The orders restricting the use of steel were imposed under the authority of the Essential Materials (Defence) Act of 1950, passed in anticipation of the fact that control over critical materials would be required in due course. Another order established a formal system of steel priorities for defence orders and defence-supporting projects. Supplementing these orders are voluntary arrangements with the steel mills to distribute supplies equitably among their established customers, and various arrangements with the United States relating to the allocation of steel and other scarce materials.

It is to be noted that the initial controls affecting steel are not primarily for the purpose of assuring supplies for defence contracts, that these contracts by themselves do not require a particularly large proportion of the steel available. The main purpose is rather to meet the requirements of defence-supporting projects, such as the building of railway cars, locomotives and ore carriers to move essential materials and supplies. While technically not defence orders, these are no less essential to preparedness than the production of guns.

The pressure of the preparedness program on supplies has led to some inflationary pressure on prices. The Essential Materials (Defence) Act of 1950 authorized the executive to control prices on materials required for defence purposes. This was followed in March, 1951, by the Emergency Powers Act, conferring a more comprehensive authority to carry out adequate defence preparations and to regulate the economy of Canada, including authority to regulate trade, production and manufacture, and to impose price or other controls.

The Government has taken the view that price controls are more effective if complementing more fundamental anti-inflationary measures of a fiscal and monetary nature. Such policies have been put into effect. The Bank of Canada's action to neutralize the inflationary effects of the speculative influx of foreign capital in 1950 and the freeing of the exchange rate have been mentioned above. The subsequent appreciation of the Canadian dollar and the removal of import restrictions have had an anti-inflationary influence. On Feb. 22, 1951, the Bank of Canada announced that arrangements had been made with the chartered banks to prevent bank loans and non-government investments from rising above present levels; among other things, margin requirements on securities were increased, lending policy on commercial and personal loans was tightened, and the expansion of loans on the security of instalment finance paper was halted. Consumer credit had been brought under direct control by the Consumer Credit (Temporary Provisions) Act, 1950. The initial regulations under this Act became effective on Nov. 1, 1950. Order in Council P.C. 1249 of Mar. 13, 1951, increased the minimum down payment from one-third to one-half the cash price on motor-cars and from one-fifth to one-third of the cash price on a wide range of other products, reduced the maximum credit period from eighteen to twelve months, and made other changes, all effective Mar. 19. The announced intention of the Government is to ensure a fully balanced budget. The Supplementary Budget of September, 1950, raised corporation taxes from 10 p.c. on the first $10,000 and 33 p.c. on the remainder to 15 p.c. and 38 p.c., respectively, increased the tax on such goods as motor-cars, radios, and jewellery to 23 p.c., increased the tax on alcoholic beverages and levied new ones on soft drinks and candy. The Government has renewed its economy program in all non-defence activities and has moved to reduce the level of postal and some other services provided to the public. It has postponed some of its construction projects. The restrictions on the use of steel will dampen demand not only directly