In the second place, it could take steps to increase the deficit in our commodity trade with the United States. I have heard no support for such a proposal.

In the third place, it could ask Parliament to reimpose foreign exchange control as in wartime, and thus prevent purchases and sales by Canadians or United States dollars except under permit. It could, for example, refuse to grant licenses for the import of capital or certain types of capital. This course of action would, however, not be consistent with the desire of Canadians, which is shared by free peoples generally, to move away from controls of this kind as their economic strength grows.

Cost of Enforced Parity

In the fourth place, the Government could employ Canadian dollars belonging to the people of Canada to buy and hold United States dollars in order to create an artificially high value for the United States dollar expressed in terms of the Canadian dollar. No one knows how many Canadian dollars would be required. But it would be a huge sum. It would be necessary to raise the money by increased borrowing or taxation. If the two currencies were brought to a quoted equality at any given moment as the result of such artificial measures they could not be expected of their own accord to continue in that equal relationship. No one knows how many more dollars would be required to maintain equality between them. The Minister of Finance would be placed in the position of taxing the Canadian people or borrowing on the market to provide Canadian dollars which he would then convert into huge holdings in United States dollars. This is not a use of the money of the Canadian taxpayers which I would be prepared to recommend to my colleagues.

In the Exchange Fund today the Minister of Finance holds approximately $1.9 billion -- about half in gold and half in United States notes and treasury bills. This Fund has for years been employed merely to eliminate wide fluctuations in exchange quotations in the two currencies from day to day, not to influence the long-term trend in exchange rates. The sums required for this modest purpose leave no doubt as to the huge sums which would be required to raise the United States dollar today to equality with the Canadian dollar and to hold it there indefinitely artificially.

In the fifth place, it has been suggested that the Canadian Government could reduce or eliminate the premium on the Canadian dollar by increasing the price it pays for gold. The price the Government pays for gold is now determined by taking the world price of gold, namely $35(U.S.) an ounce and converting this into Canadian dollars at the current rate of exchange. Let us consider for a moment the consequences of an artificial increase in the price paid by the Government of Canada for gold. If a higher price were paid only to Canadian gold producers, this would have no immediate consequences on the exchange rate for the Canadian dollar. It would in effect be an increase in the subsidy on gold production over that which Parliament has authorized through the Emergency Gold Mining Assistance Act. To limit the payment