

in which they wish to move, and then make sure that the measures adopted produce incentives which lead in this direction and not -- as has so often been the case since the end of the war -- in the opposite direction. If international balance at a high level of transactions, without import restrictions, is to be attained and the misdirection of economic resources avoided, we shall have to make an ally and not an enemy of the system of prices and incentives."

Are these admonitions of Mr. Towers in any way addressed to the United States and Canada, both of which have convertible currencies and are free from import restrictions imposed for exchange reasons? I think that they are, although perhaps not so directly as to people in a number of other countries. In any event, I am concerned this evening with the part of North America in creating conditions of strength, not with the problems of the sterling area, Western Europe and elsewhere.

It may seem ungenerous to argue that our countries have not done enough to build up the economic strength of the free world. There has been a vast outpouring of economic aid from North America since the end of the war, in loans, in grants and in other ways. Huge volumes of needed supplies have been financed by our treasuries for the use of nations stricken by the war or in distress for other reasons. The Canadian share in these efforts has been roughly proportionate to that of the United States, considering that the national incomes of the two countries stand in the ratio of about one to fifteen. These efforts certainly have not been in vain. The volume of industrial production in Western Europe, and indeed throughout most of the free world, has risen far above its pre-war level, so that industrial output is now probably half as much again as it was in 1938.

Yet one of the central purposes of the economic aid granted to other countries since the end of the war has been to promote multilateral trade and to remove from its channels blockages of the sort which still persist. It is the hard truth that the longer these blockages continue, the harder they become to remove; they acquire what someone has called the inertia of an established institution. Behind them, uneconomic producers take root and acquire influence; the powers of survival of sheltered infant industries are well known. The restoration and expansion of the industrial productivity of Western Europe, to which the Marshall Plan contributed so greatly and successfully, has, indeed, in some cases itself encouraged the maintenance of import restrictions or other protectionist tendencies.

To many people abroad these consequences seem to have stemmed from a single cause, which they may label briefly the dollar problem, or sometimes the American balance-of-payments problem. How, they ask, can we make our currencies convertible, lift our discriminatory import restrictions and reduce some of our tariffs when the result will be a greatly increased inflow of goods from North America for which we cannot pay in dollars? "By and large", they may say, "we have managed to keep our heads above water only because we have been receiving gifts and loans from the United States and Canada to help us buy what we must have and can only get in the dollar area. Give us a chance to earn more dollars. Once our sales of goods and services to North America begin to balance our purchases, then we can begin to set about an orderly removal of all these abnormal obstacles to trade".