

With the growing number of price adjustments at the manufacturing level during 1946, it became increasingly difficult to deal individually with the increases required at distributive levels. It was necessary, therefore, to establish standard methods of controlling the resultant price increases at wholesale and retail levels. The practice was usually to establish ceiling prices by setting maximum wholesale and retail markups rather than specific ceiling prices. This type of markup control was applied to a wide range of items including leather and textile goods, fabricated metal items and durable goods and, in November, 1946, was extended to certain staple food items.

The higher prices prevailing abroad were a source of many problems of price control in Canada. Some revision in the pricing policy with respect to imported goods was necessary to facilitate the re-establishment of normal trading relationships. A more flexible system of import pricing on a markup basis was inaugurated in February, 1946, and extended in scope in July, 1946. In the latter month, the Canadian dollar was restored to parity with the United States dollar which, at that time, had the effect of reducing the cost of imports by approximately 10 p.c. This relieved some of the pressure on the price ceiling exerted by higher external prices but its effects were more than offset by later price increases in the United States and world markets.

Price Adjustments.—During 1946 and early 1947 there were a considerable number of important price adjustments. Many of these were the result of decontrol measures—the removal or reduction of subsidies and trading losses; these are described in the Section on subsidies. Apart from the subsidy changes, the chief factor in price adjustments during this period was the effect of higher labour and material costs. Thus, price increases were authorized on meals, rubber footwear, work clothing, radios, furniture, electric refrigerators, wood and coal stoves, warm-air furnaces and motor-vehicles. Several price adjustments, such as those on copper, lead and zinc, and pulp and paper products, gave consideration to the wide differentials between domestic and export prices as well as to the financial position of the producers concerned. Other price increases, such as those on butter and beef, were authorized in an effort to secure needed production. Price adjustments on a number of construction products contained an element of this “incentive” pricing. A few of the important price adjustments during the period* are described below.

In January, 1947, increases were authorized on the prices of meals containing meat, fish, poultry, or eggs, served in restaurants, hotels and other public eating places. The accumulation of increases in food, labour and other costs had carried operating expenses to a point where higher prices were necessary to maintain the standard of meals.

Several adjustments in beef prices were necessary to secure an adequate supply. An acute market shortage of the higher grades of beef became apparent in the early spring of 1946. To relieve this situation by encouraging a heavier flow of cattle to market, wholesale ceilings on carcasses grading “red” or “blue” were temporarily suspended in the latter part of May, 1946. This permitted buyers to pay more for cattle but left retail beef ceilings undisturbed, and resulted in improved supplies of beef. It was impracticable, however, to maintain ceilings indefinitely at retail without a measure of control at the wholesale level. Wholesale ceiling prices were

* The important increases on iron and steel, and on farm machinery in April, 1946, are described in the Canada Year Book, 1946, at p. 853.