two of our chartered banks. These people did not make representations on behalf of the banks but on their own behalf.

We heard arguments against the theory of fixed exchanges. Dr. Marsh of Montreal, in fact, said he wanted to get away from the idea of a fixed exchange rate entirely and believed, rather, in the idea of a fixed form of reserves under which each country would have to defend its rate on the basis of its performance. I think all committee members who followed the hearings in detail have a much clearer picture of how settlements between countries are now effected, what are the causes of disequilibrium, and what in many instances has caused some of the crises we have experienced in the last three years.

Notwithstanding all the explanations that have been given, the fact that the special drawing rights scheme has been set up and, hopefully, enough countries that participate will ratify this agreement so it will come into effect, we still have the nagging suspicion that all is not well because there have been recurring crises.

Let me say right away that the crises have been more intense each time. One might wonder where the shoe will pinch next, and who is going to start another crisis. One wonders where another crisis will happen and whether one of the European currencies will become embroiled in some form of raid. Or, we ask, is it perhaps the turn of the United States dollar again, or the Canadian dollar?

I suppose one would have to look at the background of each country to see whether certain conditions prevail which would make a crisis rather more possible; in other words, is it providing fertile ground? Here I think we can look to balance of payments problems, cofintrol of inflation and interest rates. In this regard, Canada is not entirely out of the woods. Therefore by the adoption of this change in the bill we, in Canada, cannot say we are completely safe and are sheltered from any further assaults in the international monetary field.

One of the interesting features that came about as a result of this examination was the form of international policing that can be carried out by the World Bank through the International Monetary Fund on, shall we say, the second layer or the second slice; first of all, the gold slice in the reserves. The country in question can draw on those unconditionally and has no problems. But when the country wishing to borrow from the International Monetary Fund starts to draw on its national currency reserves, the fund directorate can impose conditions. That is where I feel there is a better hope in a scheme of this kind than there would be in a scheme of a free and unfettered exchange. You might say, let the country carry out whatever policies it wants, and it has to defend its position. Its currency may be driven down, and let it take the consequences. I have a suspicion that there is here too much danger that we will go back to the pre world war II financial jungle conditions with regard to international monetary exchanges.

At least one of the witnesses who was in favour of liberalizing the fixed exchange system conceded that there was this power of policing the economic policies and performance of a country that was finding itself in trouble. The special drawing rights which are the subject matter of the amendments to the Bretton Woods Agreements Act do not come directly under the policing, if one may call it that, of the International Monetary Fund, in that the drawing rights once established may be drawn upon by the country in question and used unconditionally. The special drawing rights are not designed to do away with situations arising out of crisis. They are, in fact, a line of credit established to provide working capital for greater world trade. In other words, the volume of world trade is such that the gold slice in the national currency reserves held by the International Monetary Fund and the countries' international or foreign exchange reserves held on their own account, were insufficient to deal with the volume of world trade. Therefore, these special drawing rights which are established by quota are available to a participating country and can be used for trade purposes, not for crises purposes.

• (9:40 p.m.)

However, I feel that there can be a form of indirect policing of the economic policies and performance of any individual country in the establishment of quotas because various indices which are laid down in the Bretton Woods Agreement with regard to the special drawing rights are used to determine the quota. When the officers of the International Monetary Fund allocate the quota of special drawing rights to a country, I say this is a form of judging, estimating, assessing and in fact policing of the economic performance of the country. Having said that, I want to say that we certainly have not completed the refinement of those things that countries can