

So far as imports are concerned, we find no reason for thinking that exchange depreciation of an amount which could be deliberately undertaken would exercise any considerable restraining influence. After all, the prices of our imports from the United States have risen by nearly forty per cent since June, 1946, and at the same time our imports have continued to rise month after month. What reason would there be to assume that a further price increase of, say, ten per cent brought about by currency depreciation would restrict, to any worthwhile extent, our buying in the United States? Of course, if we were to reduce the value of our currency far enough we could restrict imports from the United States but the penalty would be an immediate and violent rise in prices, far beyond anything ever experienced in Canada.

To the other unavoidable upward pressures on prices the Government does not propose to add currency depreciation.

In the program which we have worked out, the emphasis is on constructive and non-restrictive measures which in time should be sufficient to meet our exchange problem.

Geneva Agreements and Marshall Plan Vital Steps

It will be quite clear that the most effective and desirable solution would be to see Europe and Asia again in a position to engage in multilateral trade and to pay for their purchases from others in goods or convertible exchange. The conclusion of the Geneva agreements and the development of the Marshall Plan are vital and encouraging steps in this direction.

The form in which the Marshall Plan is implemented will have a very important bearing on our exchange situation, and, indeed, on the formulation of our policy in many fields. It will necessarily have a bearing on our continued participation in the European recovery program. In relation to its productive capacity Canada has played a major part in the post-war program for world reconstruction. Our ability to continue this contribution depends in part on our ability to maintain at a high level the importation of essential materials and equipment from the United States; and this in turn depends on the volume of our United States dollar earnings. We have pointed out to the United States how our difficulties in buying from that country arise very largely from our inability to sell to Europe for dollars, and we have expressed our concern that dollars made available by Congress for aid to Europe will be used in part to purchase supplies in Canada and elsewhere that are not readily available in the United States.

Expect Use of Marshall Plan Funds in Canada

The United States Government has now recommended to Congress that it should authorize the use of funds voted for aid to Europe in making purchases outside the United States. In the expectation that this policy will be implemented, we are ascertaining what supplies can be made available from Canada for this purpose. A program of this kind would resemble in many respects the Hyde Park Agreement