



McGILL UNIVERSITY

PRICES AND WAGES IN CANADA  
SINCE THE BEGINNING OF THE SECOND WORLD WAR

A Thesis

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MASTER OF COMMERCE

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## INTRODUCTION

When the present war began in September 1939, the evils of inflation so typical of the first world war induced the warring nations to adopt the principle of price control. Germany had established an over-all price ceiling in October 1936, which indicates how long ago Germany had begun to prepare her economy to withstand the shock of war.

An actual price inflation constituted no serious threat to Canada at the start of the war because we had idle capital and idle labour. The amount of economic "slack" arising from developments prior to the outbreak of war is surveyed in Chapter I. Briefly, it may be described as the result of the rising period of prosperity which culminated in 1929 and the depression which followed in the 1930's. Although it appeared in 1937 that we were at last climbing out of the depression, we had another setback in 1938. Thus Canada entered the war with an industrial output far below her capacity.

Due to the leisurely nature in which we waged war for the first nine months, Canadian industry was not called upon to exert itself to produce materials for war. It is true that economic activity was increasing, but not at a rate where the economic "slack" was being taken in to any degree. The

movement of the price level during this period is dealt with in Chapter II.

With the fall of France in June 1940, the urgent demands for war equipment of all types provided the incentive Canadian industry needed. Industries began working two and three shifts and a gigantic plant extension program was begun. By the spring of 1941, the rising tempo of war had swallowed up the reserves of idle equipment, idle labour and surplus materials.

The rapid expansion in the war program resulted in a rising flow of income payments and, at the same time, diverted men and materials away from civilian pursuits. On the other hand, the expanding civilian purchasing power increased the demand for consumer goods. War industry and civilian industry began to bid for the very same factors of production. Both bid high, for many war contractors were on a "cost plus five" basis, and civilian industry knew that a prosperous public would be willing to pay the higher costs.

Thus, it was not until the spring of 1941 that civilian production began to fall behind civilian demand. The spiral of inflation started in March or April and many problems may have been avoided had action been taken then.



Commodity prices and living costs, which aside from the initial upturn after the outbreak of war had been rising slowly, turned sharply upward and began to show an inflationary pattern. The cost of living index rose by seven per cent in the seven months from April to November 1941 - as much as the entire increase in the nineteen months from August 1939 to April 1941.

Taxation and borrowing were fighting a losing battle in the attempt to siphon off rising incomes. In August 1941, the Government decided that price control was an essential weapon in the fight against the potent forces of inflation. The Wartime Prices and Trade Board was made the supreme authority in the field of price control and civilian production. The criterion which it set for itself was the control of production of goods and services for civilian use with a view to achieving a maximum war effort and, at the same time, ensuring the maintenance of the minimum output essential to health and efficiency on the home front. As events have unfolded, the efforts of the Board have fallen short of this goal as yet.

The task of the Board was and is a tremendous one. The immediate problem in 1941 was that of adjusting the many individual anomalies and time-lag problems embedded in

the "frozen" price structure of the basic period. This problem, and many others arising out of price and wage control, will be dealt with in this work. The ramifications of price and wage control are very wide indeed. The theoretical aspects of economic control in wartime have been investigated to some length in research work already. The purpose of this thesis is twofold - firstly, to investigate the application of price and wage control in Canada and, secondly, to determine how successful it has been.

The growth of economic controls has assumed major proportions in Canada as well as in the rest of the world. Many regard it as temporary expediency, others feel it should be here to stay. It was with this thought in mind that the work was undertaken - to throw some light, however weak it may be, on the application and results of central planning as a possible method of the adjustment of inequities and the assurance of a better way of life.

## CHAPTER 1

### LABOUR AND CAPITAL UNEMPLOYED

#### AT THE START OF THE WAR

Mobilization of a country's resources for war may develop in two principal ways. Firstly, unemployed capital and labour is put to use. This is accomplished with little disturbance to the rest of the economy. Secondly, labour and capital already in use may be diverted to war purposes. In a total war such as we are fighting now, idle resources of men and materials at the start of the conflict are quickly used up, leaving the country faced with inevitable curtailment of civilian supplies, or, war and civilian industry bidding for the very same factors of production. The latter alternative means price inflation and eventual dislocation and disorganisation.

For more than two years Canada had more butter as well as more guns. The decisions to curtail consumers' supplies should have been made at some earlier date. Therefore, a knowledge of the capital and labour idle at the start of the war will give us a clue to the behaviour of prices in the initial stages of the conflict. Then we shall be able to see the effects on wages and prices in the "zone of full employment".

#### Labour unemployed at the start of the war

No complete statistics of labour are available in Canada and for our purposes those statistics which are

available are most inadequate. The Dominion Bureau of Statistics set the total number of unemployed as at August 1939 at 332,000 or 12 % of a total wage earning population of 2,793,000.<sup>(1)</sup> The Bureau has defined wage earners to be those individuals who have worked at some time in the past as a wage earner. By this definition five types of people are not represented in the official unemployment figures. They are, 1, people who never could find a job; 2, workers who worked on their "own account" because they couldn't make a living at their trade; 3, employers who went bankrupt, as many did during the great depression; 4, professional men, fishermen, farmers and all non-wage earning workers; 5, those who arrived at working age.

It is not therefore surprising that this restricted definition gave an estimate of unemployed far below the actual number of workers in Canada who were seeking employment. The estimate of the total number of workers, taking into account the four classes outlined above, was set at 4,335,000 as at September 1939 by the Bank of Canada. This estimate prepared in the fall of 1942 is the more realistic picture and gives us a hint to the mass unemployment existing at the start of the war and which was disguised in official government figures.<sup>(2)</sup>

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(1). See Table 1 in the Appendix.

(2). A. F. W. Plumptre in his work "Mobilizing Canada's Resources for War" recognizes the "disguised unemployment" and after making allowances for it estimated total unemployment at 600,000 or 20 % of the wage earning population. Even this figure he admits to be an underestimate in the light of the subsequent increases in the Canadian working force.



There is no doubt that the volume of employment is a function of the business cycle and shows a positive relation to it. When times are generally good throughout the economy, when we are in a period of prosperity, employment will increase with the increasing economic activity, and unemployment, of course, will fall. The converse is unfortunately true also. Such has been our experience during the 1920's culminating in the crash of 1929 and the subsequent unemployment in the depressed 1930's.<sup>(3)</sup> Moreover, producers' goods industries and the durable consumers' goods industries react to the business cycle more readily and fluctuate more violently than any other industries. It is therefore believed that after 1929 it was these two sensitive industrial groups that a relatively larger proportion of the unemployed came from. The significance of this lies in the fact that it is these very industries which are mainly responsible for the materials of war. Although this available source of labour had seriously deteriorated in quality through years of being unemployed, it was originally from this source that our growing war industries drew upon for its increasing labour demands.<sup>(4)</sup>

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(3). See Graph I in the Appendix.

(4) The Statistical Summary of The Bank of Canada for February and March 1940 report that in Sept. 1939 13 % were on relief for more than five years. Similarly in "Canadians in and out of Work" L. C. Marsh reports that in 1939, 10 % on relief had been on relief for at least nine years. It is therefore not surprising that many unemployed had lost a good deal of their former skill and ability.

Although many of our unemployed were losing their skill and many who became of working age during the trough of the depression had little or no technical skill at all, most of them had a good mechanical sense and took to their new found occupations with surprising ease and growing adeptness.

Employment in Manufacturing and Construction and Maintenance  
1929-1939.

