is known as inflation, is of course most controversial and most interesting, because of its very wide application throughout the community; and if honourable senators will bear with me, I shall discuss for a few minutes this matter of rising prices, the cause of the trend, and possible means of offsetting it.

What we call "inflation", though it is really price inflation, is the rising value measured in money of goods of all kinds. Unfortunately its effect on the cost of living is rather too well known to us all. To the low-income classes it has proved and is proving somewhat of a national disaster; and I think it is generally conceded to be undesirable in its effects upon all classes of the community. I believe responsible statesmen in all parties will agree that, in the interests of business, for the sake of those whose incomes are fixed, and of housewives and those who maintain homes in our communities, it is undesirable that the prices of commodities shall reach exorbitant figures.

There are two factors in this matter of price: one, the value of the goods sold; and two, the value of the money used in purchases. Many people do not realize this, although they see that the value of goods and the price of goods are associated. If the value of goods goes up because of an increase in demand or of a lessening supply, prices rise; and if the purchasing power of money decreases because of an increase in the amount tendered for purchases, again the price rises. Conversely, if the supply of goods exceeds the demand, or if the supply of money is less than the supply of goods offered, prices fall.

Honourable senators will observe, as I have remarked, that there are two factors in price: the goods offered for sale and the money offered for purchase—not necessarily the money used for purchase but the money tendered or ready to be tendered, which, of course, by rule of competition, affects the price.

One of the most valuable documents to come into the hands of honourable members is the report of the Royal Commission on Prices, otherwise known as the Curtis Report, dated at Ottawa on March 18, 1949. I may say to my honourable colleagues that this document is well worthy of their study. I should like to quote from the Summary of Volume II, the Economics of Rising Prices:

> We are concerned in this report with a general rise in prices which is commonly called "price inflation" or just "inflation." How does inflation come about? Briefly, it is a symptom of too much spending in relation to the available supply of goods and services, or, to use an overworked but expressive phrase, it is a case of "too much money chasing too few goods."

That is an excellent phrase—"too much money chasing too few goods".

The report continues:

> Once full employment has been attained, the attempt to increase spending by more than the increase in average output per worker is bound to raise the general level of prices . . . spending by businessmen for capital investment puts money into the pockets of wage and salary earners and businessmen who work on the projects or supply the materials. So unless adequate counter measures are taken, or there are some other offsetting influences, the chase of money after goods begins. The resulting competitive bidding-up of wages and prices adds to the incomes and to the general willingness to spend. Thus the spiral of rising prices moves upward.
>
> Rising prices can be cured only by removing the excess of demand over supply. Any other proposed remedy, no matter how different it looks, can succeed only if it somehow or other increases the supply of goods or decreases the rate of spending.

The report goes on to outline some of the things that governments may do by way of offsetting such a trend.

> Government policy can operate in several ways to reduce the volume of spending, namely, by:
>
> 1. Levying higher taxes which have the effect of leaving less money in the hands of the public for spending.

We all remember the effect of rising taxes during the last war, and the explanation given by the Minister of Finance at that time, that one of the methods of holding down rising prices was to take away from prospective purchasers of goods the wherewithal, or at least a portion of it, with which they could buy goods.

> 2. Discouraging borrowing and the raising of capital, e.g., by higher interest rates and by putting indirect pressure on the banking system to curtail lending.
>
> 3. Encouraging saving and the deferring of expenditures, e.g., by government bond selling campaigns and by postponement of its own capital expenditures.
>
> 4. Controlling prices and supplies and thus making it illegal for people to spend as much as they would otherwise have done.

I turn to page 17 of the report in which the authors say:

> In theory, fiscal and monetary action alone can prevent a general rise in prices. All that is required is a policy which reduces purchasing power and otherwise restricts expansion in the money supply and the rate of spending to the point where money demand is equal to the available supply . . .

The report then goes on to mention the practical difficulties in carrying out such a policy, but there lies the principle—on the one hand, a reduction in the amount of money in the hands of would-be purchasers or the temporary laying aside or saving of money by them; or, on the other hand, an increase in the production of goods.

I have already said and, in view of the excellent authority just quoted I think it