

General price levels in the domestic market during this period were strongly influenced by prices of international commodities but, in addition, have reflected influences originating internally. Wholesale prices showed particular sensitivity to the demand pressures of the early post-Korean period and, in the 9 months ending in March 1951, rose by 14 p.c. However, in the second quarter of 1951 the wholesale index levelled off and, after mid-1951, maintained a fairly continuous decline from a peak of 244 in July of 1951 to 221 in October 1952. On the other hand, the cost-of-living index continued upward until near the end of 1951 when it reached a position 14 p.c. above July 1950. During 1952, the consumer price level declined slightly, the index showing a 2 p.c. reduction between the beginning and end of that year.

As previously indicated, market conditions were fairly firm during 1952 and many industrial sectors experienced firm to rising price trends. Influences largely responsible for the declining trend in over-all prices included the pronounced reduction in import prices, the softening in markets for a number of Canada's agricultural products and the appreciation in the foreign-exchange value of the Canadian dollar.

Government Measures in the Defence Economy.—The demand upsurge which followed the War in Korea gave rise to two major problems on the economic front. The first was the necessary assurance of sufficient resources to carry out Canada's new defence objectives. The second was the containing of inflationary pressures and the maintenance of the maximum degree of stability consistent with the achievement of these objectives.

Measures to Assist Directly the Defence Program.—Even as Canada's rearmament objectives were taking shape it became apparent that, at least temporarily, strong competing demands would exist for many of the materials and resources needed for defence production. Thus, for the defence program to proceed without hindrance some form of prior claim on scarce resources became necessary. Legislation was enacted under which it was possible to ensure that the essential requirements of defence and defence-supporting activities would be met.

Direct controls brought into effect measures regulating the distribution of materials essential for defence. They were few in number and were applied mainly at the primary level. In only a few instances were restrictions placed on the final use of materials, the one notable case being the use of steel for less essential forms of construction (places of amusement, stores, hotels, banks, restaurants, etc.) which were subject to regulation from the autumn of 1950 to the end of 1952.

Materials designated as 'essential' and thereby subject to specific control included certain forms of iron and steel, certain forms of non-ferrous metals and non-metallic minerals, wood-pulp and newsprint, and certain chemicals and chemical compounds. With the easing of supply positions, a number of these materials were removed from the 'designated' list during 1952.

In the case of steel supplies the policy has been to effect the diversion of necessary supplies to defence purposes at the mill, warehousing or fabricating levels. Wood-pulp and newsprint were, for a time, subject to control primarily to facilitate the diversion of relatively small quantities to fill urgent European needs. In the case of all other 'essential' materials, control has been exercised through an "order approval system" involving the screening of orders placed by manufacturers with the primary processor.