

The Address—Mr. Diefenbaker

from 1946 to 1948 Canada ran a surplus with the world as a whole, both on merchandise trade and current account. However, the growing trade surplus with the United Kingdom and other overseas countries was mostly financed by loans and did not result in current income in convertible currency which could be used to strengthen the country's trade and reduce the deficit with the United States.

Let us look at the figures at that time. In 1947, according to Mr. King, matters suddenly became serious, when the merchandise trade deficit with the United States rose from \$430 million to \$890 million in 1947, and the current account deficit from \$607 million to \$1,134 million. The result was that Canada's reserves of foreign exchange were severely depleted. Have the members of the opposition forgotten about that? Those were the days that they speak of prosperity. Today they would have you believe that when a country is prosperous it cannot have a detrimental balance of payments situation, yet that was not so in 1947. Just remember how suddenly this came about.

On December 31, 1946 our official reserves totalled \$1,245 million but by November, 1947, they had fallen to \$480 million. In 1962 they fell to \$1,100 million but in 1947 they had fallen, as I say, to \$480 million. Then, following the introduction of the exchange conservation program, the reserves climbed to \$502 million at the end of 1947 and to \$998 million by the end of 1948.

They would have the people of Canada believe that I placed before the people of Canada what was not true. They say, "How can it be that a country that you say is prosperous—having employment difficulties, however—and expanding, could at the same time have an international exchange situation arise such as arose in 1962?" The same situation prevailed in 1947 in that regard. In announcing the program the minister of finance, Mr. Abbott, emphasized—and I want to re-emphasize this—that Canada's position was essentially very strong. The immediate need was only to conserve the use of U.S. dollars by limiting spending on U.S. goods, services and pleasure travel until such time as overseas trading partners became strong enough to earn convertible currencies to pay for Canadian exports, the proceeds of which we could use in settlement with the United States.

What was the nature of the program in 1947? It was restrictions on imports. They were of a non-discriminatory nature. They prohibited imports of a variety of consumer goods such as radios, washing machines, furniture; goods already being produced in Canada. They reduced the volume of imports of a variety of other commodities, including

some foodstuffs which were placed under quota. The quota system had the effect of reducing imports from the group of countries not known to be short of United States dollars while permitting increases in imports of the same commodities under quota from the dollar scarce countries. Another measure was the application of a special 25 per cent excise tax on a wide range of consumer goods in Canada.

Mr. Speaker, this was in 1947. They would have us believe, as they have gone across this country and said since the election, that this government deceived by saying conditions were good, the domestic situation was improving, the economy was on the upsurge. They said it could not have been so, otherwise this foreign exchange position would not have arisen. I give them, as the answer, what took place in 1947. Restrictions upon pleasure travel in United States dollar countries were reimposed. I see how shocked they are because we did in 1962, legally, what they did illegally in 1947. At the same time they provided assistance for Canadian gold producers. Oh, Mr. Speaker, how shocked they are that we had to get loans. This is terrible; this has never happened before. As I listened to the Leader of the Opposition during one of his bedtime story broadcasts, I wondered where he was in 1947.

Arrangements were concluded with the export-import bank in Washington for a line of credit to be available in 1948 in the amount of \$300 million U.S., of which in the first half of 1948 Canada utilized \$140 million. As a result of the exchange conservation program, imports from the United States declined in 1948 by \$154 million from the 1947 total, while exports to the United States increased by \$447 million. That is what happened then.

As a result of the action taken, the pressure on Canadian foreign exchange reserves abated; official holdings rose by \$496 million between the end of 1947 and 1948 and it was possible in 1948 to begin to relax the import restrictions. That process was continued in 1949. Now when they tell you that is so unusual, I want to point out this fact, that in a period of 12 months from 1947 there was a loss of almost a billion dollars in Canada's reserves of United States currency and gold. A crisis took place. Did they know the crisis was coming? Well, they did not tell us. Mr. King said we were prepared to meet it for a period of several months, but nobody was told anything about it.

What did the 1947 Liberal program mean to business? I remember those days so well, Mr. Speaker. It gave to ministers of the crown and their officials extensive control over most industry of importance in Canada. It gave the government of Canada a life