

goods. In July, 1946, therefore, cost plus pricing was applied to goods from all countries. Schedules of standard markups were established for importers and distributors, thus eliminating the need for individual fixations. These markups were, in most cases, somewhat smaller percentage-wise than the normal markups; the principle was to establish markups which were approximately the same as the dollar and cent margins prevailing prior to the War. The new import-pricing policy did not apply to certain foods or to goods eligible for subsidy.

**Subsidies.**—The policy of the Government with respect to subsidies was to remove them as promptly as was consistent with an orderly readjustment of the price structure to the realities of post-war conditions. In putting this policy into effect, a number of factors had to be considered. The process had to be a gradual one since sudden or very rapid removal of all subsidies at a time when world prices were high and uncertain and when inflationary pressures remained great would have been quite inconsistent with orderly readjustment. Subsidy reduction was, therefore, considered in relation to the general developments in the Canadian price level and in relation to the particular consequences in the existing circumstances of the removal or reduction of the subsidy under review. Another very important factor, particularly in connection with the subsidies on some imported materials, was the market position of the commodity concerned. If current prices seemed unduly high, as was sometimes indicated by a lower level of future prices, there was a disposition to postpone or limit removal of subsidies until the outlook became somewhat clearer. In some cases where market conditions were obscure but the subsidized price was clearly low in relation to reasonable expectations, subsidies were reduced but not removed.

The problem of the appropriate timing of subsidy removal was complicated during 1946 by economic developments both abroad and at home—the abandonment of price control in the United States, rising world prices, and severe shortages resulting from industrial disputes. Thus, while the general trend was strongly in the direction of subsidy removal during the past year, there were a number of instances in which rates of subsidy increased and there were a few cases in which new subsidies were paid. Special subsidy arrangements with respect to steel were developed in an effort to meet the shortages resulting from industrial disputes in the steel industries of both Canada and the United States.

However, many subsidies were eliminated during 1946 and early 1947, others were substantially reduced and the whole field in which subsidies were payable was greatly restricted.

The field of import subsidies was further restricted by a revision in the procedure for establishing eligibility for subsidy. Early in 1946, the former approach to import subsidies, under which commodities were broadly considered eligible for subsidy unless specifically declared ineligible, was abandoned. In its place a positive list of items eligible for import subsidy was announced. This list was subject to a continual paring-down process throughout the year, with the result that by early 1947, the area of subsidy payments had been very substantially narrowed.

Throughout the period of price control the Board has, through the Commodity Prices Stabilization Corporation, frequently used the technique of bulk purchasing, sometimes involving the absorption of a trading loss as an alternative to a subsidy arrangement. During 1946 and early 1947, a number of bulk purchasing arrange-