

*The Address—Mr. Chevrier*

that for the fiscal year ending March 31, 1942, there would be needed, to meet the direct expenses of the war, the current costs of government and the advances to Great Britain, the sum of \$2,800,000,000. This sum, I believe, was broken up as follows:

Estimated cost of the war for the fiscal year ending March 31, 1942.....	\$1,450,000,000
Ordinary cost of government.....	468,000,000
Advances to Great Britain....	900,000,000
	\$2,818,000,000

This is a tremendous amount of money, so large it is hard to conceive. Perhaps some comparisons may help to make clear the stupendousness of this amount. In 1940 the total paid to all those working for salaries and wages amounted to \$2,875,000,000. Therefore it would take 80 per cent of this amount to meet the direct costs of the war in 1941-42. It would require the production of all farmers in Canada for almost three years to cover the cost of war for one year. The direct cost of the last war, from 1914 to 1920, which would include the cost of demobilization, amounted to \$1,670,000,000. The amount we now raise for one year is greater by \$600,000,000 or \$700,000,000 than that raised in the whole of the last war. These sums, I repeat, are stupendous. Still it is estimated that \$1,500,000,000 will be raised by taxation and otherwise by way of national revenue. During the present fiscal year 78 per cent of our national budget will be raised by taxation, as compared with 47 per cent in the last war. Canada's per capita taxation will exceed in this war \$110 as compared with \$28 in the last war.

It is difficult, sir, to refer to the matter of finance without saying a word about the Hyde Park declaration. In the early stages of the war there was an official premium of 10 to 11 per cent on United States dollars in Canada. There was a freezing by the foreign exchange control board of United States cash already here. This method sufficed to keep the books between Canada and the United States reasonably well balanced, and Canadians were able to travel and purchase in the United States during that first stage.

In the next stage, however, we began buying hundreds of millions of dollars' worth of war materials in the United States, and we fabricated them to be sent to Great Britain, without thought of immediate payment from the mother country. During that period we ran desperately low in United States dollars; hence a travel embargo had to be imposed. Heavy taxes on non-essentials were needed to

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ensure that so precious an asset as United States dollars should be conserved for war purposes.

Perhaps by placing some figures on record I might give hon. members a better understanding of that picture. In 1938 imports from the United States into Canada amounted to \$425,000,000. In 1939 they rose to \$497,000,000. In 1940, during the first complete year of the war, they jumped to \$744,000,000 and in 1941 it is estimated that they will reach \$953,000,000. As opposed to this it is estimated that in 1941 Canada will export to the United States \$475,000,000 worth of goods, which would then leave us with an adverse trade balance of \$478,000,000. Something simply had to be done to offset this serious bottleneck. Then came Hyde Park. The United States began to buy war materials in Canada for lease-lend to the United Kingdom, the Netherlands East Indies, China and Russia. She also agreed to charge directly to lease-lend accounts of Great Britain raw materials which we needed to make munitions of war for the battle of Britain.

The dollar problem did not disappear. But from the most acute bottleneck in our war effort it became something manageable. A crown company, known as War Supplies Limited, was set up as a means of implementing this declaration. Its function is to negotiate and receive orders from departments of the United States government for war supplies to be manufactured in Canada. Since Hyde Park it is estimated that some \$200,000,000 to \$300,000,000 of war materials will be purchased in Canada. This will unquestionably relieve the pressure and substantially reduce the adverse trade balance.

Before concluding, Mr. Speaker, I should like to say a word about the Ogdensburg agreement, which was made almost within a month of the fall of France. As a result of this agreement there was set up a permanent joint board on defence to consider the safety of Canada and the United States. Its object was to consider in a broad sense the defence of the north half of the western hemisphere. It included problems relating to land, sea and air. As a result of this agreement the United Kingdom exchanged sites for bases. In Newfoundland and Bermuda these sites were leased. The other sites were exchanged for fifty over-age American destroyers, six of which went to Canada. Early in the war Canada sent a garrison to Newfoundland, and since the Ogdensburg agreement that garrison has been strongly supplemented by American forces. On the west coast joint defence has