

of Canadian industry was closely geared to foreign demand. Canada has a high standard of living because we have been able to concentrate on the production of the things which we produce efficiently and exchange them for a broad variety of goods which we could not produce at all or at much higher cost than other countries.

Given the basic features of our economic structure and the heavy dependence on trade, I believe that the only appropriate policy for Canada with respect to tariffs and other trade barriers is to get them down to reasonable levels and keep them down, both here and abroad. This does not mean free trade in the classical sense--but it does mean freer trade. I believe that the prosperity of Canada as well as other countries will be fostered, if by removing excessive trade barriers, countries will specialize in the production of the things they are good at and exchange them for the goods that other countries produce more cheaply. For this reason we must encourage by every means at our disposal policies and practices which make possible the broadest exchange of goods. Of course this means that we must in our own country practise what we preach. I think that Canada has in the main practised a reasonable and moderate tariff policy--with the exception of a short period during the Great Depression of the thirties.

I would like to recall that period--not because I feel that it will recur--but because it provides an outstanding example of the kind of tariff and trade policies which I am convinced we must avoid in the future. The disastrous decline in world trade and the breakdown in economic co-operation is a dreary story familiar to all of us. Each country tried to save itself at the expense of its neighbours, by restricting imports. Nations in turn, built up high tariff walls, introduced arbitrary methods of valuation, engaged in competitive dumping, and set up a maze of import controls. This series of beggar-thy-neighbour policies had a serious impact on all countries, but for a country like Canada, geared to export trade, the results were all but disastrous.

What did Canada do during this period? Canada was no exception to the general pattern. Partly in retaliation for the tariff increases elsewhere but also because of a faulty evaluation of its own interest, Canada pursued for a time a tariff policy which I feel intensified our difficulties during those trying times.

Canada took two main steps in the field of tariffs during this period. In 1930 and 1931 there were substantial increases in all tariffs. Then in 1932 we entered into exclusive Empire Trade Agreements which raised tariffs against foreign countries still further. The principle of a moderate tariff designed to give moderate protection to Canadian manufacturing industries in order to promote industrial development, and to provide a bargaining device to gain concessions abroad, gave way to high tariffs frankly aimed at limiting imports to non-competitive goods. This device to use the tariff as an instrument for stimulating domestic employment and investment through the exclusion of imports was essentially an effort to hoist the Canadian economy by its own bootstraps. Since it did not take into consideration the needs of the basic primary industries of this country, it was doomed to failure. Some industries may have benefited. But for the country as a whole employment slumped even further