

Minister of Finance for Canada made his statement regarding parity on July 6, and the United States congress passed the British loan on July 13. These dates are important because they quite entirely fit in with the information I have. This, I suggest, was the true reason why the Canadian dollar was put on a par with the United States dollar. At the time that the legislation was going through, we know there was interference by the United States government in Palestine. We have the statement of the British government at the time that, had there been no interference, a solution of the Palestine problem might have taken place. I think it is important that that fact be associated with the other, because it shows how Washington interfered in another situation.

I mention this here because it shows the vulnerable position of Canada in any squeeze play of that kind being exerted between the United Kingdom and the United States. I contend, Mr. Speaker, that we are going to suffer and suffer seriously if we do not maintain facilities within our own country to protect our currency. The best and greatest protection of the Canadian currency is gold, and a large gold production.

The result of the parity action has been, amongst other things, to create two types of Canadian dollars. The foreign exchange control board calls it the "unofficial Canadian dollar". New York sources have stated that the market for unofficial dollars is running at the rate of several hundred million a year. Be that as it may, the fact remains that we have an external currency selling at a discount of eight per cent to ten per cent and, in my opinion, it is likely to sell at a greater discount in the course of the year. One of the unfortunate results of this is that the United States tourist, knowing that his money is at a premium over ours, will demand that premium when he visits Canada, and there will be constant arguing and bickering between Canadian hotelkeepers and retail merchants and the United States tourists who will receive only one Canadian dollar for every United States dollar. One of the unfortunate aspects of this is that the average United States citizen knows little about foreign exchange. He will not change his money at the discount rate at his own bank before he visits Canada. He will, therefore, arrive in Canada with his pockets full of United States currency, and many of them will consider they are being cheated if they do not get the free or unofficial United States premium on their own currency. In fact, we are to a minor extent doing what Germany did in establishing the tourist marks for sale outside Germany at a considerable extent

over the pegged exchange rate, the only difference being that we are doing it unofficially and against the government's wishes, whereas the German did it as a set fiscal policy.

I come now to the question of our adverse balance of trade with the United States. The Minister of Finance (Mr. Abbott) agrees that the situation is serious, but in my opinion it is far more serious than he believes. The official holdings of gold and dollars in the past year declined by \$263 million, and our adverse balance of trade with the United States was \$603 million. At the end of the year our holdings of gold and dollars were \$1,200 million. We received substantial imports of gold of \$150 million purchased from the United Kingdom, \$87 million from countries other than the United Kingdom and the United States, largely for UNRRA account, and \$103 million by what is termed "capital inflows and exchange adjustment." Nothing is said by either the foreign exchange control board or the minister as to whether these substantial sums are likely to be repeated during the present year. Therefore we must assume that we shall have to meet a \$600 million deficit to the United States in hard currency and gold, largely from our own resources.

It is stated by the government that in July we should be able to exchange sterling for dollars. This, I think, is counting one's chickens before they are hatched and does not recognize the steadily worsening economic and political picture of the United Kingdom and all Europe. If we are unable to obtain the right to convert sterling into dollars our position will be truly desperate. I want to quote from an official statement of the government itself, a statement made in "Foreign Trade" by A. E. Bryan, commercial counsellor for Canada in London, at page 835. He says this about United Kingdom trading position:

The internal financial problems of this country are, in the official view, relatively easy compared with the external difficulties created by the heavy adverse balance of payments. The chancellor of the exchequer, in submitting the budget to parliament, declared that no other country in the world, without exception, faced so difficult a problem. The sterling balances would never have arisen had lend-lease been the common rule among all the allies, and he pointed out that this huge balance could never be discharged, or even diminished, except by unrequited exports. In 1946, the total oversea deficit of trading account was £400,000,000, but the gap in 1947 will be considerably higher unless vigorous action is taken to reduce it.

The accounts with soft currency areas just about balanced last year, so that the hard currency deficit on current trading in 1946 was approximately equal to the total oversea deficit.

In 1947 the hard currency deficiency is likely to be substantially higher. The dollar prices