

the continued shortage of materials, and shortages of labour in certain lines, are tending to raise costs of production still further and to push prices up.

Still other price increases have resulted from the necessity of encouraging the production of needed but less profitable lines of goods as against the more profitable alternatives available to the same producers. The removal or reduction of subsidy payments on certain imports and domestic products have also given rise to price increases in recent months.

On the other side of the picture, it is clear to every observer that, with employment and consumer spending power being maintained the way they have, the demand for goods has continued to rise ever since the end of the war. In this situation many goods are still relatively scarce and this, too, creates another upward pressure on prices.

The whole combination of actual and prospective price rises abroad, shortages of goods which we urgently need from abroad, and delays in domestic production, taken in conjunction with the difficulties of providing effective administration of controls in a transitional period, undoubtedly threaten to undermine price control in Canada unless strenuous measures of defence are taken now.

Accordingly I wish to announce the government's decision to take four major steps to implement this country's determination to maintain order, stability and independence in its economic and financial affairs. These measures we feel will go a long way toward insulating Canada against unfavourable external conditions and easing the inflationary pressures which are now so strong.

The first of these is the issuance of a long but simple and clear list of all goods and services which continue subject to price control, a list which includes practically all articles of significance in the normal household budget and in the costs of production of farmers, fishermen and other primary producers. The result of this will be to suspend from price control a number of less important articles which create administrative trouble and red tape out of all proportion to their importance.

That list is contained in an order of the wartime prices and trade board, of which I am tabling copies now. It tells exactly what goods are subject to price control. The next question is, how is control to be exercised? As regards domestic products the answer is that the principles of price control remain the same as heretofore, that is, maximum prices are based on prices in effect in October 1941, or

on specific price ceilings or regulated prices named in orders of the prices board, and price increases are in general authorized by the board only where over-all financial need is proved. As regards imported goods, however, a change is being made which constitutes the second of the major announcements which I have to make. Hereafter all imported goods of a kind subject to price control, unless specifically dealt with on another basis in orders of the board, will be priced on the basis of the importer's landed costs, plus a prescribed maximum mark-up in each case which will be somewhat less than the mark-up normally obtained by distributors of similar domestic goods.

Thirdly, for reasons which I shall discuss at some length later on, it has been decided to adjust the rate of exchange of the Canadian dollar to parity with the United States dollar. This change is effective immediately, that is to say, at 8 p.m. eastern daylight saving time. Banks and other authorized agents of the foreign exchange control board will now buy United States dollars at \$1 Canadian funds, and sell at \$1.00. Similarly, the buying rate for pounds sterling will now be \$4.02, and the selling rate \$4.04. I wish to draw special attention to the fact that persons accepting United States dollars from tourists should now do so at par, that is to say, dollar for dollar, instead of at a premium.

The fourth matter which I wish to mention is that the policy of paying subsidies will remain in effect in order to prevent undue increases in prices of articles of major importance in the consumer's cost of living or in primary producer's costs of production.

Having described in brief the four main features of this programme, I should like now to give the house and the people of Canada some more detailed description and explanation of the steps we are taking.

First, in order to reassure the public and industry that the government has no intention of dismantling the system of price control so long as the emergency exists, we have prepared a definitive and detailed list of all the goods and services which will remain under price control. I am aware that the decision made several months ago to suspend certain goods and services from price control, necessary as that was, has been followed by a certain amount of public confusion and uneasiness. But it will be agreed as a general principle that, as part of our gradual progress towards decontrol, and in order to lighten the heavy burden of administration, it is desirable to remove price ceilings from items which are