

decided to fix exchange rates and to give each nation six months in which to establish its exchange rates, and from then on it would be held at a rigid rate. They worshipped the rigid rate of exchange to the extent that nations would be permitted only a narrow margin of variation. This automatically destroyed the effect of efficiency in production, and brought about inflation. Today Canada has a free dollar, and I think that it is to our advantage.

Hon. Mr. EULER: You seem to want to work through NATO. Do you not think it would be to the advantage of all if Germany were admitted to membership in NATO?

Dr. HOPE: Germany is in NATO now.

Hon. Mr. EULER: Not in NATO.

Dr. HOPE: Germany is going to be brought into the European community plan.

Hon. Mr. EULER: But that is a different thing.

Hon. Mr. LAMBERT: For defence purposes.

Dr. HOPE: For defence purposes. And she is applying to get into GATT. Certainly it would be an advantage to have Germany a member of NATO. Why leave her out?

Hon. Mr. EULER: That is what I was thinking.

Hon. Mr. HAIG: Coming back to my question: How can a country like Great Britain, which for the past five or six years has not been producing as much per man as the United States has, trade with that country?

Dr. HOPE: They can trade by having their exchange rates adjusted, and by producing a few products in which they excel. You might ask how it was we could trade with Japan in the prewar years, when she had such a low living standard. The fact is that in some products they could beat us.

Hon. Mr. HAIG: We had a heavy tariff against Japan.

Dr. HOPE: I know that, but in some products they could successfully compete with us.

Hon. Mr. HAIG: And still pay our tariff.

Dr. HOPE: Yes, even over our tariff.

Hon. Mr. EULER: They are beginning to do that now, are they not?

Dr. HOPE: Yes, Japan is doing that in some products.

Hon. Mr. HAIG: And Germany will be doing it.

Dr. HOPE: Germany and Japan are going to be the two tough spots which may force some change in American policy. They have got to export and the United States will have to import.

Hon. Mr. HAIG: And they are a progressive hard-working people, both of them.

Dr. HOPE: Yes.

Hon. Mr. HAIG: They will dominate the world trade unless the rest of us are willing to work and produce the way they do.

Dr. HOPE: I have this theory, with which, perhaps, nobody would agree. I hate to say it, but I believe I expressed it at a meeting here before.

Hon. Mr. HAIG: I want to suggest something to the chairman. The witness is here representing the Canadian Federation of Agriculture. I want him to feel free in answering us. He is not binding the Federation of Agriculture.

Hon. Mr. CRERAR: I don't think anybody would undertake to bind the Federation of Agriculture!

Hon. Mr. HAIG: Mr. Hannam might, or he might try. But I was referring of course to the Canadian Federation of Agriculture.