basic period or (chiefly in the case of certain agricultural products, e.g., meat, canned goods, fuel wood) by setting standard maximum prices applicable to all sellers, with allowance made for regional differences and, in some cases, for seasonal fluctuations. Standard prices have usually been set at the wholesale level and controlled retail markups have been added.

The problems arising in the administration of this system of price control were chiefly the result of the pressure of rising costs of production against ceiling prices, of the pressure of increasing purchasing power against a restricted supply of civilian goods, and of the appearance of "new goods" that were not on the market in the basic period. The methods developed for dealing with these problems in the first two years of over-all price control are described in previous volumes.*

The Problem of Rising Costs.—Though the price level was practically stabilized during 1944, rising costs continued to exert strong pressure against ceiling prices. Since the beginning of the War, rising costs in civilian industries have resulted from the diversion of materials, plant and manpower to war activities. In a major war effort, civilian industry inevitably takes second choice of the available manpower, materials and machinery. Less efficient workers are hired, inexperienced workers have to be trained, substitute materials have to be used, bottlenecks in supplies develop and deliveries become less reliable, and machinery cannot be replaced. Labour turnover rises abnormally and labour costs, therefore, tend to rise, even if wage rates do not increase as, in fact, they did to a considerable degree during the present war. Working in the opposite direction are the high volume of production induced by war orders and by the ready civilian market, the rapid turnover of output and reduced selling expenses. These latter factors have generally made it feasible to maintain ceiling prices.

During 1944, war demands for manpower levelled off with the result that there was some abatement in the upward trend of labour costs. But at the same time the influences that had formerly worked to reduce costs were much less operative. The total output of the country was, for practical purposes, running at its peak, and the additional economies to be gained through increased volume and more rapid turnover were comparatively small or lacking. A number of producers, looking towards reconversion, requested increased prices on the grounds that declining war contracts were tending to increase their costs.

Faced with this persistent problem, the Board has continued to review and rule upon applications by manufacturers, importers and distributors for relief from excessive squeeze under established ceilings. As a rule, the Board looks at the over-all position of the applicant in order to determine whether financial need exists, and not at the profit in a particular line or department. The determination of the point at which relief may be given is not susceptible of precise definition and must depend upon the circumstances of the individual case. Increased costs in themselves do not justify granting relief. The mere fact that an applicant is not earning "standard" profits does not necessarily mean that relief should be granted. A price adjustment can be authorized only when an applicant can demonstrate real financial need on an over-all basis. In reaching a decision the Board considers not merely the current position of the applicant but such clearly important matters as the future prospects for sales volume and costs, the nature of the business and its strength and financial resources.

* Canada Year Book 1942, pp. 724-727. Canada Year Book 1943-44, pp. 776-780.