Q. And then, if it is not in a position to—A. Then the obligation does apply.

Q. Does apply?—A. Yes.

Q. Let us assume that the nation that has to buy the currency is unable to obtain currency from the fund, then it does not apply?—A. That is exactly what it says.

Q. When a nation is unable to obtain currency from the fund, has exhausted its right and it has unbalanced its trade, it finds itself in a position where either it will have to meet its obligations in gold or by borrowing it cannot get credit balances. That is why I prefaced my remarks by saying that unless the creditor nation is obliged to accept payment for its exports with imports from other nations; and in this case then if the debtor nation having exhausted its rights in the fund and having an unbalanced trade, it would be in a position where it would either have to borrow or pay in gold. In other words, it would be in exactly the same position as though you were on the gold standard where the nation having an unfavourable balance of trade either had to pay in gold or borrow.—A. But, Mr. Quelch—

Q. That is why I say there is a similarity there, because when a debtor nation gets in a position when it cannot meet its obligations, where it cannot get the creditor nation to accept the payment in goods, the only way in which it can meet that obligation is by paying in gold or by borrowing. I do not think that anyone could argue that it is in the welfare of a nation for them to be forced to borrow; and therefore I claim that to that extent, to the extent to which it affects the welfare of the people, it is certainly not in the interest of people; certainly not when they have to borrow although they have goods with which to make payments on their debt; and that is the only reason why I claim it is in the form of a gold standard. As you said a little while ago, the object of making the creditor nations obliged to accept payments in goods is one of the main arguments on the Bretton Woods agreement.—A. Mr. Quelch, you have dealt with two rather separate points; the first is the point regarding section 4 (*b*). The particular technique covered by section 4 is not one with which Canada itself is concerned because we do not go in for these currency holding arrangements. What is contemplated here is that if two countries agree to extend credit to each other in the form of holding balances of each other's currencies that there should be a right of conversion into national currency, which right shall lapse under the conditions stated in paragraph (*b*). Now, among the conditions stated in paragraph (*b*) is that when the currency of the member requesting re-purchase has been declared scarce it has no right to ask for the conversion, redemption, of its holdings of the currency of the debtor country. Moreover, under (v), "when the member requested to make the purchase is for any reason not entitled to buy currencies of other members from the fund for its own currency the obligation lapses." In other words, this is an obligation to redeem that lapses when the member for one reason or another is not able to get currency required from the fund. And now, it simply is not the case to say that the country would then be obliged to borrow. The country has already borrowed, and the borrowing has taken the form of the creditor countries holdings of its currency. Now, the creditor country simply goes on holding that currency without having any rights under this agreement to have that currency converted, either into gold or into its own.

Now let us go to the second question, of the obligations and the commitments of all creditor countries. As I said yesterday—and I do not know whether it would be the desire of the members or the desire of the committee that I should again go over the ground that we went over last—I personally have a great deal of sympathy for the emphasis that you place on the responsibility of creditor countries, and I think it is important that these things should be said. But surely, Mr. Quelch, that has nothing to do with the gold standard. The creditor countries would have that responsibility under the gold standard, under the