The burden of unemployment for the ten year period immediately prior to the war fell largely on the manufacturing and construction industries. The downward trend of employment in manufacturing began immediately after the crash of 1929 and continued until 1933, a year in which the value of output was lowest since the annual census started in 1917. The index turned upward in the latter half of 1933 and continued upwards to 1939 marked only by the recession of 1938. As we can see on Graph II, however, the 1939 level of employment in manufacturing was still slightly below that attained in 1929 and 1937.<sup>(5)</sup>

In construction and maintenance the index of employment, as shown in Graph II in the appendix, was subject to wide fluctuations which is indicative of the sensitive nature of this industry. The disaster of 1929 did not apparently curtail the completion of unfinished capital construction which took

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(5.) For a fuller description, see the Canada Year Book 1941, pages 306-313 on the "Effects of the Depression on the Manufacturing Industries of Canada."

until 1931.<sup>(6)</sup> After 1931, construction suffered a most severe collapse and after the short lived revival of 1934, collapsed again. The government, anxious to stimulate confidence, encouraged the construction industry by extending loans under the "Housing Act" and the "Home Improvement Plan". The index of employment rose steadily after 1936 to the outbreak of war. At that time the index was 18 points below the 1931 level which meant that a considerable slack in employment still existed.

#### Employment in Mining 1929-1939.<sup>(7)</sup>

Of all the basic Canadian industries, mining was the only one that flourished after 1929. Although the index of employment fell from 120 in 1929 to 97.5 in 1933, this fall was completely overshadowed by the unbroken rise to 163.8 in 1939. Employment of labour in mining was practically the only bright spot in the unemployment situation prior to the war, and at the outbreak of war in 1939, there were no surplus of mine labour to draw on.

#### Employment in Logging 1929-1939.

The logging industry, dependent upon the demand for lumber products and pulp and paper, reflected the activity of the two latter industries. The index of employment fell rapidly after 1929. The increase demand for paper after 1932 stimulated employment in logging and the encouragement

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(6). This fact is particularly interesting in that it is inconsistent with the widely held trade cycle theory of F. A. von Hayek as expounded in Prices and Production and Profits, Interest and Investment.

(7). See Graph III - Index of employment for mining and logging, 1929-1939.

and financial help of the government to the construction industry, carried the index of employment for logging in 1937 to 189.3, the highest in Canadian history. As shown on Graph III, the subsequent recession caused the index to fall to 119.1 in 1939, just 6.7 points below the 1929 average. The high level of employment attained in 1937 would support the belief that Canadian logging found itself at the start of the war with a small surplus of labour.

#### Employment in Services and Trade, 1929-1939.

The index of employment for services and trade both moved in the same direction so they may be considered together. It is seen on Graph IV that the indexes fell from 1930 to 1933 after experiencing a small rise after 1929. From the low of 1933 the indexes of employment rose without any recession to a new high level in 1939. It is apparent that the two industries had absorbed all of its unemployed by 1939 and therefore entered the war with no surplus of labour.

#### Employment in Communications and Transportation, 1929-1939.

The index of employment (Graph V) fell after 1929 and never experienced any trends towards a recovery. These industries entered the war with a large percentage of unemployed and as we shall see later they were able to respond quickly to the increasing business caused by the war.



Plant and Equipment Unemployed at the start of the war.

Canada, in the 1920's, was caught in a swirl of rapid industrialization. The subsequent financial collapse of the United States in 1929 was immediately followed by a collapse of the boom in Canada because of the intimate tie-up between the two countries. We continued to suffer severe depression until 1932-1933. The situation was indeed very serious for our index of physical volume of production had dropped from 125 in 1929 to 79 in 1932 - in other words, our production in 1932 was only 63.2 % of that in 1929.<sup>(8)</sup> The downward trend broke and a slow and painful recovery set in. After the speculative fling of 1937 we again experienced a slight recession in 1938. This was the condition of our economy when war again engulfed the world. It is logical to assume that we had a great deal of idle industrial capacity at the start of the war, for Canada never recovered fully from the crash of 1929. Moreover, some very important shifts had occurred in our economy, for those industries which were hardest hit by the depression were not the ones that experienced the greatest recovery after 1933. The industrialization of Canada during the 1920's was directed to increase the production of pulp and paper, slaughtering and meat packing, flour and feed mills. Wheat, newsprint and aluminum represented the main exports of the

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(8). See Table II.

country and production for export constituted over one quarter of the total production in Canada.<sup>(9)</sup> In 1937-38 when the value of exports was almost double that of the year 1932-33, the most depressed groups of exports did not recover to share in the high level of exports. The disastrous failure of the wheat crop all but removed Canada from the international wheat market. Forest products expanded to meet the increasing demand for newsprint, planks and board. However non-ferrous metals rose to great importance during the 1930's and in 1937 Canada was supplying about 40 % of the world market. The recovery from 1933 depended largely on the mining industry and non-ferrous smelting and refining. The latter industry rose from ninth place in 1929 to first in importance in 1938 of all the manufacturing industries.<sup>(10)</sup>

This shift in Canadian industry is significant because a great deal of slack existed in those industries which did not share in the recovery after 1933. This fact is obscured in the Physical Volume of Production index because our potential output in 1939 was greater than that of 1929. Table III shows that of the manufacturing group, automobiles, railway rolling stock and sawmills in particular had large idle capacity at the start of the war.

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(9). See Canada in World Affairs - The Pre-war Years. Oxford University Press, Toronto, 1941. Section on Foreign Trade, by J. F. Parkinson.

(10). See Table III.

## Steel.

Steel capacity before the war was estimated to be twice the 1937 production of  $1\frac{1}{2}$  million tons.<sup>(11)</sup> Far from being an independent and compact unit, our steel industry depended for most of its iron ore and coal from the U. S. A. Alloy steel, so vital in the manufacture of artillery, was being produced in one small plant in negligible quantities. Even working at maximum capacity the steel industry, with much of its equipment long in disuse, promised to be one of the bottlenecks of Canadian war industry.

## Mining.

The steady growth of the mining industry during the depression was due to the rise in the price of gold and the increasing importance of non-ferrous metals in our export trade. Ironically enough, we were supplying the war industries of those nations we are fighting now. No unused capacity existed at the start of the war, except that with the halt of exports to Japan our own war industry in the initial stage of expansion had enough of the vital non-ferrous metals.

## Railway Rolling Stock.

Completely dependent upon the railways, the rolling stock industry reflected the fall in freight traffic

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(11.) Plumptre, Op.Cit., p.11.

and the consequent lean years for our railways after 1929. Our two major railways had more than enough rolling stock and therefore replacements were largely curtailed. At the start of the war, much of the rolling stock capacity was idle and it was this industry which turned to the production of tanks and planes.

#### Munitions and Explosives.

No idle capacity for munitions and explosives existed at the outbreak of war for there were no plants of any size to deal with war demand devoted to such production in our pre-war economy. Our arsenals during the 1914-18 conflict had long been converted and abandoned and it remained for our construction industry to put up the plants to start our armament industry working.

#### Construction.

Despite government aid to civil housing and increasing construction in mining areas, construction had a great deal of idle capacity in 1938. Contracts awarded in 1938 were less than 1/3 of the total awarded in 1929 indicating about 2/3 idle capacity.<sup>(12)</sup> Thus construction was in a position to meet the demands for the needed plant in the armaments and munitions industries.

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(12). See Table II in the Appendix.



## Agriculture.

Agriculture was the hardest hit industry in 1929 and remained depressed until well into the war. The decline of the export market and the disastrous failure of the wheat crop in 1937 contributed to the depression of our most important industry. The surpluses existing at the start of the war were enormous and the problem then was how to dispose of all our farm products and not how to grow more. As in the last war, Canada promised to be the "bread basket" of the Empire because of her enormous potential agricultural production.

## Automobiles.

Capacity in excess of civilian requirements existed at the start of the war in the motor car industry. The peak of production in 1929 realized 263,000 cars and trucks. In 1938, 166,000 were produced. However without plant expansion the production of 1929 could not be exceeded by very much.

Logging capacity can only be estimated on the available supply of lumbermen. At the start of the war the surplus of lumberjacks was small. With the enlistment of many lumbermen in the Canadian Forestry Corps, the forest products industry was facing increasing demand with an ever decreasing supply of logs.

Machine tools were being manufactured in small quantities at the start of the war. Even in our pre-war economy, most of the machine tool requirements were supplied by the U. S. A. The vast amount of re-tooling from civilian to war industry could be accomplished by United States industry.

