the deficiency picture south of the line, which incidentally is likely to get worse.

Now let us come to our exports to the United Kingdom. In May, 1950, they amounted to \$48·8 million and in May, 1949, to \$72·9 million, or an impairment on balance of \$24·1 million. That is a shift in the pattern of our trade, north and south versus east and west, and it is something which is done by government action largely through the operation of exchange controls. It is a deliberate policy, and it is having the effect of cutting down our world trade. As has been shown, we had a deficit in the month of May, 1950, versus a surplus in the month of May, 1949. Our trade with the rest of the world has greatly decreased, and we are putting ourselves into the position where we are becoming more and more dependent on the United States for our international trade.

I feel there is some danger in this deliberate policy, a part of which is the foreign exchange control board, because through that policy we are likely to price ourselves out of the world market. It is not entirely our fault because the rest of the world has resorted to these vicious devices of exchange controls, cartels, bilateralism, and has erected a barrier which we find it difficult to pierce. Nevertheless, the adoption of the same methods by ourselves will not solve the problem.

Let us turn to the question of the management of currency. Just so long as the government controls currency, credit expansion can go on slowly but continuously, without causing any alarm amongst the general population. The inflationary pressure to which the present government, or any government of Canada, is subjected is something which I feel must be taken into account. While we are still financing on a budget surplus, and have not adopted the pernicious system of deficit financing followed by Washington, yet I feel that steps should be taken now to prevent that. I feel that it is a distinct possibility. I give to the committee the sort of thing which I feel is likely to happen at any forthcoming general election under the sort of pressure which this government will be, and the sort of pressure under which any responsible political party will be. First, we shall have a tremendous pressure for an increase in old age security. Naturally, I approve of old age security based on the country's ability to pay, but I can see the slogan going out across the country something like this: Vote for us, fifty at fifty. That would mean, vote for us and get \$50 at fifty years of age.

Mr. Abbott: I would be in on that policy.

Mr. Adamson: I would soon be coming in on it, too. It would be very attractive. Then, there will be the health program and the housing program. If there is any increase in the cost of running the national railway, there will be an increase in the railway deficit. In addition to those things there will be a great demand for expenditure for national defence. Now, Mr. Chairman, all of those things will be direct inflationary pressures on any government of Canada at any election. Unfortunately, that is the pattern of democracy both here, in the United Kingdom and in the United States. It is the promise of something for nothing. There is a bit of English doggerel about a father who, on his daughter's wedding day, says:

> Ah, 'tis my daughter's wedding day;
> Ten thousand pounds I'll give away.
> On second thought I think it best
> To put it in the old iron chest.

Mr. Chairman, everything from there on is unprintable, but that is the sort of reaction which will take place if the government makes these promises. What does that mean? It means that there will be an inflationary multiplier in our economy which it will be extremely difficult to resist under a system of managed currency. Last year the minister said the minimum revenue requirement would be about 2·4 billion dollars. I do not think any of us in this house will ever see it get down even to that. I feel that, if it keeps on going up, only one thing can happen, and that is a decrease in the purchasing power of the dollar. So long as the government can manage the currency it can embark on a slow but permanent program of inflation. This is not seen as dangerous by the people, and the government is urged or pushed into further excesses. The purchasing power of the currency is forced down slowly perhaps but nevertheless steadily. Let us not fool ourselves that this is not going on now, and not too slowly either.

For the members of this house, Mr. Chairman, I should like to quote the figures for the cost of living, wholesale prices, the annual labour figure and the raw money supply. I should like to have the permission of the house to put this small table in *Hansard*, because I think the members would be interested in those four figures, taking 1939 as 100 in the first three cases. The cost of living in 1949 showed an increase of 58·4 per cent; or if you want it expressed as a ratio as the dominion bureau of statistics expressed it the figure is 158·4, taking 1939 as 100. These figures are new, Mr. Chairman, and they have just been worked out by the dominion bureau of statistics. From the end of 1949