

misunderstood) is not to defend supposed virtues in inflation or to advise against the use of inflationary controls. On the contrary, we are quite ready to endorse both the goals and the methods of a well considered anti inflationary programme." The Canadian Federation of Agriculture expressed the hope that your Committee would "...emphasize that public and private activity in this country must be based on the premise that the threat of continuing inflation is one that can be largely removed by appropriate policies and programs, monetary, fiscal and industrial—and that such policies should be consistently followed."

It has been pointed out that Canada is always subject to powerful influences from abroad, particularly from the United States. It has been argued that if there is inflation in that country it will inevitably be communicated to Canada. While the Canadian economy is likely to continue to be strongly effected by events in the United States, we are not helpless and we could easily do worse. The Governor of the Bank of Canada stated his view to the Committee that "we should at the very least try to prevent ourselves adding domestic causes of inflation or deflation to what causes are affecting us from abroad... if these price movements abroad are very broad and large in magnitude, that we would to some extent try to insulate ourselves and not suffer as big a price rise or price decline in Canada, expressed in Canadian currency".

#### *Nature and Effects of Post-War Rise in Prices 1946-58*

One of the factors in the concern over inflation arises from the experience of the post-war years during which a considerable upswing in prices occurred, an upswing which exceeded that which took place during the war itself. Canada's experience was not unique—it was a phenomenon which occurred in most other countries. The rise in prices in Canada during the post-war period was somewhat greater than in the United States but less than in the United Kingdom. On the other hand the post-war period in Canada was one of rapid economic progress and generally high levels of employment. The developments during this period were summarized concisely in the submission of the Canadian Chamber of Commerce. "From 1947 (the first full year after price controls were lifted in 1946) through 1958 the Consumers' Price Index in Canada increased 47.5 per cent or  $3\frac{5}{8}$  per cent per annum, compounded. During this 11-year period, however, the Canadian economy experienced dynamic growth on a scale seldom equalled by any country. Population increased 35.8%, G.N.P. 133.8%, employment 18.1%, and unemployment as a percentage of the working force averaged 3.3% per annum. Gross capital expenditures of all kinds totalled \$65.7 billions, or, an average 23.0% of G.N.P. per annum."

Chart III shows the growth in the total physical volume of Canadian production, the growth measured in money, and the effect of the rise in prices over the period 1946-58. In money terms Gross National Production (G.N.P.) rose by an average of 8.7% per annum but more than half of this rate of increase was the result merely of higher prices on the actual goods and services produced.

However, even during this period there was not a relentless and persistent trend. As was emphasized in the submission of the Canadian Congress of Labour there were three distinct periods of inflationary pressure; from 1946-1948 (release of long pent-up consumer demand), from 1950 to 1951 (Korean war and re-armament), and from 1955 to 1957 (investment boom). In the intervening years, some of which were periods of business recession, prices were reasonably stable. While special factors were present during the periods of sharpest upswing these special factors would not have brought about the