

The Economic War Effort and Its Organization

Modern war requires the full and effective mobilization of the nation's economic resources to equip and supply the fighting forces and to maintain the civil population while as much as possible of the national effort is devoted to the prosecution of the War. For Canada this implied not only the provision of men and materials for her own fighting forces but the furnishing of food, materials, munitions and equipment to the United Kingdom and other Allies. The self-denial of Canadians has not shown itself entirely in the high degree of taxation mentioned below, but it has involved the doing without of many commodities necessary to the established standard of living including butter, bacon, canned milk, canned fruits of all kinds, clothes, textiles, rubber goods, gasoline and almost everything made of metal. It has meant the freezing of rents, restrictions on travel and limitations on the consumption of real luxuries, such as wines, spirits, soft drinks and candy. In voluntary sacrifice also, Canadians have done much. Very many have given their spare time to the Red Cross and other organizations and tens of thousands of persons have donated blood to the blood banks that have been accumulated for overseas use.

Fortunately, so far as financial organization is concerned, the Canadian financial structure was already well developed before the War to a point where it had proved its suitability to the country's needs and its adaptability. The strain of war and Canada's accomplishment in meeting such a high proportion of the direct cost of the War, while at the same time providing the United Kingdom with very extensive financial assistance in obtaining war supplies in Canada, has been further evidence of this.

In the War of 1914-18 Canada's munitions output was limited to shells and rifles. Ships and aeroplanes, Bren guns, heavy machine guns, Browning guns, sub-machine guns, AA guns, anti-tank guns, trench mortars, 25 pounders, naval guns, tanks, universal carriers, etc., were but a few of the munitions supplied in quantity for use in almost every theatre of the Second World War.

Financing Canada's War Effort, 1944-45.—The financing of Canada's War effort from 1939 to 1943 is given in the previous wartime editions of the Year Book. At pp. 918-923 will be found an account of Canada's war finances up to the end of the fiscal year 1943-44. This is a continuation of the story of previous years with high war expenditures, heavy taxations and great public borrowing campaigns. The adjustments made by the Budget of June 26, 1944, to the taxation program, especially with respect to corporate income tax and modifications in the excess profits tax, are dealt with in the same chapter.

The money value of Canada's war effort has been made up in two ways: by taxation and by internal loans. Canada has, during the war period, been among the most heavily taxed countries in the world. The small population of eleven and one-half million people in the fiscal year 1944 paid \$810,000,000 in personal income tax, \$311,000,000 in corporate tax and \$429,000,000 in excess profits tax to say nothing of a wide range of other taxes, including those on sales, so-called luxury goods (many of which can scarcely be considered in the luxury class), excise and other commodity taxes with rates very much higher in many cases than previous imposts.