have taken. The United Kingdom withdraws from the fund and it depreciates its exchange rate as far as it thinks appropriate. Now, Canada continues to trade with the United Kingdom on the basis of the new exchange rate which is established between Canada and the United Kingdom, but that trade results in Canada accumulating a surplus of sterling and Canada says to the United Kingdom we want to convert that surplus of sterling into American dollars. The United Kingdom has its own supply of American funds part of which it uses at the prevailing market price for sterling to redeem the surplus sterling for Canada. I see nothing whatever in the whole series of transactions which is in any sense a violation of any member's obligation to other member countries and which consequently could not take place under the provisions of this Act.

Q. It has caused a good deal of consternation, and again I would like to refer to Paul Einzig in support of that statement. He says: "Under article XI the board of international financiers is given powers to declare economic war on Great Britain should she devalue sterling against the board's wishes.

All the United Nations (including, let it be noted, the British Dominions) will have to undertake to boycott and blockade this country in such event."—A. I would like to record again that in my opinion that is completely inaccurate as an interpretation of article XI.

Mr. QUELCH: Mr. Chairman, I will not pursue that any further at the moment.

The CHAIRMAN: Mr. Quelch, some of the members of the committee have requested that you should speak louder.

Mr. QUELCH: I am sorry.

By Mr. Quelch:

Q. When the witness spoke yesterday he stated that in his opinion the Bretton Woods Act was not the gold standard. He also referred to the fact that the automatic feature of the gold standard would not operate to-day on account of the fact that the nations took certain action in order to prevent price levels falling, in order to prevent wages falling, and so on; on the other hand, although it is not the gold standard as we have known it in the past, would not the witness agree that it is a form of gold standard?—A. I agree with you that the question whether this is or is not the gold standard is one of the major points at issue in the appraisal of this proposal by various people, by most people, I would say.

The statement that this is the gold standard is based in part on the provision of article IV, section 1 (*a*) of the fund agreement, on page 5 of the bill, which reads as follows:

> The par value of the currency of each member shall be expressed in terms of gold as a common denominator or in terms of the United States dollar of the weight and fineness in effect on July 1, 1944.

The first thing that I should like to do is to draw to the attention of the committee the words "as a common denominator," in the paragraph. "The par value of the currency of each member shall be expressed in terms of gold as a common denominator." In any document of this sort, when words are introduced which are not necessary to complete the sense of a previous statement, one naturally has to ask oneself why those words were introduced. What is the significance of the inclusion of these words "as a common denominator" after "gold"? The reason those words "as a common denominator" were introduced after "gold" into this clause was precisely to help people in my position to reply to people in Mr. Quelch's position, that this was in fact not the gold standard, and that gold along with United States dollars was used merely as