

the international gold situation, is overstressing the importance of currency and exchange in relation to the realities of trade.

Hon. Mr. McLean: Honourable senators, I must say—

The Hon. the Speaker: I would remind the honourable gentleman that he has already spoken in this debate and may not participate in it again.

Hon. Mr. McLean: I wish to ask a question of my honourable friend from Ottawa (Hon. Mr. Lambert).

The Hon. the Speaker: If the honourable gentleman merely wishes to ask a question, he of course may do so.

Hon. Mr. McLean: I should like to ask my honourable friend if world trade does not consist of transactions that are made up of commodities, on the one hand, and a stable currency, if you can get it, on the other hand. And I should like to read to him the record—

The Hon. the Speaker: I am afraid that this is not a question.

Hon. Mr. Lambert: I shall try to answer the question, so far as it went. The answer, stated generally, is that goods really have to be paid for with goods, and that currencies do not matter. Naturally there is a ratio established between goods and currencies, but goods must be paid for with goods.

Hon. John J. Kinley: Honourable senators, while I was listening to the interesting remarks of the senator from Southern New Brunswick (Hon. Mr. McLean) and the reply of the senator from Ottawa (Hon. Mr. Lambert) the thought occurred to me that, after all, money is only a medium of exchange. It is not wealth, but a demand on wealth. The sterling countries can only solve their exchange and financial problems by producing more goods and selling them in the markets to which they are indebted. That is understood in Britain, for she is making a strong effort to close the gap between her imports and exports, and appears to be succeeding quite well.

Many people think that in a country whose currency is depreciated you can buy goods and services cheaper than in a country with a firm currency. However, while travelling in Europe recently I found that prices over there are as high as in Canada, and for some goods even higher, in terms of our own currency.

In dealing with the question of storing American dollars as reserves, we have to remember that the American dollar is a free currency on all the markets of the world,

whereas the British pound is a restricted currency. If you go to England as a visitor you can take in only £10 and take out not more than £5. It would hardly be advantageous from the point of view of trade to store up a restricted currency of that kind.

Just at present our currency is worth more than the American currency, but American currency is better known and more widely used abroad. Many Canadians feel that the premium which our dollar enjoys over the American dollar today is the result of a temporary condition brought about by large expenditures of American capital in Canada, and that under normal conditions our dollar will certainly not rank above the American. I do not think there is much risk in having reserves of American dollars.

As stated by the senator from Ottawa (Hon. Mr. Lambert), the whole test of a country's financial position is determined by its balance of trade and services. Until the European countries can sell us sufficient goods to pay for what they need so badly, we shall have a balance of trade against them. I think their position is being improved because of the large expenditures that the United States and Canada are making in Europe for arms and other defence purposes. Indeed, my observation was that there is already a good deal of general prosperity in western Europe. I found that the hotels, restaurants, and places of entertainment were crowded, and the trains and buses seemed to be as well patronized as they are in our country. Agriculture is prospering there. In fact, the whole of western Europe looked almost like a well-kept garden. I am told that the situation in West Germany is especially buoyant, that the level of prosperity there is far above what the people have known for many years. Conditions in Holland, Denmark, Sweden and Norway are good, and in France the trouble seems to be political rather than economic. Britain appears to be carrying the heaviest burden. She is in need of many primary products from abroad, her outlays in the two world wars were tremendous, and her reserves have been depleted, partly as a result of the non-payment to her of moneys that she lent to other countries. Her means of restoration are a greatly enlarged export trade, which is quite competitive, and austerity at home. When she has achieved these things the value of her sterling will rise to its former level.

The high place that the American dollar holds on international markets today is not the cause but the result of what has been happening in the world; and the countries which now have a depreciated currency will