

Mr. IRVINE: I think you have answered the question in a general way.

The CHAIRMAN: I think Mr. Blackmore's question arises out of the fact that you did state a few moments ago that at the onset of the last depression if we had had the Bretton Woods organization at that time instead of each individual nation looking out for itself and taking individual deflationary protective policies the nations might have got together in consultation and taken a totally different course. I think it is an elaboration of that which Mr. Blackmore wants.

Mr. BLACKMORE: That is right.

The WITNESS: I can answer that in a few words, that it seems to me looking back now that the world would have been better off in 1931 and 1932 if instead of going in for policies of trade restriction the world had gone in on a co-ordinated basis for policies of monetary expansion.

Mr. BLACKMORE: I quite agree, Mr. Chairman. What I cannot quite see is why we have to have all the harness, halters and hobbles of Bretton Woods in order that such a thing as that can be done. Why do we have to have the objectionable and dangerous features of Bretton Woods in order to have a consultative body? That is the thing I am not quite clear on in my mind.

The WITNESS: I would rather, if you agree, answer questions you might ask me regarding any objectionable and dangerous features to Bretton Woods than engage in a debate.

Mr. BLACKMORE: In order for me to give those I would have to occupy part of the time of the committee which I think at this time is not desirable, but I would like to have an explanation of that. There is another matter. Suppose I give four or five things I have jotted down which I would like to have the witness explain because they will add to my understanding of the whole thing, and perhaps that of one or two others in the committee. He mentioned the fact that by consultation the nations might have been able to arrive at some device that would have lessened the force of the depression. If that was true then the nations must determine what were the causes of the depression, and they must be prepared to offer remedies for those causes. If I am correctly informed the first main cause of the great depression in the United States was the cessation of foreign lending by the United States which took place in 1928. The second one was the raising of the re-discount rate by the Federal Reserve Board in the United States. The third one was the consequent loss of confidence in securities on the stock exchange which resulted in a rapid spiral downward. Those are the first three. What I cannot see is how in the world any consultative body consisting of 54 nations would be able to advise the United States to recommence her foreign lending policy or cause the Federal Reserve Board to bring down again the re-discount rate. It is that aspect which makes me listen to the statement that the witness gave with a desire to hear a lot more.

The next point that I noted was that he mentioned economic warfare and spoke as though economic warfare consisted of trade restrictions such as foreign exchange control, tariffs, and devaluation of currencies when, as a matter of fact, I wonder if economic warfare is not really the cutting of prices and the forcing of one nation's commodities into another nation's markets, causing an adverse trade balance, a thing which we know has occurred in the case of Great Britain at the hands of the United States to an alarming degree, a thing which we have suffered from a great deal in Canada at the hands of the United States. I think there are two aspects of economic warfare. What astonishes me is that this second one which is really the cause of the trouble, if I understand it correctly, is so rarely referred to, and the stress is all placed on the protective devices which the United States used to shield themselves from the impact of