

theoretically without limitations; in others words, the purchaser can make payment to the United States with Dominion of Canada bonds?—A. Or other securities.

Q. The second question I have to ask is this. At the time when Canadian exchange was being revalued I take it the position was that the government came to the conclusion or the board came to the conclusion, that the American dollar was buying 10 per cent too much in the country; in other words, we were sending out 10 per cent too much goods in return for the American money we were getting; is that correct?—A. I do not think that is an incorrect way of putting it. The statement of the reasons why the government came to that conclusion was made by the Minister of Finance in the House on the 5th of July.

Q. This may probably not be a proper question and if so just say so. Would you say whether that condition had existed some considerable time prior to that period?—A. I would answer that this way. As I said previously in my evidence, the question of the appropriate exchange rate is an anticipation of the future as much as it is a reflection of past history, or of the existing fact. The inference to be drawn from the fact that the rate was changed on the 5th of July is that at some time prior to that date the government's anticipations regarding the future, based no doubt in part on the recent past, were of a character which led it to the conclusion that the value of the American dollar should be reduced by 10 per cent.

Q. Now, my next point. Do you think it is at least arguable, strongly arguable, that there is a great deal to be said for having your exchanges regulate themselves somewhat less drastically? In other words, have your regulation more gradual rather than have a sudden drop of 10 per cent?—A. I would like to be sure I understand your question. Is the question whether in circumstances in which the government came to the conclusion that a 10 per cent change of the exchange rate was appropriate that it should decide to make that change by small stages rather than making a 10 per cent change?

Q. No, it is broader than that: whether you do not think that exchange readjustment would be better to come about gradually rather than in such a tremendous minor convulsion as a 10 per cent drop which has a profound effect on a great many people?—A. If a free exchange market could be depended upon to make gradual adjustments in accordance with what Mr. Jackman, in a question some time ago, called natural economic forces, I think that gradual adjustments would be preferable to major adjustments of that sort; but I think that the whole history of the fluctuations of the Canadian exchange rate under a free exchange market demonstrates that a free exchange market has in recent history, save for a relatively short period, not in fact produced such gradual adjustments.

Q. I do not want to leave it exactly as it is. It seems to me if you take the period between 1920 and 1940 apart from the two periods when government intervened there was a good deal of steadiness. There are many sections in the Act which passed through my mind the other day and which I call police provisions, extraordinary powers. Where did these come from? Have you had them all during the years or were they taken from other practice?—A. I think, sir, they are based on the experience of every exchange control system which has ever attempted to offer—

Q. Have you ever compared it with the German system?—A. Letter for letter?

Q. Yes, or in any other way?—A. No, sir, I think that the whole history of the exchange control—the experience of every country—is that if an exchange control is to be effective it must be comprehensive. I think the history of every system, including the British to which you have particularly referred, proves that any loopholes left in the system will be used as a channel of evasion by those who wish to evade the exchange control regulations.