programme they would be financed out of cash payments received by Canada. These cash payments would enable us to maintain the flow of essential imports from the U.S. necessary for running the Canadian economy and continuing our own productivity. And it is only if the Canadian economy is kept going at a high level and our own productivity is maintained that we shall be able to make a further significant contribution to the restoration of the European economies.

The amounts currently mentioned for possible Marshall Plan expenditure in Canada are very large - so large indeed that some think it unlikely that they will, in fact, be forthcoming. If these expenditures are not made it will, I am sure, be only too obvious to you that we in Canada must continue to battle with an immediate and serious foreign exchange problem. But even if they do take place it should be emphasized that even these large expenditures would by no means result in the elimination of our U.S. dollar difficulties. The reason for this may not be too clear. It arises from the fact that even should the Marshall Plan operate in such a way that we received cash for all of our exports that development would not result in an increase in our depleted U.S. dollar reserves unless at the same time we had a favourable balance on current account with the world as a whole. We did have a favourable balance of $460 million in 1946 but in 1947 our current account balance, although apparently still favourable, was certainly very much smaller. This trend in our overall current account balance must be reversed if our reserve position is to be improved even with the most liberal conceivable version of the Marshall Plan in effect.

There is an additional reason why it is imperative that Canada have a substantial overall current account surplus, and that is that we shall presumably want to continue to extend some credit on our own account to European countries. We shall, I think, want to do this both to co-operate with the United States in any programme which would benefit us so materially and because of our own enormous interest in European recovery. But if we provide further exports on credit our reserves can be augmented only to the extent that our current account surplus exceeds such exports. We, therefore, need a current account surplus large enough to permit us at the same time to make further exports on credit and to increase our U.S. dollar reserves.

To produce an adequate current account surplus in 1948 we must either export more than we did in 1947 or import less, or some of both. This we can do only if we either consume less at home or produce more. From this alternative there is no escape if a large current account surplus is to be achieved. Since our need for a large current account surplus is great, and can, I think, not be seriously disputed, it is only sensible that we prepare ourselves either to produce more or to consume less in order to achieve it.

I have come now to the end of my remarks. The general framework of Canada's international financial position which I have attempted to outline is the background of the restrictive actions taken last November. There is obviously room for a good deal of difference of opinion in the matter of what specific action is appropriate for dealing with the problems that I have outlined. That such differences of opinion exist is clearer with every day that passes. All that I wish to say is that I do not think that an adequate solution to our exchange difficulties will be either simple or easy. There is nothing that would interest me more than a magic formula that would be adequate and painless. For a number of years I have searched for such a formula and have always failed to find it. I doubt that one exists.