

To some extent the problem was met by permitting price increases on imported goods which had formerly sold at lower prices than comparable goods made in Canada, or imported from other countries. This technique of "levelling up" was applied to a number of items which the United Kingdom was again able to supply. While such adjustments, combined with the acceptance of narrowed margins by Canadian importers and distributors, increased the range of goods that could be imported, their application was necessarily limited. A greater change in the method of pricing imports was necessary to permit the entry of goods which were beginning to be offered by countries where the War had resulted in pronounced increases in costs of production. A new procedure applicable to imports from a specified list of countries was therefore approved by the Government early in 1946. Under the new system, prices were to be fixed, on application by importers, at levels covering the cost of the goods but providing for some reduction in the normal margins of importers and dealers. This changed procedure was limited to imports from the United Kingdom, the U.S.S.R., France and other allied countries in Europe, China, India, Burma and Ceylon. The impact of the War on the economies of these countries had been severe and their price structures had risen to a point where many of their traditional exports could not be imported for sale in Canada at basic-period prices.

A major change in import subsidy policy was made in January, 1946. Until that time all imports of consumer goods had been eligible for subsidy consideration unless specifically declared ineligible. In keeping with the Government's policy of reducing and eliminating subsidies in the transition period, this procedure was reversed and all imports were declared ineligible for subsidy unless specifically declared eligible. A new statement on import subsidy policy was therefore issued. In general terms the revised statement left a substantial number of basic foodstuffs, clothing and fuel eligible for subsidy consideration. But durable goods, household furniture, hardware, plumbing materials, drugs and supplies used by farmers and fishermen (with some very important exceptions such as fertilizer and feed ingredients, binder twine and fishing nets) were no longer included on the eligible list. Importers of the goods which were excluded from subsidy by the new policy could, of course, apply for price adjustments in the usual way.

The difference of price levels between Canada and other countries also created problems in the case of goods that were important in Canada's exports. Since exports were not under price control and higher prices could be obtained for many goods in the United States and other markets, the domestic supply of many articles had to be protected by continued export control. In the period of reconversion, while shortages still prevailed, a balance had to be struck between the development of export markets and the needs of the domestic consumer, involving continuous co-operation between the Department of Trade and Commerce and the Wartime Prices and Trade Board.

Suspension of Price Ceilings.—An important experimental step in the direction of the removal of price control was taken in February, 1946, with the suspension of price control in regard to a number of goods. The articles affected were mostly non-staple commodities, and included cosmetics, jewellery, books, games, novelties, millinery, drugs, tobacco products and other items, as well as a number of services. The list of goods had been carefully selected and supply conditions with regard to most of them were such that no serious price increases