three weeks the British pound has declined 5 cents and the American dollar 1½ cents. Mr. Lockwood, second vice-president of the Saskatchewan Wheat Pool said:

> The money lost in exchanging the currencies for Canadian money means farmers will get less for their exported grain. Foreign countries don't buy Canadian grain with Canadian money because they don't have enough of it, if any.

Since the Canadian dollar was unpegged two years ago from 92½ cents U.S., the farmer has lost between 15 cents and 16 cents a bushel on exported grain. This has resulted from the rising value of the Canadian dollar on world markets. On sales of approximately $1 billion per year our farmers lost well over $100 million on the sale of grain last year, this at a time when the bushel value of grain was at an all-time low in the markets of the world. This also means it will be more difficult to sell grain because it will be more expensive on the markets of the world. Our grain trade produces for Canada well over $1 billion a year in foreign exchange. If our trade in automobiles and automobile parts is left out, because it largely amounts to an exchange, this shows that our grain trade accounts for almost 10 per cent of our over-all trade. Further, it is especially valuable because it goes to world markets outside continental North America.

We can talk about all the great things we should be doing and how we could work out a great industrial strategy that would bring us prosperity, but unless Canadians show a willingness to get on with the everyday business of doing their job, all our great plans will come to naught. The Montreal port strike is one of the very great question marks in the movement of grain to world markets at this time. Mr. Vogel, the chief commissioner of the Wheat Board, has been quoted in an interview this week as saying, "It has been calamitous to our (grain) movement. Every time there is a delay, we lose a possible further sale." Sales of grain to traditional customers have assured that our export ports will be working to capacity at least until May, 1973. In addition there have been experiments conducted to obtain greater flexibility in sales to other countries.

The continuing strike by the longshoremen has cut by half our grain handling capacity through the St. Lawrence. Last week there were nine boats waiting to be loaded at Sorel, another nine at Baie Comeau and 13 at Port Cartier. These ports have been attempting to take the grain diverted by the strike at Montreal. In this case the vessel owners and buyers of grain are losing millions of dollars, because the Wheat Board is not liable for the cost. As I say, the strike could well cost Canada the loss of future sales. The Montreal port strike has prevented the movement of grain from this country. Now it is almost certain there will not be the record that was anticipated earlier this year. Considering that the price of our grain on world markets is so low, failure to move the grain is all the more disastrous.

The much touted industrial strategy of curbing the export of raw materials or semi-processed materials and replacing them with manufactured goods has a long way to go before it is a viable alternative in the Canadian economy. The government has mismanaged the fiscal policies of the country to a great degree. The Minister of Finance (Mr. Turner), having set a limit on what the banks can pay for funds, has brought about a situation in which the banks will not have as much money to lend as they had previously. Almost certainly this will mean rationing of money for the major corporate borrowers. Presumably they will not have the ability to go to the banks but will have to bid in the market for outside funds.

The Bank of Canada has been expanding the monetary supply at an annual rate of 25 per cent since the beginning of the year. This follows a two-year stretch in which the expansion of the money supply was estimated at 18 per cent. This monetization of corporate debt, involving the creation of huge liquid claims against the banking system, which forms part of the public money supply, in turn raises the spectre of accelerating inflation. In contrast, the money supply in the United States has been kept down to a much reduced rate of increase of approximately 7 per cent. This in turn has meant that interest rates there have not been raised.

A comparison shows that a rise in the American economy is being successfully carried forward. Using the expansion of the money supply to the extent that it has, our central bank inevitably invites the sort of excesses apparent in an excessive loan demand situation. The banks have taken corrective steps, but the more demanding requirement is for production to catch up to the funds available for financing it.

The conclusions of the Senate Standing Committee on Finance in its report on growth, employment and price stability are of particular interest. The committee concluded: (1) the three big levers of monetary, fiscal and exchange rate policies remain central and indispensable in stabilizing the Canadian economy; (2) co-ordination of fiscal monetary policies and close co-operation between the Department of Finance and the Bank of Canada in the exercise of these policies are essential; (3) the Bank of Canada cannot operate monetary policy on the basis suggested by some monetarists. It must be concerned with such important matters as interest and exchange rate levels, liquidity, and the financing of federal government debt. However, it should give more relative emphasis to steadying the growth of the money supply and it should guard against the tendency to be overly reactive to short-term indicators. The Senate Committee also said:

> —in reviewing with our witnesses the post war record of monetary policy in Canada and noting the sometimes quite frequent sharp swings of policy direction within relatively short periods, we are led to question whether there has not been a tendency on the part of policy makers to be overly reactive to short-term indicators and to fall somewhat into the pitfalls of fine-tuning with a blunt instrument.

Needless to say, these views strengthen my contention that the Department of Finance and the Bank of Canada must carefully co-ordinate and control the increase in the monetary supply with an eye to its long-term economic implications.

The Senate Committee also noted as follows:

> Recently many central banks in the free world have shifted their efforts towards controlling monetary aggregates such as the supply of money. This move, in my opinion, offers the first ray of hope, that the present world wide inflation will be brought under control.