

I have now briefly stated the main reasons why the world-wide dollar shortage has seriously affected Canada. I hope that I have made it clear that the main cause of these difficulties has been the effort of the Canadian Government and people to contribute towards the recovery of Europe, not from any peculiar national generosity, but from what I believe to be enlightened self-interest. When a person or a company or a country runs short of cash they must cut their expenditures or increase their incomes or do both of these at once. The measures taken by the Canadian Government of last November were designed promptly to cut expenditures in U.S. dollars by imposing restrictions on what Canadians could buy or could do, in their purchases or their movements, which would have to be paid for in that currency. Canadians don't like restrictions any more than citizens of this country, and almost everyone would much prefer to see the Canadian dollar problem met by increasing the earnings of U.S. dollars rather than by reducing expenditures in them. We hope that before long we shall emerge again into a world in which trade will be multilateral and currencies freely converted. That will take time, but it is the sort of world that we should like to live in.

We also hope that the heavy disproportion in Canadian trade with the United States will be reduced substantially by the sale of more Canadian goods in the United States. It is, after all, a little odd to find that in 1947 the 12½ million Canadians bought some \$2 billions worth of goods from the United States, and 145 million Americans bought only \$1 billion worth of Canadian goods. This works out that every individual Canadian on the average purchased about \$160 worth of U.S. goods, while every American bought a little less than \$7 worth of Canadian goods. We certainly do not want to make the two figures equal or nearly equal, for that could only be achieved by a most extreme form of economic nationalism which would gravely lower the Canadian standard of living. But we should like them not to be quite so far apart. If that figure of about \$7 a head for U.S. purchases from Canada could be raised to \$10 or \$11 it would make all the difference in our position.

Now Canada cannot just expand her sales in the United States by wishing to do so. It needs action in this country as well as in Canada. Furthermore, we do not want merely to use up more quickly our expendable natural resources and ship them across the border as untreated raw materials. The greatest hope of getting a better balance would be by expanding the production of some staple things that are needed in the United States, and by manufacturing them, or a part of them, to a further degree of readiness for their ultimate use than is now the case.

For example it seems rather strange to me that about four-fifths of the vast quantities of newsprint used in this country come from Canada, and come manufactured in rolls ready to be put in the presses, while huge quantities of the paper that is used in magazines and so on are manufactured in the United States from wood pulp and pulpwood imported in that form from Canada. If it is a sensible and economical thing to buy finished newsprint in Canada why is it not also a sensible and economical thing to buy other forms of paper there? But the tariff prevents the importation of these higher grades of paper, and the duty would have to be cut before the manufacturer of them in Canada could sell in this market.

We hope, then, that more Canadian exports will come this way, and that these exports will in some cases enter in a more valuable, because a more fully processed, form. We hope, too, to sell in the United States some things which we have previously sold in the United Kingdom and other markets. We also hope that the manufacturing industries of the two countries, already