

In addition to procedures affecting the foregoing designated materials, provision was also made for the exercise of control as necessary over all items required in the defence effort. However, to a very large extent the desired objectives have been achieved through informal arrangement with a minimum resort to formal control orders.

Measures designed to facilitate the placement of necessary plants and other defence facilities included provision for capital assistance, special capital cost allowances or accelerated depreciation.

With respect to commodities imported from the United States, in accordance with the "Statement of Economic Principles", Canada has participated fully in both the United States Controlled Materials Plan and the United States priority regulations. Similarly, United States defence requirements in Canada have been dealt with in the same manner as Canada's own defence requirements.

In addition to regulations affecting the internal distribution of specific commodities it was found necessary to apply certain controls in the foreign trade field. Export controls were used in the case of a few commodities to protect essential domestic supplies and also as a means of controlling the destination of strategically important materials. In the case of imports, certain iron and steel items were placed under control to assist in their allocation under the priorities system and sulphur was placed under regulation to facilitate conformity with the International Materials Conference Allocation Scheme.

*Measures to Restrain Inflationary Forces.*—In the earlier boom phase following the outbreak of the Korean War, one objective of Government policy was the scaling down of excessive demands to a level commensurate with the productive resources available in the country.

The core of this anti-inflationary approach was the Federal Government's strict pay-as-you-go policy for the financing of the defence program. The aim was to insure that each dollar expended on defence would be counter-balanced by the withdrawal of a corresponding amount of purchasing power from private funds that would otherwise have been available for other forms of spending. In this way civilian demand was replaced by defence demand and production for civilian use by production for defence. The Federal Budgets of September 1950 and April 1951 made provision for additional revenue principally through increases in individual and corporation income-tax rates and also through the levy of special commodity taxes on cars, various household durable goods, soft drinks and tobacco products. These special levies were removed subsequently in the Budget of April 1952. In the circumstances of excessive demand which prevailed at the height of the post-Korean boom, further supplementary measures were adopted to help bring about a more even balance between demand and supply.

To assist the necessary transfer of resources to defence and to curb consumer demands, regulation of instalment buying and consumer credit was introduced in October 1950 and these regulations were tightened on subsequent occasions. To ease the pressure of demand for investment goods, a new fiscal measure was introduced in the Budget of April 1951. This measure provided that no depreciation could be charged for a period of four years on capital assets acquired after Apr. 10, 1951, excepting projects considered by the Government as essential to present national needs. Also, as a means to discourage demands for new construction, credit provisions under the National Housing Act were tightened in February