

9. Mr. St-Laurent suggested that the rise in prices was a consequence of the international situation and could not be dealt with separately.

10. The Minister of Trade and Commerce felt that all that could be said at present was that the situation was being closely watched and appropriate action would be taken, if required. Any move to fix prices when they were at their present high level might be unwise.

11. The Minister of National Defence said that an official statement of intention might help to stabilize what was an unsatisfactory situation due to general uncertainty of the future.

12. Mr. St-Laurent suggested that, if the international situation required substantial increases in defence expenditure, consideration would have to be given to the introduction of appropriate fiscal measures, including possibly the re-imposition of an excess profits tax, perhaps with the last three years as the base period.

13. Mr. Howe felt that an excess profits tax was extremely difficult to administer fairly and often acted as a deterrent to efficiency. Furthermore, Canada had been enjoying in recent years a period of high business activity which would not provide a very satisfactory base for computing excess profits. Such tax would be unlikely to produce much in the way of revenue if it were designed to recapture profits in excess of those currently being earned. An increase in corporation taxes might meet the situation more satisfactorily if arrangements could be worked out with the provinces.

There would be great difficulty in mobilizing for war from the present level of economic activity, and very different measures would be required from those taken at the outbreak of the last war, when the economy was operating at a low level.

14. The Secretary of State for External Affairs reported that the U.S. Government contemplated the expenditure this year of about \$30 billion for defence and military aid. This would impose a tremendous strain on American economy. In addition,

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