Active use of the increase in the volume of money would produce an internal situation which would force a decision between reversing the policy of internal expansion and depreciating the external value of the dollar.

Currency depreciation would increase the burden borne by fixed-interest recipients and extend the burden to wage-earners who would bear a major share of the internal transfer caused by depreciation.

As I have mentioned on a number of previous occasions, I am not saying that a policy of this kind should or should not be adopted, but merely trying to show that the problem is one of deciding where the burden will be imposed and that a policy of the sort described is not a costless one.

(*c*) Issuing Money in Depressed Areas as Long as There is Unemployment

(Submitted by Mr. Towers in reply to Mr. Tucker)

(Volume 7, page 194)

The question to which I shall attempt to reply is not how much assistance should be given to depressed areas—because that is a matter of government policy—but is whether assistance to such areas in the form of additional money, may be made without involving sacrifice by other sections of the country.

I shall assume that the state of depression which this particular suggestion is proposed to alleviate, is considered or hoped to be temporary—not a permanent feature which would justify the costly procedure of revamping the whole economy in order to make ourselves a more self-contained country. I believe Mr. Tucker indicated at last week's meeting that he was thinking of a temporary problem.

In order to clarify the discussion by relating it specifically to Canadian conditions, it may be assumed that a large payment is made to western wheat growers to restore their income to normal pre-depression levels.

The first results of such a policy would be an increase in western purchasing and consequently some degree of stimulus to industrial activity elsewhere in the country—although for reasons which will be mentioned later such an increase in activity would be less than proportionate to the amount of the payment to western wheat farmers and would be of a temporary nature.

If the increase in purchasing by western wheat farmers were confined to goods produced wholly in the domestic market and if the increase in domestic industrial activity were accompanied by a corresponding increase in demand for the products of western wheat farmers, then the basis would exist for a continuous exchange of goods and for a general improvement in economic conditions.

To suggest that actual developments would follow this pattern is to lose touch completely with the realities of the Canadian situation. It is an assumption applicable only to relatively self-contained economies such as Germany and the United States to which we have referred at previous meetings.

By far the major problem in western Canada is wheat and as it is quite impossible that an increase in Canadian demand would absorb a large part of the decline in foreign demand for this product and almost equally improbable that the increase in western buying would be satisfied chiefly in the domestic market, such a payment to western wheat farmers as we have envisaged, would undoubtedly entail sacrifices for other sections of the country.

Increased purchases both by western farmers and resulting from the stimulus to domestic industrial activity, would increase the demand for imported goods—partly in the form of finished products and partly in the nature of raw materials for Canadian industries. Imports in general would tend