

cabbages and most canned fruits and vegetables. The Government has also requested and received from Parliament the right to continue its price controlling powers for another year, that is, to March 31, 1949. It has made it very clear, however, that it regards these as emergency powers and that it does not intend to go back to any general or over-all system of price control. It is using its powers only to place specific controls on those sections of the price structure which appear to be getting out of line.

This program of decontrol, we believe, has been an orderly and well-considered one. It has followed a logical pattern and avoided the two extremes: on the one hand, the extreme of sudden withdrawal of all controls, leaving economic forces to adjust themselves to the new situation overnight and therefore chaotically; and on the other hand, the extreme of retaining for too long a full-fledged control program with its probable inevitable effect in restricting production and aggravating the problems of readjustment that must ultimately be faced. However, despite the orderliness and the gradualness of the decontrol program, it has been accompanied by an increase in the price level of fairly sizeable proportions. Between December, 1945, and February, 1948, the index of the Canadian cost of living increased by 25%, and the index of wholesale prices by 41.8%. These increases are somewhat higher than the corresponding increase in a few other countries during the same period, but this is a reflection of the fact that Canada, at the end of 1945 and in relation to pre-war levels, showed smaller increases than almost any other country. Last December, in respect of our cost of living index we were still below all the other fifty countries for which figures are reported in the United Nations Monthly Bulletin of Statistics, excepting only Australia, New Zealand, Southern Rhodesia and the United Kingdom.

This suggests that the major explanation of our recent price rise lies in price-raising factors outside our borders. Canada ranks as the third largest importer and exporter of goods in the world. In these circumstances we could not hope under normal conditions to insulate ourselves from the effects of the inflationary rise in prices throughout the world. With the coming of peace, the elaborate system of controls and subsidies, both on domestic goods and on imports and exports, with which we had safeguarded ourselves during the war had had to be withdrawn, piece by piece, and the Canadian structure had therefore been left more and more exposed to external influences.

I have no desire to belittle the domestic factors which contributed to the over-all result. A considerable part of the rise in the cost of living index over the past two years has been due to the cessation of subsidy payments and the widening of dealers' and manufacturers' margins following the release of controls. The most important factor, however, has been the boom which has been developing in my country as in yours. Despite the magnitude of the industrial reconversion problem with which V-J Day confronted us and the large number of enlisted men and of war workers for whom new peacetime occupations had to be found, Canada made the transition from a wartime economy to a peacetime economy with astonishing speed and smoothness. In a little over a year we were again passing into a zone of full employment and since then we have been witnessing a real economic boom, particularly in the field of consumer goods and industrial capital expenditures.