

to the good so far as the future of Canada is concerned. On the one side was an extraordinary demand; on the other side, in one form or another, were curtailments of various sources of supply. Ordinarily goods and services come from two sources: what we ourselves produce, and what we import. As regards the first our productive facilities went ahead at full speed, and with some minor exceptions, practically every productive business in this country has been fully engaged.

Conditions were not quite so easy in the field of imports. For a year and a half after 1945, the exceptional demands of our people for goods from the United States resulted in imports out of relation to the amounts we were shipping out. This precipitated a crisis which necessitated the imposition of controls and restrictions in respect of exchange. It is true that the volume of imports from the United States in 1946 and 1947 was not much greater than the amount we are absorbing at this time. The difference lay in the much smaller volume of exports which we were then sending to the United States.

In November of 1947 our supply of manufactured products was seriously reduced following the control, the curtailment and in some cases the total prohibition of imports from the United States. On the one hand we were faced with a constantly increasing demand for goods; on the other, with a definite curtailment of imports, because, for one reason or another, European countries were not in a position to supply us with much that we needed. In that period competition never had a real opportunity to function. The demand in relation to the available supply was probably just as great as it had been in any period during the war, but the supply remained limited.

The question, honourable senators, is, where do we go from here? During five years the price level has risen fifty points, an average of ten points a year. At present practically nothing except rents is controlled. At least as far as government controls are concerned, competition is free. Where shall we be five years from today? The answer, if it is to be satisfactory, must depend on an increase of our domestic productive facilities and the ability to import. At the moment there are two difficulties in the way of importing as an element in reducing the cost of living. One is the effect of tariffs or other artificial restrictions on imports from the country where we are most likely to get them, namely the United States; the other is the problem of the depreciated dollar, which

acts as a sort of tariff and enhances production costs. It is not so easy to say what other factors enter into the matter. I remember about a year ago when I announced to the house the depreciated exchange value of the Canadian dollar, I remarked that I agreed with the government's action, as under all the circumstances it was probably inevitable. I regretted, however, that it had to be taken, because I believed it would be a factor in increasing our costs.

Today we in this country are faced with very difficult and constantly changing conditions which will have a very marked influence on our economy. Not so long ago, when comparisons were made of the wage levels of this country and in the United States, it was invariably argued that, if wages in Canada were less, so was the cost of living, at least as regards farm products. Even when it was conceded that such manufactured articles as automobiles and electrical equipment could be had more cheaply in the United States, the reverse was said to be true as regards our basic agricultural products. Probably this was largely true: the domestic prices of these commodities were largely governed by those prevailing in the European markets to which most of our farm products were exported. Whether or not it was logical, there was always the argument that in this country labour must accept a lower rate of pay because of the cost of living.

What do we find now? Our economy is moving more and more towards integration with that of the United States. I think it has been said that this year our imports from the United States will be in the vicinity of \$1,900 million, and that with the exception of gold our exports to that country will be approximately only \$200 million less than our imports from it. This means that our exports to the United States will be almost double what they were in 1946. It is inevitable that as more and more of our primary products are exported to the United States, the price of these goods on the home market will become the American price rather than the prevailing price on the British or European markets. For instance, in Canada today the price of meat and lumber is the American price; in fact, it is the American price plus 10 per cent. As the economies of the United States and Canada become more closely integrated, as they may, the consumers of this country will pay more for the whole range of secondary goods.

Last session my honourable friend from Churchill (Hon. Mr. Crerar) mentioned automobiles and certain electrical goods as instances of articles for which the Canadian consumer pays more than the American price.