

examined both upon the statements in the report of the said accountants and upon other documentary material which the Committee had before it.

The Committee was set up to find the facts about the price situation. It was a fact-finding committee. Its purpose is to make clear, as far as possible, the real circumstances governing the present situation.

The Committee was not given power to fix prices, or to reduce prices. It had no power to halt rising prices. Such authority can only come by way of provincial or federal legislation. The Committee is of the opinion, however, that the very fact that it existed and that it had the power to subpoena witnesses to give an accounting of their business transactions has had a salutary restraining effect on unjustifiable price increases. This opinion is borne out by the statements of representative witnesses.

Where the facts disclosed seeming wrong-doing they were brought to the attention of the proper authorities. Certain prosecutions followed in accordance with existing legislation.

In the time at its disposal, the Committee was unable to investigate all the elements entering into the pricing of all consumers goods. But in examining, during its 77 public sittings, 130 witnesses the Committee obtained evidence of the Price situation in the production and distribution of certain essential commodities. These witnesses included Dominion Government officials, representatives of Consumer Associations, Corporations, Co-operative Associations, trading firms, Committee's Accountants and individuals. The verbatim evidence amounts to over 3,800 pages and is being tabled with this report together with 155 exhibits filed with the Committee.

SUMMARY OF FINDINGS

The Committee, in its investigations of price rises, found that the major causes of the upward movement of Canadian prices had their beginnings in the war years. The single most important cause was found to be external prices. Canada has developed an economy in which imports and exports play an important part. During 1947, for example, imports were valued at \$2,600,000,000 and exports at \$2,800,000,000.

The fact that foreign trade constitutes so large a part of Canada's total economic activity makes price levels in this country particularly sensitive to price changes in the world market. The Canadian price level has been forced to rise because of the vigorous upward pressure of external prices, which, in the present rehabilitation period with its world-wide shortages, have advanced continuously and in some cases with extreme rapidity.

At the same time the costs of production, wholesaling, and retailing have also risen. At each step in the merchandising system these increased cost elements have tended to increase the ultimate price.

The degree of influence upon prices of enlarged purchasing power is difficult to determine. That it does influence their level is admitted. Purchasing power in Canada, as indicated by "personal disposable income", has increased two and one-half times since 1939.

This expansion of purchasing power has undoubtedly acted as one of the causes of the increased price level.

In its investigations the Committee found that, in certain instances, opportunists, taking advantage of the special conditions existing, made unprecedented profits. While it may be true in some cases that such profits were of a non-recurring type, there is no doubt that the high prices that produced these profits did raise the cost of living at that time.

The Committee concludes that the significant causes of the recent rise in the cost of living in Canada are:

- (a) the rise of external prices,
- (b) the increase in the costs of production,