The gross inflow was actually more than $285,000,000 in September because the figures given above allow for the setting aside of $50,000,000 from our reserves in addition to $50,000,000 obtained through a recent bond issue in New York to redeem a Government of Canada bond issue of $100,000,000 falling due on October 1. There is no telling how much further this movement might have gone, so long as the fixed rate of a 10 per cent premium on United States dollars were maintained and people believed in the possibility or probability of an official change to another fixed rate such as parity of the Canadian dollar with the United States dollar.

"An influx of funds on this tremendous scale would, if it continued, be likely to exercise an inflationary influence in Canada at a time when government policy in all fields is directed to combatting inflationary developments. Moreover the accumulation of foreign exchange under such conditions would mean that Canada was in effect incurring a substantial increase in its gross foreign debt and annual service charges without any corresponding increase in its productive resources or ability to export.

"For all these reasons, it was highly desirable to put an end to this extraordinary rate of involuntary borrowing from the United States. One obvious method would be to move the Canadian exchange rate back to parity with the United States dollar. This would probably bring to a stop the inward movement of speculative capital, but such a change in the exchange rate would not necessarily be justified by fundamental conditions and might be found to require reversal or further adjustment within the not-too-distant future. To move the Canadian exchange rate to any other fixed point than parity with the United States dollar would be open to the same objections. The appropriate rate at the present time might be anywhere between parity and the 9 per cent discount recently in effect. In short, under the conditions which I have outlined, no person can determine in advance with any reasonable assurance a new level at which to fix the par value of the Canadian dollar, and for this reason the Government feels that the rate of exchange should be left to be determined by market forces.

Consultation with the International Monetary Fund

"The International Monetary Fund has been consulted in accordance with the terms of its Articles of Agreement, and the course of action which we propose to follow was discussed with the Executive Board of the Fund at a meeting held in Washington this morning. The circumstances which have compelled the Government to permit exchange rate fluctuations were fully explained. The Executive Board examined the Canadian position with great objectivity and comprehension and recognized the exigencies of the situation which have led Canada to the proposed plan. The Government intends, of course, to remain in consultation with the Fund and hopes ultimately to conform to the provisions of the Articles of Agreement which stipulate that member countries should not allow their exchange rates to fluctuate more than one per cent on either side of the par values from time to time established with the Fund.

Removal of Import Restrictions

"The Government has also decided to announce at this time that all the remaining import prohibitions and quota restrictions under Schedules I and II of the Emergency Exchange