

There, as elsewhere, there must be give and take. The present Government, or any Government, cannot escape the fundamental law of commerce, which is exchange.

Let us take the case of the United States. The United States has a varied climate and varied production; that country is better situated than any other country in the world to attempt to live in isolation and to be self-contained. Yet the United States have not been content with only their domestic market: they have built up an immense export trade, and in spite of their high tariff they have imported to the extent of 67 per cent of the value of their total exports of manufactured goods. In 1929 the United States bought \$1,600,000,000 worth of manufactured goods from outside countries. That is a very interesting situation.

An American economist, bent upon finding solutions for the economic problems of the United States, attributes the development of the economic crisis, which, he declares, started in that country, to the decrease in their purchasing power, which decrease prevented the United States from buying from foreign countries whose markets were awaiting them. The result was, he says, that in those countries prices went down and industry was retarded; their purchasing power was therefore materially reduced and they in turn had to reduce their purchases from the United States. What conclusion is to be drawn from that? The United States were unable to buy because of the reduction in their purchasing power in the autumn of 1929, and could not sell because they had injuriously affected other countries from which they were in the habit of buying. Here are his words:

Our diminished imports reacted unfavourably upon them and contributed to the fall of prices, resulting in a condition of distress, and as our business from them has fallen off and their purchasing power has been curtailed, their ability to buy from us has been correspondingly reduced.

You have there, honourable senators, the action and the reaction, showing how interlocked are the nations economically.

Now, to cure their passing ills the United States, like Canada, have turned to the nostrum of a still higher tariff. Already, by reducing their purchases, they had brought distress to their foreign clients, who, in the same measure, ceased to buy from them; then the situation was aggravated by a higher tariff. The result has been most damaging to Europe and to the United States as well. Imports and exports between the United States and Europe have gone down tremendously and on both sides of the ocean unemployment has increased.

Hon. Mr. DANDURAND.

It is true that an increase in the tariff may benefit some producers, but it may be injuriously affecting the country as a whole. Increased employment may appear here and there, but the health of the country may seriously decline, and this will surely be the case in a country to which foreign trade is an absolute necessity.

There are two schools of thought in economics—the Cobden school of free trade, and the high protection school. The Liberal Party of Canada has stood between the two extremes. To a certain degree it has accepted competition from outside; but it has maintained a tariff such as I have described in order to give a fair chance to the consumer and at the same time to develop foreign trade.

We had a rather severe economic depression in 1920, 1921 and 1922. The Conservative Party went down to defeat. The spirits of the people were depressed. We had to face that condition there just as my honourable friends opposite have had to face the present conditions. Did we resort to a higher tariff? On the contrary, we simply did what the Borden-Meighen Government had done: we tried to adjust ourselves to conditions by maintaining a fair protection, at the same time developing our industries and our foreign trade. I do not recall in exactly what month the Borden Government was replaced by the Meighen Government, but at that time there was an opportunity to resort to the remedy that is now offered to us. Yet the Government did nothing of the kind. On the contrary, they removed the seven per cent increase which had been imposed at the beginning of the war. I may be told that the imposition of that seven per cent was a war measure; nevertheless, when it was removed we had just emerged from the war and had still to face its consequences. Though we were entering on a period of depression, the Government decided to bring the tariff back to the average figure which I have given of 25 per cent or, it may be, 26 per cent. It was at one fell blow reduced by seven per cent. And, if I am not mistaken, the Meighen Government reduced the duties on agricultural implements. But the policy which the late Government adhered to soon restored the country to a high degree of prosperity. In two or three years the national finances were re-established on a sound basis, large surpluses had accumulated, and there was a reduction in the country's debt and in taxation. That Government did not see fit to resort to the measures which are being commended by my honourable friends opposite. But I wish them success, for I am a Canadian first. I hope their policy will not