Year Book, and this low price meant wholesale bankruptcy to western Canada. Yet these proposals of the government would allow the price to go even lower than that. The government may think they are going to save themselves a certain amount of money by these proposals, but I predict that it will prove one of the most costly measures which the government have ever had passed, and one of their most costly mistakes.

What will be the results under these proposals so far as western Canada is concerned? Some people suggest that the result will be a decrease in production. They maintain that on account of the low price many farmers will stop producing wheat, that this will help to reduce the surplus, and that prices will then rise. But I doubt it. I say that the result will be a decrease in the number of farmers and an increase in the size of the individual farm unit. That is what has been going on these past few years in western Canada. The small farmer has been forced out of business, and the farmer alongside has taken over his farm and farmed an increased acreage. That contention is upheld by Professor Mackintosh, who at page 14 of the report of the conference on western farm products says:

If the conditions surrounding a product are such that a fall in its price will stimulate and increase consumption and at the same time limit substantially its production you will get a quick readjustment to the new position, but wheat has proved to be an extreme of the opposite sort. The downward movement in price has done little or nothing to increase its consumption, partly because the downward movement of wheat has too little effect on the price of bread, but mainly because the effects of falling wheat prices have been prevented from getting through to a large proportion of the world's consumers by limitations of trade, which have held consumer's wheat prices in hitherto importing markets of the world not at lower but at higher figures than formerly.

On the other side the falling wheat prices were discouraging to producers. In those regions where wheat production is specialized, and where the opportunities for alternative production are very limited, falling wheat prices have on occasion brought not reduced production but even increased production, in the effort on the part of the producer to make up a fallen income by increasing his output even at a lower price.

That statement will be true of the area that I represent. The farmer with a large farm and efficient machinery will endeavour to reduce his costs of production by spreading his operations over an increased acreage, while the smaller farmer will become hopelessly bankrupt, and giving up in despair will drift into the city and go on relief.

The minister has said that his policy will be to build up homes. I am satisfied that if the policy is left as it is to-day the minister will go down in history as a wrecker of farm homes. If the price had been left at 60 cents, without wishing to say anything unpleasant about the minister, I am satisfied that when his name was mentioned in western Canada it would have been accompanied by a foul epithet. One realizes that the result of that policy would be that the average farmer could not continue without going head over heels further into debt. Although we propose to raise the price from 60 to 70 cents, we have left it at 60 cents so far as the guarantee to the cooperative marketing association is concerned.

Some eastern members—and I was very glad to hear the hon. member for Grey-Bruce (Miss Macphail) take the broad-minded viewpoint she did—are continually objecting to the cost of the 80-cent wheat guarantee. They take the stand that the east is always having to subsidize western Canada, and for a little while I wish to deal with that view.

Let us consider what the cost of Canada's fiscal and monetary policies has been to western Canada. Many people felt that back in 1931 we should have followed the example of Australia and allowed the dollar to follow sterling, and, if necessary, to depreciate below sterling. In support of that statement I should like to quote from page 2 of part III of the Manitoba brief where Professor Upgren, in dealing with the subject, says:

In contrast to the policy in Australia, which resulted in a 25 per cent increase in returns in Australian money to Australian exporters on foreign sales, the Canadian policy resulted in a decrease of almost 20 per cent in the returns in Canadian money to Canadian exporters in 1932. In New Zealand, as in Australia, the exchange policy resulted in an increase in returns of about 25 per cent; in Argentina the increase was almost 20 per cent.

Let us trace the results of this policy for the wheat grower of Australia. The wheat grower of Australia, selling in the English market for a price that we assume without substantial departure from reality to remain unaffected by change in Australian currency policy, received in Australian pounds for every 100 pounds sterling worth of wheat sold in Liverpool, not just 100 pounds in value, but 125 Australian pounds. If the price of wheat in Liverpool was unchanged, as we have assumed it to be (at least as far as any important quantitative change is concerned), the change in what we have called the second price-making factor, the rate of exchange, meant that the Australian wheat producer got a 25 per cent increase in his own money for the wheat which he sold abroad. As a result of the fall in the English currency value of the Australian currency in the period from 1931 to 1936, the producers of wheat in Australia secured, upon their average exports of about 125 million