

"SOME ASPECTS OF THE DOLLAR PROBLEM"

MR. RASMINSKY'S ADDRESS: The following is an excerpt from the address on "Some Aspects of the Dollar Problem" delivered by Louis Rasminsky, Chairman (Alternate) of the Foreign Exchange Control Board, to the Canadian Club, in Toronto, on December 12:

"...The mere fact that we rely heavily on export markets for so much of what we produce leaves us exposed to developments abroad which, of course, we cannot control. If, in addition we have to rely, as to a considerable extent we do, on having to earn dollars overseas to finance a deficit with the United States, our position is the more vulnerable. These are the facts and there is no overlooking them.

"But it is possible to overemphasize our vulnerability. One may observe some important developments which are very favourable to our international economic position.

"One of these is that the gaps in our accounts with the sterling area and the United States have, in fact, been substantially reduced during the past few years. In 1947, when our exports to the sterling area were at the postwar peak, they exceeded our imports from that part of the world by as much as \$770 million; in the last 12 month period for which statistics are available this gap had been reduced to slightly more than \$500 million. And it is worth noting that only the smaller part of this narrowing of the gap resulted from a reduction in exports from Canada. By far the major contribution was made by increases in our imports from the sterling area and particularly from the United Kingdom.

"There has also been a narrowing of the gap in our merchandise transactions with the United States. The trade statistics show that in 1947 our imports from that country exceeded our exports by over \$900 million. In 1948 this figure was reduced to \$300 million. The rise in our imports this year has again increased this figure to over \$450 million, but it is still considerably below the 1947 level. Here too the narrowing of the gap was achieved primarily through expansion rather than through contraction - in fact in this case the entire

credit goes to an increase in our exports to the United States, as our imports, in spite of controls, have been running during the past year at about the same level as in 1947.

"Another favourable factor in our situation is the increased size of the Canadian economy. As the national family grows (and ours in Canada has grown a third since 1929) it eats more of the surplus from the vegetable garden and uses more of the things the family makes. And more people in the family make more varieties of things. I am sure that many of you could quote instances where the increased size of the home market has enabled you to sell at home those foods and manufactured goods which are now shut out of other markets.

"Turning from the past to the present and the foreseeable future one finds in progress in Canada various developments which promise to have important favourable consequences on our balance of payments...

"After a lull which has lasted since well before the last war we seem to be experiencing a great resurgence of natural resources development. The first thing that comes to mind is, of course, the spectacular development of the petroleum resources of the Prairies. Within little more than a year the success of exploration has been such that, looking some years ahead, it may not be inappropriate to think of the possibility of producing as much petroleum as we consume in the whole country. This may save us in due course from having to make large payments of U.S. dollars for petroleum - which in 1948 ran to about \$300 million.

"Other important projects offering the prospect of increased exports or reduced imports are presently under way in the fields of newsprint, specialty wood pulps and papers, gold and non-ferrous metals, including titanium. One also thinks of iron ore and of the possibilities in connection with the radioactive minerals. These are merely illustrations of the wide range over which exploration and development are going forward in this country..."

time to come because of the financial difficulties of the sterling area."

The Minister said that devaluation of the pound was first thought to be of detriment to the Canadian textile industry, but one important factor in its favour is the cost of materials purchased by the cotton industry in the United States.

"By virtue of devaluation," he said, "the British have to pay approximately 30% more for cotton purchased from the Americans, and raw materials constitute about 25% of the total cost of finished cotton goods."

MR. CHEVRIER ON TEXTILE INDUSTRY: The Minister of Transport, Mr. Chevrier, addressed the Cotton Institute of Canada in Montreal on December 14.

On the topic of current difficulties in international finance and devaluation in the sterling areas, Mr. Chevrier said, "Our country's heavy dependence upon production for export makes our economic system vulnerable to whatever adverse conditions are encountered in world trade."

"It is obvious today," he continued, "that our exports are going to be affected for some

PARLIAMENT PROROGUES: The first Session of the Twenty-First Parliament closed on Saturday, December 10. The Speech from the Throne, read by the Deputy Governor General, reviewed the Session as follows:

TEXT OF SPEECH

Since the opening of the present Session of Parliament you have approved measures required for the discharge of the constitutional responsibilities of our nationhood. As a result the Supreme Court of Canada will shortly become the final court of appeal for Canada.

In response to your address the Parliament of the United Kingdom has amended the British North America Act to vest in the Parliament of Canada the power to make amendments to the constitution of Canada in matters which are exclusively of federal concern.

Early in the new year a conference with representatives of the Provincial Governments will be held for the purpose of working out a satisfactory procedure for making within Canada such other amendments to the constitution as may from time to time be required.

Our country continues to take an active part in the proceedings of the United Nations. Despite that organization's present inability to solve the major political problem confronting mankind, the United Nations has succeeded in coping with menacing situations in many parts of the world. At the current Session of the General Assembly, Canada was elected to the Economic and Social Council.

It is gratifying that the agencies under the North Atlantic Treaty have been established and are undertaking the tasks which have been assigned to them.

DEFENCE NEEDS OF NATION

My Ministers are giving constant attention to the defence needs of Canada. The consideration of the measure to consolidate existing legislation respecting our defence forces has not been completed. This measure will be re-introduced at your next Session.

The real foundation of the ability of the nations of the North Atlantic community to defend themselves lies in their continued economic strength and stability. Canada is co-operating with other nations, particularly the United Kingdom and the United States, in seeking solutions to the difficult economic problems which still confront the democratic world.

The revaluation of currencies in Western Europe and the sterling area made it necessary to alter the exchange rate of the Canadian dollar.

You have approved important amendments to the National Housing Act designed to maintain the present high volume of housing construction.

Legislation has also been enacted to enable the federal Government to enter into agreements with the Provinces for sharing the cost of construction of a trans-Canada highway.

Provision has been made for three new departments to replace the Department of Reconstruction and Supply and the Department of Mines and Resources. These will be the Department of Mines and Technical Surveys, the Department of Resources and Development, and the Department of Citizenship and Immigration which will also be responsible for the administration of Indian affairs.

A special Parliamentary Committee examined into the operations of the Atomic Energy Control Board.

During the Session measures have been enacted respecting forest conservation; the application of a national trade mark and the true description of commodities; the establishment of the Canadian Overseas Telecommunication Corporation; assistance in the production of coal in the Atlantic maritime region; encouragement of the construction of ships in Canada; the disposal of surplus crown assets. Amendments have been made to the Prairie Farm Assistance Act of 1939; the Emergency Gold Mining Act; the Industrial Development Bank Act; the Criminal Code; the Royal Canadian Mounted Police Act; the Judges Act of 1946; the Animal Contagious Diseases Act; the Export and Import Permits Act; and the Veterans Land Act of 1942. The fish inspection legislation has been revised. The Combines Investigation Act has been strengthened and a complete revision has been made of the Bankruptcy Act.

The Government has announced a new policy respecting grants to municipalities in which there is an exceptional concentration of federal property.

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Canadian imports for consumption in October were valued at \$234,300,000, up moderately in Canadian dollar value from \$221,600,000 in September and also moderately below the value of \$243,400,000 for October last year. The October total was the second this year to drop below the corresponding month last year, the first decline recorded being for September. The aggregate value of imports for the 10 months ended October was \$2,308,200,000 compared with \$2,166,800,000 for the like period last year.

Imports were higher in value in the month than a year earlier from the United States, the British West Indies and the Oceania group of Commonwealth countries, and were lower from the United Kingdom, Commonwealth countries in Africa and Asia, Latin America and European countries as a whole. These trends for the month were similar to those for the 10 months,