

Apart from the contract for naval guns, all the work under way at the present time is to meet the needs of our own armed forces. Because of the planning that had been done before Korea, it has been possible to condense the armed services' time-table and to bring forward requirements that in the ordinary course of events might have been brought up two years from now.

In speaking of Canada's part in the international field, I do not need to dwell on the work we are doing through the United Nations nor of the ground force that is even now in training for service with the United Nations. Nor do I need to mention the not inconsiderable part we have taken in the development of the North Atlantic Treaty and the setting up of its organization, particularly the Military Production and Supply Board. From the discussions that are now taking place, and will be taking place for some time to come, Canada's part in the overall plan for defence production will be determined and we will soon have more definite information on what is to be produced here in Canada. In the meantime, we are going ahead with our own programme and making plans for the expanded armament production which we anticipate in the very near future.

As you know, we are working very closely with our neighbours to the south in making plans to mobilize our joint industrial forces in the interests of greater efficiency and a more co-ordinated defence production programme. With our combined resources of manpower and essential raw materials, I know that we can use the great industrial potential of Canada and the United States to our mutual advantage if we get together in closer economic co-operation.

The importance of economic preparedness in addition to our preparations for military defence cannot be overstressed at this time. It is an essential part of the overall picture if we are to keep our economy strong and win the war of nerves. The second article of the North Atlantic Treaty recognizes the need for collective action in the economic field. Instead of setting up another international body to deal with such matters, however, it is hoped to work through the already well-established organization for European co-operation. Canada and the United States have therefore become associated with OEEC and we have just recently opened an office in Paris to strengthen our direct connection with the work of this organization.

On the home front we are also devoting attention to the economic aspects of our preparedness programme. The risk of inflation is but one of the major problems arising out of an accelerated armament programme. The Government is well aware of the difficulties that may be ahead and is determined to maintain a balanced budget in the present circumstances. It has announced its intention of following a pay-as-you-go policy for just as long as it is possible to do so. We must recognize, however, that there comes a time in the event of war when total costs cannot be met from current revenues and part of the burden must be borne by future generations through the medium of borrowing. In order to follow our policy of a balanced budget, we have increased some taxes, and as a further anti-inflationary measure we have