

As the cash position improved, the restrictions imposed on current account expenditures, such as travel restrictions to the United States, were relaxed. Import prohibitions and the War Exchange Tax were abolished by 1945. Canada had succeeded in maintaining her stable position even after paying cash for over 6,000 million dollars worth of imports from the United States during the war years, while Canada's balance of indebtedness with the United Kingdom improved by approximately 1,500 million in the course of the war. It is to be noted that Canada did not participate in the United States lend-lease programme but paid cash for all its expenditures in the United States.

A measure of foreign exchange control is being retained in Canada. It is expected that imports of capital and consumers' goods from the United States will continue at a high level; the special exports of war supplies and grain have fallen off, and Canada must be in a position to meet her foreign capital commitments the largest part of which is to the United States.

The present function of exchange control in Canada is to prevent certain types of capital movement, and to preserve exchange stability -- not to interfere with normal current account transactions. It is the intention of the government to retain these controls until world trade conditions have returned to a more stable basis.

WARTIME PRICES AND TRADE BOARD

Created at the very outbreak of war, on September 3, 1939, the functions of the Wartime Prices and Trade Board were to prevent an inflationary rise of prices and of the cost of living, and to maintain a sufficient supply and orderly distribution of essential civilian goods and services. The Board was given wide powers to check hoarding and profiteering, and to control the existing supply of goods.

Its organization falls into three broad classifications: Board members (including representatives of several Government departments) concerned mainly with policy, coordination of activities and internal organization; Commodity and Trade Administrations, liaison between the Board and the industries, trades and services under its jurisdiction; Regional and Field branches, linking the general public and the Board.

To assist in carrying out the work of the Board, a number of subsidiary companies were organized: Commodity Prices Stabilization Corporation Ltd; Wartime Food Corporation Ltd; Canadian Wool Board Ltd; and Wartime Salvage Ltd. All these were entirely government-owned and directly responsible to the Wartime Prices and Trade Board and through it to the Minister of Finance.

Price Control

For the first two years of the war a policy of selected controls and special provisions for civilian supplies was sufficient: unused productive capacity was being brought into use and taxation was sharply increased so that dangers of inflation were limited. By the summer of 1941, however, a strong upward trend of prices was developing: war demand was beginning to create over-all scarcities and lack of shipping was seriously reducing normal imports. By August 1941 the cost-of-living index had risen 13.7 per cent over its 1939 level, having advanced 5 percent in the five months since April. The necessity for greater control was apparent.

In October, 1941, Canada was the first democratic country in the world to institute an overall price ceiling: it became illegal to sell any goods or services (except where a specific exemption was listed) at a price higher than the maximum obtained during the period September 15-October 11, 1941. In spite of heavy pressure from rising costs, the price ceiling in Canada was successfully maintained. On January 1, 1946, the cost-of-living index stood at 118.9 on the base, August, 1939 = 100 (compared with