

war and as in the other quotas this restricts imports from scheduled countries and leaves considerable room for expansion in regard to non-scheduled countries. The quota works out to slightly less than \$7 million for scheduled countries which is 70% of the actual imports in the twelve months ended June, 1947.

The fourth quota group included clocks and watches, cutlery, sporting goods, toys, smokers' supplies and certain types of glassware. The quota in this case also is 200% and this involves a cut of nearly 70% in the recent rate of imports from scheduled countries.

A fifth quota group to come into effect on January 1st is being announced today. It includes a wide range of prepared foods of a kind for which the United Kingdom, Australia and France were normally our principal suppliers. Included in this new group are such items as pickles and sauces, meat and fish pastes, cheese, pickled and preserved fruits, canned fruits and chocolate and confectionery products. The national quota will be 200 per cent of pre-war and the individual importer's quota from scheduled countries will be about 30% of his imports during the twelve months ending June 30, 1947.

The whole quota system has been made as flexible as possible. Importers are not tied down to particular items or particular countries but are permitted to use their quotas to purchase any goods in a given quota category from any of the countries in the applicable schedule. The government believed it desirable to permit freedom of action to the largest feasible degree and wished to avoid undue administrative complications which might have retarded the efficient working of the system.

#### IMPORT CONTROLS ON CAPITAL GOODS

As I mentioned earlier, prohibitions and quota restrictions are applicable only to a limited portion of our total imports. These methods would not be suitable to check the heavy flow of imports of capital equipment, and materials and parts for use in construction and in the manufacture of durable goods. The significance of such imports depends mainly on the use to which they are put. The same imported material or machine may be highly essential when used for one purpose and much less essential when used for another. The control of such imports must therefore be flexible and related to the use of the imports concerned.

The system adopted therefore is to make imports of the kinds of capital goods, components and materials listed in Schedule III of the bill subject to control, and the Minister of Reconstruction and Supply has been charged with the administration of this phase of the programme. He will be in a position to review with industry proposed expenditures involving the import of such goods with the aim of reducing the drain on our dollar resources. Industries with capital expansion programmes should check their import requirements with him and where feasible postpone

such projects, as a number of firms have already done. This control also involves examination of methods to reduce the net dollar deficiency resulting from many of our industrial operations. Hon. members will appreciate that it is closely related to the plans for developing and re-directing Canadian production which are also the particular responsibility of the Minister of Reconstruction and Supply.

#### DOLLAR DEPRECIATION UNDESIRABLE

Mr. Abbott also spoke of other parts of the programme: the special excise taxes on durable consumer goods; restrictions on travel in the United States; the loan of \$300 million from the U.S. Export-Import Bank. He repeated that currency depreciation was considered neither a desirable nor effective alternative to the measures adopted.

He concluded: The programme is designed to overcome a national problem and it depends on a national response. The more that businessmen and the public generally support it and adopt it in their individual thinking, the quicker and the better will the programme achieve the desired results. We must make a national effort to increase our dollar exports and to readjust our industry so as to reduce our dollar deficit. We must make a national effort to curtail our spending, particularly on durable goods, and to postpone new capital investment of a less essential nature. It is a programme which calls for intelligent understanding and co-operation. It is the sort of programme which Canadians can take in their stride and make work. We live in very troubled and uncertain times. But the Canadian people have shown a remarkable capacity to adapt themselves within the framework of their democratic institutions and traditions to changing conditions. We faced and met the challenge of the war in a manner which surprised even ourselves. We can meet this present challenge with less difficulty if we will only recognize and accept it.

**OPPOSITION CRITICISM:** J. M. Macdonnell (Progressive-Conservative-Muskoka-Ontario) said the Bill gave powers which had never before been given in peacetime, perhaps never even approached in wartime. It gave arbitrary power to one man to control the industry of the country to an extent that Mr. Macdonnell would never have believed any party, and still less any party led by the Prime Minister, would have come to.

We, who have been free moderately, Mr. Macdonnell added, are asked to put shackles on ourselves. We who have struggled for generations to achieve the position of living under the rule of law are now to live, so far as business is concerned, to a very large extent under the arbitrary rule of one man. This is control -- complete final absolute.

