

Unemployment

their loads. If we must finance the entire cost of unemployment relief by borrowing, the situation looks very sorry.

Might I take just a few minutes now to review the experiences of some other countries, because I am now satisfied that in order to meet the problem of unemployment relief one of two policies must be followed. We must either resort to inflation or intensify the present policy of deflation.

Let us look at what has actually taken place in Great Britain, because surely there we might get some indication as to what policy we should best adopt. In 1925 the British Government launched a deflationary policy, and it ended in complete failure. In September, 1931, England faced a crisis that was inevitable under the deflationary policy that she was blindly following. Her national government, loaded with \$40,000,000,000 of debt, finding that deflation had brought her to bankruptcy under the gold standard policy. What did she do? First, she abandoned the gold standard. She repudiated her gold debts in toto, suspended her war debt payments, and then proceeded to finance recovery. By doing what? By issuing Bank of England sterling bills as national currency. The first step taken in that regard was the creation of a \$2,000,000,000 stabilization fund to give a security that a reserve of gold had failed to supply. It might be said that Great Britain has recovered notwithstanding that she has left the control of the Bank of England in private hands. But I venture to suggest that the hopeless bankruptcy of the English financiers dealing in international exchange which would have resulted had the gold standard obligations continued, gave to the British government power and opportunity to assert over the Bank of England a control which meant that the exchequer dictated the policy and the administrative action of the Bank of England, and that control has continued ever since.

Now, following that, what was her first step in recovery? She refunded her national debt at lower rates of interest. Then, having established a managed currency system, she proceeded to develop the regulation of her domestic and international trade. We have heard a great deal about what should not be done, but we have not heard so much about what has actually been done. Abandoning the shibboleths of free trade and avoiding the illusory promises of the tariff protectionists Great Britain set out to develop a new trade policy that might properly be described as an intelligent trade policy. She proposed to finance her trade and develop it by balancing exports and imports. How far did she go in that regard? She bargained with every

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country that would bargain with her on the definite understanding that importations from that country would be governed by its purchases from Great Britain. But that is not all; she found that by setting up a definite system of managed international trade she had an additional security for her stabilization fund that soon made the pound sterling not convertible into gold more valuable than the pound sterling convertible into gold. How far did she then go in regulating domestic trade? She proceeded to rehabilitate home industry by offering suitable rewards wherever possible. She went further in many regards than even the United States have gone. Old fashioned industries were persuaded to scrap outmoded factories and to maintain fixed prices and wages. The resuscitation of the Lancashire cotton industry affords an example of what was undertaken and accomplished. There some ten million outmoded spindles a year were purchased and scrapped; inefficient industries were put on an efficient basis. No department of industrial endeavour was overlooked; coal, steel and shipbuilding industries were helped, and more than \$10,000,000 was advanced as a subsidy to the merchant marine. The recovery of fuel oil from coal was undertaken, while plans for the development of electrical energy throughout the country were fully considered and are now under way.

In agriculture the government was not less active. For products such as milk, butter, cheese, eggs, poultry, potatoes, pigs and bacon, marketing boards have been set up to regulate production, distribution, competition and prices. In the case of hops a monopoly was established which gave the existing producers security by preventing any other producer from entering that field. Many other instances are available in which individual liberty and rights were sacrificed, controlled and regulated for national well-being. To induce the production of wheat a price of \$1.40 a bushel was guaranteed for all home production, and farmers who had emigrated returned to England to farm at a profit after having gone broke in other countries.

A close examination of the activities of the British government indicates that in commerce, industry and agriculture, in fact in all lines of domestic and international trade, the government of Great Britain have followed a policy of regulation and control, supported by widely distributed and adequate subsidies and measures of financial assistance just as far reaching as the program followed by the Roosevelt administration. Sugar beet growers, milk producers, herring fishers, cattle and hog producers and many others have been definitely subsidized to induce production at home.