

12 per cent of the national income on defence. That is about one quarter the peak rate of expenditure in World War II. From the financial point of view what we are doing today can be described as 25 per cent of an all-out war effort.

This is a very large job. To achieve it will require the co-operation not only of the three services - the Navy, Army and Air Force - but also of civilian industry and of the whole civilian population.

The government believes that this can be achieved and that at the same time we can maintain our economy.

But it cannot be done without a great effort, in money and work and production, and it cannot be done without giving up some of the goods we would like to have.

Your own experience will confirm what I have said. It must be evident that any further increases in defence requirements for men, materials or money will have very much more serious consequences on the whole economy.

All we hope is that it may be possible to achieve the results we want without imposing a system of general controls, rationing and price and wage fixing. We believe that that course is not yet justified. We hope it will not become necessary. To avoid it requires co-operation and support from you as from all other elements of the population.

What is involved in defence today can be appreciated by another figure. Included in the budget of the federal government are items which are really beyond the control of any government. Such items are payments for debt services, subsidies to provinces, social security, transfers between government departments, etc. If these amounts are deducted from the national budget it leaves a total of \$531 millions available for all activities of all government departments apart from defence.

That is a large figure, but it isn't large if compared with the cost of government in comparable countries. The proportion of the total population employed by the central government in the United Kingdom is 1.333 in Australia, 1.478, in France 2.286, in the United States 1.395, but in Canada it is 1.126.

This year we are making available for defence expenditure three and a half times as much money as is available to meet all other ordinary expenditures of government and within its control. The government and the Department of National Defence is out to see that everything possible is done to get the utmost value for the defence dollar.

I welcome this and every opportunity to come before you, as before other groups of businessmen and others across Canada, to explain what we are doing.

Defence expenditures must be regarded as peace insurance premiums and just as it is hard to evaluate other insurance premiums until loss occurs, so it is difficult to evaluate defence activities in terms of positive results until war occurs.