

*Finance*

remains. One is also disturbed by the fact that the one country in the world which has a veto is the United States, and one wonders to what extent the international monetary fund really reflects world opinion and to what extent it is more an instrument of American policy. We support it because we have been assured that it is a good measure for Canada and for the world, but for the record we indicate our reservations.

Canada is a very special kind of country and to say we have to behave the same as every other country in the world is to fail to observe the special conditions of this nation. It seems to me that the present arrangement with the international monetary fund whereby we are on a fixed exchange rate is not the best arrangement for Canada.

I do not think it can even be demonstrated that Canada being tied in this particular way is necessarily a good thing for the rest of the world, either. I think we should clearly look at our position with a view to continuing our examination of this question of fixed versus floating exchange rates. We are a very open country, a major trading nation, and this creates special problems with a fixed exchange rate. The greatest difficulty it has created is that on many occasions our domestic policy has been hamstrung because of the nature of the combination of fixed reserves and a fixed exchange rate. Until 1962, Canada was on a floating rate. It had worked very well until then and were it not for the economic panic of the government of that day it probably would have continued to work. The government of that day was pursuing disastrous policies with the exchange rate. On one hand, they were trying to support it and on the other hand they were trying to knock it down. Then they were trying to stabilize it. They did not know what they were doing. While the government was pursuing one set of fiscal policies, monetary policies were working in another direction.

They permitted our exchanges to get into such bad shape that they thought the only way out was to accept the conditions laid down by the international monetary fund in order to save the rate at that time. The conditions, imposed on Canada were severe. I do not think it was necessary for us to accept those conditions. The government had alternative methods. They could have brought in exchange controls; they could have used more

intelligence in co-ordinating fiscal and monetary policies. They have left us a heritage of a fixed exchange rate which does not operate, in my opinion, in the best interests of this country.

The argument is made that fixed exchange rates permits stability or gives some indication of the relative values of currencies of the various countries. No statement could be farther from the truth. We know that a lot of countries in the world find ways around the restriction of a fixed exchange rate. They have various forms of taxation which they can use to subsidize their exports. They have ways to discourage imports, and the purpose of the fixed exchange rate, which is to provide stability, is frustrated in this way.

One has to wonder whether we would not be further ahead to have a full and thorough discussion and examination of the full benefits of one type of rate as against another. In this country all kinds of suggestions are being made at the moment but parliament has really not examined this question thoroughly. The effect of accepting the Bretton Woods Agreement is this: the condition is there, and it is a take it or leave it agreement; there is nothing which can be modified in any way, it has to be either accepted or rejected. This means that any improvements which some of us might think of making to amend the bill are out of the question.

The amendment would have one effect. It virtually doubles the price of gold and by creating special drawing rights under various conditions, each country gets, in effect, increased liquidity. The advantage of doing it in this way rather than doubling the price of gold is that presumably it does not have the same evil effects on those countries which do not hold their reserves in gold or which have dollars in reserve rather than gold as has been the case in Canada.

With these reservations, I hope the government will indicate its intention to place this measure before the Committee on Finance, Trade and Economic Affairs for full examination, to call expert witnesses and to give the committee far more staff than it now has so that the committee itself can have some assurance that the witnesses appearing before it are receiving the proper examination, and that the answers given are not open to challenge.

**The Acting Speaker (Mr. Béchard):** Is it the pleasure of the house to adopt the motion?