The power facilities to supply industrial centres in Canada was more than sufficient in our peace time economy. At the outbreak of war, few people could foresee the vast production of Canada after three years of war. Power facilities have proven to be inadequate and constitute a serious bottleneck which cannot be cleared in the space of a few months.

Canada depended for 90 % of her crude oil from foreign countries, mainly the U. S. A. The remaining 10 % came from the Turner Valley. However, no great increase in crude oil production could be expected from the known wells. The necessities of war could be expected to induce an intensive search for new oil fields. The immediate increased demand, though, would have to be met by the U. S. A.

In summary, Canada entered the war with confidence in her industrial and agricultural industries. A maturer economy than in the last war, Canada was ambitious to produce ships, planes, guns and tanks, the finished products of industry and not merely the agricultural products and basic minerals as in the last war. Our desire and struggle to

become an industrial power is the story of Canada's  
mobilization into an arsenal and the problems it entailed.

## CHAPTER II

THE EMPLOYMENT OF CAPITAL AND LABOURSEPTEMBER 1939 - JUNE 1940

Canada declared war on September 10, 1939. Until the fall of France in June 1940 we were complacent and unalarmed. Thus ended the "phoney war" with a stark realization that Britain would almost certainly be invaded.

"For six months Canada marked time..... The simple fact is that Canada didn't have a war economy because it didn't have a war..... It was England's war. It belonged at that time to the political-industrial group that is best represented by Mr. Chamberlain and his umbrella.... They fought it believing that Germany could be worn down via the British Navy and the Maginot Line..... England had no intention of permitting Canada to build an industrial machine for the war effort, because that machine would be a threat to its industry when peace came..... Toronto industrialists went to London, but got only a few educational orders for shells, military clothing, and powder. They were pointedly told that the production of planes, tanks, and guns was well provided for in England."<sup>(1)</sup>

There was little adjustment in the Canadian economy for the first nine months of the war because the demands of Great Britain and France were mainly for large

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(1). Fortune (New York), November 1940, p.57.

quantities of agricultural products and raw materials. Of these Canada had sufficient to supply from the excess capacities existing in the agricultural, lumbering and mining industries.

Several governmental agencies were set up to deal with similar organisations in England to control the import and export of required commodities. Such were the purposes of the Bacon Board and the Dairy Products Board. Other agencies were organised to cushion Canada from the effects of war, to preserve the status quo and promote business as usual. (2)

The Defense Purchasing Board was established three months before the outbreak of war. Its purpose was to call for tenders on general equipment required by the armed forces. It was superseded by the War Supply Board and this, in turn, by the Department of Munitions and Supply. Although "cost plus five" tenders were authorized, most of the contracts made with Canadian manufacturers were on competitive tenders. This meant that much of our capital and labour remained idle, for only those firms whose tenders were accepted actually did war work. Secondly, it meant that contracts were for products similar to what the industries were producing in pre war days; for no manufacturer was going to convert his plant at a great expense to himself for the sake of a competitive tender which he might get. Thirdly, the profit motive was relied on as sufficient incentive to persuade entrepreneurs to supply the

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(2). Two such boards were the Wheat Board and the Foreign Exchange Control Board.

necessary war material. All this is indicative of the leisurely war we were waging. Moreover, the popular belief that the war would be over in six months or so, stopped many manufacturers who might have converted their plants to turn out war products from doing so.

### The Wartime Prices and Trade Board

The Wartime Prices and Trade Board was formed on September 3, 1939 under the War Measures Act. It was given the responsibility of drastically curtailing civilian output, safeguarding the essential needs of the civilian population and preventing hoarding and profiteering. It was recognized that this entailed the control of production of goods and services for civilian use with the view to realizing our maximum war effort, and at the same time ensuring the maintenance of a minimum output essential to the health and efficiency of the home front.

From its inception, the Board realized that price control involved the problem of maintaining an adequate supply of goods and services which were in demand. Indeed, until the price ceiling policy was adopted in September 1941, this was a guiding principle of the Wartime Prices and Trade Board. Its problems during the first stage of the war were confined to a limited number of commodities and were usually of a temporary nature.

The price problems which arose immediately after the outbreak of war were mainly those which inevitably

arise in a rapid change from a peace time to a wartime economy. Quick action was taken to meet the shortages which developed in the supply of certain goods and unwarranted price increases were prevented. The immediate task of the Board was to reassure the public that they need not fear shortages of various commodities.

### Wool

The Board came to an agreement with the Wool Control Board of the United Kingdom in January 1940 to obtain the shipment to Canada of wools for manufacturing purposes for the whole of 1940. In November 1939 the Board fixed the maximum price of quarter-blood wools but rescinded the order in January 1940 after the agreement was reached with the English Wool Control Board. Thus the initial attempt of the Board was successful in moving the remainder of the pre-war stocks of wool in Canada into use by forcing its sale under a maximum price.

### Sugar

Rumours regarding a possible increase in the price of sugar created an excessive demand in metropolitan areas towards the end of December. The buying spree continued well into January. The Sugar Administrator and refineries decided to maintain civilian supply and limited the sale to industrial users to the amount purchased in 1939. Adequate shipping space was secured to ensure the supply of raw sugar

to be purchased at the pre-war price, thus ensuring no change in the wholesale price of refined sugar in Canada.

### Hides and Leather

A Hides and Leather Administrator was appointed to supervise price movements in the raw stocks and finished leather products. Domestic production and import of hides was sufficient to meet all military and civilian demands. Arrangements were made in conjunction with the Leather Controller of the United Kingdom for co-ordinate purchases of hides in foreign countries.

### Coal

A Coal Administrator was appointed soon after the inception of the Board. Arrangements were made with the Canadian Shipping Board for the movement of a maximum tonnage of coal from the Maritimes into Quebec and Ontario. All coal dealers were licensed in November 1939 and in March of the following year no coal or coke could be sold for further resale except to the holders of licenses issued by the Board.(3)

### General Price Level

After nine months of war, the initial upturn in the price level had run its course. After a sharp advance in September, wholesale prices rose, but more gradually, and in May and June have fallen off slightly. The upward movement

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(3). Wartime Prices and Trade Board Order No. 4.



was motivated by a rise in the prices of primary products and was later followed by smaller increases in the price of finished goods. A partial equilibrium had now arisen because most adjustments to the initial increase in the costs of primary commodities had been made.

The general level of wholesale prices advanced 15.1% from August 1939 to March 1940 - a rise in the official index from 72.3 to 83.2<sup>(4)</sup> Prices rose 8% in the first war month and in the following four months the monthly increase in the price level was approximately 1% to 1½%. In March the upward movement was halted and then fell 1.8% to the June index of 81.7. The total increase in the wholesale index for the first nine months of war is therefore 13.3%.

An increase of 13.3% is a substantial one, but in consideration of the large demands upon us from Great Britain and our other allies for basic commodities, the 10% depreciation of our dollar in American currency, an expanding industrial output, and no government control of any substantial nature, the price rise was no greater than could be expected. As yet no indication of cumulative inflationary trends has appeared, for, after allowance for the change in the rate of exchange, our wholesale prices were in line with those in the United States.<sup>(5)</sup>

Apart from exchange fluctuations, the clue for the price rise lay in the demand for leading raw materials and

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(4). See Graph VI in the Appendix.

(5). See Graph VII - The Index of Wholesale Prices in Canada and the United States 1939-42.

foodstuffs. Prices of essential raw materials and foods rose from  $1/5$  to  $1/3$  in the first two months of the war. International prices rose generally and our imports of cotton, wool, rubber and tin advanced 18% in price. Our exports averaged a  $1/5$  increase in price.

In the first nine months of the war the price of farm products rose about 20 percent while forest products and non-ferrous metals rose approximately 10%.<sup>(6)</sup> While the upturn in agricultural prices was large, the rise came to a very depressed industry and was still depressed in comparison to the other basic and the manufacturing industries. The increase in the prices of non-ferrous metals, excluding gold, was limited by the contracts negotiated by the Canadian government on behalf of the British with the producers of base metals. However, these contracts assured the market for Canadian base metals at a fairly high price, but lower than those prevailing during the speculative extremes of 1937.

