

After Recess

The house resumed at eight o'clock.

ECONOMIC AND FINANCIAL POLICY

**STATEMENT OF MINISTER OF FINANCE AS TO STEPS
TO BE TAKEN TO MAINTAIN ORDER, STABILITY
AND INDEPENDENCE**

Right Hon. J. L. ILSLEY (Minister of Finance): I wish to announce to the house several important steps which the government is taking in the economic and financial field in order to prevent undue increases in the cost of living and costs of production, improve the effectiveness of price control, encourage a greater supply of scarce goods which we import from other countries, and generally strengthen the stabilization programme and facilitate an orderly post-war adjustment of the Canadian economy while protecting it from the major effects of adverse developments outside our borders.

It is now almost six months since the Prime Minister in a public statement gave a comprehensive review of the anti-inflation policy in the light of the post-war situation. At that time it was said that essential controls would be maintained so long as emergency economic conditions arising out of or resulting from the war required special action to preserve economic stability. But it was also stated that, in order to assist the process of conversion from war to peace production and the many adjustments that had to be made to post-war conditions, a degree of flexibility would be recognized in the administration of price control, and that progress would be made in removing controls that were no longer necessary or desirable.

Early post-war developments were not unfavourable. Reconversion unemployment did not occur on the scale which some had feared, demobilization proceeded with comparative smoothness and rapidity, and the evils of both inflation and deflation were avoided. In many lines there has been a marked increase in the supply of goods and services available to consumers, and this will be further apparent to civilian consumers in the near future as the special requirements of demobilized members of the armed forces are satisfied. In the case of some other goods, however, various interruptions have seriously delayed the progress of production and distribution.

When parliament gave its approval to the National Emergency Transitional Powers Act last December, it recognized that the emergency economic conditions which prevailed at that time would continue to endanger the

[Mr. St. Laurent.]

stability of the Canadian economy for at least another year, and that certain measures such as price controls and rationing would have to be continued. Most of us hoped that the situation which made these controls necessary would gradually improve. In recent months and weeks, however, a series of developments of increasing seriousness have combined to create a great and growing threat to our national stabilization programme.

Perhaps the greatest threat to the stability of prices in Canada comes from the rise in prices in the United States and, to a lesser extent, in other countries. The present position with respect to the future of price control in the United States is confused and uncertain. Without presuming to forecast what will happen in the legislative sphere, recent developments would seem to suggest that further increases in prices in that country are likely to occur. Indeed, quite aside from recent congressional developments, the fact is that prices in the United States have been rising steadily for some time and are already at a level substantially above the Canadian level when compared with the normal or pre-war position. In view of the strong commercial ties between this country and the United States, this trend has naturally exercised an increasingly strong upward pressure upon Canadian costs and prices, which we have sought to resist or neutralize as best we could. To a lesser extent, increases in prices in other countries than the United States have had the same effect. Higher prices for Canadian imports tend to push up production costs and the cost of living in Canada, except to the extent that these increases are offset by subsidy payments, or absorbed by Canadian importers and distributors. Every increase in foreign prices for our own export products also stimulates pressures for increases in the domestic price of such commodities. It tends to divert more of these commodities to the export market, and compels us to strengthen our controls over distribution so as to retain sufficient supplies for use in Canada itself.

But while the greatest threat to the stability of prices in Canada arises outside our own borders, the situation in Canada itself is not free from difficulty. The same tendencies that are present in almost every other country to-day are working in Canada also to raise prices. Most of the price increases which have been authorized in Canada in recent months, and which have naturally given rise to concern on the part of the public, were the result of an accumulation of cost increases (increases in labour and material costs and the like) which have been going on for five years. Moreover,