

moral force of a people firmly attached to democratic principles, has contributed much to the progress which has been made both in strengthening the common defence and in extending co-operation in many fields.

However, we must ask ourselves - and the time has come when the question takes on real urgency - do these accomplishments on the fronts of security and political co-operation rest on an adequate foundation?

There is a clear and present danger in thinking that the free democratic nations can make themselves secure through military strength or political measures alone. These are indispensable. But they can be endangered and even nullified if the policies which we pursue on the economic front are short-sighted and inadequate.

Our Prime Minister put this very clearly last month in speaking to the National Press Club in Washington:

"If the free world is to be strong and prosperous and therefore able to deal effectively with threats to its freedom, the economies of the free nations must be as strong and prosperous as they can be made. Free men will stand strong in defence of freedom, even in the face of great hardship; but it is too much to expect them to remain steadfast indefinitely if the future holds little for them and their families but austerity and the fear of depression. Unless the national economies of the free world can be made and kept healthy and productive, Communism would win a bloodless victory without any war, hot or cold. And most of us think that to keep the free nations economically sound there must be a high and expanding level of international trade."

We are still a long way from this goal in the international economic field. That is why many governments, including the Canadian, have become increasingly concerned over the unsatisfactory nature of the economic foundations on which international political and military co-operation is being built.

What is the present picture? Economically the free nations are divided between themselves into dollar and non-dollar groups. The movement of trade between them is still limited by barriers, restrictions and road-blocks both complex and exasperating.

The free world is failing to use its economic resources efficiently at a time when heavy burdens must be borne for the common defence.

The economic and financial policies associated with systems of trade restriction and currency inconvertibility do not contain the elements of a solution. Unless a joint effort is made to change the direction of affairs it is unlikely that the countries pursuing these policies will ever find their way back to freer trade and currency convertibility. On the contrary, the evidence indicates that the prolonged use of such restrictive policies aggravates the underlying difficulties because they provide the wrong economic incentives and lead to an inefficient use