

results they did had it not been for certain underlying conditions which produced a distinct inflationary bias over the period as a whole. The underlying factors most frequently stressed in the evidence placed before the Committee were the undue expansion in the supply of money and the substantial increase in government expenditures.

Chart IV shows the relationship which has existed between the increase in the supply of money and the growth in real production. It will be seen that throughout the period the supply of money ran ahead of the rise in the actual output of goods and services in relation to 1946—a year in which the money supply had already been enlarged tremendously as a result of the exigencies of war finance. Furthermore, the effects of the increasing money supply were greatly enhanced by the rise which has occurred in the rate of turnover of bank deposits, as indicated in Chart V. During the early part of the post-war period the expansion of the money supply was the result largely of the so-called “easy money” policy which was designed to promote economic expansion and to help avoid a depression which was widely feared. In the most recent period the expansion of the money supply was the consequence, primarily, of the problems arising out of the financing of the federal government’s cash deficit and the condition of the public debt. Mr. J. Douglas Gibson, General Manager of the Bank of Nova Scotia stated his opinion to the Committee that “... the experience of the post-war period, including the recent recession and present recovery, suggest that we have probably been too concerned about the risk of depression and not sufficiently impressed with the strength and vitality of our economic system. The record suggests that we should have put more emphasis on defending the value of money... It is, of course, fundamental that the money supply should be kept in hand because if the money is not available it simply is not possible for prices to keep rising.”

The inflationary movements in prices and costs during the post-war period has had very uneven effects on different groups and industries in the country. Indeed, these disparities which have become increasingly apparent are one of the important causes of the present concern over the prospects for the future. A few of the more important of these disparities are illustrated in Charts VI, VII and VIII. It will be seen that wage earners in manufacturing achieved a substantial increase in money earnings between 1946 and 1958 (135%) but a large part of this increase was offset by the rise in the cost of living (61%). Nevertheless wage earners in manufacturing received an increase in *real* income of about 46% over the period. This increase in *real* income, however, compares quite closely with the rise in real output per man-hour in manufacturing with the result that wage-earners as a whole in this large industry have obtained increases in real earnings approximately in line with advances in productivity (see Chart IX). It will be noted that total salaries and wages paid in Canada have risen in a favourable relationship to corporate profits and dividends over the period as whole (see Chart X).

In agriculture, the increase in the average net money income per farm operator was almost completely offset by the rise in the cost of living with the result that the farmer, on the average, has not shared in the substantial growth of total real income for the country as a whole. Mr. W. J. Parker, President of Manitoba Pool Elevators stated in his submission to the Committee “We are concerned with the fact that agriculture in general and prairie agriculture in particular is not sharing commensurately in the national economic fortunes. We note that price changes since 1951 have largely been adverse for agriculture. Farm prices generally declined, while non-farm prices rose, or there was a disproportionate overall price rise unfavourable