

unlikely that we are going to do any of these things, although we may be forced into devaluation; it is unlikely that our exports to the United States will greatly increase. We need their coal and oil and we are going to need them more and more. But there is one way in which we could help to meet that deficit, and that is by increasing our gold production. Our non-monetary gold exports in 1946 fell, I believe, to the low of many years of 95.8 million dollars. The average for the period of 1935 to 1939 was \$124 million; that is, the average of the four years prior to the war was 35 per cent higher than the gold exports last year. In 1941 the maximum gold production was \$206,000,000, and in 1946 is was just half that, \$103,000,000.

In our desperate position in relation to United States exchange, in relation to United States dollars, I suggest that the first job of any government should be to see to it that we increase our gold production to meet this astounding deficit.

Let us look at the situation in another light. Canada's reserve of United States dollars in 1945 was \$1,500,000,000. In 1946 it was down to \$1,200,000,000. At the beginning of 1947 it was down to between \$600,000,000 and \$700,000,000, and at the present rate of dissipation it will take about six months to exhaust it entirely. Are we going to wait until we entirely denude ourselves of United States funds and become pauperized, or are we going to act now?

Let me mention another thing in this connection. The very stoppage of Nova Scotia coal mining is aggravating the situation, because for every ton of coal produced there we have to import a ton from the United States, further increasing the debit balance. I wish to quote one sentence from Graham Towers' report on the Bank of Canada, page 23 of the annual statement for 1946:

Canada cannot continue indefinitely to sell on credit in overseas markets while she is incurring a substantial cash deficit in her balance of payments with the United States.

I say that Mr. Towers' "indefinitely" means about six months; in that time at the present rate we shall be denuded of American exchange. We may be denuded by the summer of this year. Can we look upon that with equanimity? I say not. We are in very truth facing bankruptcy if we continue in our present course.

I come now to the international monetary fund. It was hoped that the fund would provide a means whereby we could stabilize our exchange. At the present time controlled exchange are for the most part entirely fictitious, the pound sterling being worth \$4.04

and the French franc one cent or nearly one cent. That is a fictitious exchange. It has no true value as an exchange rate. The franc today is selling for probably one-fifth of a cent, and the pound sterling, according to the last quotation I saw, was around \$2. Are we to expect a hard boiled Republican congress of the United States to kick billions into the international monetary fund in view of these fictitious values of the pound sterling, the franc and other currencies in terms of United States dollars? We cannot count upon their doing so.

I wish now to quote some words from Camille Gutt, managing director of the international monetary fund:

I cannot see any purpose in having a country go through deflation and depression to hold on to a currency parity which is fundamentally unsuited to its international economic position.

We saw that in the 1930's, when depreciation was used not merely as a remedy for an unbalanced international position, but also as a device to export unemployment by depreciating a currency below the rate warranted by the international economic position of the country. It was what has been very appropriately called "a beggar my neighbour" policy. If we do not want a repetition of monetary chaos, we must replace conflicting national policies with co-operation in dealing with international monetary problems. That is the primary purpose of the fund—to provide a means for consultation and cooperation.

Under the gold standard, short-term movements of capital were supposed to help countries to tide over difficult periods. Before the first world war, they were mostly of an equilibrating character. During the last twenty-five years when we had such movements, they were quite often of a disequilibrating character, what was called "hot money." Balances shifted from one centre to another for speculative or for political reasons. They could and, in some cases, did induce inflation or deflation in a country.

That statement was made recently in a symposium on the international monetary fund at Columbia university, academy of political science. The significant part in it is what he says about the gold fund flowing from one country to another owing to political unrest. That is very true, and it will always remain true so long as there exists political unrest together with controlled and managed currency throughout the world. The only way in which you will stop this flow from one country to another, in a politically upset world, is by establishing and retaining confidence in a country and the availability of hard exchange. The way in which that can be done, and the only way that has ever been found by which it can be done, is by establishing convertibility or exchangeability into gold.

I want to quote one thing more with reference to the international monetary fund. This is from Professor Jacob Viner, professor