

but in accordance with the needs of consumers. If, for example, the efficiency of every industry were doubled to-morrow, we should not be justified in assuming that every industry could adapt itself to the new situation by marketing twice the amount of goods produced. The price mechanism imposes a symmetrical development of production in accordance with demand.

Hence, given a double efficiency, some industries would find it profitable to increase their output to a moderate extent, others to increase their output by more than the increase in their efficiency, others to maintain the same output as before, while a few industries would find it necessary positively to curtail their output.

Going on from there we have only to think how we should react to a doubling of our incomes to see that this would happen. When a man is poor he is compelled to make bread a substantial part of his diet, to consume but a moderate amount of meat and but a small amount of fresh fruit and vegetables. Suppose his income is doubled; how will he adjust his expenditure on food? He will spend less on bread than hitherto, perhaps twice as much on meat, and probably four or five times as much on fresh fruit and vegetables. Clearly, if the bulk of the community changed their diet in this manner, producers of wheat would be compelled to curtail their production in spite of the increased prosperity. But this would not mean that there was not sufficient purchasing power to buy all the wheat that was produced, or that the demand of consumers was fixed. It would mean merely that the community, being substantially richer, could afford a more expensive diet.

Whether an increase in productivity will, in the first place, cause dislocation and unemployment depends, therefore, upon the kind of industry in which it takes place. If it takes place in an industry for the products of which there is an elastic demand, it will not cause unemployment, even in the initial stages; for the expansion in demand which a fall in price will produce enables the industry to maintain, if not to expand, the employment it provides. An invention in the radio industry, for example, would not cause unemployment; the demand for radios being highly elastic, the increase in the supply of these commodities would easily be absorbed at the lower price.

If, on the other hand, an invention takes place in an industry for the product of which the demand is not elastic, it may cause considerable dislocation, which brings us face to face with the wheat problem again because this is one of the things that has happened in recent years in the wheat industry.

[Mr. F. D. MacKenzie.]

Remarkable discoveries in wheat breeding, wheat growing and harvesting have led to a great expansion of supply. This supply was further expanded by what formerly were consuming and importing countries going into production, and the whole situation was that much the more aggravated.

But, as we have seen, the demand for wheat is highly inelastic. Consequently, the great fall in the price of wheat has not induced people to increase their consumption of bread. Rather the contrary has been the case. Hence the agricultural sections of Canada, the United States, and Australia have been plunged into serious straits. The distress caused to the wheat growers is further intensified by the fact that the process of adjustment to changed conditions is slower in agriculture than in any other industry.

I state this simply to show that the farmer himself is not responsible in the main for the situation in which we find ourselves.

Again, as I mentioned previously, there is in Canada another disability by which agriculture and especially the wheat farmer is tremendously handicapped. The Canadian farmer must sell his products in an open world market in competition with wheat growers who are subsidized by their respective governments, while he is compelled to buy his tools of production and other economic requirements in a highly protected market, one in which the secondary producer is highly subsidized.

While this has an adverse effect on all agriculture throughout Canada, the western farmer seems to be more keenly aware of it and more vocal in his protest.

Among the many letters and petitions which I received on the question of an initial price I wish to quote a criticism which was common to many and which bears out the above statement. This critical comment is as follows:

Enclosed find two resolutions re initial wheat payment. Will you see that these get into their right stalls. There sure is one awful holler about the proposed 60 cent price. However, I am quite confident if the government would only withdraw the protection now given to Canadian manufacturers and make those birds stand on their own feet the same as we have to do there would be no kick about the wheat price no matter what it might be. But it burns the farmer up to see these fellows get the privilege they enjoy and then soak us for all the traffic will bear on the goods we have to buy.

In my opinion the minister and the government are to be highly commended for bringing down these various measures which are a beginning for a permanent policy in the rehabilitation of agriculture in Canada.

As part of the plan for a permanent policy with regard to agriculture, I should like to