

are going primarily into defence and essential civilian production, with a minimum for less essential uses. Canadian policy in this regard has relied on both direct and indirect controls. In the first place, the government's fiscal, monetary and credit regulations have effectively diverted resources to defence and defence-supporting requirements. The effectiveness of the consumer-credit restrictions need not be elaborated here. Higher direct taxes have also helped to relieve the pressure on civilian demand for capital and consumer goods. The reduction in the amounts loaned under the National Housing Act for building new houses reduced the number of starts during 1951 and the easing in this demand freed some construction capacity and materials for defence projects. The deferred capital cost allowance plan, by postponing depreciation allowances for income tax purposes, has been a contributing factor in cutting down on non-essential investment.

As far as possible, the use of direct controls has been kept to a minimum, and the Government has said that they will be discontinued at the earliest possible opportunity. So far, in the field of metals, these controls have been applied mainly at the primary level through an order approval system, which has enabled end-use restrictions to be kept to a minimum.

These steps that have been taken in Canada have served domestic as well as international purposes, but certainly one aspect of them is the discharge of the obligations we have to our partners-- the obligations I mentioned earlier as arising from the privilege of our position. But let me add that recognizing such obligations to others does not imply that we automatically surrender our right of decision as to the course we will follow. By way of illustration, Canadian defence policy, i.e. the determination of the size and composition of our armed forces, is essentially a matter for determination by the Canadian Government and the Canadian Parliament; but this does not minimize the importance of the strategic discussions and consultations that are first held with our partners in the North Atlantic Pact. Similarly, in the field of strategic materials, international discussion precedes, in many cases, the making of Canadian policy decisions.

I do not want to leave the impression by the comparison I have just drawn that, in the field of materials and resource development, there is any master plan for the development of Canada's resources. We are, after all, living in a free country where business men make their decisions as to when, where and how the money in their control will be invested. It remains true, none the less, that Government policy is not without substantial influence in encouraging or discouraging certain courses of action. Taxation policy has for some years provided direct encouragement for mining development and the search for oil. Materials in particularly short supply, such as steel, can be and are diverted to important resource development projects. Accelerated depreciation has recently been offered to encourage an increase in the supply of certain critical materials. Another example is the offering by the Government of a guaranteed market at announced prices for uranium and cobalt.