suggests that under these conditions a loss can be avoided, but feels that unemployment in our domestic industries constitutes an unnecessary "doubling-up" of the necessary ill effect of a decline in exports, which could be avoided by maintaining the money income of exporters.

However, if it were possible by Mr. Tucker's proposal, to have full activity in domestic industries in the face of a decline in exports, there would be the implication that no one was adversely affected by the decline in exports. If the plan were feasible, exporters would be able to buy as much as if exports were normal and other industries would be operating at full employment to satisfy domestic demands.

I have already pointed out that it is impossible for the economy to function in this "normal" manner at a time when export income is depressed. "Normal" functioning of the economy would be in the ordinary course of things, produce a "normal" volume of imports for Canadian industries and consumers—a volume of imports which could not be paid for when export income was not "normal." I have dealt rather fully in previous memoranda with the implications of that situation.

Maintenance of activity in domestic industries would, therefore, have to be confined to those industries which do not depend upon imported materials. This limitation would automatically eliminate most of our major industries.

There would have to be restrictions placed upon the type of goods or services which the additional purchasing power in export industries might be used to buy. Otherwise a very large part of such buying would be of imported goods or goods made from imported materials.

I realize that one can point to a number of specific instances where Canadian consumers would use a larger amount of a purely Canadian commodity if they could afford it. However, I believe that such examples are deceptively simple. They do not take into consideration that additional purchasing power created to make possible such a transaction is not cancelled at the completion but remains in existence and ultimately—other things being equal—will chiefly result in an increased demand for imports and goods made from imported materials which would produce the situation to which I referred a moment ago.

In so far as the great majority of cases are concerned I would say that the depressed state of domestic industries is an unfortunate but inevitable result of low export income which forces us to curtail our demand for foreign goods, and is not an unnecessary "doubling-up" of the effects of the decline in exports.

If Canada were a relatively self-contained country such as the United States or Germany, there would be good grounds to suspect that our misfortunes were the result of ineffective domestic policy and certainly there would be much more scope to improve the situation by internal action. I believe there is a tendency to try to apply to the Canadian problem methods which have achieved a measure of success in other countries but which are of very limited usefulness under Canadian conditions.

As to the limitations and implications which various proposed methods would have in Caanda, I do not think I can add anything to what I have just said and to what I have submitted in the various memoranda which have been placed on the record at previous meetings.

If action to stimulate domestic industries were confined to the quite limited field in which I have tried to indicate that such a policy would be practical in Canada, some of the proposals which have been made would be found unsuited for that purpose. Monetary expansion, for example, tends to affect the whole economy and if adopted only for a particular purpose of this kind it would require almost infinite accompanying regulation to confine the results in the desired section of the economy.