

responded with splendid resource and willing industry to the heavy demands made on them. They are playing their full part.

To gear the resources of a country like Canada to make the utmost effort takes time. Each new undertaking creates new problems. Inevitably there have been delays and difficulties. Inevitably there will be shortcomings, mistakes, disappointments. Our supplies of men and resources are by no means unlimited. Even if we had unlimited money we could not buy things which do not exist. We must avoid the danger of dissipating our efforts, spreading ourselves too thin. This war is not like the last war. The Germans have probably less than one-third the men under arms they and their allies then had.

What we do and what we are going to do require long-term planning. The conflicting demands of the armed forces and of industry upon our limited man-power have to be resolved. Priorities must be established. We are already training many workers; we shall have to train more. We might start in now with an additional 100,000 men and an additional 100,000 women and find, a year from now, that we had not trained half enough.

The immense job of getting our war machine under way has been done with little or no dislocation of our day to day economy. This is not due simply to accident. National finance, the control of prices and the supply of raw materials are among the many services that have been superbly handled. I know that bankers like to remain as anonymous as they are inscrutable, but it is only fair to say that the Canadian economy could not have been transformed smoothly from a peacetime to a war basis without the technical skill of the Bank of Canada.

The financial burden is great and it is becoming even greater. People have not yet begun to realize what it means. If the estimated economies on ordinary account of \$50,000,000 are realized this year, the government's ordinary expenditure will be about \$450,000,000. The Minister of Finance (Mr. Ilesley) has estimated that the war cost for this first year may amount to \$940,000,000. That is about twice the cost of the final year of the last war and more than twice the peacetime budget. We hope to meet two-thirds of all our expenditures this year out of taxes and one-third out of internal loans that have already been made.

Last week I was in the United States describing what we were doing, and I found that its magnitude impressed people, even those who were accustomed to the astronomical figures that they deal with in that country.

We have gone through the period of initial expansion, of new taxes, new loans and greatly increased production. It all seems to have worked out as planned in the war budgets which won the admiration of every one. It is now becoming evident that we are not going to be able to produce all the war materials that we shall need unless we restrict the consumption of articles which divert work or materials from war purposes. The diversion from private consumption to public use is a puzzling question to the individual, but the time is coming when the government will have to show the ordinary citizen where his duty lies in this respect. No more will be needed than that.

The experience of the second war loan campaign showed that when the people realized what was expected of them there was no lack of response. The fact is that while we have supported national participation we are only beginning to translate national sentiment into personal action. Few of us have yet begun to give up things we like, still less things we think we need. Unless we also tighten our belts, our effort will fall short of what is necessary to stop the nazis. We must consume less, save more and steadily invest in war savings certificates and war loans.

In Canada many of the essentials of war production do not exist in sufficient quantities. Machine tools are one example. We must get them from the United States and we must pay for them in United States dollars. I understand that in the first year of war we spent in the United States \$220,000,000 more than we spent the previous year. Disregarding anything from Britain, the balance of payments against us may well run to a figure of \$160,000,000. We may in part offset even larger balances to come by further increasing our exports, or by decreasing our imports of United States goods for civilian purposes. But the best way, as far as it goes, is to increase our tourist trade. With the increased friendly interest in Canada being shown in the United States I believe this can be done. It can be done if the Canadian people are made to realize its importance, and if all the agencies which can help to promote it are fully mobilized. I hope that the government will see its way clear to spend not less than a million dollars on the encouragement of this business. It would not only bring dividends of badly needed United States dollars but also mean the continuance and strengthening of normal friendly relations with our good neighbour; for the tourist trade is not only a sinew of war, it is a tie of friendship. It is a great human industry, a moving belt of common understanding