

in and set a priority for certain orders. If defence buying and the creation of these priorities causes such shortages in the supply available to consumers, and industry begins to take a little more out of buyers in the way of prices, the government is vested with authority to make a "price-freeze" which will hold down prices when the proposed increase is the result of purchasing for defence purposes.

In 1939, at the beginning of the last war, shortages did not immediately appear, because business was poor and there was idle productive capacity subject to immediate expansion. Today the picture is a little different. We have full employment, and production is running practically to capacity.

It is true that with our present greater production capacity we can better take care of a program such as we had in 1939, but at the same time it is going to cause some shortages at some places at some times. Thus they are endeavouring, as far as possible, to increase production in order to take care of the extra needs of defence purposes without disrupting civilian consumer goods. If this purpose can be achieved then there will be no need of putting in a priority system, but for certain periods it may be necessary to take some action.

Our present greater production capacity as compared to 1939 is explained by our increase of export business. At the beginning of the present fiscal year, March 31, our Minister of Trade and Commerce forecast a banner year for 1950, predicted it to be as good or a little better than it was in 1949. We are now only half way through the present fiscal year and we may now anticipate an even greater increase in our exports over what they were in 1949. This rise in business, being greater than was anticipated, has caused a certain rise in prices because there is more employment and more buying power. Apparently our purchasing power has increased more than our production of consumer goods, and thus we have experienced a rise in prices.

This increased business has been aided, I think, by our keeping up with our export trade. Since the war we have been practically on a balanced trade so far as our external trade is concerned. But we have had one very serious problem. Whereas in 1947 we had a \$1 billion deficit on our trade with the United States, we enjoyed an even larger surplus with other countries. Our earnings from the sterling bloc were not wholly convertible, however, so we were in a position where we had credit in the sterling bloc but could not pay for our purchases in the dollar bloc without drawing on our reserves. The answer would seem very simple. You should buy less and

sell more in the U.S. But it is not a simple thing to do this. It is a real task to increase your sales and at the same time cut down your purchases. The same problem that we had with the United States, the sterling bloc had with Canada. So we find that in 1947 we had an export business to the United States of \$1 billion 61 million and an import business from that country of \$1 billion 975 million. This gave us a deficit of just \$914 million. At the same time we had a \$750 million export business with the United Kingdom and a \$190 million import business from that country. This gave the United Kingdom a deficit of \$560 million with us. In the whole sterling bloc that deficit built up to almost \$800 million, and their problem with us was the same as our problem was with the United States. The United Kingdom had to sell more to us and buy less from us. Our government, principally through the Minister of Trade and Commerce, endeavoured to assist the United Kingdom in their problem.

In 1949 we had an export business with the United States of \$1 billion 500 million, which was an increase of about \$500 million over 1947. This represented half our 1947 deficit with the United States. On the other hand, our purchases from the United States remained practically the same. They were \$1 billion 974 million in 1947 as compared to \$1 billion 952 million in 1949, a difference of approximately \$22 million. Thus in two years our deficit with the United States was reduced from \$940 million to \$449 million or, in other words, it was cut practically in half. At the same time we cut the deficit of the sterling bloc from just under \$800 million to a little over \$500 million. This meant that we were reaching a point of closer balance of trade with both our main trading areas. Perhaps I am gazing into a crystal ball, but with half the fiscal year already completed it would appear that our exports to the United States in 1950 will reach approximately \$1 billion 750 million, and our imports \$1 billion 825 million, thus bringing our imbalance down to about \$75 million. Estimates from experts are that the deficit will run anywhere from \$200 million to \$50 million, but I may say that for the month of July our imbalance was only \$1,300,000. So we are running practically on balance right now.

Hon. Mr. Roebuck: Does that include gold?

Hon. Mr. McKeen: No. The current difference in trade between the two countries is about \$2 million per month, but there are exports of about \$15 million per month in gold, which are not taken into consideration in these figures. Last years net export of non-monetary gold was \$138 million.