The price of manufactured goods advanced 12% since the start of the war, the chief reason being the higher cost of the raw materials. The advance in prices was greatest in the rubber, leather, textile and milling industries, and moderate in the chemical and meat packing industries. Another factor which had an upward influence on prices was the general protective buying wave as soon as the war started. Everybody -

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(6). Canada Year Book, 1942, The War and Canadian Agriculture, pp. 183-188.

manufacturers, wholesalers, retailers and consumers strove to build up inventories. It was motivated by two reasons; firstly, that goods would become scarce as a result of the war, and secondly, that prices were bound to rise because of the increasing demands as a result of the war. Although this inventory accumulation was of a temporary nature only, it had a strong influence on prices and pushed them higher than the rise caused by the genuine demand for manufactured products with the growth of export trade, Canadian war orders and rising consumers incomes.

The increase in the price level has resulted in a better state of balance between farm prices and the prices of manufactured goods. On the basis of 1926 = 100, the farm price index is still lower by 15% than that of manufactured goods. Farm prices could not have advanced much further than they did because of the abundance of food products, particularly wheat, all over the world at the start of the war, and the careful buying of foodstuffs by our Allies.

The advance in the retail price index was less pronounced than that in wholesale prices. The 15.1% advance in wholesale prices was accompanied by a 4.1% rise in the average of the retail price of food, clothing, shelter, fuel and other household needs.

#### United States, Great Britain and Canadian Prices

The Canadian price level is influenced by the level of price in the countries with which we do the bulk of

our export and import trade - The United States and Great Britain. In the ten month period from August 1939 to June 1940, the United States general wholesale price index advanced 4% while the upturn in Great Britain was 37.7%. There was a sharp increase in prices during the first month of the war in all three countries. However, in the United States the index then fell off slightly. British prices continued to rise sharply until February, and then moderately without any recessions. Prices in Canada also continued to rise more moderately but showing a growing divergence from the United States price level.(7)

The main reason for the divergencies in the price level in the three countries is found in the rates of exchange. The decline in the value of sterling and the Canadian dollar in terms of United States funds has forced English and Canadian prices to rise. One effect of this depreciation in value of our currency has been the increase in price of our imports, and the rise of our domestic prices has increased the price of exports. The drop in sterling had much the same effect in Great Britain.

Aside from exchange movements, the rise in prices at the start of the war hinged on the behaviour of sensitive raw materials and foodstuffs. The Moody's index of spot commodities advanced more than 20% in the first month of the war. After a decline in October and November, the index rose in December and began to fall off after January

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(7). See Graph VII.

1940. This decline in the United States price of leading raw materials softened up Canadian prices which started to slope downward after March. Prices would have continued to rise sharply in Canada had there not been a great deal of "slack" in our agricultural and basic industries ready to meet an almost immediate increase in demand. Those who rushed to cover future requirements and build up large inventories for legitimate and speculative reasons had in mind the development of wholesale prices in the last war.<sup>(8)</sup> What they forgot, however, was the large idle capacity which we had after the depression in 1939 and which did not exist in 1914.

#### Index of Physical Volume of Business (9)

The index of physical volume of business after advancing from August 1939 declined in February 1940. The decline continued until March when it finally broke and then continued rising until June after a slight setback in May. The index as at June 1940 was 121.8. The decline in the index in February and March was due to declining exports of nickel, zinc, canned salmon, lumber and wood pulp, and declining imports of crude petroleum and bauxite. Shipping arrangements at this time were in a confused state and our trading figures were erratic. The fault probably lies with

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(8). See Graph VIII and IX.

(9). See Graph X.

the seasonal correction of the index itself for some industries were close to their immediate capacity and no usual seasonal rise could occur. However, viewing the nine month period as a whole, the index rose 16.2%. The greatest advance was recorded by forest agriculture, iron and steel and textile industries.

Three definite phases in the development of business since the outbreak of war are distinguishable. The first was the speculative upswing at the start of the war, the main characteristics being inventory accumulation and rising prices. As it was pointed out in previous sections, it reflected the course of events in the United States which was experiencing a "boomlet" on prices. The second phase was the slight relapse during the winter months. This too can partly be traced to a relapse in the prices of U. S. A. sensitive raw materials and the fall in steel production. Although a strong upward trend on our production was halted because of this, increasing pressure of wartime demands were exerting pressure in the upward direction making the fall less pronounced than in the United States. The third phase started in April and was one of business expansion. The increasing pressure of the war orders halted a downward movement in the physical volume of business and the slump in the United States had proved to be one of short duration and was being followed by increasing industrial production in that country. Canadian exports assumed greater importance now that European sources of lumber, pulp and paper were being cut off from use by the

British. The Department of Munitions and Supply had placed approximately one hundred and fifty million dollars in contracts to be spent in Canada, while the British government had contracted for about forty million dollars. These expenditures influenced the level of manufacturing activity to rise. Canadian exports during April, May and June were three hundred million dollars, not including gold, and were roughly one hundred million dollars more than in the corresponding period in the previous year. Our exports to Great Britain increased by sixty million dollars, the bulk of the increase represented by agricultural, mineral and forest products. The growing incomes of the people as a result of the rising tempo of wartime activity caused a secondary expansion of business at the end of the period under discussion. Retail trade increased sharply in May and June. Automobile sales to consumers showed wide gains over the previous year along with other "semi durable" consumers' goods. The seasonally adjusted index of retail sales rose from 102.9 in August 1939 to 116.6 in June 1940 - a gain of 13.3%.<sup>(10)</sup>

### Labour

The index of employment in all industries reflects the course of industrial activity. After a rise in employment from August to December 1939, the index fell steadily until April 1940 and then showed an upward trend to June. The general advance was small for, from August 1939

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(10). See Graph XI in the Appendix.

to June of the following year the gain was but 3%. (11)

Manufacturing (12)

For the eight leading industries of which employment Graphs are compiled in the Appendix, manufacturing exerted the strongest pressure for an upward movement. The Canadian manufacturing industries in the spring of 1940 were beginning to work at higher levels than ever before because of the increasing flow of war orders. The shipbuilding, textile and clothing industries were the chief recipients of war orders and had to increase their labour force to meet the demands made of them. The automobile industry under the stimulus of increasing demands for passenger and commercial vehicles hired increasing numbers of workers.

Apart from the heavy industries, the lighter industries such as textiles felt a marked stimulus. Over the second quarter of 1940, employment in woolen and cotton factories were about 25% greater than prior to the war. Garment factories, busy with orders for military and civilian clothing, were employing on June 1 20% more workers than September last.

Consumer buying increased particularly in furniture and radios and these industries too increased their working force substantially.

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(11). See Graph XII.

(12). See Graph XIII.



Construction (13)

The sharp curtailment in highway construction work was responsible for the decline in the employment index from October 1939 to March 1940. In the second quarter of 1940, the index began to rise steeply. This was due to construction contracts being awarded for the erection of explosives, chemical and shell-filling plants, military buildings and airports. Total contracts for this quarter amounted to ninety-three million dollars - the largest amount for any similar period since 1931. However, the index at June was still far below that of the last September - a fall of 61.7 points or 60% in employment.

Forestry (14)

Unlike most other manufacturing industries, neither war contracts or larger domestic purchasing power accounted for the great activity in the forest product industry. Nevertheless, the war was largely responsible because, by preventing trade with the Scandinavian countries, it had concentrated a large part of the world demand for lumber, pulp and paper upon Canada. Because of this, exports increased rapidly and Canadian logging companies were very active over the winter months. The unusually low level of activity in April and May was due to the fact that a shortage of ocean carriers led to a serious accumulation of stocks and restricted lumbering activity. Apart from the larger export

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(13). See Graph XIV.

