"productivity". Productivity in turn depends upon the combined efficiency of labour and of management. Wage rates can go up and unit labour costs come down; and lower wages are not infrequently associated with higher unit labour costs. It seems reasonably certain that on the whole unit labour costs in Canada have gone up, but the amount of increase will vary considerably from firm to firm, and from industry to industry. Administration, selling and fixed overhead expenses have undoubtedly gone up in total amount, and probably also on a per unit basis.

During the past two years we have been developing a real economic boom, particularly in the field of consumer and industrial capital expenditures. The pressure of demand upon the supplies of labour, materials and equipment used in industrial expansion has been and still is intense. This has produced a level of demand that is not too concerned about price—that is inclined to regard price as a secondary consideration.

The timing of the various steps in the decontrol program has left its record on the cost-of-living index. A considerable part of the rise in the index over the past two years has been due to the cessation of subsidy payments—how much it is literally impossible to estimate. The direct effect of some of the flat rate subsidies on simple commodities can be stated; for instance, the two flat rate subsidies on fluid milk totalled 3½ cents a quart which is the equivalent of 1·54 points on the index. The direct subsidy on creamery butter was 8½ cents a pound or 1·0 points on the index. But there were also indirect subsidies affecting these commodities—on the coal used for power, on the gasoline used for delivery trucks, on the cotton fabric in the tires, on the wooden butter boxes at the creamery, on the tin in the milk cans, and so on.

Under the price ceiling policy various squeezes were imposed on dealers' margins; when the ceiling came off there was a tendency for margins to resume their natural shape. Under the price ceiling policy we refused to authorize price increases on manufacturers' items that were being produced at a loss as long as the company's over-all profit position was satisfactory. When controls were removed there was a tendency for manufacturers to lift such items out of the red.

This leads me to a passing comment on the principle of percentage mark-up. In normal times, with moderately fluctuating prices, there are good accounting reasons for pricing on the basis of standard or accepted percentage mark-ups. But when a commodity or a group of commodities advances suddenly and sharply the adherence to traditional mark-ups unquestionably inflates the final consumer price, and creates abnormal returns for the manufacturer or dealer.

I should like to emphasize, however, that even if the price ceiling policy had been continued in full effect there would almost certainly have been a very considerable rise in prices. To have held the old ceilings in the face of increases in both domestic and import costs would have involved enormous increases in total subsidy payments, and at the same time could not have avoided hampering and restrictive effects on production.

At present there are ceiling prices in effect on sugar, the principal canned fruits and vegetables, butter, oils and fats (including soap and shortening), cabbages, some fertilizer materials, primary iron and steel, tin, and residential rents.

At the risk of appearing a bit academic may I conclude with a few brief comments on what is really a fundamentally important subject—the purpose and nature of the price system.

Our economic system can be fairly accurately described as a "free economy". It is based, by and large on individual freedom—freedom of production, freedom of employment, freedom of contract, and freedom of choice. Subject only to a rather limited range of laws and regulations, the individual citizen has full legal freedom (and a very large measure of practical freedom), to decide how,