

debtor nations in order that the latter shall not continue to default. But surely it must be evident that while long-term loans may be necessary in the development of new countries they cannot be looked upon as an alternative to the acceptance of payment in goods on current account. The result would merely mean the expansion of debt, thereby increasing the difficulty of the debtor nation in balancing its future payments. And, in so far as the creditor nation is concerned, it would mean a continuation of pre-war imperialistic policies—true, not carried out by force of arms but carried out by monetary penetration, backed up, no doubt, by force of the international organization which it is proposed to set up.

On former occasions I have dealt at some length with this question and I will not take up much time now, but we have heard different officials of the Department of Finance, as well as other prominent individuals, state that the prosperity of Canada in the future will depend on her making large-scale foreign investments. That policy is being preached in all the creditor countries, and therefore we see the stage being set for keen competition in order to try to maintain large-scale foreign investments and large favourable balances of trade.

Surely, however, it is obvious that the prosperity of a nation cannot depend upon maintaining large-scale foreign investments, because when you export more than you import you are actually reducing the standard of living of the people to that extent; and when you remember that from 1935 to 1939 we maintained on an average a favourable balance of payments to the extent of over \$218,000,000 annually, while at the same time we had a million people on relief, I think you will be prepared to admit the absurdity of the contention about maintaining foreign investments and a favourable balance of trade as a means of bringing about the prosperity of people.

My next criticism of the final act of Bretton Woods is that it means the return to the gold standard of an even more vicious character than that of 1925. I recall that about three years ago I stated that we were getting ready to bring about reconstruction on a gold basis and were getting ready to go back to the gold standard, and the then Minister of Pensions (Mr. Mackenzie) at that time most emphatically denied that statement and said that we would certainly not go back to the gold standard. I wonder if he would be prepared to-day to say that we are not getting ready to return to the gold standard. I do not think anyone would dare to deny that assertion in view of the part that Canada

has already played in bringing about the final act of Bretton Woods. Paul Einzig has this to say regarding Bretton Woods:

On the basis of the above facts, nobody could honestly deny that the proposed system is the most vicious form of the gold standard, far worse than this country was fortunate enough to abandon in 1931.

What he refers to is a series of statements regarding the use of gold as a basis in the new set-up. The reason I say it is more vicious than that of 1925 is this. Under the old gold standard, if any nation had an unfavourable balance of trade and was unable to balance its international payments, it had the power to devalue its currency without appealing to anyone. Under the new set-up that is limited to a ten per cent devaluation, unless the country first obtains permission of the international board, upon which will be sitting its trade rivals, and it is questionable whether it would receive permission to bring about that devaluation.

Before leaving that question I might perhaps briefly review the history of the gold standard in the past. You will recall that we were on the gold standard in 1914 and then war was declared, whereupon it became necessary to expand our resources to the maximum, and we went off gold. Production steadily expanded from 1914 to 1918. Before 1918 was reached, we were making ready to go back to the gold standard after the war and credit restrictions were instituted in order to bring about a certain relationship between our gold reserves and the money in circulation. We went on gold in 1925, but we were forced off in the depression years, in 1931, and at that time Churchill bitterly denounced the gold standard. We went off the gold standard, but in Canada we maintained the gold basis and we maintained it until the declaration of war. Once again it became necessary to expand our resources to the utmost and we were forced off gold. Now, as we once again approach the end of war, we are getting ready to return to the gold standard notwithstanding that history has shown that when it has been necessary to expand our resources to the maximum we have had to go off gold, whereas in peace time we have gone back to gold and reduced production.

Surely, if it is necessary to go off gold to have the greatest possible amount of production in war time, it should be equally necessary to keep off gold in order to do the same in peace time.

After all, the people in all countries are the same. People, generally speaking, are not interested in buying gold. They are interested in one thing only; they are interested in buy-