

the familiar spiral of rising prices, then rising wages and costs, and then prices rising still further would begin to work. Prices would rise more rapidly than wages and salaries, and, by this indirect, hidden and most inequitable process, the civilian population and particularly the wage and salary earners and the receivers of fixed incomes, would be forced to curtail their consumption not only of luxuries but of comforts and necessities as well. Eventually in such a process our entire economic life would be disorganized; a hectic period characterized by feverish speculation, waste and extravagance would develop; and a collapse of the inflationary structure would be as inevitable as it was at the close of the last war.

The government's financial and economic policies have been so designed as to try to safeguard against that type of situation. They have been evolved with the aim to avoid unjustified price increases or speculative excesses, to keep our economy functioning as effectually as possible and to secure the necessary diversions of man-power, equipment and materials to war purposes in a way which would be the least dangerous to the economy and the most equitable as between different individuals and groups.

We recognize clearly that we still have unemployed man-power and resources, that mobilizing them into productive work will expand the national income, and that by expansion of the national income we can add enormously to the magnitude of our war effort. Consequently our policies have been and are being directed to the end of producing soundly the maximum possible increase in our national income in the shortest possible time.

I have already told you of the part played by our financial policy thus far. My colleague, the Minister of Munitions and Supply (Mr. Howe), has already given you some indication of the steps which he has taken to organize the industrial resources of this country, to meet the expanding war demands of ourselves and our allies. In this connection the measures which he is taking are expanding daily.

In the relief estimates which have been tabled there is provision for the rehabilitation of unemployed workers and the technical training of young men and women.

There is every likelihood in my opinion that the expenditure of \$700 million, and more, for war purposes plus the very large amounts which the United Kingdom is spending in this country will bring us before very long to the point when everyone able and willing to work and not needed for military service will find an opportunity for productive employment.

Already we can see evidence that shortages have appeared in certain types of skilled labour. To overcome this obstacle we must have the cooperation of Canadian employers in providing the necessary apprenticeship and other training, and of our labour organizations in facilitating the necessary entrance of young men into their trades. We must not allow bottlenecks to develop and retard our armament programme in this supreme emergency. Plans are under way to meet such possible dangers, and the government is confident that it can count upon the hearty cooperation of both employers and employees in thus promoting the maximum efficiency of our war effort. Maximum efficiency, maximum production, maximum speed, must be the supreme objective of all of us to-day.

I have only touched upon some of the measures that have been taken to increase the national income. To the extent that we can increase the national income, we can increase our war power without crippling sacrifice in our standard of living. Some reduction in personal consumption there must necessarily be, and it can easily be made by those of us who are above the minimum standard of living.

To sum up: In the measures which I shall propose we are endeavouring to ensure that at least a very large proportion of the increase in national income shall be diverted to war purposes while, at the same time, leaving sufficient stimulus to bring the country as rapidly as possible to the maximum use of its labour, its plant and its resources. In this connection it will be seen that many of our tax proposals will not require immediate payment and that much of the planned-for increase in revenue will not be called for during the present fiscal year.

One feature of our economic activity since the outbreak of war, which is of special concern and deserves special mention here, is the great increase in our imports. Most of these increased imports have had to come from countries outside the British empire, mainly because Britain herself, pressed by her own needs, has been unable to supply them.

In normal times we are able to use any excess receipts from our trade with one country to meet any deficits in our trade with another. At this time, however, when Britain has such vital need of gold and United States dollars to purchase planes and other war equipment, we cannot expect her to settle all her trade balance with us in gold or foreign exchange. Consequently, while there has been, since the war began, a substantial increase in our favourable balance of trade with