

Sir HENRY DRAYTON: I am very glad the hon. gentleman has brought that point out because, with much deference, I think there is a good deal of misconception about the economic result to the country. In the first instance, let me cover the ground that I am sure my hon. friend will agree with me in. With the exception of but a few years, Canada has had adverse trade balances. During the period preceding the war, during the period that the London market was open to us, we were large borrowers. I am not referring merely to national borrowings; we were large borrowers in every respect—our railways, our municipalities, our Provincial Governments—as well as individuals controlling large interests, were borrowers. During that period we borrowed money in London to a very large extent, the estimate running all the way from two and one-half to three billions of dollars. During all that period we were using the money which we thus borrowed for the purpose of making good our adverse trade balances. During that period we had trade balances which were favourable to London, and part of those loans went to discharge those balances. But the larger amount of them went to discharge unfavourable balances in the American market, and they were settled by drafts drawn on London.

The hon. gentleman is quite right; just so long as you can go on borrowing, piling up the full amount of the adverse deficit against you, just so long can you maintain your currency without any depreciation in exchange. The one transaction offsets the other; there is no depreciation. But when you are doing that, you are at the same time helping to create an enormous unseen and unreported money balance against you. You have to pay the interest on your debts, and some day you have to pay your debts, and when that time comes the ultimate adverse balance will be made just so much the greater.

Of course, there are balances besides the trade balance. Just let us look at that for a minute. Besides the trade balance there are balances which can be earned by your mercantile marine, balances which can be earned by overseas investment. England, with a tremendously large trade balance against her, had an enormously large favourable balance on the whole, a balance earned not from its trade in commodities, but earned from the thousand-and-one investments that she has scattered throughout practically the whole world, together

with the earnings of her tremendous mercantile marine. Instead of Canada being in that position of a creditor nation, she is a debtor. As a matter of fact, our adverse trade balance with the United States today is much worse than it looks, because over and above the trade balance, there is the full amount of the money that has to go to the United States day by day and month by month in the payment of interest and other carrying charges. Different authorities give the figure at different amounts. I saw a calculation made recently showing that that balance against us amounted to something like \$25,000,000, and probably that is too small. But apart from all that, would the hon. member think that it would be a good thing at the present time to borrow money in the American market on bonds, running for twenty years, because that is the most favourable you could get, at the rate of interest of 7½ per cent,—to pay for commodities at comparatively high prices now, but which prices would disappear very, very long before you commenced to discharge the burden that that loan had thrown upon you? As I say this question of exchange is very largely at the bottom of the whole of this trouble. This matter was brought up in the United States on December 7, 1920, by joint resolution. The preamble to that resolution reads in part as follows:

Whereas Canada by an Order in Council, dated November 15, 1917, placed an embargo on the exportation of wheat, which was lifted on August 31, 1920, and the United States also placed an embargo on the exportation of wheat by proclamation of the President, dated August 27, 1917, which was lifted on December 15, 1919, which embargo, during the war, prevented the reciprocal free admission of wheat by Canada and the United States during that period, except under specific authorization, which reciprocal relation now and for some time has been restored, permitting, it is alleged, the free admission of wheat from Canada into the United States to the great detriment and loss of the American farmer; and

Whereas it is reported that great quantities of Canadian wheat, flour, potatoes and other farm products admitted free of duty are being and have been placed upon the American markets in competition with the same products produced by American farmers; that the international exchange situation enables the Canadian farmers to considerably undersell the American farmers in placing their wheat and other farm products on the American markets.

There is the real argument—

Mr. McMASTER: For us.

Sir HENRY DRAYTON: The hon. member says, the real argument for us. I wonder if he is really thinking what he is