(14). See Graph XV.

market, domestic demand in the second quarter of 1940 from all producing areas has been larger due to military construction and from mines. On June 1, employment in sawmills was 26% greater than a year before and there was increased employment in the woods for summer cutting. This was being undertaken throughout the industry and it promised to reduce the highly seasonal nature of employment as evidenced on the graph.

### Mining (15)

Canadian mining industry employed more men over the autumn and winter months than at any similar period from 1927 to 1938 for which statistics are available. Base metal mining was busier than ever producing for the wartime demands of Great Britain and the increasing industrial demand for nickel by the United States. Gold mining continues to increase as well as coal, petroleum and asbestos.

### Services and Trade (16)

The Index of Employment in services displays a strong seasonal trend along with a general rise in the level of employment. The same situation also is shown in the index of employment for trade with the seasonal peak in January. The growth of industrial employment, wage increases in some industries, and improved farm income resulted in a considerable rise in consumer spending power which is clearly seen in the increasing volume of retail trade (Graph XI). This has led to the increase in employment in services and trade.

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(15). See Graph XVI.

(16). See Graphs XVII and XVIII in the Appendix.

Transportation and Communication (17)

The sharp rise in the employment index of transportation in November is due to the seasonal movement of freight, especially wheat, during the autumn months . During the winter employment fell off but rose sharply in May and June. Although this rise is partly seasonal it is in the most part due to the increased shipments of lumber, pulp and paper, ore and miscellaneous freight. The communication industry requires but little increase in employment to handle increased business. After the seasonal high in November, the index fell slightly off to March and then rose until June. However, it is seen that the index rose to higher levels as the physical volume of production increased.

The period was one in which it is estimated 100,000 new workers had found employment, mostly in manufacturing. However, the percentage of unemployment reported by trade unions was still high. In February 1940 11.7% were reported unemployed. In June the index had fallen to 7.6, still indicating a very large reserve of unemployed.(18) The rapid industrialization of Canada was to come later.

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(17). See Graph XIX.

(18). See Graph XX.

## CHAPTER III

THE APPROACH TO FULL EMPLOYMENTJune 1940 - March 1941

During the first eighteen months of the war the danger of inflation lay chiefly in the possibilities of confusion, panic, irregular supplies and lack of confidence. Consequently, the controls employed during this period exercised steadying influence in specific cases only. An actual price inflation was no serious threat because, with but few exceptions there were no real shortages of manpower or material supplies. We entered the war with the large idle resources we have discussed in Chapter I, so that the early efforts of Canadian industry was to get these idle resources into production. By the spring of 1941 very little of our idle resources remained unemployed for the accelerating tempo of war had used up vast reserves of surplus materials, idle equipment and idle labour. Expanding civilian purchasing power was swelling the demand for consumers' goods, and since we had reached the zone of full employment, frictions of a serious nature were appearing in our economy. War industries anxious to fill their contracts and commitments or even to exceed them were bidding for materials and labour on the open market. The consumers' goods industries, however, with demands pressing upon them from a population with a growing purchasing power, were

bidding higher with the knowledge that a prosperous public would be willing to pay the increasing costs. In an attempt to preserve our peacetime standard of living we were beginning to injure our war effort. We had more butter as well as more guns for a year and a half, but we now were forced to decide which we wanted more, guns or butter. We no longer could have both. This was the situation as it existed at the end of March 1941.

The terrific shock of the fall of France followed by one disaster after another jolted the democratic nations into reality. We realized now that unless everything we had was thrown into the fight, we could not beat our enemies. Indeed, we had passed from the "phoney war" into "total war". This was evident in a pronounced expansion in industrial activity which began in June and continued with a gathering momentum. The Dominion Bureau of Statistics Seasonally Adjusted Business Index increased 22.7 points from June 1940 to March 1941, an increase of 18.6 per cent in ten months. Canadian industry was determined to go "all out" in the production of the many types of equipment needed for war. The retreat from France had left the British Empire with almost no first line military equipment. Anything that Canada could produce for war was now urgently required. Throughout the winter of 1941 the trend of production continued upward. Normally the winter is a slack season, but unlike the previous year there was no decline. The total of war contracts passed

the fifteen hundred million dollars mark on March 31, with fifty-six per cent on the Canadian account and forty-four per cent on the British account. This sum included the plant extension program begun in the preceding spring which was now estimated at approximately three hundred and ninety million dollars. The plant extension program was designed to expand the manufacture of chemicals and explosives, guns and their mountings, shells and ammunition, and aircraft.

### Manufacturing Industries

The centre of the economic stage is being held by the manufacturing industries, for the demands of war have been concentrated upon them. Many industries, including most of those in the chemical, machinery and metal-working group are at or near capacity. An increase in production could come only from the huge wartime program of plant construction. When the large plant construction program is completed, production may be expected to increase by one billion dollars. In the meantime, the rapidly mounting demand for steel and steel alloys is beginning to present the "bottleneck" problem. For no material are the demands of war so heavy as for steel. Canadian production has for months been almost at capacity. Only the growing imports from the United States avoided an inevitable "bottleneck" in our industry at the time. The automobile industry has also been exceptionally active especially in the output of military vehicles. The shortage of machine tools is now the most serious bottleneck in

Canada's war production. Domestic output has always been widely dispensed and small. The United States which has been supplying us with many of the needed machine tools was extremely busy on her own growing production and was unable to meet our growing needs. Because of this one of the first curtailments in the production of consumers' goods was necessitated. A ban on all new models of automobiles, radios, refrigerators and washing machines was passed making it possible for many industries to divert machine tools and expert workmen from domestic lines to war production.

Development of production in the lighter industries has been less spectacular than in the heavy and war equipment industries. However, a high level of production is being maintained. In the textile industry activity has continually increased especially in artificial silk production. The import of raw silk was placed under a license system and this has increased the demands placed upon the rayon industry in Canada.

### Forest Industries

Reflecting the large orders for lumber from England and the increased market for pulp and paper in the United States, the forest industries were very active. The degree of stimulus may be judged from the gain of seventeen per cent in employment in logging from March 1940 to March 1941.(1) As to the outlook of forest industries,

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(1). See Graph XV in the Appendix.

the future may not see a continuance of the factors which made for the expansion since the outbreak of war. The growing shortage of lumbermen looms as a greater bottleneck than it did during the first phase of the war. However, the anticipated reduction in newsprint production might ease the timber situation slightly.

### Mining Industries

Canadian mining, working very close to capacity, recorded a net increase in employment of 1.2 % during the ten months ending March 1, 1941. Wartime needs have been increasingly heavy, with the industry unable to meet most of the new demands made upon it. Gold production continues to increase but it has become apparent that the production of base metals must be increased, and this could only be done by transferring miners from gold mines. Such action was taken later.

The growing requirements of war industries, not to mention military needs for oil and petroleum products threatens to cause a major bottleneck. Refineries were already endeavouring to obtain the maximum recovery of fuel oil from crude, and the rising demand was necessitating larger imports, thus adding to the problem of foreign exchange.

### Construction Industry

Stimulated by the pressing need for increased industrial capacity, activity in the construction industry



gained steady momentum under the plant extension program. Civilian construction, according to Maclean Building Reports, was cut down very little. The construction of large plants has reduced the seasonal nature of employment in the construction industry.<sup>(2)</sup> The seasonal trough of January, February and March was less pronounced in 1941 than in 1940. Employment in March 1941 was 27.6 points above the preceding March, or a gain of 49.8 per cent. Moreover, with a growing shortage of housing in war production areas and rising consumers' incomes, no voluntary curtailment of private housing construction is likely even with rising construction costs. Construction materials, however, are becoming less and less plentiful making their allocation on a priority system necessary in the near future.

### Distribution

A considerable increase in retail trade has been engendered by the pronounced expansion of industrial activity, despite growing personal income tax and a sharp decline in tourist trade. The seasonally adjusted index of retail sales continues to rise.<sup>(3)</sup> Part of this rise is the result of higher prices but more than half the gain in retail sales is represented by the larger purchases of goods. The index advanced from 116.6 in June 1940 to 129.3 in March 1941 -

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(2). See Graph XIV.

