

*The Address—Mr. Mackenzie King*

that, in some cases, our own forces have gone short in order to fill more pressing requirements for the armed forces of Britain.

In the whole field of war production Canada has become a major factor. Among the United Nations, we share with the United States alone the capacity to produce substantially more than the requirements of our own armed forces. It is true that, in order to supply Russia, Britain has valiantly suffered a shortage in recent months. It is to North America that Britain looks to meet the deficiency, and in North America to Canada no less than to the United States.

The record would not be complete without a reference to foodstuffs for Britain. In times of war, wheat, bacon and milk products are munitions of war quite as much as planes or tanks or guns or ships or shells or explosives or chemicals.

Canada has sent to Britain vast quantities of wheat and flour; bacon and other pork products; cheese and eggs and honey. The range and quantity of Canadian food required by Britain is steadily increasing as the hazards of war make access to other sources of supply difficult or impossible.

For Britain, for many of the other nations fighting for freedom, Canada is an arsenal, a shipyard and a storehouse of food, as well as a full partner on the fighting front.

One measure of Canada's approach toward a total war effort will be found in the record of our financial achievements. The financial burden the war effort has imposed upon the Canadian people is enormous. The cost of raising, equipping and maintaining our own armed forces and of building up the country's defences has reached almost incredible heights.

From the outbreak of war in September, 1939, until March 31, 1940, during the planning and organizational phase, these direct war expenditures amounted to some \$118,000,000.

In the fiscal year April 1, 1940, to March 31, 1941, these expenditures totalled approximately \$752,000,000.

The estimate of direct war expenditures for the present fiscal year (April 1, 1941—March 31, 1942) was \$1,450,000,000. Of this huge sum \$851,000,000 had been expended by the end of 1941.

Our direct war expenditure from the beginning of the war until December 31, 1941, had accordingly reached a total of \$1,721,000,000. The magnitude of our direct war effort may be illustrated by a comparison of this figure with the cost of Canada's effort in the last war. War expenditures, from August, 1914, to March 31, 1920, including demobilization after the war, totalled \$1,670,000,000. In other words, by the end of 1941, a period of two

years and four months, our direct war expenditures in this present war already exceeded the whole expenditure on the last war over a period of six years less four months. Even more striking is the fact that Canada's direct war expenditures in the present fiscal year will not fall far short of the total cost to Canada of the last war.

In addition to providing for our direct war expenditure, the government also undertook to provide whatever Canadian dollars were necessary to pay the Canadian producers of war supplies for Britain. For this purpose, it has been necessary, since the outbreak of war, for the Minister of Finance (Mr. Ilesley) to provide an additional \$1,219,000,000.

Every effort has been made to distribute the huge financial burden as fairly as possible. By December 31, 1941, some \$2,000,000,000 had, since the outbreak of war, been raised from taxes alone. To achieve this what amounts practically to a peaceful revolution in our national tax structure has been necessary. The government has relied mainly on direct and steeply progressive taxes on the incomes of individuals; and drastic taxation of corporation income and excess profits. Succession duties have been included among the permanent features of the national taxing system. Agreements are being negotiated with the provinces to facilitate the orderly and equitable mobilization of the financial resources of the country to the utmost limit of its capacity.

Taxation, war savings, and war loans, while necessary to provide the vast sums required to meet huge war expenditures, also serve a further essential war-time objective. They act as an automatic check on civilian consumption and thus free material resources and man-power for war purposes.

The curtailment of civilian consumption, as I have already pointed out, is absolutely vital to a total war effort. Financial measures such as increased taxation and greater saving contribute to this end; but all the curtailment required cannot be accomplished by financial means. I shall say a word later about other methods used by the government to make additional resources available for the war effort.

One method the government has not been willing to use as a means of reducing consumption. That is the easy method of allowing prices to rise unchecked. That would, of course, have reduced consumption drastically. But it is a method which would be unfair and unjust in the present, and perilous for the future. That is why, in October last, the government decided to halt the rise when prices began to rise rapidly. It was in order

[Mr. Mackenzie King.]