposal becomes feasible, practical and sensible. I say that you do not have to be a genius to see that when there is a system of fixed exchange rates automatically a strait-jacket is put round the world and the speculators have a point at which to aim.

If the speculators know that the Canadian dollar can only go one per cent up or down from 92½ cents, then they know the point at which they can make it uncomfortable for the Canadian dollar. The same thing is true for every other currency on a fixed rate under the International Monetary Fund when permission is given to go up or down within two per cent, one per cent above or one per cent below, without breaking the commitment to the International Monetary Fund. It has always been obvious to me, not only in recent years but over the years that I have studied economics and finance, that this is the kind of rigidity that a growing international economy cannot tolerate; that there should be more manoeuvrability in the rate at which the currency sells in terms of other currencies. This manoeuvrability can then reflect the actual market situation and be responsive to the international trade of commodities and to the invisible trade among countries rather than responsive to some speculative behaviour of corporations and gnomes.

If, for the time being, it is not possible to immediately establish freedom in exchange rates across the industrial world, then you should start with what is called a floating or a crawling peg; in other words in area of, say, five per cent above or below the rate set. This leaves a relatively large area within which a currency can move in terms of other currencies. Speculators would then have much greater difficulty in feeling certain about their speculations, their gambling, because it would then be possible for authorities inside a country to take steps which speculators might not like and by which they would be punished when they began to press a particular currency.

• (5:20 p.m.)

When we have established either a wholly free exchange system across the world, or a partially free system of exchange, there will, of course, need to be measures to prevent national governments manipulating the rates for their currencies for purely selfish national reasons at the expense of other nations.

However, I think there ought to be international measures available for the punishment of speculators, and that the International Monetary Fund or some such international agency should be given authority to watch the situation, recommend preventive measures and obtain some reaction from the country affected when speculators are "rooking" the people of the world.

To give an example. When the United States dollar was under pressure some months ago and the price of gold was going up as a result of speculation, the United States government, had it possessed the courage and had the International Monetary Fund been a party to such action, could have punished all the speculators within 24 hours—and it could do so tomorrow—by dumping two or three billion dollars worth of gold on the market. Then, the speculators who intended to make a killing would have found themselves losing a great deal of money. Possibly, having lost a great deal of money once or twice in the course of their manipulations, they would begin to take a different attitude. Instead of being the victims of speculators, either of Zurich or of the international corporations of the western world, governments should act in such a way as to make it painful for speculators to upset, distort and dislocate the economy of the world at the expense of the welfare of its people.

Utopian though this may sound, and Utopian though it is, I want to suggest that it is time we began thinking about an international central bank. One of our basic problems today is that we lack any international agency with the authority to deal with the flow and volume of international currencies in the way in which the Bank of Canada is able to deal with the volume and total amount of money circulating internally in this country. It will take years, maybe decades, before we get to it, but we ought to be thinking now in terms of a genuine international community in this field. We ought to be thinking of setting up an international central bank to which the sovereignty of individual nations would, for this purpose, be given. The bank would have the power and the means to regulate the amount of international currency in given situations and to make the international money market respond quickly to changes in the balance of payments situation and the international trade pattern.

Finally, in the meantime, contrary to what has been suggested by the hon. member for Edmonton West I believe Canada ought to