

Representative WIDNALL. What do you feel led to that outflow of funds or led to the lack of confidence in the Canadian money?

Mr. PIZER. I also don't qualify as an expert on Canada. They had suffered greatly from the falloff of the capital flow to Canada. Apparently they were having difficulty selling abroad, also. To some extent, changing their exchange rate would help both of those situations.

Representative WIDNALL. Have they been adversely affected by the Common Market?

Mr. PIZER. I would just be assuming, I really don't know.

Mr. HUMPHREY. No, sir; up to now I do not believe they have as yet been adversely affected by the Common Market.

Canada does not have the large, strong, and diversified manufacturing industry that the United States has. We have been able to improve our competitive position, and we are still making progress in this respect.

The difference between the United States and Canada is that, except for the temporary flight of capital associated with the Canadian devaluation, there is normally a heavy inflow of capital from the United States. Both direct venture investment and borrowing by Canadian municipalities support extra exports of goods from the United States to Canada.

Now, when Canada developed substantial unemployment, these extra imports of goods from the United States make the Canadian unemployment situation worse. Unemployment and a balance of payments problem are bad enough for the United States, and for a country that normally borrows capital it may be worse. I suppose that it was Canadian unemployment which led to adjusting the exchange rate in order to expand exports and restrict imports of goods. We have to recognize that this makes the American export drive more difficult and is certain to have adverse effects on our favorable balance of trade with Canada.

Representative WIDNALL. We are going to have to reevaluate a lot of our figures. I noticed an article about the oxygenizing of steel and what that will do to the productive capacity of our plants.

You just shoot oxygen into the steel without building plants and it materially increases the uses of the steel. I don't know how you can compare a set of figures today with tomorrow, when the basic matter you use for evaluation keeps changing so much. There is quite a hazard in prophesying today.

Mr. BELL. In any change like that where you have a basic technical change, that is certainly true. If you are implying that one can't draw on past experience, so far as short-term capital flows are concerned, and so on, I think I would tend to disagree. I think you can draw on it and then consider in what way the situation is different. It is important to use statistical evidence on which to draw conclusions.

One of my teachers once told me that the only statistics that were good in this world was that mass being collected down in Washington, that no one knew why it was collected.

I think we ought to use these statistics as much as we possibly can. I agree with Mr. Pizer we have to be cautious about drawing general sweeping conclusions on the basis of them.