

contribution which your country has made and is making to achieve world recovery. I can say, however, that on a proportionate basis, the aggregate of Canada's free contribution to other countries during and since the war ran to almost three billion dollars and compares favourably with the contribution made by any other country.

The need for and wisdom of this contribution in wartime were obvious. It seemed equally obvious to Canada at the end of the war that immediate and large scale assistance to help in restoring the war-ravaged economies of Western Europe was a necessary prerequisite to the creation of the conditions on which a multilateral world depends. Since the termination of hostilities, therefore, Canada has, through loans and credits, been carrying on a European recovery programme of her own. Under the Export Credits Insurance Act and the United Kingdom Financial Agreement, credits in the amount of approximately \$1,850 million were authorized for the United Kingdom and countries of Western Europe and China. On a per capita basis, or in relation to national income, such Canadian contributions to European recovery have not been equalled by those of any other country. A comparable contribution by your country on the basis of relative population would have been over \$22 billion and on the basis of relative national income, which is a more appropriate basis, would have been over \$33 billion.

Canada seeks no special praise for these measures. It was certainly in our long term interest to see recovery in those countries with which we have always carried on a large and mutually profitable trade, and with which we were so closely associated in our common struggle. With world developments as they have emerged, the fundamental soundness of our policy has been clearly confirmed.

The facts I have presented to you concerning Canadian assistance to European recovery are important in themselves. I hope that they will serve to clear up some of the misunderstanding that has been revealed in certain discussions of the relationship of Canada to the Marshall Plan. The main reason I have presented them, however, is because they are closely related to the present Canadian dollar problem.

In undertaking the extension of credits to Europe, we hoped that our large dollar reserves, carefully used, would suffice to carry us through the post-war transitional period. Once some degree of normalcy had been restored in the structure of world production and trade, we expected again to be able to settle our international accounts via the traditional mechanism of multilateral settlements, assuming, of course, that currency convertibility had been restored over a wide area of international transactions. At the end of the war, we were able to look to our long term interests in this way, because our dollar reserves were then substantially greater than our normal requirements. We were prepared to dip into our reserves to extend assistance to Western Europe as part of a far-seeing and sound post-war programme. Events have shown that our hopes were too optimistic. Nearly everybody, even the extreme pessimists, underestimated the degree of dislocation and devastation which the war left in its wake. No one, moreover, made sufficient allowance for certain adverse developments which have materialized. As a consequence, the valiant efforts of the war-ravaged economies, combined with extensive help from North America, did not suffice to produce recovery as quickly as we had hoped.

Meanwhile, the reconversion from war to peace production in Canada proceeded swiftly and smoothly. Employment and national income, consumer expenditures and capital investment reached peak levels never approached in the past. This resulted in an unprecedented demand for imports which, owing to the slowness of recovery in Europe, came largely from the U. S. A. This combined with the sharp rise in the price level in your country, meant a more rapid depletion of reserves than would normally have occurred.