

the emphasis on the need to expand international reserves is somewhat overstated and it seems to us that more attention could have been given to the problem of raising national reserves to more adequate levels. While the International Monetary Fund was given clear and definite responsibilities in protecting its members against the impact of recessions, we believe that it would be wrong to regard the Fund as having primary responsibility. Essentially, the resources available to the Fund, which are not inconsiderable, provide a second line of reserves to be used to help members meet balance of payments deficits due to a recession abroad. The primary burden must rest on national governments themselves. If they are to meet these responsibilities, it is clear that national reserves in many countries will have to be raised to a much higher level than at present. The achievement of this goal requires action by all of us, as I have already indicated earlier in my statement.

The Experts suggest that the International Monetary Fund's present resources are inadequate to deal with the problems of a recession. While no precise estimate is made of the additional amount required, it would appear from the Experts' analysis that at least a doubling of the Fund's resources would be needed to meet a recession of the kind experienced in 1937 or 1949. The Experts propose that the additional resources be obtained either by increasing the subscriptions of members or by borrowing under the Articles of Agreement. The Experts also suggest that in the event of a recession the Monetary Fund should make free use of its rights to waive the rule limiting each member's annual purchase of exchange from the Fund to 25 per cent of its quota. Finally, the Experts suggest that the Fund modify the repurchase arrangements to provide for contractual repurchase obligations, with the object of making sure that the Fund's resources would be a truly revolving Fund.

The Canadian Delegation believes that the problem today is not one requiring an increase in Fund resources, but rather one of making greater use of the resources which the Fund now has at its disposal. The Fund was never intended as a source of long-term capital, but was designed as a "revolving fund" to deal with temporary balance of payments difficulties, not structural exchange difficulties of a deep-rooted nature. Up to the present, a greater use of the Fund's resources has been limited by the structural exchange difficulties which exist in many countries, and also in part by the inflationary situation which prevails over a large part of the world. If the Fund were to make extensive use of its resources before these countries overcome their basic structural difficulties, it seems clear that the Fund's resources would be dissipated without achieving the basic objectives for which the Fund was set up. It seems clear too, that unless these countries get back into equilibrium, a recession would intensify their structural problems, and would make it even more difficult for the Fund to use its resources in fulfilling the purposes for which it was set up. In these circumstances, it seems apparent that the first essential in getting the Fund into a position where it can fulfil its responsibilities, is for the deficit countries to make every effort to overcome their structural and inflationary difficulties. If these underlying problems are overcome and it is then shown that the Fund's resources are inadequate to meet a temporary recession, proposals of the kind made in the Experts' report would then have much more practical significance.