

pression, when both countries were suffering from unemployment and lack of markets. Today, however, we have a different situation. The economies of Canada and the United States are both going full blast. Production in both countries is much higher than ever before in peacetime. Next after the United States, Canada is the chief supplier of the goods so desperately needed in Europe. Like the United States, the Canadian Government has extended large credits to the United Kingdom and European countries, to enable them to import needed goods without current payment while the dislocation and destruction of war are being repaired. While in dollar volume Canadian aid of this sort is, of course, a lot smaller than that given by the United States, relatively it has been larger. The national income of Canada is about one-eighteenth or so that of the United States, but the Canadian credit to the United Kingdom was one-third the size of the British loan here.

As producers and exporters of what other countries want, the position of the two countries looks similar, but when one examines the internal North American balance one gets a different result, in which a recurring historical pattern is evident. It is often noted, quite truthfully, that the United States and Canada are each other's best customers, which means that the value of the exports of each country to the other exceeds that of exports to any other country. The trouble is, however, that for a great many years Canada has bought from the United States far more than she has sold to the United States. In the first six months of this year, Canada sent less than 40% of her exports to this country and bought nearly 80% of her imports here. The difference between the value of the sales and the purchases amounted to a figure just short of half a billion dollars - dollars which had to be found for immediate payment from some source or other. I have heard it said that never before in peacetime has any country bought from any other country as much merchandise in six months as the billion dollars worth which was bought by Canada this year from the United States.

The volume of the Canadian deficit on trading account this year is unprecedented, but such deficits have for a great many years been normal features of trade between the two countries. In the past we carried on in Canada without much difficulty, except in bad times, because we sold much more to the rest of the world, and especially to the United Kingdom, than we bought from them. We turned the currency we got for these surplus sales into U.S. dollars, and we used these dollars to meet the deficit with the United States. That can be done no longer in the distracted and dislocated state of the rest of the world, except on far too small a scale to meet the need.

Canadians had hoped that by this time European recovery would be well under way, so that they would be receiving, in return for the goods sent to Europe, more goods from Europe that they need, and more currency of a sort that could be turned into dollars to pay their debts here. They took a chance on using up a substantial part of their reserves of U.S. dollars to pay for the things they needed from the United States. This cannot go on very much longer. Thus, although from one point of view Canada and the United States are in the similar strong position of producing more than they can consume, and of being able to supply the rest of the world with great quantities of sorely needed goods, from another point of view the situation is not so rosy, because Canadian means of paying for what Canada gets from the United States are running short - and we must get a great deal to maintain our economy and keep up the flow of supplies abroad.

The cure, the only effective cure, is the revival of the production of the countries devastated by war, so that they will cease to consume far more than they produce and will be able to pay their way by the provision of goods and services to the rest of the world. This was the great problem which was set forth so clearly by General Marshall in his speech at Harvard University on June 5th.

.....

Let me return, for a moment, to the United Nations. What I have just said shows that no matter how well countries get along together, and how anxious they are to reach a friendly solution of every issue, their rela-