a measuring rod in which the values of the currencies of the various countries joining the fund could be expressed. I think it will be clear to members of the committee that some common measuring rod is necessary.

If we assume for purposes of this argument, at any rate, that one is in general desirous of having a stable system of exchange relationships, then obviously one has to start by defining what the relationship is among the various currencies that constitute that system. One way of doing that would be to express the value of each currency, not in terms of some common unit but in terms of all other currencies that are members of the system. That would be a conceivable thing to do. There were 44 nations represented at Bretton Woods. If you were to express the par value of each currency in terms of the other 43, my friends who are skilled in mathematics tell me that the number of expressions of par value that you would get would be 44 multiplied by 43 divided by 2, a calculation that works out at 946 par values. Surely we could get something simpler than that. You can get something simpler than 946 par values by taking some common unit of measurement. The common unit of measurement that has been taken in this case is gold or United States dollars.

By Mr. Fraser:

Q. May I interrupt there with a question?—A. Yes, surely.

Q. Why do you multiply by 44 there?—A. Each nation would express its par value with every other nation that was a member of the group, so that you would have 44 multiplied by 43. Is that not right?

Mr. FRASER: Yes. I see what you mean.

Mr. LOW: Permutations and combinations.

The WITNESS: Naturally Mr. Quelch will ask the question: but why in terms of gold or American dollars? Why not express those par values in some other term?

Mr. QUELCH: Price indexes, for instance.

The WITNESS: The answer to that question, if Mr. Quelch asks it, is that par values are expressed in terms of gold or American dollars because in fact most countries in the world—including the United Kingdom, including Canada, including France, Belgium, the Latin American countries—do carry their international reserves in that form. That is not a question of theory. It is a question of fact.

Mr. JACKMAN: Hear, hear.

The WITNESS: It is a fact that the countries of the world do carry their international monetary reserves in the form of gold or American dollars. I do not propose at this stage to go into the question of why they do. I content myself with the fact of the matter which is that they do. Well, what is more natural than that the common value that is chosen, in which countries should express the par value of their currencies, is the form in which the countries carry their international reserves?

I think, Mr. Chairman, that every one would agree that at the present time Canada is not on the gold standard. I do not think that you would dispute that assertion, Mr. Quelch—and I see that you do not. Yet at the present time the value of the Canadian dollar is officially expressed in terms of United States funds. It is also expressed in terms of sterling. Canada's adherence to this instrument will not change, or need not change, the form in which the value of the Canadian dollar is expressed. At the present time the Minister of Finance, acting under the authority of the Exchange Fund Act and the Foreign Exchange Control Order, has said that the value of the Canadian dollar is 90·1 American cents; in other words, our buying rate for United States dollars is fixed, subject