

On the foreign lending side, steps were taken in 1947 to reduce the rate of releases on the \$1,250 million credit granted to the United Kingdom in 1946. It had, of course, originally been thought that this credit would be used up much more slowly than turned out to be the case in 1946 and 1947. When our own exchange difficulties began to become acute in 1947 it was arranged with the United Kingdom to cover a larger proportion of her purchases in Canada by cash payments in the form of U.S. dollars and a smaller proportion by drawing on the Canadian credit. For the first few months of 1948 releases from the credit were authorized at the rate of \$15 million per month and releases were suspended in April 1948. The unutilized balance of the credit is now \$235 million.

In addition to the 1948 drawings by the British, substantial drawings were also made by France, Holland and certain other countries. In all it now looks as though we shall extend export credits amounting to about \$140 million this year and give away, in the form of official post-UNRRA relief, exports to a value of \$20 million. The combined figure of \$160 million for foreign credits and grants compares with a figure of \$601 million in 1947.

As a result of the foreign grants and credits made available in 1948, the earned additions to our international cash reserves will be substantially less than our current account surplus. On the other hand, we ourselves borrowed \$150 million in the private capital market in the United States through the issue of 3 per cent 15 years debentures, and these funds have, of course, augmented our U.S. dollar holdings.

When I last spoke to you, the main problem of policy confronting the Government, as I stressed at the time, was to achieve a large current account surplus. Now the main problem of policy for the Government in this field is to decide what disposition to make of the current account surplus which is being realized.

There are, broadly speaking, three rival claimants on our current account surplus. One is our own international cash reserves in the form of gold and U.S. dollars, another is foreign assistance in the form of the credits or grants we may extend to finance exports from Canada, and the third is the additional expenditures on imports and travel which Canadians themselves would wish to make if our present restrictions were relaxed. The use of any part of our surplus for any one of these purposes makes it unavailable for the others. You cannot eat your cake or give it away and have it too.

It may be useful for me to analyze some of the considerations involved, without however coming to any conclusions on matters which are essentially issues of government policy. I take as my starting point the import and other restrictions as the problems here are in some way the simplest. Two main reasons can be put forward for removing them. In the first place, any restriction is tiresome and better eliminated than maintained unless it serves a really necessary purpose. In the second place, the increased imports which we would obtain if the restrictions were relaxed would enable Canadians to enjoy a higher standard of living than would otherwise be possible; for more goods would be available from the outside world without our sending any more abroad. The effect on the country would be the same as on an individual who decides to save less. One consequence of a decision by Canada to save less internationally would be to ease the pressure on domestic prices. This would result from there being more goods for people to spend their money on. In view of the importance of inflation among our current domestic problems, this advantage is a very important one.