

the possibility of further tension in the meantime must be faced. In this situation, the Government have considered that the uncertainties of the future, and the conditions of modern warfare, make it imperative that Canada's defences be materially strengthened.

Two years ago, the appropriations for defence were substantially increased, and a beginning made on a programme of modernization to safeguard the country from the dangers of attack. The Government intend to pursue this policy vigorously, and to propose to Parliament that the programme of defence should be further augmented, and that particular emphasis should be laid upon air defence.

Legislation will be introduced to establish a Defence Purchasing Board with power to purchase equipment for the defence services and to ensure that, where private manufacture is necessary, profits in connection with such are fair and reasonable, and that the public interest is protected.

While taking the measures necessary to assure the maintenance of our national integrity against the possibility of external aggression, the Government have sought in positive ways to strengthen the mutual interests which unite Canada in friendly relations with other countries.

You will be asked to approve the trade agreement with the United States of America, signed at Washington on November 17, 1938. This agreement fulfils the hope expressed in the Speech from the Throne, last year, for an agreement with the United States, which would confirm and enlarge the advantages of the agreement concluded in 1935.

Simultaneously with the conclusion of the new agreement between Canada and the United States, a far-reaching agreement was effected between the United States and the United Kingdom. Taken together, the agreements constitute a constructive contribution toward a betterment of world conditions. It is deeply gratifying to the Government that in their efforts to increase, and to ensure over a longer period of time, the advantages to Canadian producers and consumers secured in earlier agreements, they were able, at the same time, to further the ends of international good-will.

The Canada-United States agreements have involved, in addition to the wider markets secured for Canadian products, a thorough-going revision of the Canadian tariff structure, and a reduction of taxes on trade much greater than that made by any previous Parliament, or by any other country in recent years.

Notice has been given, effective December 31, 1939, terminating the Canada-West Indies agreement concluded in 1925. My Ministers hope that negotiations will shortly be entered upon leading to a new agreement which will be mutually beneficial to the West Indian Colonies and to Canada. In connection therewith the Tariff Board has been directed to make a careful examination of the sugar preferences and duties.

Unemployment in Canada continues to receive the unremitting attention of local, provincial and federal authorities. Having regard to the existing division of powers and obligations under the British North America Act, responsibility for unemployment and the solution of its problems is necessarily divided. There has been an increasing assumption of obligations on the part of the Federal Government.

Employment in war industry and the regimentation of masses of men for purposes of war have, to appearances, afforded in some countries a solution of their problem of unemployment. In Canada other methods of dealing with the problem have been followed.

The Dominion Government have taken active measures to stimulate private employment through the Home Improvement Plan, the National Housing Act, and the Municipal Improvements Assistance Act. Under these measures certain local taxes have been assumed, and loans made to individuals, organizations and municipalities. The sales tax has been eliminated on important building materials. Special aid has been given to the mining industry by subventions, tax exemptions and improved transportation facilities. At the same time, direct employment has been increased through a substantial expansion of federal public works, and through assistance given to the provinces in the construction of highways, for land settlement, for special projects for farm employment and for forest conservation.

Provision has also been made by the Dominion Government for grants-in-aid to the provinces to assist in the care of those suffering from unemployment and agricultural distress.

The various measures adopted to stimulate employment and afford relief to those in need have operated most successfully in those provinces which have supported them with full co-operation.

In Canada, the problem of unemployment has been aggravated in recent years by recurrent crop failures in the Western Provinces, and by the serious business recession experienced in the last year in other parts of the world. The intensification of the problem has set forth in bold relief the obstacles which the existing division of constitutional authority places in the way of a solution.

The report of the Commission on Dominion-Provincial Relations will be presented to Parliament in the course of the present session. In accordance with the purpose for which the commission was instituted, its report will provide the basis for, and the material essential to the deliberations of a national conference, at which, among the important subjects to be dealt with, will be the problem of unemployment and social services generally. The Government have not altered their view that a national unemployment insurance scheme is essential to a permanent policy of meeting the problem of unemployment.

My Ministers recognize that the plight of those who are still unemployed cannot await necessary constitutional amendments, nor the summoning of any conference. They are prepared, therefore, notwithstanding constitutional impediments to effective action, to join with the provinces in a further determined effort to meet the immediate situation.

To this end it is proposed further to expand the Government's long-range programme of public undertakings. In pursuance of the policy of the active encouragement of employment, it is also proposed to undertake, with provincial co-operation, to provide assistance to municipalities which, as an alternative to the provision of direct relief, desire to expand their normal programmes of civic improvements.