(3). See Graph XI.

an increase of 10.9 %.

### General Price Level

The index of wholesale prices in Canada (Graph VI) rose slightly more than 5.4 per cent in the ten months from June 1940 to March 1941. The cost of living index increased 3.2 % in the same period. Keeping in mind that this was a period of rapid industrialization and approaching a zone of full employment, the rise in prices is indeed moderate. The outstanding feature of the period was the ability of industry to meet the heavy increases in demand from both the armed forces and the civilian population. Shortages of certain key materials did occur but the United States helped us over most of the threatened bottlenecks.

### Price Control

#### Sugar

As a result of a tendency towards heavy buying in anticipation of a possible increase in the excise tax on sugar in the Budget for 1941, the price of sugar at the refineries was increased by one cent a pound on March 31, 1941. The whole of this increase in the refinery price was collected by the Sugar Administrator for the Dominion Government.

#### Wool

Canadian stocks of wool have been reported

by the Controller to be adequate for both military and civilian needs. The agreement made last year with the United Kingdom to assure Canadian manufacturers a supply for 1940 had not been renewed for 1941. From now on imported wool will go directly to the importer without the assistance of the Wartime Prices and Trade Board.

### Hides and Leather

The Hides and Leather Administrator reported that in spite of large exports of calf skins to the United States, stocks of hides in Canada continue to be well maintained. The prices of hides fell slightly in December 1940 and January 1941, but strengthened in March with a rise of  $2\frac{1}{2}$  cents, increasing the cost of cow hides to 15 cents per pound. Sole leather jumped 3 cents per pound in November 1940 forcing the price of leather footwear upward.

### Coal

Although Canadian coal production is reaching new wartime peaks, we leaned more heavily on the United States for increasing supplies of bituminous coal. Although at this time adequate supplies were available in the United States, the lack of adequate transportation facilities threatened to cause a shortage. Therefore the Coal Administrator made estimates of the coming year's requirements and has arranged for shipping facilities. Such plans have

proven successful in bringing adequate coal to Canada for the last two winters (1943 and 1942).

Several investigations in reported price increases by coal dealers in the Kirkland Lake and Flin Flon districts were found by the Board to be undue. Price decreases were ordered and carried out by the dealers.

### Butter

The maximum wholesale price of butter was fixed at that prevailing on December 12, 1940. Butter prices have been mostly below this level however. In January 1941, the Dairy Products Board of the Department of Agriculture was given the authority to set the minimum price of butter and control the amount of butter that could be held in storage. Although butter production has been steadily increasing, butter stocks has been steadily decreasing. However no shortage of butter appeared to be threatening in the spring of 1941.

### Milk

During the winter of 1941 the Board received complaints of increases in milk prices from several municipalities. Although the Board had the powers it hesitated to step in and take action on the grounds that it would be duplicating the work which is within the scope of Provincial authorities.

## Rents

For the first time since its establishment, the Board found it necessary to control and stop the upward movement of rents especially in war production areas. This necessitated the drafting and enforcement of many regulations designed to plug the loopholes through which the intentions of the Board were being circumvented. Consequently, elaborate orders pertaining to eviction and the termination of leases were published in November 1940 and revised in March 1941.

## Wage Control

The wartime wages policy of the government centers around Order in Council number 7440 of December 1940. It expresses the pious wish that P. C. 7440 was to prevent price inflation by preventing wages from rising unduly. The Order in Council was not mandatory but set out a number of principles for the guidance of conciliation boards under the Industrial Disputes Investigation Act. The most important sections are as follows:

(2) Wage rates established and in effect at the date hereof are not to be reduced by reason of any principle herein set out.

(3) Wage rate levels established by agreement or practice in any industry or trade, nationally or locally during the period 1926-29, or higher levels established thereafter but prior to the date hereof, shall be considered generally fair and reasonable except that where it is clearly shown that exceptional circumstances during that period resulted in depressed and sub-normal or duly enhanced or abnormal wages in a particular industry, trade, or locality, a board may adjust such rates to what it considers fair and reasonable under such circumstances.

(4) In cases where it is shown to the satisfaction of a board that the wage levels of 1926-29 if restored would be out of alignment (in being higher than the present prevailing rates) it shall be accepted as reasonable by such board that increases in wages granted in any calendar year shall be limited to 5 % of the prevailing rates.

(5) To assure the workers that, while they are called upon to share in such sacrifices as the war may make necessary for the whole nation, their basic standard of living will not be impaired by any unavoidable increases in the cost of living, a war-time cost of living bonus, independent of basic wage rates, may be properly paid. In the determination of such a bonus, the following points should be observed:

- i. Changes in the cost of living should be measured by the new Cost of Living Index prepared by the Dominion Bureau of Statistics in co-operation with the Department of Labour and the Wartime Prices and Trade Board, with such adjustments as regional requirements might indicate to be justified.
- ii. The bonus should be determined at intervals not more frequently than quarterly and paid in the first instance only if the cost of living has risen by as much as 5 % since August, 1939, or since the time of any wage increase subsequent to that date; thereafter the bonus should be adjusted only if the cost of living has risen by 5 % or more since the last previous determination of a bonus payment; the bonus should be decreased only in case the cost of living has decreased by 5 % or more since the last previous determination of a bonus.
- iii. Bonus should be a flat amount per hour or per week uniform for all workers and calculated to protect the worker against increases in the cost of basic necessities of life.

The principles enunciated above were made to conform to those of P. C. 2685, which stated that employees "should" (not "shall") be free to organise in trade unions and bargain collectively through their representatives. Finally, if the Minister of Labour does not agree with the

findings of a conciliation board he may reconvene them to reconsider their decisions. For each rise of one per cent in cost of living the amount of the bonus is twenty-five cents per week. Amended by a further Order in Council on June 27, 1941, P. C. 7440 was extended to cover all war industries and set forward a recommended policy to be followed by all other industries.

Although P. C. 7440 is a most important document on labour policy, it is not altogether clear. Whether wages in one industry was to be considered nationally or locally promised to be a main bone of contention. P. C. 7440 was weak on several important points. Firstly, the findings of the conciliation boards are not compulsory. The alternative for the employees is to strike while the employers cannot be forced to raise the wage rates. The only gain to labour in this connection is that the employer who refuses to accept the decision of the conciliation board cannot hide himself behind the scenes. The publicity of the dispute may shame him into a more reasonable frame of mind. However there is nothing to guarantee the fact that publicity works for the employees. Unfortunately, in the most important labour disputes of the war, effective and favourable publicity was secured by the employer. The strike at Kirkland Lake is one instance of this. The mine operators refused to grant union recognition even after the conciliation board unanimously reported in favour of union recognition. The only argument

they gave was that the Mine, Mill and Smelter Workers Union was an international union, and a C. I. O. union at that. Because of this, the union was untrustworthy! They charged that foreigners should not be in control of our workers. Apart from this charge being ridiculous it came from the Globe and Mail, the owner being W. H. Wright who is also vice-president of Wright-Hargreaves Mines Ltd., the president of Wright-Hargreaves is E. L. Miller of Buffalo, N.Y.<sup>(4)</sup> Surely if people from the United States can own Canadian resources, they themselves cannot possibly have a legitimate objection to having fellow citizens ( even if it were true) come in and organise their labour.

Yet with all the pious wishes of P. C. 2685 that labour be free to organize and P. C. 7440 made mandatory by amendment in June 1941, the government refused to step in and assert the rights of labour.

Secondly, other objections to P. C. 7440 are, that the cost of "necessities of life" have to rise by 5 % before the cost of living bonus may be paid. This means that real wages may be falling for quite a long time before there is any upward adjustment. Wages are only one cost among many, so that there is no assurance that by stabilizing wages, prices will cease to rise. The sharp rise in the cost of living index between April and December 1941 is adequate proof that P. C.

