

*Finance*

our currency. Who, in heaven's name, destroys that confidence except the people who want to destroy it? The fact is that there is a constant kind of vicious circle in this international monetary morass for which speculators and thoughtless governments are responsible. When they think a currency may be in some difficulty, they try to make money out of it; and by trying to make money out of it they are making certain the currency will be in difficulty. The more you do that, the greater is the difficulty for the currency. In many cases this difficulty has no relation whatever to the economic situation of the country. I do not say this applies in all cases.

**An hon. Member:** Why is the mark so high?

**Mr. Lewis:** I think the mark is high partly because of the particular export situation of Germany and partly because somebody is playing the mark against the franc. It is so high, I believe, partly because of an international monetary situation which does not permit of the kind of quick adjustment by some international monetary agency which would avoid these ups and downs or at least diminish them.

The point I am making is that there is a mythology about the international monetary system which tries to say that if a currency goes up it is because a government or country has handled its affairs well, and if it goes down somebody has handled the affairs badly. Not in all cases is that true; in fact, in many cases it is not true at all. We ought to get rid of this mythology and approach international monetary problems on a more rational basis.

What is the basis on which we should approach these problems? As a layman who claims no great expertise in the subject, I suggest that one of the reasons the Bretton Woods arrangements have fallen apart in some instances is that at the time they were adopted we talked about going off the gold standard when in fact we did not. In fact, we have always been on the gold standard. Through the Bretton Woods arrangements we have been on the gold standard in an indirect, rather than a direct, way. We have in fact been tied to the price of gold, the reserves of gold and the reserves of dollars related to gold, as well as to the pound sterling, but mainly to the reserves of dollars.

Therefore instead of the Bretton Woods arrangements actually freeing international trade and exchange, they continued in a modified form precisely the same kind of international strait-jacket that the gold standard represented years ago. Some of us in my

party said 25 years ago that the Bretton Woods arrangements would not work in the long run. There is a simple logic in the situation, I suggest, even though I claim no expertise in the subject. All that these schemes represent, whether it be the Bretton Woods arrangements or the amendments we now have before us, is a certain amount in an international reserve pool. At some point in the future, as the international economy grows, as international trade grows and as international payments increase, the reserves which are set up will be found to be inadequate. You cannot provide for a continuing international fluidity, for a continuing adequacy of international reserves to deal with increasing international trade if at any time you set a limit on those total reserves across the world.

This was done under the Bretton Woods arrangements. It will be done under the S.D.R.'s because there will be a total amount of S.D.R.'s available in addition to the reserves.

• (5:10 p.m.)

One of the points I want to emphasize is that the speculators in the world are, to a very large extent, responsible for the trouble into which the currencies get. I do not know what the solution is to dealing with speculators but I want to say a word about the problem. When I say speculators, I am not referring merely to the gnomes of Zurich but I am also referring to all the large corporations the western world over which have officers especially assigned to the task of watching the international money market. They buy and sell international currency in order to protect the welfare of the corporation without the slightest thought for the welfare of the country in which they operate and without the slightest thought for the welfare of the world in which they trade. These are the speculators to whom I refer. We have them in Canada; they have them in the United States, in London, in Paris, in Bonn, in Hamburg and in every other western country and centre. The vice presidents, managers or others are given the specific task of playing the international money market, having in mind only the protection of the interests of their corporations without regard for what that may do to the general economy, to international trade, to international exchange or to the balance of payments. Our concept of "free enterprise" gives them the right in Canada, in the United States and anywhere else to play this game. It