were intimately associated with the much larger amount of capital investment in this country during the pre-depression years. The reduction in imports of this character has been due partly to the unfavourable outlook for some industries and partly is a natural reaction following a fairly large expansion in plant and equipment in the earlier years.

While the value of Canada's imported consumable goods has been considerably lower than in 1926-29, due to lower prices paid for such commodities, the volume of consumable goods imported appears to be at least as large as in pre-depression years. In other words, on the whole, Canadian consumers were importing a somewhat larger amount of consumable goods during 1937-38 than in 1926-29. When the fact that domestic industries are in many cases supplying a higher proportion of Canadian consumption than a decade ago is taken into consideration, it appears that the favourable balance of trade has not been achieved at the cost of a reduction in the volume of consumable imports in relation to 1926-29. Obviously, of course, the distribution of those goods and their products within the Canadian economy has changed—some areas have received less and others more.

Naturally, the fact that there has been a surplus available for repatriation of foreign debt means that there *could* have been a larger volume of imports, either of consumable or capital goods—or both. There are a number of factors to be taken into consideration in determining whether such an increase in imports would have been desirable from the viewpoint of the country as a whole.

Recovery in Canadian export trade during the last few years witnessed a great increase in the absolute and relative importance of non-ferrous metals and forest products, two items which together contributed more than one-half of our merchandise exports during the last two years. Although the importance of new metal discoveries in recent years has obscured the trend, yet it remains an indisputable fact that the products of these two industries are capital assets which are not being replaced in the case of mining and only partly replaced for the forest industries and which cannot be counted on as a major source of export income forever.

This factor and also the fact that the future markets for our agricultural products, which have declined in importance, remain uncertain because of the existing world trend towards nationalism and self-sufficiency, are two arguments which favour caution when considering the question whether Canada should live on a scale which would absorb all of our present export income.

Whatever action might be taken to increase our imports should be—as I have mentioned before—with a view to strengthening the economy particularly in relation to the future position of our balance of payments as it appears in the light of present conditions.

If it were considered that the low level of foreign demand for many of our exports were permanent, then there would be a case for revamping the Canadian economy to enable us to provide more of the things we need, at home. The heavy cost of such a program makes it impractical for dealing with a temporary situation.

In general, any action which would profitably increase our export income or reduce our payments abroad would be a strengthening influence. In this connection it is worth noting that a reduction in foreign debt results in a corresponding decrease in our obligations payable to other countries.

Mr. Deachman also asked what effect Canadian monetary policy had had upon the existing situation.

The "easy money" policy which has been followed during the last few years has improved the market for new and refunding issues of securities. Since the amount of new issues in view of existing conditions has been relatively small, refunding issues to repatriate securities held abroad have been an important feature.