

May we reasonably expect we may have a three-cornered situation arising to help us?—A. That is a very important question. I take it that the question is as to whether before the transitional period in the fund has come to an end—

Q. Particularly that, yes.—A. —particularly whether during that period we would be able to get all the assistance if need be from the fund in meeting adverse balances that we might have with the United States.

Q. As to whether we might have to expect, not having the assistance of sterling during that period, particularly if an adverse balance developed?—A. You mean, if an unfavourable balance arises?

Mr. JACKMAN: How would a favourable balance in favour of Canada arise in the form of currency if not through sterling?

The WITNESS: I take it that Mr. Macdonnell's question is really this, that he is assuming that during the next few years we shall continue to have an adverse balance with the United States and that, as a result of our transactions with the United Kingdom and with other countries to whom we are extending credit, we do not have receipts of United States dollars adequate to cover that adverse balance with the United States. In those circumstances, will the fund be of assistance to us; is that what you have in mind?

Mr. MACDONNELL: That is it, exactly.

The WITNESS: I would say in those circumstances, quite definitely yes, that the fund will be of assistance to us. We would be in a position to go to the fund and purchase United States dollars to meet current requirements in the United States at the overall rate of \$300,000,000 without operation of the waiver clause, and at an annual rate of \$75,000,000 without operation of the waiver clause. Going back to the point that Mr. Macdonnell was on last night, whether that degree of assistance is important to us—I would put that this way, Mr. Macdonnell, that at the beginning of the war when it became necessary to establish foreign exchange control in Canada, the gold and U.S. dollar reserves held by the Bank of Canada, that is our official gold and U.S. dollar reserves, amounted to a figure in the general neighbourhood of \$300,000,000. That was the amount which at that time was regarded evidently as a safe, or as an appropriate reserve for Canada to hold in that form. And now, that perhaps gives a focal point against which you can measure the significance of a figure, the figure which I quoted. It is a figure which before the war would have been regarded as an important element in our international monetary reserves. I suppose if you were to ask me if that would be large enough to meet an adverse balance with the United States that I would have to try to answer the question by asking, how adverse is our balance likely to be? And that is a very difficult question to answer, because it involves assumptions regarding the level of incomes in this country and also assumptions regarding the level of income and employment in the United States. I think I would only be making a guess which would be of no use to the committee, so I will confine myself to saying this; that the degree of assistance given to us by that \$300,000,000, and by the rate of \$75,000,000 a year, is not a negligible degree of assistance, it is something, I think, that is worth while for us to have from the foreign exchange point of view.

By Mr. Quelch:

Q. May I ask a question?—A. Certainly.

Q. Actually, under the fund, you expect to be a creditor nation rather than a debtor nation?—A. I think that the likelihood is that in the period we are talking about Canada will have a surplus on her current account balance of payment.