

We strongly support the work that the OECD is doing in this field and endorse the proposals of Working Party 4 calling for a multi-policy attack upon the problem of inflation, for special care in demand-management policies to prevent demand from becoming excessive and, to the greatest possible extent, for selective measures directed to bringing about improvement in areas of high unemployment rather than more general fiscal policies. The multi-policy approach, which Canada has been trying to follow, calls for a careful meshing of monetary and fiscal measures with other economic and social policies. Followed with firmness, it can do a great deal to cope with the problem of inflation, although each country must decide the appropriate weight to be given to each of the various factors in the light of its particular circumstances.

There are two specific areas in the multi-policy approach to which I should like to refer briefly. The first concerns restrictive business practices and the need for co-operative international control arrangements to deal effectively with the increasing internationalization of business. An increased exchange of information respecting the operations of international enterprises would be specially valuable. Minimum standards of international competitive behaviour should be developed and their observance promoted. The second concerns prices and incomes policies. Many countries seem to accept the need for some such measures to influence prices and incomes. There are differences of view as to the necessity and feasibility of statutory controls of a more or less permanent nature. In 1970, the Canadian Prices and Incomes Commission called for voluntary restraint and, while it did have an impact, its influence on wages was slight. This year the Commission is continuing its price surveillance and price reviews, although business is no longer subject to the voluntary commitment it accepted in 1970. The question of statutory controls in this field must be considered by countries individually. In Canada the adoption of such controls in peacetime would be unprecedented and would be regarded as a major step indeed.

This meeting is taking place against the background of a major crisis in the international payments system. As a major trading nation, Canada attaches the highest importance to an orderly international system of trade and payments. While the current-account balances of some major countries moved some distance toward a better equilibrium in the light of stated objectives in 1970, I note the Secretariat forecast that there will be little progress in 1971 toward a pattern of current-account balances that would support appropriate capital flows. The fact is, though, that the recent disturbances have come about primarily as a result of capital movements rather than current-account imbalances. The speculative flows early last month, which resulted in changes in a number of European exchange-rates, emphasized the need for improvement in the present system. This will not be a simple task.

Let me recall the circumstances that led to the freeing of Canada's exchange-rate just over a year ago. In 1969, Canada had a sizable deficit on current account and there was a large outflow of short-term capital in response to a rise in interest-rates abroad. These out-payments were offset by the traditional inflows of long-term capital and only minor changes occurred in our official reserves during the year. Substantial shifts, however, occurred in our balance of payments during the first five months of 1970 and, as a result, our overall reserves rose at an accelerated rate and increased by \$1,200 million (U.S.) during that period. Our exports increased to a much greater extent than could be accounted for by the rebound from the effects of strikes late in 1969. In addition, short-term capital outflows declined in response to lower interest-rates abroad and this combination left Canada exposed as a target for speculative