

places of amusement, and a long list of less essential construction. We are also cutting back the non-essential use of strategic metals. I am afraid that this must inevitably be only the beginning of a controlled materials plan that will extend to all war commodities.

This far-reaching program of defence production is being worked out in close co-operation with all North Atlantic countries and particularly with the United States. During the last war, Canada and the United States pooled their resources to an unprecedented extent. We are profiting from that experience. Last October your Government and mine agreed to a statement of principles for economic co-operation. Let me quote just one sentence from that statement:

"Our two governments shall co-operate in all respects practicable, and to the extent of their respective executive powers, to the end that the economic efforts of the two countries be co-ordinated for the common defence and that the production and resources of both countries be used for the best combined result."

That is not just a pious declaration of principles. It is a working document, producing tangible results every day. By mutual arrangement we are buying substantial quantities of war equipment in the United States. You, in return, are placing war contracts in Canada but contracts so far placed by Canada are about eight times as great as those placed by you. May I add then that I believe you could with advantage place more contracts and sub-contracts in Canada.

Another example of the close co-operation which has developed is in the field of allocations of scarce materials. Each of us is extending to the other country a similar priority on steel as it extends to its own defence orders. We are co-operating in the allocation of steel for essential programs such as the building of railway cars, ships and locomotives.

I look forward to even closer economic relations in the future. As Minister in charge of defence production, I have received the most complete co-operation from those charged with similar responsibilities in your country and I hope, and believe, that they can say the same of their counterparts in Canada.

Like you we are much concerned about inflation. Canada's defence appropriation for next year is about one billion six hundred million dollars, and for the next three years, taken together, is to be about five billion dollars. To you in the United States who are used to thinking in astronomical totals, the figures may not appear large, but relatively they represent something like a comparable drain on the national output. We know, as you do, that appropriations for military preparedness tend to grow rather than to shrink, and I believe that when the emergency is over you will find that our defence expenditures are relatively comparable to your own.

We are planning to cover these expenditures out of current revenues, in other words to be on a pay-as-you-go