Some of the shortages in Canada reflected the world-wide shortages of basic necessities that were brought into sharp relief by the end of the War. To help meet the urgent requirements of liberated countries and the United Kingdom, Canada restricted the domestic supply of such foodstuffs as meat and cereals. World shortages also affected Canada's supplies of such imports as textiles, sugar, oils and fats.

In other fields, such as metal goods, the decline of war production did, of course, open the way for an expansion of civilian supplies. But progress was slow owing to the delays involved in reconverting plants, to bottlenecks in the supply of materials and components, and to industrial disputes. Shortages and strikes in the United States seriously affected Canada's progress in reconversion because of this country's dependence on United States for materials and parts.

While supplies of goods were restricted, the actual and potential demand was at a record peak. Personal incomes showed little change from their high wartime level and the rate of spending continued to increase as the rate of saving decreased and some people drew on their accumulated wartime savings. There was thus a continuing gap between supply and demand which sustained the pressures toward inflation.

Inflationary pressures were also sustained by the continuance of higher production costs. Firms that had been engaged in war production were returning to the production of peacetime goods under cost conditions substantially different from those of 1941. Firms that had been able to absorb cost increases on their civilian products because of profitable war contracts were now deprived of this source of revenue. Continuing shortages of materials and labour meant that possible factors making for lower costs were slow to assert themselves.

In view of the persistence of these inflationary pressures, price control and some of the other war-imposed controls had to be continued well into the period of transition. The necessary powers to continue needed emergency controls until approximately the end of 1946 were embodied in the National Emergency Transitional Powers Act, which came into force on Jan. 1, 1946. Price control did not, however, operate in the same way as it had during the War; it was adapted to the needs of the new economic environment, and steps were taken in the direction of the ultimate goal of removing all wartime controls.

The war effort had absorbed so much of Canada's manpower and productive resources that it had not only ensured full employment but had actually required a curtailment of non-essential civilian activity. Price control, which covered chiefly the civilian sector of the economy, could adhere quite rigidly to the "basic period" principle. Maximum prices were generally established at the levels prevailing in the "basic period"—Sept. 15 to Oct. 11, 1941—and in considering applications for price adjustments the essentiality of the products was taken into account as well as the over-all financial position of the applying firm or industry. With the end of hostilities, however, production was no longer underwritten by huge Government expenditures, and the maintenance of employment depended on the prompt expansion of production for civilian markets, which in turn depended greatly on the existence of adequate incentives. Under these conditions too rigid an adherence to basic period standards might, in certain cases, have obstructed production and employment. Thus, while over-all financial need remained the determining factor in considering applications for price adjustments, the Board had to take into account prospective as well as past earnings and had to be prepared to give prompt decisions in which the elements of judgment and estimation necessarily played an important