

Mr. Chairman:

The subject chosen for your briefing could hardly be more timely. The shock waves set off by President Nixon's New Economic Policy announced last August have diminished in severity. The world has been able to adjust to them, at least for the time being. A calculated act of confrontation has brought about a needed realignment in world currency values, a realignment that benefits the United States and Canada equally, since, as world traders with a free-floating dollar, we shared with you the disadvantages inherent in the undervaluation of some other world currencies. The monetary system now functions more efficiently; it is the trading system that remains in doubt. Wherever you look in the world today, you see signs of protectionism and other forms of economic nationalism.

Your own country is no exception. The 10% surcharge was a gamble that paid off, and it was relinquished when its short-term objectives were reached. But just last week your Congress passed into law the so-called DISC legislation, described by your government as a taxation measure, but universally recognized as a device to discourage American investment abroad and to give an added advantage to American exports in foreign markets. The Foreign Trade and Investment Act, usually known as the Hartke-Burke Bill, now before Congress would impose quotas on a wide range of imports. I am very glad to note that the Administration and other authorities have spoken out very strongly against it.

The arguments used to justify such measures are well-known. The DISC, it is said, simply offsets the tax advantages given to foreign corporations by their own governments, particularly in Europe, but not, I should add, in Canada. Other countries impose quotas or prohibitions against American exports: why shouldn't the United States do the same. The trouble is that other countries employ similar arguments to justify their economic nationalism. It becomes a vicious circle.

From an Olympian viewpoint, it makes no sense whatever, because everyone ends up poorer than he need be. However, Olympus is a place for the gods. Human beings are nationals of one state or another and act within a national context.

To that extent at least we are all nationalists.

This may seem obvious but I suggest that it is very difficult to understand and cope with the phenomenon of economic nationalism unless one concedes from the outset that we are all nationalists to some extent.