

of course attacking the symptoms rather than the cause of the trouble, but it is often felt that getting to the root of the matter by anti-inflationary measures would set up intolerable political strains.

Now I did not come here today to inflict a philosophical discussion on you, so I will get to the main point which I wish to make, namely that import restrictions, for whatever reason they are imposed or retained, are contributing to a most serious weakening of the economic structure of the free world. Wherever they exist, you may be sure that labour and capital are being diverted to uneconomic uses, and this at a time when the need has never been greater for the most efficient use of capital and labour to build up the world's production of foodstuffs and primary materials as well as to improve the efficiency of manufacturing enterprises in countries best suited to their development.

The distorting and weakening effects on basic economic structures of the developments I have been referring to are strikingly illustrated in the way in which the world's production of foodstuffs and raw materials has been lagging behind industrial production. These comparisons are usually made with figures for the immediate pre-war period, and this is as good as any other, provided one remembers the great increase in the world's population that has taken place during the last thirteen years. I am not going to cite global figures because they tend to be misleading, but let me remind you that the population of the United States and Canada has increased by nearly 20 per cent since 1938 and the population of the United Kingdom and Europe, west of the Iron Curtain, has increased nearly ten per cent.

In summarising briefly the situation regarding world production of primary products, I think I can do no better than quote from an address made not long ago by John H. Williams, Professor of Political Economy at Harvard University and a Vice-President of the Federal Reserve Bank of New York:

"A great change appears to be under way in the relation of industrial production and trade to foods and raw materials. For perhaps three-quarters of a century, the problem has been whether the industrial countries could absorb the food and raw materials which they had been instrumental in developing in other countries, on terms of trade tolerable to the latter. Now the imbalance appears to be swinging the other way. Owing partly to the expansion of industrial output in Europe under the Marshall Plan, and even more to our own absorption of raw materials, there is a general world problem of availability of supplies. Again, this problem has been accentuated by the rearmament program; but it was becoming apparent even before Korea. World industrial production since 1948 has grown by some 50 per cent, while the output of food and raw materials has at most increased by 10 per cent. Some experts have estimated that, apart from the United States, the world's food production is now lower than before the war; and if we take out a few items, such as petroleum and aluminum, this may well be true also of the raw materials."

This decline in the relative importance of the world's production of foodstuffs and raw materials threatens to have serious effects both on the countries which have in the past produced surpluses of primary products and are now turning more and more to manufacturing industry, and on the consuming