

supply situation. While the total supply of peacetime goods increased, there was still a scarcity of many items. Canada's staple products were much in demand abroad as well as at home and imports of certain essentials such as sugar, vegetable oils, tin, and cotton fabrics, continued to be restricted by external shortages. The loss of production resulting from industrial disputes in both Canada and the United States further intensified shortages of some lines such as automobiles, durable household goods and certain building materials during a considerable period in 1946.

The authority to continue necessary price and supply controls for a period of approximately one year was embodied in the National Emergency Transitional Powers Act which came into force Jan. 1, 1946. A later amendment extended this authority until Mar. 31, 1947 when it was further extended until May 15, 1947, pending the introduction of new legislation concerning the continuation of certain emergency powers.

While price control continued to be necessary for many important goods and services, as time went on a growing number of items were released from control. The initial step in the decontrol of prices was taken in February, 1946, and others followed in the spring months. A number of subsidies were also removed or reduced during the first half of that year. Further action in these directions was delayed as a result of shortages, partly stemming from the industrial disputes in the United States and Canada, and partly as a result of the confused price situation arising from the rapid removal of price controls in the United States after the end of June, 1946. By early 1947, however, production had improved substantially and the general economic situation was such as to permit a further major step in decontrol of price ceilings. At that time, the list of goods subject to price ceilings was narrowed down largely to items of basic importance in living and production costs and subsidies had been reduced until, with few exceptions, they were confined to certain essential items of food, clothing and fuel.

The Government's approach to price control itself had been adapted to the changing conditions of the post-war period. The wartime concept of holding rigorously to the price ceiling line was replaced by a policy of orderly readjustment to the changed conditions of the post-war. Greater flexibility was essential and the impact of higher costs at home, and high prices abroad, had to be increasingly recognized in the price level. The use of subsidies on an expanding scale as an alternative to price increases would have been quite inconsistent with the objective of planned decontrol and the return to a free price structure and, accordingly, subsidies were gradually removed or reduced. A substantial number of important price adjustments occurred during the period, some of them the result of accumulated cost increases which, with the loss of war contracts, could no longer be absorbed under existing ceiling prices. Others were the result of subsidy reduction and removal and of higher prices for imported goods. Still others reflected increased labour and material costs. A number of these adjustments reflected a combination of these influences.

Financial need continued to be the main criterion for price relief though other considerations had to be given more weight than formerly. There was a somewhat larger element of "incentive" pricing mainly in the sphere of farm products and building materials in view of the urgent necessity of obtaining increased output. In the case of some commodities normally exported in large volume, consideration was given to the fact that domestic prices were much below export prices as well as to the financial position of the producers concerned.