

if he would consult the records of that time he would find that when our funds were at a premium in New York there were tremendous loans—gold credits—being floated in our favour, which created demands for funds to be payable in Canada, and that this put our money at a premium. It is true in point of fact that we pay our debts by buying foreign exchange, and that brings us to the point to consider on what that premium depends. I have always understood, myself, that the question of the rate of foreign exchange, outside of the speculative element, was entirely dependent upon supply and demand. That is, if there were more people in Canada who wanted to exchange Canadian dollars into American dollars than there were people in the United States who wanted to exchange American dollars for Canadian dollars, that in itself puts our money at a discount. If that is so, it seems to me that, outside of the speculative element, it must necessarily follow that provided we can ship enough gold and create enough foreign credits to meet the external demands on Canada, then, outside of the speculative element, our currency should be at par.

This brings me to the point where I feel I should emphasize the necessity of a favourable trade balance for a debtor country. Hon. members in the official opposition frequently laugh at the Prime Minister (Mr. Bennett) when he has pointed out that Canada has a favourable trade balance. May I point out to this chamber that the \$70,000,000 trade balance announced by the Minister of Finance was of more value to Canada in 1932 than the total value of the product of our gold mines. Frequent reference has been made to Australia. Those who are intimately acquainted with the Australian situation must know that one of the sole reasons for the depreciation of Australian currency was to create a favourable trade balance. In 1929-1930 she had an unfavourable trade balance of approximately £33,000,000 sterling, and she could not meet heavy external obligations falling due in the United Kingdom. In two years' time she turned this unfavourable balance into a favourable trade balance of £30,000,000 sterling.

It is to the credit of this government that they have succeeded in converting what under the former administration was an unfavourable trade balance of \$180,000,000 to a favourable trade balance of \$70,000,000. These observations exclude insurance remittances, tourist balances, et cetera. I put it to hon. members opposite in this way: I hope some hon. member will answer the question: How long can a debtor country keep solvent with a con-

[Mr. Davies.]

tinuous adverse trade balance? I believe the only answer to this question is: Just so long as they are lucky enough to be able to float foreign loans to meet the deficiency. To-day the hon. member for West Edmonton referred to Australia, and talked about Australia as if that country were Canada. May I point out to the hon. member, although he is not in his seat, that from the point of view of where we pay our debts—the United States—we are to-day paying our debts at an adverse exchange rate of twenty per cent, and Australia, which is approximately forty per cent below us, is only paying her debts, where she has to pay them, namely in Great Britain, under an adverse premium of five per cent more. If we put our currency down to where Australian currency is, Canada would then be paying her debts under an adverse exchange rate of sixty per cent, instead of only twenty per cent as it is now, and twenty-five per cent as it is for Australia.

I believe it was the hon. member for Macleod (Mr. Coote) who said he did not hold out much hope for international conferences. I must confess frankly that if we cannot have hope for international conferences to be productive of good we cannot hope to get anywhere in world progress. International conferences are the only hope towards bringing about the pacification of nationalistic sentiments and differences throughout the world. In expressing his views here he disagrees with his colleagues in Alberta. In this connection may I read a paragraph from the speech from the throne put into the mouth of the lieutenant-governor of Alberta by the Cooperative Commonwealth government in Alberta, and read by him on February 2, in the Alberta house. The paragraph in part, is as follows:

Although hopes of a speedy return of prosperity have hitherto proven illusory, there are many signs of growing realization of the gravity of the world crisis and the necessity of international action to meet it. The approaching world economic conference may therefore well prove to be a definite turning point that will make the beginnings of national and international adjustments in the field of trade and finance which may be the beginning of a brighter day. In the meantime, the task which confronts my ministers and to which your deliberations will be turned at this session is to deal with the affairs of the province so that no ill considered action of to-day shall jeopardize the welfare of the future.

It seems to me the only difference between the point of view of those who represent the Cooperative Commonwealth Federation in the federal house and those who represent that body in the province of Alberta in government is just the difference between having the responsibility of office and not having it. That is all.