

The Budget—Mr. Adamson

that this has brought to Canada a tremendous amount of United States capital which is very valuable; but in spite of this there is still some hesitancy in regard to such investments. The other day I was speaking to a lawyer, a citizen of the United States, who has an estate in Canada. He was doing everything possible to persuade the beneficiaries to maintain that investment here rather than liquidate it and move it out. Their argument was simply that while the restrictions in themselves were not particularly onerous, there were still restrictions on the free movement of capital. This they would not abide.

Now we come to the essential move which had been forecast for months, the acceptance of the specious argument of devaluation. Following the devaluation of the pound, and in fact the general devaluation of all currencies, we were forced to take similar action; but devaluation is not the answer. We still have a hard currency, even though it is worth only 90 cents. It is still a hard currency, and if you have none of it you are not going to buy even 90 cents' worth of our goods. It is of no use for a restaurant to decrease the price of a meal from \$1 to 90 cents if you do not have even the 90 cents. This is another problem which arises from the continuous shackling of our currency to the United States dollar.

One of the recent names for inflation is devaluation. It is a word which conjures up, both in the mind of the seller and in the mind of the buyer, a sort of trick solution which is likely to bring something for nothing in international trade. The policy of devaluation is no answer to an unbalance of trade. Threatened by an external drain of real assets and gold, the monetary authorities do not resort to credit restriction and an increase in the interest rate. They devalue. Devaluation does not solve the problem. If a government is oblivious to the rise in the foreign exchange rate expressed in a free market, it can continue the policy of credit expansion for a considerable time, and even devalue its currency repeatedly; but the nemesis of the crack-up ending of the boom, if the credit expansion is carried to the extreme, will destroy its monetary system. Today credit expansion is an exclusive prerogative of government. Credit expansion, which is inflation in its purest form, is so popular that to speak against it is tantamount to committing political suicide.

The other day the minister took great pride in the reduction of the funded debt. That is a very good thing, and I think it should have been reduced a good deal more. But if we are faced with a major contraction of our north-south trade and at the same time lose our historic and natural markets abroad, we are going to find ourselves faced not only

with currency expansion and inflation, but also with a trade unbalance the like of which no country has yet experienced. Our apparent prosperity and the extremely high level of our trade since the war form one of the great dangers we see ahead. We, and I particularly, have suggested over and over again that the problem of convertibility should be solved; that we should establish a common denominator, which has always been gold, to make our currency convertible. Many times in this house I have suggested a free market for gold in Canada, and I still believe that is one method we should have adopted.

I had hoped that a more realistic solution would be found when the so-called dollar talks were held in Washington. No matter how you devalue, no matter what you say your currency is worth, it will not be worth what you say it is until somebody else will freely buy it in the open market. That applies to all goods and services in world trade. The hatred of gold has inspired the superstition that omnipotent governments can create wealth out of little scraps of paper. The struggle against gold by all socialist and neo-socialist governments is a part of the great process of destruction which is the overriding symptom of the trend of our time. Autocratic controllers in the national treasuries fight the gold standard because they want to substitute autarchy for free trade, and, in extreme cases, war for peace and omnipotent government for liberty. This is the overriding principle which has driven governments ever since the end of hostilities.

We are in a position of apparent prosperity. Through the Marshall plan, we are the major sellers to the countries of Europe. These are in reality not true sales, however, but are partly gifts resulting from the generosity and foresightedness of the Marshall plan administrators. Eventually those sales will stop. The other day someone said that Europe could be self-sufficient in wheat within three years. This statement was made by an international authority on wheat. If that is so, our major export through the Marshall plan, namely wheat, will cease. If we can find no medium of exchange which will enable us to sell our wheat to the hungry countries in the world outside the North American continent, fifty per cent of our Marshall plan exports will cease, and we shall be left with an immediate unbalance of trade even before the end of ECA. There will then be no generous plan to help us out of our difficulties, and our historic natural markets will be gone. In the words of Right Hon. Mr. Amery, we shall be merely an appendage of the United States. That is the position I foresee in the comparatively near future, Mr. Speaker. I believe