

Foreign Exchange Control

September 15, 1939, we had in Canada holdings of United States dollars and gold amounting to \$393 million. This amount fluctuated at the end of each year, and I should like to give the round figures for the different years. In 1940 it was \$404 million; in 1941, \$332 million. Then we reached a low point on December 31, 1941, when we were hard pressed for money with which to purchase war supplies in the United States, and the fund got down to \$187 million. The next year it had increased to \$318 million; then \$649 million and \$902 million. On December 31, 1945, it was \$1,508,000,000 in United States currency and gold. Apparently the tendency in recent years has been for this fund to grow about 60 per cent a year. It does not take very much compounding at that rate for the fund to grow out of all sensible proportions, and possibly a limit should be put on it. But the least we can expect is a statement of policy from the minister as to what the action of the board is likely to be. When this question was under discussion in the banking and commerce committee as to how much the board should have of the taxpayers' money with which to speculate in gold and United States currency I asked the expert witness whether it would make very much difference if \$500,000,000 of this \$1,500,000,000 were not held in the fund but held by Canadian individuals in the form of United States investments, and his answer was that it would not make a great deal of difference. The only difference that I could gather from his answer was that it is always nicer in a difficult time to have cash in the bank rather than assets in the form of securities which, while pretty readily convertible, are not just cash. There were days before central banking was instituted when one could not get cash and when securities were not of very much value; but those days have long since passed, particularly in view of the fact that we now have the Bank of Canada and its integration with the foreign exchange control board.

What would be the result if \$500,000,000 of this \$1,500,000,000 were held by private investors and not by the board? The difference would be that private investors in United States securities, if they were allowed to buy them, would be able to get a rate of 2½ to 4 per cent, whereas the Bank of Canada does not earn any such figure as that, probably not even one per cent on its balances. If individuals in Canada were allowed to own these United States securities they would be under the control of the board in just the same way as all other United States securities in Canada can, if necessary, be taken over by the board. I admit that an order in council or some

[Mr. Jackman.]

other authority would be necessary to do that at the moment. Under the proposed bill individuals holding these United States securities could be made to report the same, and if these securities were not physically in Canada the individuals could be made to bring them over to this country. So that if the board would allow individuals to own some of these securities and would supply them with funds to acquire them we would have an income in United States dollars in Canada from these securities, which the board claims is badly needed. But only the board is allowed to purchase these United States securities with funds under its jurisdiction. There again is another evidence of the cost of this type of regulation to the Canadian public. But what I am chiefly concerned about is some indication of policy on the part of the government or the board as to how much of the unappropriated revenues of this country is likely to be taken for the purpose, as I say, of allowing the board to speculate in gold and United States currency.

Mr. ABBOTT: It is almost impossible to give an accurate estimate. It depends on circumstances as they exist from day to day. What is being done here is this. When an advance is made from consolidated revenue fund to the board it is in order that the board may purchase United States dollars or purchase gold. United States dollars are the dominating currency, and what the board is doing in effect when it gets an advance of \$100,000,000, let us say, from consolidated revenue is to convert that into United States dollars. That was discussed before the banking and commerce committee. I gave substantially the same answer there, and it is the answer I must give to this committee.

Mr. MACDONNELL (Muskoka-Ontario): I appreciate the minister's difficulty, but I would ask this question which I think is not irrelevant. Reference has been made earlier to-day to the obligation we have under Bretton Woods. I am not going to go into that at length, although I do not agree with what was said. Under Bretton Woods we can, if necessary, depreciate our currency up to ten points merely by saying that we want to, or virtually so. I would think it undesirable that we should be in a position where we might just stubbornly stick to a certain parity that we started off with, with the idea that we must stick to it whether or no, and perhaps use large reserves in doing that. I wonder if the minister would say something as to that. There is a point there.

Mr. ABBOTT: I appreciate the point, and speaking as an individual member of the government I do not suggest for one moment