

of the United Nations, has been ready and willing to contribute to an International Force under the aegis of the United Nations; such a Force, however, had never been organized, largely because of wilful obstruction on the part of the Soviet Union;

(c) that in view of recent deteriorations in the international situation, and of the police action taken by the United Nations in Korea, the Government would step up its defence operations, and would begin immediately recruiting a Special Force of the Canadian Army, to include infantry, artillery and other elements; this Special Force would be trained and equipped to be available for use in carrying out Canada's obligations under the United Nations Charter or the North Atlantic Pact, in Korea or elsewhere;

(d) that a Special Session of Parliament would be called, probably in six or seven weeks' time.

6. The Minister of Finance pointed out that Canada, as well as other western countries, would probably have to go on a semi-war economy during the next few years. At the coming Session of Parliament it should be made clear that the considerable increase in the defence budget would necessitate restraining certain purely peace-time productive activities. It was also probable that accelerated defence measures would cause a renewed inflationary spiral which might have to be curbed by the imposition of controls. It was not felt, however, that wage and price controls generally would be necessary in the near future. Some steps might have to be taken in the fields of commodity taxes and consumer credit.

Generally speaking, it would seem unwise to announce immediately any estimate of detailed cash requirements. It would probably be wiser to over-estimate than under-estimate the costs involved in order to facilitate establishment of the fiscal measures required consequent on the defence programme and possibly resultant inflation.

It was estimated that the surplus for the current fiscal year might reach \$100 million, as compared with the \$20 million surplus forecast at the time of the last budget. It was, therefore, possible that this surplus might be sufficient to absorb increases in the defence budget this year.

7. The Minister of Trade and Commerce did not believe that the increased defence measures would have any strong impact on the economy for some six months or more. The only serious increase in prices which were likely to occur during the next few months would be in food and certain imported commodities.

8. The Minister of National Defence submitted

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