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(4). Toronto Globe and Mail editorial, December 2, 1941.



7440 was unable to stop inflation.(5)

Wage control up to the end of the period (March 1941) has proven itself ineffective. Organised labour described government wage policy as dilatory and weak with lip service but no action to uphold their rights.

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(5). "If the policy of P. C. 7440 is generally accepted it will help to stop or limit inflation". The Department of Labour, Canada's Wartime Wages Policy, 1941. (Ottawa: The King's Printer, 1941), p.2.

## CHAPTER IV

SIGNS OF INFLATIONApril 1941 - November 1941

The spiral of inflation started in April 1941. Before that, prices had risen moderately, accompanied by a great expansion in production for both war and civilian purposes. For Canada had been able to turn out an increasing flow of war materials and at the same time provide a rising standard of living for the civilian population. It now became apparent that such a happy state of affairs could no longer continue. The general index of wholesale prices rose 8.3 % in the eight months from April to November 1941, while the total rise in the 19 months from September 1939 to March 1941 was only 9.7 %. In other words, wholesale prices had suddenly begun to rise more than twice as fast as previously. (1) Similarly the cost of living rose after April 1941 at an accelerating rate. The official cost of living index rose 7.4 points in the first nineteen months of war. In the following eight months, the index rose 7.7 points. (2)

We were now faced with the alternative of restricting the rate of individual spending or distributing the burden of war partly through a process of inflation. The threat of inflation did not arise earlier because of the large

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(1). See Graph VI - The Index of Wholesale Prices in Canada 1939-1942.

(2). See Table V.

reserves of productive capacity which existed at the start of the war. Moreover, the United States had been ever ready to relieve our shortages of essential equipment and supplies, and apart from our difficulty of obtaining sufficient foreign exchange, we could buy these materials in almost unlimited quantities.

By April 1941, the large idle reserves of capital and labour were almost all employed. Entrepreneurs bid for the same factors of production. The United States were becoming more and more concerned about their own defence, so that supplies of essential war materials were becoming increasingly difficult to obtain from them.

Obviously, the heavy taxes, war loan and war saving certificate drives, selective price control and P.C. 7440 were now insufficient to hold the wartime rise in the cost of living within reasonable bounds. While much of the consumers' incomes was being drained away by taxation or deferred by loans to the government, fiscal control by itself was inadequate to prevent inflation. Many people were quick to compare the movement of wholesale prices and the cost of living index in this war with the last. A most striking aspect of such a comparison is the broad similarity in price movements between this war and the last.<sup>(3)</sup> There was no marked rise in the price level or the cost of living until well into the second year of the first World War. Similarly,

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(3). See Graph VIII - Index of Cost of Living and Wholesale Prices in Canada 1914-1922 and 1939-1942.

in the present war, for the first nineteen months the net increase in the cost of living and wholesale prices was fairly small and of a non inflationary character. In the last great war, a sharp and inflationary upturn began in 1916 and continued until 1920. The government felt that a pronounced inflationary advance in living costs and prices had started in the spring of 1941, and it would develop in a similar nature to living costs and prices in 1916 and 1917 if the economy were to be left uncontrolled.

In August 1941, the government passed P.C. 6834 and P.C. 6835. The Orders in Council, significantly enough, gave the Wartime Prices and Trade Board the powers it later needed to administer the over-all price ceiling. The scope of the Wartime Industries Control Board and the Wartime Prices and Trade Board were both clearly stated. The former was made responsible for the supply and allocation of all materials needed for the war industries, while the latter was made the supreme authority in the field of price control. The Wartime Prices and Trade Board could control the sale of any goods and services with power to issue licences and to suspend them. Jurisdiction over consumer credit through loans or deferred payment sales was specifically given to the Prices Board. Moreover, a close liaison between the Wartime Prices and Trade Board and the Wartime Industries Control Board was assured by a system of interlocking members. All controlling orders made by the Department of Munitions and Supply now had to be approved by the Chairman of the Wartime Industries Control Board and also receive the concurrence of the Prices

Board. Thus, between the Wartime Prices and Trade Board and the Wartime Industries Control Board rested the power to control the supply, allocation and price of all goods and services.

In comparison with the last war, we were in a stronger position to control inflation. In 1914, the machinery to divert money income to the government was in its infancy. In the field of taxation, custom and excise taxes produced the greatest revenue, while income taxation was not introduced until the later stages of the conflict. The organization for public borrowing was small and simple prior to the last great war for Canada had never attempted to float an internal loan of any size. In the present conflict, a highly developed financial machine, including the Bank of Canada, existed at the start of the war. As the war progressed, the government leaned more and more heavily for its revenue upon current taxation and borrowing.

### Wage Control

On September 16, 1941, an order in council was issued stating that after a board of conciliation under the Industrial Disputes Investigation Act has reported, employees must not go on strike (if the minister of labour says that the strike would interfere with the efficient prosecution of the war) until a strike vote was taken. The vote must be taken

"under the supervision of the Department of Labour upon and subject to such provisions, conditions, restrictions or stipulations as the minister may make or impose." (4)

The secret ballot had to be taken of all those who, in the opinion of the Minister of Labour, were likely to be affected by the strike. After the majority of those eligible to vote had declared in favour of it the strike is legal. This means, in other words, that those who are "eligible" to vote and did not, their whole weight is thrown on to the side of the employer. Commenting upon this, Mr. M. J. Coldwell, M.P. said:

"Let me apply a similar test to the Liberal party. In the last election 66% of those entitled to vote, voted. The Liberal government received 54 % of the votes cast. That is to say, they received 34 % of the votes of those entitled to vote. Therefore, under their own order in council if they applied it to themselves, they could not govern this country."

Labour has been unanimous in labelling P.C. 7307 as undemocratic in procedure and aimed at procrastination and frustration of the rights of labour. So long as labour feels this way, and rightly so, the government can only be regarded by labour with suspicion, making the enlistment of the fullest support of the organized labour for an all out war effort impossible.

#### Agriculture (5)

Since the fall of France, the agricultural situation in Canada has completely changed. In the early

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(4). Order in Council P.C. 7307.

(5). For a more complete history see The War and Canadian Agriculture, Canada Year Book, 1942, p.183.

days of the war, Canada had large surpluses of many of her farm produce and the problem then was where to find a market for them - not to produce more than before. Now the problem is not to find the markets for bacon, eggs and dairy produce but to increase our production to fill the demand. Apart from wheat, which is still a surplus product, we can sell everything we can produce. This is because Britain depends upon Canada for a large share of her food requirements. Although her European sources of supply had been cut off, England had ample stocks of many foods, such as cheese and bacon. However, with shipping space being used more and more for war materials and shipping losses mounting with time, the food situation assumed very serious proportions in England in 1941. The burden fell upon Canada to send all she possibly could for we were the nearest available source of supply. At the same time, the domestic consumption of food products due to the steady rise in employment and income, has added to the demands for agricultural produce. Finally, the rising level of agricultural prices in the United States has tended to increase our exports to the U. S. A. (especially livestock). Under such influences the price of agricultural products has risen. The greatest rise has been in livestock and dairy products prices, bringing them in line with the price of manufactured goods. The rise in price has provided a strong stimulus to the greater production of livestock and dairy products. However, a shortage of farm help already exists and the wages paid must be higher to induce help to remain on the farm and not seek employment in the city. Coupled

with this, is the rising price of farm machinery, fuel and other rising costs. These factors are working to restrict agricultural output. This, in turn, has the secondary effect of further increasing the price of farm products and, of course, the urban cost of living. Food, the most important item in the cost of living index has shown the greatest increase in cost. At November 1, 1941, the food index has increased by 26 % since the start of the war.

### Manufacturing

The employment figures provide the most comprehensive and reliable measure of business activity month by month.<sup>(6)</sup> Employment in manufacturing can be seen to run in twelve month cycles, of which two are clearly shown on graph XIII. The index of employment at November 1, 1941 is 187.5, the highest in our history. It represents an increase of 62.6 % in employment since the outbreak of war. The greatest increase in employment are in the war industries, such as, chemicals, explosives, shipbuilding, aircraft and guns. Twenty-three out of twenty-four new explosives plants were completed in 1941 under the Plant Extension Programme. Motor vehicles, tanks and guns are being produced in ever increasing numbers.

