

have been rising and the United Kingdom authorities have been drawing much faster than they intended on the United States and Canadian credits. The essence of the difficulty, according to the chancellor, is that the United Kingdom has too much to buy for dollars because too little comes forward from the rest of the world. It has so far been selling too little for dollars, although it is hoped that the results of the international trade organization conference will help by increasing the flow of international trade.

This is a statement of the Canadian trade commissioner and can be assumed to be an official statement. Therefore we have a stark and official statement of the difficulties we are to expect in our international trade this year. I submit that, despite anything that he said, any hopes that he may have, we shall find it almost impossible to obtain gold for sterling without seriously, and tremendously seriously, disrupting the equilibrium of the United Kingdom's financial picture. That is a thing which this government or any government must be very careful about doing.

I do not want in any way to criticize the United Kingdom, but there are certain physical and inescapable facts which we must recognize. They are not the fault of any government, although, in my opinion, they have been intensified by the nationalization of industry in England; nevertheless they cannot be charged to the Labour government.

The first of these is that, even in the best of times, the United Kingdom cannot grow enough food to feed its population. The second is that, in order to obtain money to purchase the food it needs from foreign countries, it must export goods in exchange for the food. The third is that, to export goods, it must manufacture, and, to keep the wheels of its factories going, it needs primary power which, in England, comes almost solely from coal. The fourth fact is that the production of coal has declined, for physical and political reasons, to a degree where the output is not sufficient to keep the country warm and the industries going.

Prior to the war, Britain drew on her investments abroad to purchase the food she needed to keep her going. All these investments have now been liquidated. These facts, which form a vicious circle, are bound to force the United Kingdom into one of three courses. She can default entirely on the repayment of her loans abroad both to us and to the United States. She can export her industries and, with them, a sufficient percentage of her population to make it possible for the home agriculture to feed those who are left. The third possibility is that she may starve. There is no other way out. If we do not recognize the handwriting on the wall we shall continue to allow the situ-

[Mr. Adamson.]

ation to worsen and eventually be dragged down into the whirlpool of international bankruptcy.

I want to mention one thing here, and that is that instead of exporting capital to England we should be importing her industries and large parts of her population. If there is one thing that made the Canadian war effort a success, apart from the courage and energy of our people, it was the fact that the Canadian worker could command a great volume of primary power. Every Canadian worker had at his hands several horse-power of energy, whereas the worker in the United Kingdom had only a fraction of a horse-power. This important economic fact has never been sufficiently appreciated. The English today have the skills, and, despite the outbreak of wildcat strikes and other disquieting political phenomena, they still have energy. Not being a medical man or a psychologist, it is impossible for me to say what connection there is between the strange behaviour of the English people from time to time and the lack of food, and whether the political frustration which we find so alarming is not really caused by a condition of semi-starvation.

However, no matter what the reasons are, the results are just the same. Unless steps are taken to bring the British economy into equilibrium, the consequences will be desperate for the whole world but will be an absolute catastrophe for Canada. The first warning of what is to come is in the statement of the foreign exchange control board that our adverse balance of trade to the United States is \$603 million.

The United States exchange situation is serious. There are three ways in which the government can stop this continuously accelerating adverse balance of trade with the United States. The first measure is, of course, the imposition of special tariffs against United States goods, which will prevent their entry into Canada. This the government will be loath to do, and, in view of the pious hopes expressed about the Geneva conference, I would think that at the present time it would be a retrograde step.

The next course open to the government would be to devalue the Canadian dollar. This would be tacitly admitting their mistake of last year and, if they have a secret agreement with the United States government, would be impossible. Furthermore, the devaluation of a mere ten per cent now would be wholly inadequate to arrest the adverse trading position.

The third step would be to reimpose war-time restrictions on exchange, and these war-time restrictions would have to be considerably more stringent than those imposed on Cana-