

Canada to Continue Price Control Policy

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By KENNETH C. CRAGG

Ottawa, July 2 (Staff).—Price control policy will continue to place its main props, including subsidy payments under items both imported and domestic, which figure most in the cost of living.

This is reputed to be the underlying consideration in Prime Minister King's statement to Parliament today which announced two things: (1) That there is no intention of abandoning controls in Canada—irrespective of what the United States has done. (2) That the course to be followed will be the one which the Government believes is well adapted to Canadian conditions and the Canadian economy.

In the next breath, Mr. King made it clear that the course would be one that allowed a fully elastic policy—one probably that did not envision the erection of a barrier here and another one there in the hope that a Maginot Line defense policy might stop advancing inflation.

Occasional Changes

Mr. King said: "We shall continue to follow policies which we believe to be in the general interest making, from time to time, such modifications as seem to be required in the light of internal and external conditions as they develop."

By and large, the expiration of United States emergency price, rent and ration controls has put new life into a War Prices and Trade Board which was being threatened with a paralysis that came largely from the impression that it was doomed, anyway, so "what's the use."

A positive attitude to holding back inflation on the specific items which by custom are lumped roughly under food, shelter and clothing, may be expected.

While there is a general admission that a definite line of policy today might be a forgotten idea tomorrow, the following gives some indication of the Administration thinking:

There is little likelihood—some say there is none—of the Government re-establishing import subsidies on items from which they were removed in January of this year.

Specific Classes

While general policy dictates that the Government is to get out of subsidies, it does not prevent it from paying subsidies on specific classes of goods, or even from increasing the rates.

Dozens of classifications of goods were excluded from import subsidies last January—from bees to ginger and spices; from cleaned rice to lamp black and paints, glassware, agricultural implements, nuts and bolts, bicycles and partly dressed lumber; from linoleum to leather for manufacture, for example.

But kept under terms of subsidy were items like anthracite and a wide range of cotton items, petroleum products, and a relatively few scattered items which were in short supply and which were believed essential under control classifications.

The anthracite subsidies have advanced under wage increases in the United States and on cotton items, on the average, have been advanced to 14 cents. Originally they were 10 cents; they were reduced four cents, then advanced in pace with rising cotton prices in the United States.

On the domestic front, the biggest problem probably is one of determining what to do about wheat, the king pin of food prices here.

The forecast is that the price will be increased. Liberals believe wheat

should be increased from \$1.55 export and that is the thing that counts, irrespective of Opposition pressure for increases.

It is not likely that a new price will be set until United States prices settle down from their first flurry of release from what passed there as controls.

Regardless of the amount, the Canadian public can expect a continuation of domestic wheat subsidies in some form or another, at least in a form that will take care of the increases from the cost of living angle.

Main Objective

In general, the current drive is to hold prices irrespective of what happens in the United States—hold them against inflationary effects from the United States—to a point at which labor will not demand further wage increases; for if they are not held, to use the descriptive phrasing of one administration head, "God knows when they will come down."

The objective is outlined further in: "It is a gamble in paying subsidies for awhile that is well worth taking, because it may be for a short period only." That is until the inflationary peak in the United States has subsided from the current release in prices.

Picture Far From Clear

Outside the House, Chairman Donald Gordon of the Prices Board, said when asked for comment on the American action:

"The situation is far from clear in the United States and we have got to wait until it clears off."

Other sources said that even if the action led to a form of inflation in the United States there was no reason for a "bust up" in the Canadian price system with the retention of present controls and "watching" attitude.

This, he added, was because Canada, particularly in the last six or eight months, had been moving "further and further" away from the United States in its price policy.

It was admitted, however, that the American step had faced the Government with possibility of the most critical price stabilization problem since price control was introduced in 1941.

Mr. King's Statement

Text of Mr. King's statement: I might give the House a little information with respect to the matters of price control in the United States and the attitude of this Government toward the possible consequences thereof.

On June 30, the emergency legislation in the United States, which authorized price, rent and rationing controls, expired. As I understand it, the consequence is that there is at the present time under Federal law no price control, no rent control and, with the possible exception of sugar, no rationing in the United States. There are, of course, certain States and municipalities which have taken emergency measures or maintained existing regulations which are not affected by the expiration of the Federal law.

This situation has not, unnaturally, raised certain questions in the minds of many Canadians. The Government feels that the first opportunity should be taken to assure Parliament and the country that there is no intention of abandoning similar controls in Canada.

Some Effect Expected

Developments affecting prices in other countries, particularly the United States, are, of course, not without their effect upon Canada. Our policies have, in the past and

will, in the future, necessarily continue to have such developments in mind.

Price-control, rent-control and the control of supplies existed in Canada before they were adopted in the United States. Canadian regulations, while similar in objective to those in the United States, have often differed quite widely, both as to their form and their nature.

In other words, we in Canada have followed our own course which we believe is well adapted to Canadian conditions and to the Canadian economy. We shall continue to follow policies which we believe to be in the general interest, making, from time to time, such modifications as seem to be required in the light of internal and external conditions as they develop.

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