

dians during the war itself. We would have to make it virtually impossible for our citizens to obtain United States dollars, unless it was for the most vital needs, and we would have to prohibit Canadians from visiting the United States except in cases of the most dire sickness. There are no other ways out of the dilemma.

A great deal of hope has been placed on the international bank and the international monetary fund. The international bank has made its first loan of \$250 million to France. This is a reconstruction loan. In other words, it is for relief, and it shows, I think, that the bank is being used as a relief agency. It is assumed that the United Kingdom will have exhausted her present loan by 1948 and will in that year require a further loan of at least \$1 billion. Now, Mr. Speaker, the capital of the international bank is given on paper at \$10 billion. If the nations already members subscribe their full amount, the capital is reduced to \$7½ billion. However, in May, 1947, the break-down is that there has been subscribed \$720 million in gold, \$80 million in hard currency and \$800 million in what is called less easily exchangeable currencies. Therefore, to be hard-boiled, the bank's capital, instead of \$10 billion, is only about eight per cent of this. It seems to me that, since the United States is the principal backer of the bank, and, in fact, is obligated to put up about thirty-seven per cent of the capital, there will come a time when a political reaction in the United States will set in and, because the bank is dependent on action by congress—public law No. 171 passed by the 79th congress—it seems to me that we are running the extreme danger of having the Americans become rather tired of putting up all this money. We are, I feel, reverting to the old fallacies that we followed after the last war. That is, we are believing that we can maintain prosperity and prevent mass unemployment largely by the export of capital. I think our experience, and particularly the experience of the United States in 1929 and 1930, should be a great warning. If we try this method again I feel we shall have to export capital at an ever increasing rate, and that, once it is started, we shall not be able to stop it without immediately causing an international financial crisis of enormous repercussions.

Despite the fact that it is to be devoutly hoped that the Geneva conference will result in a lowering of tariffs, this in its turn cannot prevent a depression, because it takes away the flexibility which the imposition or the relaxation of tariffs provides for in national industry. I think also that we are whistling

in the dark to keep our courage up if we expect countries to synchronize their fiscal policies to agree with the over-all policy of the world bank. Frankly, I believe it is impossible, because the economies of countries vary so greatly and their fiscal needs are so different. We cannot expect any government to give up its fiscal autonomy. We see this even in Canada where two provinces are, quite rightly I believe, refusing to abrogate these powers.

Now, Mr. Speaker, what does this add up to? This adds up to the stark fact that we are going into the hole at the rate of 600 million United States dollars a year. We know we shall have to lend more money in goods, in cash and in services to the countries of Europe, and possibly Asia. We hope we are going to be repaid, starting July 15, from sterling currencies transferable at the fixed rate of \$4. Even if this happens we are not out of the woods and, unless a radical change in the whole economic picture of the United Kingdom takes place, it does not seem possible that the sterling released will be sufficient, or will continue to be paid in sufficient volume for us to meet our adverse United States balance.

I want to say here that we may, and I expect we shall, come to the point where we are placed in this position. We may be able legally to demand sterling exchangeable in dollars to meet our adverse balance of trade. But by so demanding it, we may so jeopardize the economy of the United Kingdom and of Europe that it will make it virtually impossible for us to do it. Believe me, Mr. Speaker, we in this country cannot in peace time see the United Kingdom face bankruptcy and internal troubles any more than we could in war time not protect the United Kingdom physically with armed force. It is just as vital now that her economy continue in a healthy state as it was that the very life of that island should be preserved during the war. Therefore I say that we are taking one of the most colossal gambles in history. We are making the same mistakes as we made after the last war on a tremendously enlarged scale and, because of our fiscal policy with the United States, we are leaving ourselves vulnerable to squeeze play by that country or by the United Kingdom.

Production and production only can be our salvation, but we must produce the things that the world wants and must have. In an economic upheaval, one of our best and surest safeguards would be an abundant gold production and gold reserves. Our parity policy with the United States is certainly destroying