

the money cost of the war and the continuing burden of war debt, safeguarded the economically vulnerable members of our population against acute hardship, and avoided the acute social unrest, with its damaging effect on output, which is the product of sudden and drastic price changes. In particular, we had avoided the fantastic distortions of the price structure which the inflationary financing of the first World War had caused and which had led inevitably to a painful, corrective process of deflation and readjustment.

After the war ended we were anxious to maintain indefinitely as much of these solid gains as was practicable in a world in which no nation any longer lives unto itself alone. We were hopeful, therefore, that throughout the world the pressure of inflationary forces could be held in check-- by expanding output, by appropriate fiscal, monetary and economic policy in all countries, and by constructive international co-operation. We believed in a free economy and in the effective working of the price system and we realized that even if we wished to do so we could not under ordinary peacetime conditions maintain that practically unanimous public support upon which the successful administration of price control is dependent. At that time also it was widely believed that a fall of moderate proportions in the world price level was likely in the relatively near future. Therefore, as our price level was below that of most other countries, we hoped that we would be able to tie on to the probable new world level of prices without too great an upward adjustment in our own prices.

When we first began to think of the problem of decontrol, away back in 1944, we felt that our plans for dismantling our wartime restrictions should be spread over a period of at least two years. While always ready to adapt our plans to unforeseen developments -- and having to do so on more than one occasion -- we have nevertheless kept pretty well to that original schedule. Our supply controls were relaxed very quickly and by the end of 1945 most of them had disappeared. Price and rationing decontrol, however, was not even begun until February, 1946, and for more than a year after that it took place very gradually and cautiously. Not until the spring of 1947 did we begin to decontrol and de-ration the staple constituents of the people's food, clothing and shelter. The elimination of subsidies was a necessary prerequisite to the decontrol of prices. It began early in the post-war period and was accelerated after about the middle of 1946. By that time, U.S. price controls had been substantially eliminated and it had become clear that there was little hope of subsidies being eliminated by external prices moving down to the Canadian level and that as the remaining subsidies were withdrawn price increases would follow in most cases.

During the year 1947 the removal of subsidies and the decontrol of prices proceeded apace and we had in mind the possibility, if not the probability, of complete decontrol by the spring of 1948. That has proved somewhat optimistic but by the beginning of this year all that remained of price control were the ceilings on wheat, sugar, oils and fats, soap, shortening, tin, and primary iron and steel. In addition, we continued and still continue our rent and eviction controls. Under its emergency powers the Government still retained the power to reimpose price ceilings whenever conditions warranted, and the sharp further upswing in prices early this winter caused the Government to exercise these powers in the case of butter,