

basis. That is the fundamental principle of our anti-inflationary policy and will be followed as long as it is feasible. This year we have a substantial budgetary surplus. In addition we have curbs on the use of consumer credit and on housing loans, and credit policy in general is restrictive.

One interesting contrast between our two countries is in the extent of government controls over the economy. This could be a cause of misunderstanding, and I shall therefore say a few words by way of explanation.

My first comment is that the extent of controls is not necessarily an index of the impact of defence preparations. Canada is not a smaller edition of the United States. It is a country with quite different characteristics and different institutions. It is possible in Canada for the Federal Government to exert its influence over the economy by less direct and less obvious methods than seem possible in the United States.

Nevertheless we are moving into direct controls in order to ensure that essential materials are available for the defence effort, and I have no doubt that we shall move more quickly in the near future. We shall certainly not hesitate to use such controls if they are necessary to speed up defence production or to co-ordinate plans in our two countries.

As to price and wage controls, Canada is moving cautiously. We are watching with intense interest your efforts to control prices in the United States. We earnestly hope you will succeed in attaining a reasonable measure of stability for only if that happens can we in Canada hope to avoid serious trouble. Dependent as Canada is to such a large extent upon the United States as a source of supply and as a market for Canadian exports, it would be extremely difficult, even if it were wise, for us to insulate our prices from yours.

I do not suggest for a moment that Canadians can relax and let the United States solve the price control problem for them. That has never been the Canadian attitude and never will be. Canada is pursuing fundamental anti-inflationary policies as vigorously as ever. All I say is that if you in the United States succeed in your efforts to stabilize prices, one of the most powerful external pressures toward rising prices in Canada will be relieved.

During the last war Canada took the lead by imposing a general ceiling on prices in November of 1941 before Pearl Harbour. The Canadian Government doubts whether the same action would be feasible for Canada under present circumstances. We are therefore asking Parliament for powers that would enable us to put into effect, when they become necessary, the kind of controls best suited to prevailing Canadian conditions.

To put the position in a nutshell, the Canadian Government has the same general aims as the United States Government in the field of economic policy. We do sometimes, and for good reasons, differ in the methods employed to attain those aims.