

of the foreign exchange control board. The minister did it to maintain a price ceiling policy which he is not maintaining anyway, and now, like Micawber, he is waiting for something to turn up. If they have a serious recession in the United States, then the minister can say, "I was counting on something happening there."

The significant thing is not that the official reserves of gold and exchange are only \$263,000,000 lower than on January 1, 1946. The significant thing is that in this twelve-month period we parted with \$500,000,000 of gold and exchange we otherwise would have had, and we borrowed the \$103,000,000 balance of the \$603,000,000 of deficit in our payments position with the United States.

Let us have this clear. The \$103,000,000 inflow of capital means that the people of Canada as a whole borrowed that amount from the people of the United States. If an American buys a Canadian bond he has lent us the money and taken a mortgage against Canada in return. The \$500,000,000 in gold and United States exchange that went to pay for part of this colossal 1946 deficit was made up of \$263,000,000 from our reserves, \$150,000,000 of gold which Britain turned over to us and \$87,000,000 derived from UNRRA and from trade with South America. That is, we took \$263,000,000 out of one bank account, \$150,000,000 out of a second bank account and \$87,000,000 out of a third bank account. The foreign exchange control board report tends to focus the spotlight on the first bank account only, namely the figures which were presented and which showed the \$263,000,000, and keeps the other two in the shadows. If the \$150 million in gold, which Great Britain found it hard put to part with from her own meagre store, were a recurring annual item, there might be an excuse for putting it aside in the main calculation. But it is not so. Neither is the amount from UNRRA. And as far as money from Great Britain is concerned, I think there was a news item the other day which stated that in the first three months of the year their exports had declined by something like £200 million. With that in mind I would think the chances of Canada obtaining gold from British sources this year would be very slim.

Authors of the board's report tried to soften the blow. But they know the situation is a critical one. While the figures are treated in a fashion to becloud its full extent, the chairman, Mr. Towers, was driven by hard facts to say in his report:

It is clear that in the long run we shall have either to reduce our deficit with the United

States by selling more to, or spending less in, that country or to increase our United States dollar income from other countries.

It is worth noting that Sweden, a country whose economy is frequently held up as something to imitate, a country which came through the war unscathed, finds itself in the same sort of situation we are rapidly approaching. Note well that Sweden recently had to impose an embargo on all imports from the dollar area, which covered all items but a few which Sweden's northern climate cannot produce, such as textiles, and so on.

They are pursuing entirely conflicting and contradictory policies. How did we come by that \$87 million United States windfall from UNRRA? It is because our produce sent to UNRRA collected United States dollars in going through the United States. But the Minister of Agriculture (Mr. Gardiner) has decided that our farmers must not be allowed to sell their products to the United States. The difference between Canadian and United States prices was mentioned the other day by the hon. member for Dufferin-Simcoe (Mr. Rowe). If our farmers, and our raw materials producers generally, were allowed to sell at world market prices our exchange situation would be cleared up overnight. As the government is acting now, the exchange situation cannot be cleared up except through some difficulty arising in the United States, which in other ways will reflect on us, to our disadvantage, because if they suffer a recession in business it will have unfavourable consequences for us.

Several aspects of the budget now before the house have been brought forward since this debate commenced a week ago. The other day, speaking in this debate, the hon. member for Dufferin-Simcoe mentioned that the total expenditures of government estimated for the present fiscal year, totalling \$2,100,000,000, are increased 379.7 per cent over the total expenditures in 1938, which totalled \$553,063,000. The hon. member for Dufferin-Simcoe also pointed out a more significant fact. He drew the attention of the house to the fact that, while the estimated national income for this year had increased to \$12,000,000,000, as against \$5,100,000,000 in 1938, the percentage of that national income required to cover the cost of our federal government had increased from 8.5 per cent in 1938 to 20.49 per cent in 1947. In other words, today one-fifth of the national income is now siphoned off to cover the cost of government in the federal field only, to say nothing of what Canadians, as individuals,