

since 1937 and today the U.S. tariff rates are lower than they have been for many years. Canada, another dollar area, has also lowered its tariffs over the last few years. This does not mean that we are suggesting that North American tariff rates should not be lowered still more, but we wish to emphasize that attacking the problem from the side of North American tariff rates alone is not a complete solution.

We feel that the attack on the dollar problem must be a co-operative one. It will require the co-operation of both the dollar countries and the non-dollar countries. Although the important position of the United States in the world economy necessarily makes actions by that country a dominant factor in any solution yet a lack of co-operative spirit by the non-dollar countries could well render any action by the United States alone ineffective.

Action By Western Europe and Its Dependencies

Although we in North America have complained about internal inflation since the war the problem has been a greater one in Europe. In some cases even successive devaluations have not been sufficient to compensate for the inflationary rise in price levels so that it has been difficult for them to sell sufficient goods in the dollar area to balance their international payments. Economic authorities within recent months have universally pointed out that monetary and fiscal policies by Western European nations coupled with an apparent refusal or inability to put into operation sound domestic policies have contributed largely to the disequilibrium in international payments.

The 1952 Annual Report of the International Monetary Fund, referring to the frequent recurrence of international payments difficulties states: ⁽¹⁾

Since the end of World War II the pressure of demand for consumption and investment goods and services has, for a wide variety of reasons, been allowed to pass beyond the limits set by the resources available. The efforts to translate into reality the widespread desire for economic security and betterment, or, in some countries, to check the deterioration of standards realized in the past, have been an important factor in this situation. More recently, rearmament programs have made further demands upon the limited supplies of resources . . .

In their efforts to satisfy the competing claims of divergent social and economic objectives, many countries have adopted economic and monetary policies which have meant that they were attempting to live beyond their means . . . Measures which it is feared will be unpopular are either not taken at all or taken only after long delay and then not pushed far enough.

Mr. Ivar Rooth, Managing Director of the Fund, discussed the impact of inflation on balance of payment difficulties in the following words:

The fact is that there is no greater threat to employment and living standards than inflationary policies which lead to payments difficulties. Continuous inflationary pressures and balance of payments deficits are bound to make it increasingly difficult to ensure the maintenance of imported supplies of raw materials and foodstuffs and therefore of full employment and high standards of living.

He points out that internal inflation tends to increase the international payment problem.

The O.E.E.C. Annual Report for 1952 goes very fully into the same matter. In the section called "European Responsibilities" it states:

Europe's over-riding responsibility must be the determination to live within its means and still secure other basic objectives. It must take the most realistic view possible of requirements from the outside world, and secure adjustments in its economy which will enable those requirements to be paid for out of current earnings.

(1) National City Bank Review, October, 1952.