

*The Budget—Mr. Adamson*

only a three per cent rise in the total average cost in sterling of United Kingdom production. That is extremely encouraging from the point of view of the United Kingdom, but it is something which we must consider as having a serious effect on our economy. The danger is that we shall soon be selling less and less, and not that we shall be insufficiently paid for selling more and more. I want to quote a statement made several days ago in London by Right Hon. L. S. Amery. It is as follows:

The only real and permanent remedy for the present world unbalance lies in creating a new balance by building up nation groups comparable to the United States, thus providing a market for an internally balanced expanding production. The natural way of doing so is by common currency arrangement, and by the flexible methods of tariff preference, and not by the clumsy restrictive devices of quantitative import restrictions and quantitative bilateral bargains. That is the solution clearly envisaged by the recent economic resolution of the Strasbourg assembly. It is even more the obvious policy for the British commonwealth.

There are only two serious obstacles in the way. One is the attitude so far taken up by the United States administration and foolishly accepted by other nations, that all arrangements for mutual co-operation are "discrimination" and therefore anathema. The other is the very serious effect on Canada if she then finds herself excluded from all her natural markets and forced into the position of becoming a mere appendage of the American economy. That is a problem for Canada to decide. For her and for the United States, no less than for us, a solution of the world problem involves a fundamental change of outlook, but nothing less will meet the case, and, until it is achieved, no amount of conferences between statesmen will set the world right.

What does Mr. Amery's statement mean? I think the most significant words in it are those with reference to the Strasbourg assembly. There we have a group of European nations getting together. What is the first thing they do? What is the first problem on their agenda? To find a currency mutually acceptable to each other. Apparently they made great headway in that direction.

Our natural markets—and they must continue to be—are offshore markets, markets abroad, markets in Europe, and once the markets of the Orient. We see the Strasbourg assembly and the British commonwealth finding a method of mutual acceptance of currency, but we find ourselves still with our currency pegged to the United States dollar. There can be only one result. Progressively we are going to be shut out of market after market throughout the rest of the world. That is a very serious thing to contemplate. I realize the difficulty, but the government is taking no fundamental steps to sell to those countries which have been and still are our natural and historic markets. The United States has been a great market for many of our products, certainly the greatest market for products such as wood pulp

and many of our base metals. At the present time we do a far greater business with the United States than with all the rest of the world put together. Nevertheless, Mr. Speaker, the United States is essentially a competitive economy with ours. While they have a deficit economy we can sell to them, but just as soon as that deficit position fills up, just as soon as we find ourselves really competing with their industries, mines and farms, that market will disappear.

There are many devices which the United States has used in the past, and we have suffered from them heretofore. As the millennium does not appear to have arrived, it is altogether likely that she will use them in the future against Canadian products just as soon as they are a serious competitor in the United States market.

We in this party have suggested before now a universal currency. We have suggested convertibility. I have suggested a free gold market, some method whereby our currency can be used by the rest of the world—not just the sterling bloc but the whole of the world. The government apparently are frightened because of the effect of the impact of the world economy if we set our currency free. They have so stated in an apparently inspired article which appeared recently in the *Financial Post*, headed: "Why government didn't allow dollar to find own level".

I will not read the article but it expressed the fear of the effect on our dollar by speculators and others who would trade in exchange and cause wide fluctuations in the quotations of Canadian dollars in terms of United States exchange and thus upset legitimate trade between the two countries. I would point out that with a powerful central bank and the great number of extremely capable foreign exchange operators in the chartered banks, I should not be very much afraid of serious arbitrary fluctuations of our currency in the United States. We control the issuance of our own currency. That was the fear expressed in this article in the *Financial Post*.

The basic evil of exchange control does something else, I think; it restricts and inhibits the investment of United States funds in Canada. It is not that the restrictions themselves are particularly onerous; it is the fact that restrictions are there at all that does so much harm to the free investment of United States funds in this country. One way to correct our unbalance of trade with the United States would be to encourage the investment of United States funds here; yet because of these restrictions that investment is inhibited—despite what is probably the greatest boom in oil the continent of North America has ever seen, which is being largely financed by United States capital. I admit