

Much of the expert testimony of both academic and government economists emphasized that the increase in the cost of living which has been observed in Canada in the recent past is a complex phenomenon. There have been many influences at work and these in turn set up chain reactions which ultimately permeate the economy and have a buoyant influence on particular prices and on the price level in general. One fact to bear in mind is that the Canadian economy is strongly influenced by the prices of imported commodities which fluctuate in response to world market conditions. In other cases, there was evidence that the price of some foods had increased because of a fall in farm output attributable to lower prices in an earlier period.

While your Committee observed erratic increases in the prices of some farm commodities, it noted that farm prices are subject to a complex of market and technical influences. Farm prices have been affected by short-term cyclical movements as well as by changing agricultural technology not to mention changes in taste, weather and erratic fluctuations in world supply and demand. Your Committee found it difficult to arrive at any generalization concerning farm prices in view of the different patterns which were observed. Nor did it make any judgment on the trend of farm income in Canada, an issue which fell outside its terms of reference.

In general, it is to be expected that prices will rise in response to high levels of demand arising from larger amounts of money that people have to spend on consumption. An increase in consumer prices will in turn generate demands for higher wages which affect costs and so the whole process is a self-reinforcing one.

This complicated process is sometimes oversimplified and an attempt made to attribute a general price increase solely to some particular group such as trade unions, business, financiers, farmers, profiteers or even consumers themselves. The evidence presented to your Committee did not support any such unsophisticated view. It is instructive to note that the trend of consumer prices in Canada and the United States has exhibited a similar pattern. The table below shows the course of the Consumer Price Indexes since 1949. Although the absolute levels of these indexes differ the close correspondence in their movement is remarkable.

CONSUMER PRICE INDEXES
(1949=100)

	<u>Canada</u>	<u>United States</u>
1949	100	100
1952	116.5	111.5
1955	116.4	112.5
1958	125.1	121.3
1961	129.2	125.9
1962	130.7	127.0
1963	133.0	128.5
1964	135.4	130.6
1965	138.7	132.8
1966	143.9	136.6

Your Committee heard on several occasions about certain statistical investigations which had analyzed the relation between unemployment and price changes. The general conclusion seemed to be that once unemployment reached