

are a necessary part of international adjustment to different rates of inflation, changing competitiveness, and the flows of long-term capital. And it is not in our interest to try to do more through intervention policy than dampen erratic short-term movements. This is, in fact, the policy which Canada has been pursuing. However, disequilibria in underlying domestic economic conditions are reflected in exchange rate movements and it is these fundamental imbalances which must be removed if we are to achieve exchange market stability.

An essential component of the programme suggested by the Secretary-General is that the members assembled here reaffirm their belief in the use of policies at a micro-economic level which encourage positive adjustment. As I mentioned earlier, there is a tendency during a period of slow growth to accept any short-run solution which saves jobs and keeps firms solvent. Such defensive measures, however, if they protect inefficiency and high-cost operations have serious longer-run implications for our ability to return to a higher growth path. Canada has sought, with a reasonable degree of success, to avoid measures which inhibit structural change. In terms of manpower policy, for example, our programmes are aimed at encouraging occupational and geographic mobility and maintaining income levels for the unemployed instead of job security in a given occupation and location.

Thus we support the endorsement of the Secretary-General's proposal concerning positive adjustments on the understanding that this endorsement does not restrict our government's freedom of action to pursue valid non-economic objectives or to make selective interventions to alleviate cases of true hardship and brutal adjustment. In this spirit we welcome the orientations on adjustment policies put forward by the Secretary-General and agree that it would be useful for them to be made public. It is an important part of the concerted action programme and its adoption by members would serve to ensure that a strong economic recovery will lead to real improvement in the living standards of people both within and outside the O.E.C.D. area.