RELATION OF CERTAIN PRICE GROUPS: CANADA AND AUSTRALIA

(1929 = 100)

Average*	Ratio of farm products to general index		Ratio of exports to general index		Ratio of exports to imports	
	Canada	Australia	Canada	Australia	Canada	Australia
1929	100	100	100	100	100	100
1930	90	88	93	81	94	79
1931	74	74	87	68	85	55
1932	69	73	85	69	80	54
1933	72	73	85	71	77	54
1934	78	89	88	98	81	81
1935	84	80	90	76	82	61
1936	88	91	93	93	86	75
1937	98	98	100	108	92	88
1938[1]	89	86	94	80	87	67

*Calendar year averages for Canada and averages for years ending June 30 for Australia.
[1]Calendar year averages for both Canada and Australia.

Considering the period since 1929 as a whole, the relation of prices of primary products to other prices appears to have been somewhat more favourable in Canada than Australia. I do not suggest, of course, that Canadian monetary policy was the sole, or even the chief, factor responsible for the favourable relationship between major price groups in Canada, because there were many other important factors influencing price levels as between the two countries.

Part V—Non-Monetary Factors

That Canadian monetary policy of the last few years has not been accompanied by the return of a high level of economic prosperity in this country, is not, in my opinion, evidence that the scale of monetary expansion has been inadequate. No amount of monetary expansion can hope to restore a high level of *real* national income in Canada during a period when there is a major decline in agricultural yields or in the demand for our goods in foreign markets. These unfavourable developments result in a smaller return from the expenditure of labour and capital in important sections of the Canadian economy—a national loss, the incidence of which may be transferred from one group to another within the country, but the burden of which cannot be avoided by the country as a whole.

Monetary policy cannot solve such a problem because it cannot create an important domestic demand for goods which we would normally export nor can it in a short time create new industries to absorb man-power and equipment from depressed export industries. Such a transfer, even if possible, might turn out to be very wasteful if the depression in export industries proved only temporary. Immobility of labour, particularly in agriculture, would make a transfer of this kind a very slow and expensive task which would only be justified if the low level of demand for our exports were considered to be of a permanent character.

Part VI—Summary

In my opinion, the amount of monetary expansion which has taken place in Canada to date, viewed in relation to actual conditions, has been sufficient to offer all the incentive to a high level of economic activity and prosperity which monetary policy can be expected to offer in a country where non-monetary factors are so important.