

at the beginning of both these pamphlets. I hope the minister will give us the names of the Canadian officials who drafted these proposals. Especially I should like to know the terms of the reference under which these proposals were drawn up. Were these officials told to draw up certain proposals whereby we could reach the objective of the freest possible exchange of goods between nations, or were they told to find ways and means by which gold might be utilized as the international medium of exchange? I think that has a direct bearing on the matter.

I believe that Keynes has come to the same conclusion as Williams came to, that he did not think gold was necessary, but in order to satisfy certain people he had to use gold. He mentions in his proposals that the United States, holding as they do large reserves of gold, would probably insist on gold being utilized. I agree with Harold Fleming in the *Christian Science Monitor*:

The twist is that they have in themselves little or nothing to recommend them over the ramshackle structure and machinery of pre-war international credit except a couple of fancy names.

And now he can add one more to it and make it three.

These proposals, in my opinion, do not solve the problems relating to a common balance of trade as between nations, and the greatest problem before the war was that of ways and means by which we might bring about an even balance of trade.

In the past there has been a fight for foreign markets, resulting in an unbalanced trade, and I would say that that fight has been largely responsible for the wars of the past. It is true to say that all capitalistic countries have had difficulty in finding profitable markets for their goods, not only internally but externally as well, not because the people who required those goods decided not to buy them, but because the people who required those goods, generally speaking, did not have the money with which to buy them. Consequently, all industrialized nations endeavoured to maintain a favourable balance of trade, or of payments.

I would draw the minister's attention in that regard to a statement which was made by a former chancellor of the exchequer of Great Britain. Dealing with this very matter, speaking before the American Bankers' Association on October 5, 1922, he had this to say:

For over two centuries British capital—that is, credit—had been lent to other countries; year by year England produced more than she either consumed herself or could exchange for the products of other nations, and she could

[Mr. Quelch.]

not obtain a market for the surplus unless she gave the purchaser a long credit. Foreign loans and foreign issues were taken up in England, and the proceeds were spent in paying for the surplus production. British factories and workshops were kept in good employment—

Now, this is the point I wish the minister to notice:

—but it was a condition of their prosperity that a part of their output should be disposed of in this way.

That is, in order to maintain prosperity in England it was necessary to maintain a favourable balance of payments. He pointed out that that was the policy of England for two centuries before the last war. From the last war up to this one, the United States of America, being a large creditor nation, to a considerable extent refused to accept goods in payment for her credits held abroad. She demanded gold wherever possible, and as a result of that policy accumulated very large holdings of gold. The *Wall Street Journal*, in commenting on the policy of the United States in the past in its relation to these proposals, has this to say:

If we want to export things and not import things we must make up our mind either to invest the excess of our exports or lend it overseas, and in addition lend or invest at least part of the interest on the loans and profit on the investment, to say nothing of leaving the capital and principal uncollected.

To a very large extent that is what Britain did before the first great war, because we find that apparently during the sixty years before the last war England lost in the neighbourhood of £4,000,000,000, or around sixteen or seventeen billion dollars, in her foreign trade. Nevertheless, according to the chancellor of the exchequer, that policy brought prosperity to Britain. I would say that it brought prosperity to certain classes of people, for nobody can contend that it brought prosperity to the masses of that country. In so far as the manufacturers were concerned, it did maintain them at a fairly high level of production and to that extent brought prosperity.

I think it may be said that from 1935 to 1939 Canada maintained an average favourable balance of payments in the neighbourhood of \$218,000,000. I got these figures from the "Canada Year Book". Apparently she was following the same policy as Great Britain, trying to dump her unemployment problem on the doorstep of other nations instead of solving it internally. Instead of maintaining an effective demand against her internal production, she tried to dump her surplus products abroad and accept as few