Hon. Mr. MURDOCK: He would have been silly if he had given you the answer you wanted to get from him.

Hon. Mr. McGEER: He might have been. But I asked him for a true answer, and surely he would not have been silly if he had told the Banking and Commerce Committee the truth. I asked him: "What danger do you see ahead?" He pointed out the deficiency of American dollars on these trade statistics as they appeared in 1946, and built upon that foundation an assumption that we were going to have a deficit of trade dollars in 1947. Now, what were the facts? He told me in the committee that at the end of 1945 there was $1,500,000,000 of gold in United States dollars. I asked him if the gold and United States dollar reserves as of this date were the same or approximately the same as they were at the end of December, 1945. His answer was that they were.

Hon. Mr. ROBERTSON: Was there not a very heavy inflow of American capital during that period?

Hon. Mr. McGEER: Of course there was. That is what I say; it was in balance. Why should there not continue to be the same inflow? Oh, the reason we all know, but you cannot blame that on the Americans. But I am saying to this house that he told me we had a deficiency in dollars as indicated by those trade statistics. I am saying the actual position of American dollars and gold was just as great in August, 1946, as it was in December, 1945.

Hon. Mr. ROBERTSON: One offset the other.

Hon. Mr. McGEER: There had been no drain at all. The only thing that may have changed that position was the action of the board itself, because I have not any doubt that the government acted on the advice of the Foreign Exchange Control Board when it took away the premium on Canadian exchange. Of course, that reduced the price of Canadian gold to the United States by ten per cent. It repressed the production of gold in Canada. It took away from a great many people who were exporting to Canada a ten per cent profit, which reduced our holdings of American cash. It took away a measure of the incentive to American capitalists to invest in Canada. But that was done by the board—by the government. Why? We have never been able to find out, never once. Why was it done? If we are in danger of losing our secure position in the possession of reserves of American dollars and gold, why was not that flow allowed to continue, and why was not that position allowed to become more and more secure? We were told that it was not so easy to convert sterling balances into gold and into United States dollars as it was before the war or during the war period.

But the fact is that there is another tremendous security to the Canadian position in relation to its United States dollars, and it is to be found in the terms of the agreement between Great Britain and United States on the loan of $3,750,000,000. Here is a summary of the terms of that loan:

Never in history has so large a credit been granted by one nation to another at one time. In return, the British, in addition to espousing the liberal trade principles, agree:

1. To abolish at once any exchange controls affecting United States exports to the Unitea Kingdom, thus assuring American exporters of payment in dollars.

2. To abolish within one year the wartime "dollar pool" of the sterling area, comprising countries which with Great Britain normally account for about half of all world trade. Under the "dollar pool," formed to conserve dollars, these countries were required to turn the dollars into London and thus restricted purchasing power in the United States.

3. To make agreements as expeditiously as possible with commonwealth and sterling area countries, to which Britain owes about $14,000,000,000 on account of "blocked sterling," settling this indebtedness, and to make convertible into dollars and other currencies any of such sterling balances thus released. This means that these countries will have extra dollars to spend in the United States.

And also to spend in Canada.

The terms of that agreement provide for these broad things:

(1) The government of the United Kingdom agrees that after the effective date of this agreement it will not apply exchange controls in such a manner as to restrict (A) payments or transfers in respect of products of the United States permitted to be imported into the United Kingdom or other current transactions between the two countries, or (B) the use of sterling balances to the credit of residents of the United States arising out of current transactions. Nothing in this paragraph (1) shall affect the provisions of article VII of the articles of agreement of the International Monetary Fund when those articles have come into force.

(11) The governments of the United States and the United Kingdom agree that not later than one year after the effective date of this agreement, unless in exceptional cases a later date is agreed upon after consultation, they will impose no restrictions on payments and transfers for current transactions. The obligations of this paragraph (11) shall not apply:

(a) To balances of third countries and their nationals accumulated before this paragraph (11) becomes effective; or

(b) To restrictions imposed in conformity with the articles of agreemeint of the International Monetary Fund.

You have in that agreement a huge fund made available to all the countries of the world.