

Bretton Woods Agreements Act

18 per cent subscription, that much over three-quarters of the members have given permission to use this part of their subscription, and I do not suppose that the bank has available much over 15 per cent of the useable subscription from each country.

As the minister said, the business has gone up by leaps and bounds and I think if we add together what they have loaned it would amount to close to \$4½ billion. The bank has to depend upon borrowed money and bond issues for most of its lending money, and since most of the bonds are sold in the United States the average bond buyer—and most of the bond buyers come from the United States—looks to see how much of these particular bonds are guaranteed by their own government. I take it then that for this reason in particular, and also to obtain greater amounts from member countries, a decision has been reached to recommend a 100 per cent increase in the capital structure. As the minister has said, our increase in the funds of the bank goes up from \$325 million to \$650 million, and because of the special increase of \$100 million it goes up to \$750 million, which means we have to put up in connection with this particular fund \$1 million in gold from the exchange fund plus \$9 million in the form of non-interest-bearing government notes plus the rest in guarantees.

I would like to ask the minister how this particular increase is arrived at and why Canada, more than some of the other countries, has to put up a special increase. I think the minister can probably tell us something about that.

Mr. Fleming (Eglinton): May I say at this point that Canada does not have to, but for the reasons I gave we thought Canada should choose to.

Mr. McMillan: Yes, I appreciate that. If I used the words "had to" or "has to", then I used the wrong words. But I would like to ask on what basis that was arrived at. I realize that Canada is a guarantor of these funds, and I would like to know if Canada will ever share in the profits of the bank. I notice that the bank has something between \$40 million and \$50 million a year profit. I realize that Canada benefits indirectly because of the increased standard of living obtained in countries making use of borrowed funds, and these people in turn might in time, and will in time, increase trade with us. I also realize that by making the facilities of the bank available to these countries we are helping to combat the spread of communism.

The international finance corporation was set up, according to the minister, in 1956, and I think he said it had an authorized

capital of \$93.7 million, to which Canada subscribes under special articles of agreement. I think the minister said that it had investments in Asia, in Latin America and in Australia. I did not see how the quotas of this particular fund were made up, and I would like to ask the minister to comment upon that.

The international monetary fund, on the other hand, is subscribed by an association of nations to promote international monetary co-operation and to expand world trade by controlling and trying to promote exchange stability. This fund has done well, and I note that the executive directors by resolution recommended to the board of governors that this fund should be increased through an increase in quotas. This, plus the increase in special quotas, will bring Canada's share up to \$550 million from \$300 million. This would involve a further sum from Canada of \$62.5 million in gold or U.S. dollars, plus further guarantees.

According to a dispatch from Washington in February 1959, the president asked congress for \$1.375 billion in gold or cash to help these funds. In the United States it is evidently treated as a budgetary item, but not so here in Canada. In connection with having no option of putting up United States money, I would just like to say a word about how closely these funds might be related to exchange rates and so forth. We know that at the present time there is a flight from the United States dollar and many economists think the United States must in the very near future either raise the price of gold or impose much higher tariffs to cut down imports.

We know they are not likely to do the latter, and having in mind the amount of gold required by statute to support the United States currency and meet other obligations, I see the possibility of the price of gold being raised. I am certainly not criticizing the Minister of Finance or the department or the Bank of Canada, but I cannot say I am not somewhat alarmed that Canada is carrying so much in United States shorter note securities on hand instead of gold. If the price of gold were raised overnight we would stand to lose hundreds of millions of dollars through holding United States short term securities instead of gold. I do not know how close the liaison is between our Department of Finance here in Canada and the United States treasury, but certainly something of the nature I have suggested would happen if the United States decided suddenly to raise the price of gold.

I do not know how much we are holding in United States currency in these particular