

The mildness and brevity of the recession in the United States was, I believe, one of the most welcome features of 1949, for the rest of the world as well as for Americans. This result suggests that the forces tending to check recession in the United States may be somewhat stronger than had previously been thought. I am referring principally to the attitudes of consumers and business men in the face of economic adjustments, although the effect of actual and potential governmental measures may also have been a factor. In any case, whatever the immediate or underlying causes, the performance of the United States economy in 1949 must be considered relatively encouraging.

Another major development of 1949, in my opinion, has been the indications of growing concern on the part of the American administration and public about the effects of the United States tariff and its customs administration. It is easy for Canadians to see that the so-called dollar problem, and all the international political problems which are bound up with it, cannot be solved - at any rate in a way that will be satisfactory to the United States as well as to the rest of the world - unless foreign producers get a more even break in the American market. We must realize, however, that American acceptance of this proposition, and action upon it, require a high degree of political maturity and courage. Therefore it is encouraging to learn that helpful changes are gradually becoming apparent in the case of customs administration. I am told that a perceptible shift in administrative attitudes and practices is taking place.

No review of the highlights of 1949 would be complete without reference to the almost world-wide devaluation of currencies which took place in September. In contemplating these events, I call to mind some remarks made by Montague Norman on an earlier occasion when wide changes in exchange rates had taken place. He said something to the effect that the forces at work were so vast, the economic and political outlook so obscure, that no man could predict the course of events. Having in mind that these remarks were made late in 1931, or perhaps early in 1932, I think you will agree that they were justified, although some newspapers of the day were inclined to be critical on the grounds that men in such positions as Governor of the Bank of England should know what the future held. While the situation today differs in many of its important elements from that of 1931 and 1932, predictions are equally risky.

You will recall that when sterling and many other currencies were devalued in 1931, dollar prices were still falling disastrously. In consequence, devaluation did not put sterling prices up. Indeed the United Kingdom cost of living index declined soon after September 1931, and remained below the level of that month for about four years. At the same time the United Kingdom's terms of trade, that is, the prices she got for her exports, compared with the prices paid for imports, were moving greatly in the United Kingdom's favour. So far, there is no indication of a similar development on this occasion.

The position and prospects of the United Kingdom are so important from the Canadian point of view - indeed from the point of view of the whole world - that I make no apology for spending a few moments on the subject. The present position cannot be understood without reference to the contribution made by the United Kingdom to a number of other countries since the end of the war. Outright gifts, including contributions to UNRRA and other relief organizations, and supplies made available