

much more closely in line, but devaluation cannot by itself correct the conditions which gave rise to price disparities. Currency devaluation is not a cure-all for fundamental ills, and it does not guarantee there will be increased exports by those who ought to increase their exports, nor that there will be increased imports by those who ought to increase their imports. Much more fundamental correctives need to be applied in both debtor and creditor countries before the series of dollar-shortage crises can be terminated. The great value of the communique issued at the conclusion of the Washington talks is the explicit recognition, and indeed emphasis, given to this fact.

No one should overlook the striking degree of post-war recovery which has been achieved by the United Kingdom and other western European countries. Pre-war production has been reached in all countries except Germany, and surpassed in most. The standard of living has not been unduly raised, if at all. On the contrary, a larger than usual proportion of total available resources each year has been devoted to capital investment. The assistance received from North America and some other countries has indeed borne great fruit in helping to make that possible. The export and import trade of European countries with each other and with the rest of the world has continuously increased in all directions save one. The one direction in which substantial progress has not been achieved is in the development of an adequate volume of exports to North America either from European countries or from their dependencies and close associates.

This is the obvious and striking feature of the successive dollar crises, and leads to the conclusion that there has been a failure to recognize the nature of the problem which has confronted us. On both sides of the Atlantic, it would seem that we have not understood, until quite recently at any rate, and certainly not faced up to, what amounts to a fundamental structural alteration in the economies of Europe and North America, and in their relations with each other. We have tried to patch up immediate difficulties in the hope that somehow an older, more comfortable economic pattern would come to life again. We have not accommodated our thinking to the idea that the old pattern is gone forever, and a new one must take its place.

Since this change has affected the United States sooner and to a greater degree than Canada, I hope you will forgive me if, in what follows, I sometimes refer particularly to the United States. It seems clear that Canada is, in the course of time, going to reach much the same state of economic development as the United States, but that time is not yet. For the present, while we are prepared in some respects to take the lead, for the most part we must appear to be advocating policies for the United States which it is not immediately possible for us to adopt in full ourselves.

There have been tremendous changes in the past 35 years. Prior to the first World War, Europe was the dynamic centre of an expanding world economy. The development of North America and other parts of the world was stimulated and nourished by the capital, the technical equipment, the know-how and the energy of the active, enterprising and forward-looking peoples of Great Britain, France, Germany and other nations of western Europe riding the wave of the Industrial Revolution. Just before the outbreak of war in 1914, the development had in fact gone so