

Bank funds. In a recession there is the danger that this condition would be accentuated, since the normal tests of soundness which the Bank must apply may then screen out some projects which now qualify.

It has been suggested that one possible solution which might lead to greater use of the Bank's resources during a recession would be to change the basis of the Bank's operations by lowering its standards of credit-worthiness. We do not believe that such a policy would serve the long-term interests of the under-developed countries. On the contrary, such a policy might easily prejudice the role of the Bank in providing investment capital. The International Bank has proved itself to be a highly adaptable and useful institution in fulfilling the purposes for which it was established. Today, it has a sound reputation all over the world which enables the Bank to draw on capital markets which pursue the most orthodox financial policies. Any measures that water down the credit-worthiness of its loans would inevitably damage that confidence and reduce the loan capital available to it.

A more desirable method for getting the Bank into a position where it could expand its loan resources during a recession is to concentrate on the real difficulties which are impeding a fuller use of the Bank's resources at present. What is required is that the countries seeking capital should make every effort to prepare a sufficient number of sound, well-conceived development projects which qualify for Bank financing. If it becomes evident that a greater number of investment projects are forthcoming than can be financed by the Bank's resources, we believe that countries will be willing to face up to and meet the problem of providing the necessary funds. Canada has always been prepared to support sound, realistic proposals for the expansion of the Bank's activities. If, in the future, it can be shown that the Bank's resources are insufficient to finance all the acceptable projects put forward, Canada would be prepared to consider all reasonable proposals for expanding the Bank's resources.

The Bank itself is constantly reviewing the adequacy of its resources. There is no evidence that the Bank has been backward in seeking to expand its operations for the purpose of financing worthwhile projects. On the contrary, the Bank, in cooperation with other agencies and national governments, is doing a great deal to encourage countries to prepare sound projects which would qualify for Bank loans. In these circumstances, it would seem highly desirable that when decisions respecting the future scope of operations of the Bank have to be taken, the Bank itself and its members should be entrusted with this task. Most members of the Economic and Social Council are members of the Bank, and it is certain that problems concerning expanded operations of the Bank which have been raised in the Experts report would be given full consideration in the framing of future Bank policy.

The Experts next turn their attention to the question of the adequacy of monetary reserves. They indicate that, in their view, the present level of monetary reserves are inadequate to meet the impact of even a moderate decline in economic activity in an important industrialized country. We believe that this assumption is basically correct. The serious impact which the minor 1949 United States recession had on the economies of overseas countries is ample proof of the inadequacy of the present level of monetary reserves. In our view, however,