

a problem of the United States export surplus.

As already mentioned, we in North America have up till now tried to make good the inadequacies of the international income of our friends abroad by capital donations, and for a time, indeed, it was necessary and desirable that we should do so. But that process cannot continue indefinitely. Knowing this, the countries of Europe, and elsewhere, have begun a process of restricting their expenditures in the dollar area to the level of their inadequate income from the dollar area. That is scarcely a process which any of us wish to see go very far, nor, I am sure, would the countries in question wish to pursue such a course if they thought they could instead increase their dollar income to the level of the dollar expenditures which they and we would like to see. It is this aspect of the problem, the increase of dollar receipts by the non-dollar world, which is now, rather belatedly, receiving attention.

Now this presents a great challenge to North America. It requires, I believe, nothing less than a radical and far-reaching change in the whole tenor of North American thinking about international economic policy. I believe it requires that North America now replace Europe as the dynamic centre and chief support of the world trade structure. Experience has shown that a multilateral world has to be underwritten by some country which will provide both an import market and a source of capital for productive developments in less advanced regions. European countries in general, and Great Britain in particular, did that effectively up to 1914, and they have tried to continue the process since without having the necessary strength for the job. North America, it is true, has supplied a lot of capital, thrown in hastily at times of crisis, rather than on a continuous underwriting basis, and without providing an adequate market for imports to assure both our debtors and ourselves that multilateral trade and capital service are indeed possible. Skilful underwriting yields a profit to the underwriter, and is beneficial to all concerned. There is only one region, indeed, only one country, which can do the job today.

Right now is a most appropriate time to consider such matters. At the moment, there is, in respect of international economic policy and action, a period of relative calm after the latest crisis in the efforts to restore a world trading community. No doubt the calm is more apparent than real, and certainly it cannot be more than temporary. Perhaps it might be compared to that deceptive dead spot in the middle of a storm. But some may consider it unduly optimistic to think that the storm has yet reached the half-way point. In any case, it is clear that recent events provide the occasion and indicate the need for some re-appraisal of the objectives being pursued, and of the measures necessary to achieve them.

While the recent tripartite conference in Washington did not itself result in the adoption of any immediate, specific measures, there was one very important development which came to realization just after the conference, namely, the world-wide revaluation of currencies that was set in motion with dramatic suddenness by the revaluation of sterling. The dust has not yet settled from the commotion caused by that action, and its specific effects cannot yet be appraised. It was essentially an overdue recognition of conditions which had been developing for some time and which had created such wide disparities between prices in North America and in Europe as virtually to amount to a two-price system. Devaluation was intended to bring prices in the dollar and non-dollar worlds