It may well be asked how people who call themselves Liberals -- and I think there are some real Liberals across the way -- were

ever brought to agree to this. The only way I can imagine is that they were told it would not last long. There has been added to Liberal principles, the new Liberal principle of arbitrary powers, the application of arbitrary powers.

You may say, What do we want? We want law, known to all, the same for all and fair for all, such as the Tariff Act, which will have provisions written into it and which will not be left to the discretion of one man and we want the law to be subject to the interpretation of the courts.

I suggest to the House that this Bill is an offspring of the order-in-council mind and legislative bankruptcy or lethargy -- I do not know which it is -- of the government. In any event, it is a refusal to try to write a law which will be the same for all, known to all and fair for all.

#### DOLLAR DEVALUATION URGED

We had reached a kind of impasse, Mr. Macdonnell proceeded, and we had now three courses open to us in the matter of currency. The first was to stay as we are. The second was to let the dollar go free. That, Mr. Macdonnell was sure, was the objective of most people in the House. But he did not think it an immediate objective. He felt we had to go by degrees. Nevertheless it was the only objective we could have.

I hate controls, Mr. Macdonnell added, but if I thought they would work I would stomach my dislike of them. The reason I am against them is that all history shows that in the end they bring their own retribution. There is another reason for not letting the dollar go free and that is that we have obligations under Bretton Woods. I will say quite frankly that I think the world is too unsettled at the present time for us to take that risk.

Then I come to the third suggestion, which has already been made by my leader and which I repeat, of the dollar at ninety cents. Of course there are a great many unpleasant things about it. I do not suggest it because it is nice. I suggest it because it may help us to avoid worse things. When the Minister says it would do no good, that does not convince me at all. The Minister said a little while ago that an additional ten per cent in the price would not deter purchases in the United States. To me that is a most unconvincing agreement. Rising prices are always a deterrent and the last ten per cent is like half an inch at the end of your nose; it makes quite a difference.

#### RECOGNITION OF FACTS

I do not want anyone to think I believe that going to ninety cents will suddenly bring about a rush of American investment, or anything of the kind. As a matter of fact, that action would be only recognizing facts, because at the present time they do not value our dollar at more than ninety, so that we will not have a rush of investment. What I do think,

however, is that a movement towards reality will win respect from American businessmen. I think that they will regard it as a sign of realism. I do not think that they will regard it as a sign of weakness but as a sign of strength; furthermore, I think it can be maintained that it is not depreciation in the ordinary sense. It is going back to where we were.

It will, I believe do three salutary things. In the first place, it will deter purchases from the United States. Second, it will stimulate sales. Third, it will tend -- and I only say "tend" -- in the long run to bring back American investment, which in my opinion we shall need for many years in this country.

I know the difficulties that there are. It will send up some prices and there may be a tendency to exaggerate that. It will make our coal cost more, but it will not be as bad as some of the things we have now, as a result of which many other articles, some of them in great need, particularly for domestic use by young people setting up housekeeping, are going to cost twenty-five per cent more which is bad enough.

The second thing it will do, and I do not minimize this at all, is to make it more difficult for Britain to sell here. I would not willingly add one featherweight to Britain's burden; but my answer to that is if we are over-valued, Britain is over-valued; and my feeling is that there has to be a recognition of reality, not only by us, but by other people.

This is a preposterous Bill, Mr. Macdonnell concluded, and it should not pass Parliament unless it is radically altered both as to its powers and the other provisions. We in this party will vote against it here and in the constituencies until the day comes when sanity returns and these arbitrary powers are taken away.

#### ACTION TAKEN TOO LATE

**C.C.F. ATTITUDE:** M. J. Coldwell (C.C.F. Leader) thought the Bill, with all its powers, was perhaps necessary in some respects in order to protect the Canadian people at the present time. As a first criticism, however, he would say that the steps taken by the Government to protect the present adverse exchange situation were taken too late. Had the Government acted earlier, we might have avoided the necessity of seeking a \$300 million credit in the United States.

In Mr. Coldwell's opinion, the prohibitions and quotas provided in the Bill should have been accompanied by measures of control, control not only of the goods imported under quota but of goods of the like class or kind produced in Canada; whether prohibited entry or coming in under quota.

From the outset, the C.C.F. had taken the position that devaluation of the dollar at this time would involve an added burden on the consumers. Mr. Macdonnell had said that a 90-cent dollar would cause a lot of unpleasant things. Those unpleasant things would have