

controls on capital and consumer goods at this stage, imports from the United States would almost certainly rise sharply in view of our current income levels and consumption habits. We would again face an exchange crisis. Consequently, we have to continue with import restrictions until our economic position and that of our European customers improves.

"The European Recovery Programme means, I repeat, that we in Canada will be enabled to continue supplying Britain and Western Europe with the food, raw materials, and manufactured goods so essential to the basic reconstruction of the production and trade of these important areas. This will of course contribute to the maintenance of a high level of employment and income in many parts of this country.

"Had there been no United States provision of aid to Europe, we in Canada would have been compelled to curtail our exports to that area, involving sacrifices and painful adjustments in large sections of this country. Imports from the United States would have had to be controlled much more stringently than at present, and, as a necessary part of such restrictions, the levels of investment could not have been allowed to approach anything like the current boom position. In short, we will be enabled through the funds under the Economic Co-operation Act to carry on our export trade in roughly the same volume and nature as before - avoiding a radical reorientation of our productive system - and to maintain higher levels of investment and income than would otherwise be possible.

"Let us consider for a few moments the long-term implications of European recovery. If all goes well, both economically and politically, we may assume that within a few years Western Europe will be able, not only to absorb goods, but to pay for them. It will still offer a large market for many of the products of our farms, our forests, and our mines. The heavily populated and highly industrialized areas of Western Europe will indeed always require vast imports of food and raw materials. It can reasonably be expected, of course, that various adjustments may have to be made from time to time in the nature of certain of our exports. We must never minimize the significance of Europe both in the short run under European Recovery Programme support, and in the long run on a healthy economic basis, as a fundamental factor in the maintenance of the high level of exports upon which our employment and income so closely depend.

"Last year, we contributed to European recovery in what might be regarded from our viewpoint as accumulated United States dollars. This is evident from the fact that our reserves were depleted by no less than \$750 million in the first ten months of 1947. This year, our contribution will be in the form of goods, in our attempt to ship more abroad than we bring in. Such a contribution will be of assistance not only to Europe but also to the United States. It will help Europe in its rehabilitation, and the United States in easing the demand for a large number of products and thereby reducing inflationary pressures.

"We can create an export surplus only by consuming less than we produce. Import restrictions, together with additional sales tax, are helping us to cut down domestic consumption and obtain the export surplus which we need to build up our reserves