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INTERNATIONAL ECONOMIC RELATIONS AND THE PROSPECTS OF PEACE

An address by Mr. L.B. Pearson, Secretary of State for External Affairs, delivered to the Boston Conference on Distribution, in Boston, Massachusetts, on October 11, 1949

I am greatly honoured by the opportunity which has been given me to address this distinguished and informed audience. I realize, of course, that anyone who comes before you and ventures into the realm of economic theory is dangerously exposing himself. To use the vocabulary of another great sphere of human achievement, which I must confess I have found recently to be even more fascinating than economics - I am in danger of being caught off base. I am not a trained economist, and I may therefore utter heresies. In the Middle Ages heretics were disposed of by being burned at the stake. I think there was even a time in history when the citizens of this countryside had a way of making it hot for people who talked out of turn on subjects that are normally reserved for experts. In these gentler days, however, I am not in danger of such extreme penalties, and perhaps only my ears will burn for my indiscretions. I am comforted, moreover, that I shall be in good company with my burning ears, for I recall that as late as 1946 a great economist of world renown (J.M. Keynes) wrote:

"The chances of the dollar becoming dangerously scarce in the next five or ten years are not very high."

I might add also that in my own country we were, at that very time, so confident about our supply of dollars that we busily engaged ourselves finding ways and means of restoring them to the United States Treasury by repaying quickly for certain defence facilities that your forces constructed in Canada during the war.

The dollar shortage, which the economist I quoted said would not materialize, has now made itself dramatically apparent in the very currency in which he earned his living -- sterling. The difficulty, however, which the United Kingdom is having on account of its trade balance is obviously not merely a problem between that country and the United States. The international ramifications of the situation were immediately apparent on the monetary exchanges of the world the day after the pound was devalued. The sterling area extends to four continents. Some parts of it are highly industrialized and densely populated, some thinly settled but rich in potential wealth. The economic variety of the area is matched by its political complexity. Besides the British Isles and dependent overseas territories of the United Kingdom, it includes Australia, Ceylon, India, New Zealand, Pakistan and South Africa, which are members of the Commonwealth, in addition to Burma, Ireland and Iraq, which are not. Its problems even have their direct effect in my country since Canada, in monetary as in some other matters, often stands midway between the United States and the United Kingdom. The middle is a very satisfactory place to be if those on either side support, rather than squeeze you. Whatever the Canadian position may be, however, there is little doubt that this general relationship between