

Dr. HOPE: You mean that there is too much bond issue in comparison with the common stock?

Hon. Mr. CAMPBELL: Too much borrowing of money in comparison with the working assets and capital invested, which has resulted from high taxation in Canada. If that is so here, it certainly must be far worse in the United Kingdom and other European countries today.

Dr. HOPE: I am not familiar enough with that to say. There is much risk if you have a very high debt structure. But I cannot answer as to that. I know that this report mentions that in many cases European efficiency production could be stepped up here and there by a certain amount of new capital investment, but they do not hold out any hope that North America will invest there. That table shows that last year the United States invested 1.6 billion dollars in foreign loans, but when you look to see where the investments were made, you find that they were made in Canada, in Venezuela, in Bolivia, and a few other places, such as Persia, where they want oil. Virtually none went to Europe, and it is Europe that needs the money. It may be that the taxation structure you suggest might help.

Hon. Mr. CAMPBELL: I am surprised the chairman has not asked you something about gold during this discussion? But you do admit that the United States did put \$20 billion in there from 1947 on?

Dr. HOPE: Yes.

Hon. Mr. LAMBERT: What is there to show for that?

Dr. HOPE: Oh, they can show a great deal of recovery in Europe. Europe at one time was near communism. Today she is not.

Hon. Mr. LAMBERT: West Germany has shown progress.

Dr. HOPE: And Italy is in better shape. These countries were in pretty desperate shape five years ago. Britain is in a better condition too. Most people admit that things have much improved. But they seem to have reached what in an engine would be called the dead centre, when the pistons come to the dead centre, as far as they can go, without an additional push. Maybe there now needs to be something new and more vital to get it going on its own steam. Let us assume, in theory, that tomorrow the United States Government said, "We are going to reduce your taxes five billion dollars, because that is what we are giving to Europe." Automatically, you would think, it would increase the money in the pockets of the people paying the taxes. Then the government might say "We are allowing you that so that you can buy five billion dollars' worth of European goods." In theory that is the solution. Europe could send the goods over, and the United States could use the five billion dollars to buy them.

Hon. Mr. EULER: If by reason of very high taxation, we will say in Britain, it becomes impossible for industry to provide enough money to expand its business, and as a result it becomes necessary for governments instead of individuals to make these investments, are you not on the direct road to state socialism?

Dr. HOPE: Well, it depends what they do. If the government invested in such things as hydroelectric plants—like our own Ontario Hydro—I would not say it would mean that, but if the government invested in an industry which produced consumer goods, I would say yes. I do not see any indication yet that there is any suggestion of the government investing money in the consumer goods industries. That would be the beginning of a very momentous change in policy. But as long as we stick to public works I do not think the danger arises.

Hon. Mr. EULER: Well, did they not do that in Britain? They took over the steel industry.