

*Unemployment*

other words the Argentine bank is functioning as a public bank, issuing currency and credit and managing the circulation of credit in terms of public need. In other respects the new deal in the Argentine has been remarkably successful in putting the country on the road to recovery. It has included control of grain prices and of foreign exchange debt conversions, restriction of imports, increase of exports through bilateral trade treaties, financial aid to industry and agriculture, a mortgage moratorium and a general measure of reduction in interest rates on public and private debts, as well as a vast program of public works. The profits of the government from exchange transactions, estimated by bankers at about 200,000,000 pesos, were used to finance the grain operations, and later for other purposes, such as subsidizing meat exports to Italy and paying bounties to dairy farmers and others. Imports from countries with which the Argentine had unfavourable trade balances were not permitted. The contention of that government is that purchases of Argentine products by any country must provide exchange sufficient to cover the Argentine debt payments to that country before any exchange can be granted for the importation of merchandise from it. This policy has imposed the greatest hardship upon the trade of the United States.

We are in a somewhat similar position. In the countries I have mentioned, Great Britain, the United States, the Argentine, Australia and New Zealand, these are some of the major things that have been undertaken: Interest rates on all debts have been reduced. A managed currency system has been established. A wide program of wage distributing public works and social services has been inaugurated. Measures for the regulation, development and balancing of trade have been instituted. Assistance to commerce, industry and agriculture, as well as to farm and home owners, has been extended wherever needed and practicable.

Knowing that many fear inflation I think it may not be out of place to read into the record some conclusions included in a news bulletin of the international labour bureau, established in Geneva as complementary, I think, to the League of Nations. The bulletin states:

The importance of public works as a device for stimulating economic activity and hastening recovery from the depression is emphasized by Mr. Harold Butler, director of the International Labour Office, in his annual report to the International Labour Conference which opens at Geneva on the fourth of June, 1935. Such works must, if they are to be successful, be associated with a general expansionist monetary policy; they should be undertaken

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on a large scale and they should be financed by loan rather than by taxation. These principles have been applied in a number of countries to a more or less considerable extent.

In Japan the combined monetary and public works policy seems to have been very successful. Expenditure on works was considerably expanded in 1933-34 and amounted to 365 million yen in that year as compared with 205 million yen in 1932-33. In 1934-35, however, when recovery was well on the way, the estimated expenditure was reduced to 264 million yen. These sums were mainly raised by borrowing.

A very similar policy has been pursued in Sweden, where, in 1933-34, the budget was deliberately unbalanced for the purpose of financing public works by borrowing. The situation is almost normal, thanks to the policy of cheap money, public works, and expanding imports.

Germany has also had considerable success with its works policy. Other countries in which a good deal has been done in the way of speeding up public works are Italy, Poland and Switzerland. In Italy a long range program has been carried out for many years, and in 1933 work was provided for 51 million man days as compared with less than 22 million in 1926. In Poland about 100,000 men found employment on works in 1934, financed by the employment fund, the investment fund and the Ministry of Social Affairs. In Switzerland public works are carried out by the confederation, the cantonal authorities and the communes, and these together were estimated to cost about 1,000 million Swiss francs in 1934 as compared with a little over 500 million Swiss francs in 1933.

I quote again from the News Bulletin of that labour bureau, which probably is more competent to say what has been effected by public works developed on an expansionist program than any other authority in the world. In the issue of June, 1935, we find the following:

Admittedly the experience so far gained from the provision of public works as a remedy for unemployment does not justify the claim that they offer the sovereign and complete cure; still less, however, does it warrant the assertion that they have failed to furnish any aid to the solution of the problem. The knowledge derived from what has been attempted in the past few years makes it possible to draw a few elementary distinctions and to outline a few tentative principles.

First of all, it is clear that public works cannot produce any substantial effect unless undertaken on a large scale. Where they have been thus undertaken, e.g., in Italy, in Germany, Sweden and the United States of America, it can hardly be disputed that appreciable results have been obtained both in the stimulation of economic activity and in the provision of employment.

Again we find this statement from the same authority:

The question of the national distribution of income is closely connected with the controversy between the expansionists and the deflationists. It would seem that the expan-