

ality of the goods, or their importance, directly or indirectly, to the cost of living. It is not the policy of the Government to give assistance from public funds for the production of luxury items. In a few cases relief has been given by raising maximum consumer prices. This is done very infrequently and only where payment of a subsidy would be impracticable from an administrative point of view or where the effect on the cost of living is negligible and the article is not essential.

Subsidies are paid at the level of trade that presents the least administrative problems, and the relief is, so far as is required, distributed to other manufacturers and distributors and to the consumer by appropriate price adjustments. Since subsidies are paid for the benefit of domestic consumers, arrangements are made to withhold or recover subsidy payments on goods exported, sold for ships' stores or sold to the Department of Munitions and Supply or its agencies.

Rising import costs have been offset in many cases by subsidy payments, by the absorption of trading losses on bulk purchases or by the remission of import duties and taxes. There is an increasing list of non-essential imports which have been declared ineligible for subsidy consideration.

In the manufacturing industries, subsidies have been paid to offset increased costs such as those resulting from a rise in the price of raw materials, the use of more expensive substitutes, or reduced labour efficiency. It has not, however, been the Government's policy to pay subsidies to offset wage increases. In many cases subsidies have been accompanied or followed by further squeeze adjustments and simplification measures designed to reduce subsidy payments. In a number of industries subsidy payments have been adjusted to the profit position of each firm so as not to raise a company's profits above the level at which the 100 p.c. excess profits tax rate becomes effective.

In the case of a number of primary products, subsidies have on occasion been paid to permit higher prices to producers, designed to stimulate production, while preventing an increase in wholesale and retail prices. Examples of subsidies of this sort are those on various dairy products and those paid to growers of fruits and vegetables for processing. (Most of these subsidies were taken over by the Department of Agriculture in 1943.)

Transportation subsidies have been paid in a number of cases to facilitate the proper distribution of scarce supplies between regions. An example of this is a subsidy paid to enable butter to move from the west to areas of shortage in the east. Finally, a number of subsidies were designed to reduce retail prices in order to lower the cost of living. These "consumer subsidies" are discussed below.

Apart from increased costs, a second problem encountered in the administration of the price ceiling has been the war-time increase in civilian purchasing power. Increasing employment, higher wages and longer hours of work have increased individual incomes substantially. Owing to the overwhelming need for war production, civilian production has not, of course, been able to keep step with this increase in incomes, and in a number of lines shortages in relation to the greatly increased demand developed. In some cases, such as fresh fruits and vegetables which were originally exempted from the ceiling or certain other foodstuffs where the basic period price structure was difficult to enforce, this situation led to further increases in prices. Problems of this kind have been largely met by bringing exempted products under the ceiling and by establishing more specific and enforceable methods of price control. (See p. 777.)