

The Address—Mr. Fulton

we should retain the sterling market; but this is the market that we have been losing at an alarming rate. Again, the figures of the Bank of Canada show that in the twelve-month period ending in July, 1949, our exports to the sterling market had dropped by \$100 million as compared with the figures for 1947.

In its recent business letter the Bank of Nova Scotia analysed the situation. That letter in turn has been analysed in the September 20 issue of *Saturday Night*; and since the picture given there sets out very clearly the difficulties in which the country now finds itself, I should like to read some extracts from page 34 of that issue:

Presumably every Canadian who can read now knows that Britain is in financial trouble that so far has proved too much for even her well known courage, doggedness and experience. But few seem to understand that Canada is in trouble too. Our trouble, like Britain's, is one of markets and means of payment. If we don't solve it—and no solution is now in sight—we could have a very unpleasant contraction in employment.

I pause, Mr. Speaker, to observe that I believe the writer is softening the blow. I do not think it is a case in which we "could have" a very unpleasant contraction in employment—referring to something that might happen in the future; I think we are faced with it right now.

After describing the measures taken to increase our exports to the United States, the article continues as follows:

The volume of exports to other areas has been decreasing; exports to Britain are now smaller than pre-war, and exports to the dominions and the British colonies and to western Europe have fallen substantially from the early post-war peak.

While the United States has provided an alternative market for a substantial part of the wood, paper and mineral exports which formerly went overseas, it is not providing any real substitute for the exports of the kind of manufactured goods which have been going to the dominions and colonies and Latin America. Nor does it offer any significant alternative for the products of the prairie grain fields.

This serves to confirm my statement, based on the Bank of Canada figures, that the volume of our exports to Britain is shrinking substantially. The article says that apart from exports of wheat and flour, which have been much larger than pre-war exports, and of eggs, wood pulp, pit props, plywood, aluminum and ferrous alloys, most Canadian exports to Britain are down substantially from the pre-war level. What I have read, and the figures which have been cited from the Bank of Canada summary, show that we are faced with a serious problem in the contracting sterling area markets. It is no exaggeration to say that the employment and income of the majority of the Canadian people are being threatened by the loss of these markets.

[Mr. Fulton.]

The reasons for this loss, Mr. Speaker, are fourfold: first, the currency restrictions which we have imposed as part of our foreign exchange control policy; second, the inability of the sterling area to acquire dollars; third, and bound up with these two, the non-convertibility of currencies. This means there are no free exchange markets; all exchanges are now controlled. Finally there is Canada's own exchange control policy, especially the parity policy which until recently was pursued by this government.

In order to understand this, I think it is necessary for us to analyse what has been taking place in Canada during the last eighteen months or so. As a convenient starting point one should perhaps refer to the statement made in this house by the Minister of Finance (Mr. Abbott) on September 19. When one analyses that statement, one is struck by the realization that within a space of six months the minister could so cheerfully, apparently blissfully unconscious of what he was doing, completely reverse his position.

We recall his arguments against devaluation last March, and his denials of our suggestions that Canada herself could do anything to restore any measure of convertibility. When we remember the loud and oft-repeated statements that the parity price was a realistic level in the best interests of Canada's economy, and compare them with the arguments now advanced to support devaluation, we realize just how empty and ill-advised were the statements then made. A sense of realism has been forced on the minister by the march of events. He is now compelled to do what should have been done a year or more ago, and, in doing so, to advance and defend theories which six months ago he was denouncing and ridiculing.

It is true that surrounding circumstances have changed. The pound sterling has been drastically devalued. We must make all due allowances for that. But even so, if we compare the statements of last March with the statement of this September we see in the minister's statement on the later occasion not only a recognition that devaluation on our part is doubly necessary as a result of the British action, but also a repudiation of the arguments and theories upon which Canadian devaluation was previously refused. Reading the words used this September, Mr. Speaker, some of us are confirmed in the view which we held at the time of the minister's earlier pronouncements, namely, that on the one hand their lack of real soundness or good sense and, on the other, their harmful influence on the Canadian economy,