

did. So far as the United Kingdom and the rest of the sterling area are concerned, the physical job of reconstruction of the damage caused by the war has not been substantially accomplished. This accomplishment has been aided by the help which the United States and Canada have given, but it is mainly due, and I do not think it inappropriate to call attention to this, to the efforts of the British people themselves, who have in a very short time, while living on short rations, made great headway in repairing the physical ravages of the most destructive war in world history.

What we are faced with now is not so much a further effort at reconstruction, but rather adjustment to the new situation in world affairs which has been created largely as a result of the war. The present problem is one of serious unbalance in world trade which reflects inadequate adjustments to the basic structural changes which have occurred. This unbalance is illustrated in the acute payments difficulties that the United Kingdom is now experiencing even though her aggregate exports are substantially higher than before the war and her aggregate imports substantially lower.

The further adjustments which are required will not be easy, and will call above everything else for good will and understanding on the part of all the Governments and all the people of all the countries concerned. There is no doubt that the underlying position of all our countries has been materially affected by the events of the past decade, and that we must all re-examine our economic policies to see whether they are of a character which is appropriate to the new position. It is not for me to say what should be the precise character of the adjustments which others should make, but it is apparent that the position of the United Kingdom in world economic affairs has been profoundly altered. She sold a large part of her foreign investments to pay war costs. She gave up established positions previously held on a competitive basis in world markets. Compared with the situation immediately preceding the war, the terms of trade with the rest of the world have gone against her. The real purchasing power of some of the most important sterling area exports has fallen drastically, and in addition the market for others has been severely curtailed by technological developments of a far-reaching character. The worsening in the world economic position of certain sterling area countries has imposed a heavy burden on the United Kingdom - the accumulation of sterling balances as a result of British war expenditures and in other ways has enabled these countries to draw on the United Kingdom to cover their post-war trading deficits.

In the result it seems clear that basic adjustments are required which will give tangible recognition to the facts which affect the United Kingdom position in the world.

Adjustments are also going to be called for in American policy and in Canadian policy. The United States now finds itself in a position of leadership in world economic and financial affairs. The United States is virtually the sole creditor country in the world, virtually the only country of any size which has almost complete freedom of action in the field of international economic policy. It is clear that the adjustments to this new position must take time, but it is also clear that the adjustments now are incomplete and that, just as the United Kingdom must re-examine her economic policies to determine whether they are appropriate to her international position, so must the United States re-examine her economic policies to determine whether they are appropriate. I have in mind not only the importance to the rest of the world of the maintenance of domestic levels of employment and income which facilitate dollar earnings, but also the question whether tariff policy, policy regarding customs administration, policy regarding foreign investment, policy regarding the distribution of the financial burden of political responsibilities in various parts of the world, is appropriate to the present international position.

So far as Canada is concerned, I believe that all aspects of