from abroad. But there is likely to be a continuing shift in our demands as new industries become established and new wants are born. And, of course, during the period of rapid business expansion a good deal of our imported manufactures are bound to be capital goods.

The more important effect on our trading position of our expanded manufacturing and industrial capacity is, I think, to broaden the base of our export trade. But in spite of this, food and primary material exports are likely to be, for the foreseeable future, the mainstay of our foreign trade and income.

Industrial expansion in Canada, beginning with the Second World War and still continuing at a high level, has been financed both by a high level of savings in Canada and by capital from abroad. I know that a good many people believe that we are being sustained in our rapid growth by a flood of capital from the United States and from overseas. That is not true. In our earlier periods of expansion we did rely upon investment from the pools of savings in other countries, particularly from Great Britain. But in the current expansion there is a much more specialized flow of investment. The total of Canadian savings through the period since the end of the war has been sufficient in fact to finance the whole of our investment programme. But some of our savings have gone to increase the already substantial Canadian investment abroad. Some of it has been used for long-term loans to our friends overseas and to support our traditional customers during the post-war adjustment. In turn we have used specialized capital from abroad.

Recently we have seen the expansion of British manufacturing capital in Canada and also the expansion of British investment houses who plan programmes of diversified investment in Canadian securities. Risk capital from the United States has been coming in to help develop our natural resources. There has also been sizable investment by American manufacturing companies in branch plants in Canada. This latter flow of American investment, as well as the expansion of British-owned capacity in Canada, is the natural result of the growth of the Canadian domestic market. With the increase in our population -- there are now around 15 million of us -- and with a rising standard of living, the production of more varied goods for this increasing Canadian market is becoming more profitable.

I have mentioned both the changes in physical capacity which lie behind our changing trade pattern and the investment flows which lie behind those changes in physical capacity. I want to turn for a moment to one other aspect of our trade picture which I think is worth noting. That is our adoption of a free rate for the Canadian dollar. I am not one of those who take any special pride in the fact that for some time the Canadian dollar has been at a premium over the American dollar. What I am interested in is the effect of a free rate on our overall balance of payments position. Since the war we have found that there are likely to be very wide swings in the balance of our merchandise trade. One year we may have a big surplus, another year we may have a sizable deficit. And the pattern of our trade alters rapidly over the year. When we maintained a fixed rate for the Canadian dollar we