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Over-all Price Control

Extract from a Speech Delivered to the National Liberal Federation at Ottawa on January 20

By Rt. Hon. W. L. Mackenzie King

THE C.C.F. party—the over-all price ceiling party—wishes to know why, if price control worked in wartime, it won't work now. No doubt many of our own friends feel that is a question which deserves a serious answer.

What is the answer?

There are, in fact, several answers. But the most important is that over-all price control can succeed only if it is accompanied by wage control, salary control and other controls of costs of production. Indeed, to work effectively, over-all price control must be accompanied by complete control of the processes of production and distribution, and by rationing. Consumers' prices can only be controlled if farm prices and industrial costs are also controlled. To keep up production, if costs were not controlled, huge and ultimately uncontrollable subsidies would have to be paid by the taxpayers.

During the war, consumers' prices were, broadly speaking, held at the late 1941 level. Wage stabilization was accepted by Labour, but wages were not rigidly frozen. Costs, accordingly, rose slowly but steadily. Farm prices were permitted to increase considerably. The gap between prices and costs was largely met by subsidies. The cost of subsidies also increased from year to year.

The government always recognized—and always said—that over-all price control was purely a war measure. It was, in fact, a weapon of war—and its successful operation vastly increased our total war effort.

Creating Scarcity

But let us never forget the setting in which wartime price con-

trol operated. It was our deliberate policy to keep down and, indeed, to reduce civilian production so that more and more of our resources could be used to make war. In other words, we were creating scarcity. Price control and rationing were both necessary to ensure a fair distribution of scarce goods.

But once fighting ceased, our first concern was to reverse the engines, and to put the economic machine into full speed forward. We no longer wanted to create scarcity. Our aim was the exact opposite. We sought to encourage the rapid expansion of production to meet the pent-up demand for goods. The government knew that production would not be expanded if the nation's economy was kept in a war-time strait-jacket. We were equally sure, however, that if we took all the controls off at once, as was advocated by one of our political parties, prices would shoot away up before increased production got under way. We chose a middle course—orderly and gradual de-control. That is what, during and before the 1945 election, we promised to do. That is the course we have since followed . . .

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IT was perfectly clear that, having, on the whole, loyally accepted wage control and the control of farm prices, during the war, both labour and agriculture felt that, after the war, these controls should not be long retained. Wage control and the control of farm prices were the foundations of the wartime price ceiling. As wage controls were relaxed, and as the prices of primary products

rose, the prices to consumers had also to be permitted to rise. This sequence has now become more or less apparent. What has not been seen so clearly is the way in which, for more than two years, the inevitable rise in prices has been slowed down by the grad-

ual and measured way in which controls have been taken off. It should not be forgotten that, from the point of view of the cost of living, the most important single control—that of residential rents—is still retained.

The most striking increases have taken place in the price of foodstuffs. There are many—particularly among city and town dwellers—who agree that an over-all price ceiling is not practicable, but who feel that there should be ceilings on the prices of essential foodstuffs. Such a proposal makes an immediate appeal to those with modest incomes who see their food bills going up month by month. But let us look at the picture from another point of view. If the prices of foodstuffs are kept down by governmental control, and other prices are allowed to rise, farmers and other food producers are going to feel that the cost of living of people in cities and towns is being kept down at their expense. In the case of most foods produced in Canada, prices are still considerably lower than prices of the same foods in the United States. Our farmers have been prepared to accept somewhat lower prices because other prices and costs are, also, still somewhat lower in Canada, and because our farmers wish to secure a long-term policy of stabilization of farm prices.