

a fair level or be undercut by those who did so.

That type of control would not be subject to the whim of a bureaucrat, but would be the result of a scientific formula; and with such a policy, since industry recovers cost out of prices, adjustments could be made in wages when they were out of line. If an increase in price occurred and this reduced effective demand, an increase in the price discount would restore the balance between demand and supply. The result would be a steady expansion in production with prices actually reduced to the consumer, and in a short time prices of most products of secondary industry would find their own level.

The Minister of Justice (Mr. Hsley) stated that during the war subsidies were maintained because it was considered that the saving to the consumer would be greater than the cost in taxation, in view of the fact that they prevented a spiral of inflation. The minister has stated also that in peace time, if the cost in taxation was as great as the saving to the consumer, then the payment of a subsidy might no longer be justified except in so far as it would help bring about a fairer distribution of the income. It seems to me that the important point to keep in mind in future, then, is this. If in peace time the saving to the consumer through the payment of a subsidy would not be any greater than the cost in taxation, you would not be able to finance your subsidy by taxation if you were trying to increase the purchasing power of the consumer. For example, if the situation develops in a short time that we are warned by Mr. Graham Towers, in his 1946 report, may very well develop, that is a lack of effective demand, and if we considered that in order to increase the purchasing power of the people so that we might maintain an effective demand against the production of the country we should pay the consumer a subsidy, then obviously that subsidy would have to be financed by other means than taxation because, as the minister has pointed out, the cost in taxation might very well be as great as the saving made by the subsidy. Therefore we suggest that if subsidies are paid in future they will have to be financed by debt-free money issued by the state. In order to do that, of course, first you would have to establish effective control over the issue of currency and credit in order to prevent such an issue of money from creating inflation because, as the Minister of Finance has suggested on several occasions in this house, if we issue debt-free money there is the danger of inflationary action on the part of the chartered banks. Therefore I suggest that that is another control measure

[Mr. Quelch.]

we shall have to maintain in peace time; that is, effective control of the issue of currency and credit so that the government could issue national money without any danger of the chartered banks expanding loans at the rate of ten to one on the money so issued.

While it is true that secondary industries set their prices at a level at which they will recover their costs of production, that is not true of the primary industries, which have never been in the position where they were able to set their own prices in order to recover the cost of production. That is why today the primary industries are advocating marketing legislation which will make it possible for them to control their own prices. However, that goal has not been reached, and at the present time they are still at the mercy of whatever prices may be established by world markets or by the government on behalf of the producers. Therefore, in the future, certain controls will have to be maintained which will make it possible for farmers to obtain prices which will enable them to meet their costs of production and obtain a fair profit for the work they have done. I mention that fact because I have heard hon. members to our right say, "If you are against controls in regard to secondary industries, then you must also be opposed to controls in regard to primary industries." I would point out that primary and secondary industries are on entirely different bases. Secondary industries have control of their prices, but primary industries have not.

The Minister of Justice warns of the danger of inflation if price control is lifted. I would point out that we already have a degree of inflation, and I think the minister admits that in all probability prices in this country will have to rise in future because, generally speaking, prices throughout the world are higher than in Canada. If we try to maintain prices in Canada at a lower level than in the rest of the world, what we are actually doing is subsidizing the other nations of the world, and I cannot see any justification for the people of Canada having to subsidize the rest of the world. The minister keeps referring to the price level in the United States. I am glad he clarified that point today. I have always understood him to say that the price level in the United States was so much higher than the price level in Canada, but apparently what he really meant to say was that the increase in the price level in the United States during the war was much greater than the increase in Canada. I think he will admit that in many lines the price level in the United States is actually lower than in Canada. I was in that