(b) The position of exporters would be improved as a result of the proposed order, but complaints would probably be received from importers. In a few months' time, the price on imported goods such as automobiles and farm machinery might rise by an amount of up to 5 per cent.

(c) On the whole, the proposed step would be popular in Canadian financial circles, and the I.M.F. would welcome it as being in conformity with normal practice.

(d) The government might be criticized because of the reduced inflow of capital from abroad and on the ground that the lower value of the dollar reflected declining prestige. Such criticism, however, would not be very damaging because the Canadian public favoured a reduction in foreign influence upon the economy.

(e) Any increase in exports would help to strengthen the position of the Canadian dollar in international exchange. All reasonable steps should also be taken to stimulate the tourist industry in Canada.

(f) The Prime Minister and the Minister of Finance had considered this matter in detail, and their recommendation should be supported.

3. *The Cabinet* agreed that the concurrence of the International Monetary Fund should be obtained, and authority be given for the fixing of the par value of the Canadian dollar, for the purposes of the Agreement for an International Monetary Fund, at one Canadian dollar equals 92½ U.S. dollar.

(An order in council was passed accordingly; P.C. 1962-659, May 2).

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Note du sous-ministre adjoint du ministère des Finances pour le secrétaire du Cabinet

Memorandum from Assistant Deputy Minister of Finance to Secretary to Cabinet

SECRET [Ottawa], June 10, 1962

At noon yesterday I was able to reach Mr. Fleming by telephone and bring to his attention two very serious developments. He asked that I should make available to the Prime Minister the information and suggestions which follow. (In the matter I am, of course, acting on behalf of the Deputy Minister, Mr. Taylor, who had to be absent from Ottawa this weekend.)

In the first place, as I told Mr. Fleming, the drain of our reserves of gold and foreign exchange in the past few days has, once again, been increasing ominously and sharply as it did late in April and early in May. The loss of reserves required to support the Canadian dollar at its lowest permissible level during the 7 business days since the last public announcement has amounted to $93 million; last Friday sales of $35 million were required. This brought the total decline in reserves since January 1st to over $650 million or about one third of the reserves we held at that time. Our present reserves are approximately $1,400 million, but this includes $86 million which represents in effect the short-term borrowings from the market made in April and May through forward sales of foreign exchange and gold for which we received the spot exchange; these will have to be repaid within the next few months. We cannot go on using up reserves at this rate; urgent steps are needed to restore confidence in the Canadian dollar.

It now seems clear that a substantial and increasing part of these sales of reserves has been required as an offset to withdrawal from Canada of foreign capital; this is a most disturbing development. We know that, on Friday, such withdrawals were feeding on rumours in New