result from a higher level of export prices in Canada rather than a larger volume of exports and the increase in export prices would be somewhat less than the full amount of depreciation. The value of Canadian exports would expand at the cost of Canada paying a correspondingly larger amount abroad for imports and debt charges and other countries would obtain our exports at somewhat lower prices in their own currencies.

Import prices in most instances would increase by the full amount of depreciation; in only a few cases is Canadian demand large enough to exercise an appreciable effect on import prices. Higher prices for industrial raw materials coupled with additional protection afforded domestic producers by currency depreciation would probably mean an advance in the prices of products fabricated from imported materials. Higher prices for imported *finished* goods would directly increase the Canadian cost of living.

The increase in the value of Canadian exports would be somewhat less than the degree of currency depreciation, but when allowance was made for the rise in prices of imported goods and goods made from imported materials and the increase in interest charges payable in foreign currencies, the net benefit by export industries would be very much less than the amount of depreciation. Any net benefit that might be retained would be temporary, existing only during the period in which other costs lagged behind the general rise in prices. Some benefit in relation to debt might be retained, but an improvement in this respect could be obtained by means of internal adjustments either of a monetary or non-monetary character.

Currency depreciation would increase the dollar value of the Canadian national income by creating a higher level of prices, but its effect upon *real* national income would depend on the degree of stimulus given to economic activity by the internal realignment of costs and prices. An increase of export income in Canadian dollars achieved at the cost of paying a correspondingly larger amounts for imports, debt charges and other foreign obligations would not per se raise the real income in Canada.

The degree of stimulus imparted to domestic economic activity by an increase in prices relative to costs would depend upon the reaction of public confidence to the policy of currency depreciation, which would vary according to the circumstances under which the depreciation occurred; upon whether it was a correction of an existing maladjustment or the creator of new maladjustments. It is important to remember that there are very few instances of a country depreciating its currency unless subject to considerable pressure because of an unfavourable balance of trade or an outward movement of capital. Deliberate currency depreciation by a country enjoying a strong balance of payments position, in order to gain competitive advantage or to adjust price relationships, might react so unfavourably upon public confidence as to cause an actual fall in economic activity and a decline in real national income.

I would summarize my description of the two methods by which monetary action may attempt to raise price levels by saying that in view of the major importance of export and import prices in the Canadian price structure, a policy of internal monetary expansion is unlikely to produce a broad rise in the general price level unless it is carried to a point where the internal situation is badly enough out of line to force currency depreciation, a form of monetary policy which undoubtedly can raise the general level of prices above what it would otherwise be. Neither of these methods, however, is likely to affect appreciably the relationships between the prices of individual commodities or of groups of commodities.