

I find it more difficult to follow my honourable friend's reasoning as to the interest on government bonds. He suggested that the government had forced the rate down to $2\frac{3}{4}$ per cent. As I understand it, with my limited knowledge of these matters, that rate was fixed because so many people were eager to buy the government's 3 per cent bonds that those securities commanded a premium on the market and the net yield to purchasers approximated $2\frac{3}{4}$ per cent. In other words, it became evident that there were plenty of willing purchasers of government bonds yielding $2\frac{3}{4}$ per cent. Of course, if this government had not practised reasonable economy in the administration of the country's affairs, and had had to borrow sums far in excess of what it has been borrowing, it undoubtedly would have had to raise the interest rate in order to attract purchasers. The principle is very elementary. If the interest rate at the moment is low, it is because the government has so conducted its affairs as to avoid the necessity of borrowing excessively. In any event, I can see no connection whatever between this matter and my honourable friend's general thesis.

Honourable senators, I should like to take a few minutes to make one or two general references to the subject of price control. My honourable friend says that the government is not exercising sufficient control. The senator from Toronto-Trinity (Hon. Mr. Roebuck) pointed out various aspects of this problem, and there is no need for me to add that it is a very difficult one. Let me make a brief review of what has been done with respect to controls in recent years. War broke out in September 1939, but there was no control of prices for about two years. In calculating the cost of living index the average price from 1935 to 1939 is taken as 100, the base index. At the outbreak of war the figure was 100.8, and by the time controls were first put into effect, in October 1941, it had risen to 115.5.

In the fall of 1945 the National Emergency War Measures Act, providing for the continuation of controls in the period of transition from war to peace, was passed. It continued in force orders in council that were in effect under the War Measures Act and empowered the Governor in Council to repeal or amend any orders or to make new ones as deemed necessary to effect an orderly transition. At that time the cost of living index stood at 119.9.

On July 5, 1946, the Canadian dollar was brought back to par with the United States dollar. Honourable senators will recall that it was at a discount of 10 per cent throughout the whole period of the war. This action by

the government was presented to parliament at that time as being part of a program of control, to lessen as much as possible the likelihood of rising prices. Speaking at that time, the minister said:

(a) Higher prices for Canadian imports tend to push up production costs and the costs of living in Canada.

(b) An increase in foreign prices for our own export products also stimulates pressure for increases in the domestic price of such commodities.

(c) The adjustment in the exchange rate will help offset the effect of high and rising prices in other countries. It will mean that the cost of imports will be 10 per cent less in Canadian dollar terms than would otherwise have been the case.

(d) Another benefit from this change will be that prices of goods which we normally buy from England, France and a number of other countries will now be more in line with our prices, with the result that we will receive more goods from them.

In general, honourable senators, the government sought to counteract the trend of rising prices by bringing the Canadian dollar back to par, thereby reducing the cost of imports from the United States and relieving the upward pressure of increased costs on the domestic market entailed by the difference between the value of the Canadian and the American dollar. In July, 1946 the cost-of-living index stood at 125.1.

In May, 1947 parliament passed the Continuation of Transitional Measures Act, which provided for the continuance in force for another year of fifty-seven regulations. The Act did not permit the Governor in Council to pass new regulations or to amend old ones, but it permitted the rescinding of any which were thought unnecessary. The cost-of-living index was then 133.1. In passing, I cannot refrain from saying that I thought the government a little unwise at that time in deciding to continue in force precisely 57 regulations. I recall quite clearly the attack the honourable leader opposite made on this proposal, in respect to which he said:

I strongly advise the government—though I do not suppose it will listen to my advice—to get out of this control business just as fast as it can. I suggest too that it never go back to these controls, because there are 57 reasons why the people of this country will be angry at them if they do.

Of course I expected him to pounce on the 57 regulations.

Hon. Mr. Haig: That is just what the Minister of Public Works said the other night, is it not?

Hon. Mr. Robertson: I am merely pointing out another instance of an expression of my friend's strong objection to controls, with which I find fault.

As a result of the exchange crisis, brought about largely by the spectacular increase in imports from the United States, measures were