### Forestry

Employment in lumber mills is approximately 20 % higher in 1941 than in 1940. Lumber exports to the

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(6). See Graph XIII



United Kingdom declined but this was offset by increased shipments to the United States.(7) The increasing demand by chemical pulp along with the large demand for all forest products is making the industry busier than ever before. However, the difficulty of obtaining men for logging is the most serious restricting problem.

The index of employment in mining continues to rise steadily indicating an ever increasing production. The index at 185 in November 1941 meant an increase in 17 points since the start of the war. Gold mining production fell off slightly due to the labour dispute at Kirkland Lake. Base metals, however, continue to expand. Tungsten and mercury are being produced in small quantities on a commercial basis.

Indicative of the high level of activity, the construction industry employed 70 % more labour in the first eleven months of 1941 than in the corresponding period for 1940. Construction materials are becoming scarcer, making necessary the restriction of non-essential building. In this connection, the licensing system has been tightened by reducing the limit for unlicensed projects from \$10,000 to \$5,000.

The estimated total of employed as at September 1941 was 5,184,000 people, representing an increase of 1,296,000 since the war began. Our expanding labour force, in no small

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(7). See Graph XV.

way responsible for the rising national income, was in the eight months from April to November 1941 obviously spending in excess in relation to the available supply of goods and services<sup>(8)</sup> This is inflation. So long as increased spending can be met by industry with more production of the requisite type, inflation could not arise. However, production was approaching its maximum in the spring of 1941 and the productive machine could no longer meet all the demands that were placed upon it. The following chapter deals with the measures taken to meet this threat.

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(8). Table IV - Estimated Canadian Labour Force Including Armed Forces, 1939-42.

## CHAPTER V

THE DEVELOPMENT OF PRICE CONTROL

The spiral of inflation started in March and April 1941. Had action been taken then many problems would have been avoided. It was not until August that the government considered seriously the measures which had to be taken to meet the serious threat to the economy by an uncontrolled rise in the cost of living and cut-throat competition for the available supply of material and labour.

On October 18, 1941, the Prime Minister announced that the Government had decided upon a policy which represented -

"an experiment hitherto untried on this continent and, perhaps, having regard to its breadth and variety, hitherto untried by the will and consent of any free people anywhere."

This policy was the adoption of an overall price ceiling on goods and services and a ceiling on wages and salaries. The control of all prices of raw materials and finished goods and services was entrusted to the Wartime Prices and Trade Board. The administration of the wages and salary ceiling (Order in Council P.C. 8253) lay under the direction of the National War Labour Board.

Under the price ceiling order (Orders in Council P.C. 8527 and 8528) no person on and after December 1, 1941 may sell goods or supply services to the consumer at a price or rate higher than the maximum price which he charged for the

sales of such goods or services during the basic four-week period between September 15 and October 11, 1941. Retail prices are free to fluctuate below the ceiling, except where minimum prices may be fixed.

In announcing the policy of stabilizing wages and salaries the Prime Minister stated that,

"It is obvious that the prices of finished goods cannot be controlled successfully unless the cost of production is also controlled. Wages are a large element in the cost of producing the manufactured goods required by consumers. That is why the cost of living cannot be controlled unless wages are also stabilized."

Therefore any subsequent rise in the official cost of living index, which is compiled by the Dominion Bureau of Statistics, would be offset by the issuance of a general order for the payment of a Cost of Living Bonus by all employers at the rate of twenty-five cents a week per point.

The onus of guarding the ceiling on prices was placed equally upon the seller and buyer. The Order in Council promulgating the regulations states that,

"no person shall buy or pay for or offer to buy or pay for any goods or services at a price which he knows or has reason to believe is higher than the maximum price which may lawfully be charged by the seller or supplier of such goods or services pursuant to these regulations."

To facilitate the administration of the price ceiling policy over fifty new administrators were appointed to control prices in the various industries and trades, and

regional offices of the Board were established in thirteen major areas across Canada. The immediate job of the Board to convince themselves that the administration and implementation of the price ceiling could be made to work, and then to convince the people. For without the co-operation of the public such a broad scheme of price control would surely fail. Therefore elaborate plans for the distribution of information in answer to enquiries from consumers and the trade and new rulings were made. The policy of the Board was to keep the public as well informed as possible as to the function of the Board, for they alone, through complaints to the Board, could be effective guardians against price evasion.

During the early months of price control the main job for the Board was to hold the retail price ceiling firmly and at the same time carry out the many individual price adjustments so that an uninterrupted flow of goods was assured. A number of exemptions from the ceiling had been included in the original maximum price regulations and several additional ones of a minor nature were subsequently made. Adjustments were made to level out the retail ceiling as in the case of individual retail price anomalies. Adjustments to take care of the time-lag in prices were made at the manufacturing and wholesaling level by what became to be known as "rolling back the squeeze" or by other various methods. Allowances were made in many cases for normal seasonal fluctuations in prices, as in the case of meats, butter and potatoes. Provision had to be made for setting

prices on goods offered for sale at certain seasons of the year only, for example, spring and summer clothing. In the agricultural field, it became necessary to adjust the price structure and provide subsidies with a view to assuring a steady supply and a regulated production. In the case of new and substitute goods, the Board has had to lay down basic principles in establishing maximum prices.

Soon after the retail price ceiling was established, it became apparent that in many industries manufacturing costs were rising to a point where the ceiling must be broken or substantial subsidies be extended. To avoid either of these alternatives, the Board established an Economies and Simplification division in civilian production and distribution. Provision was also made for the payment of subsidies on imports of essential consumer supplies. In other cases, and increasingly so, the Board has embarked on a program of bulk purchasing rather than pay subsidies to private importers.

The Board took steps in 1942 to allocate and ration supplies of consumers goods which are part of the cost of living index. Consumer rationing became necessary in the case of sugar, tea, coffee and butter. Allocation of scarce materials was undertaken among manufacturers and distributors as soon as the ceiling was fixed.

Finally, on August 19, 1942, in a broadcast on the manpower question, the Prime Minister announced that

the Board was directed to take the necessary steps to curtail all non-essential civilian production with a view to releasing manpower for the armed services and war production. The manpower so released was to be directed to their new occupations by the National Selective Service.

### Retail Price Adjustments

The policy of the Board has been to hold the price ceiling at the retail level and to make whatever adjustments were necessary below that level. Anomalies in retail prices were corrected in various ways. For example, the prices of those retail commodities which were proved to be abnormally low in relation to the prices charged by other comparable retailers were adjusted to higher levels, the individual ceiling, however, still being held. In other cases, notably beef and eggs, the individual price ceiling was replaced by general formula ceiling. Flexibility has also been striven for in the recognition that some goods have a seasonal price structure, and in several instances the base period ceiling was substituted by prices prevailing in a corresponding period in 1941 or by some other seasonal schedule (e.g. coal and coke and railway freight rates).

Many special price problems arose in connection with seasonal goods. For example, many products used principally in the spring and summer had not been sold during the basic period or, were sold at levels which did not reflect higher costs of production because they were the previous

seasons' leftover stocks. To meet this situation, the Board ruled in the case of a long list of spring and summer goods, that the increase in the price of goods which occurred between the spring or summer and the fall of 1941, might be added on to the 1941 selling price in determining the 1942 selling price. However, before a manufacturer could mark-up his goods accordingly, he had to file the proposed selling price of his seasonal goods, together with a statement of the 1941 maximum price and the cost records for 1942 with the appropriate administrator with whom the decision rested. Retailers, in turn, were allowed to price such goods at a mark-up not greater than the percentage on cost in the price of similar goods during the last season in which they were sold.

The Board has also made allowances in certain cases for "normal" seasonal variation of prices. In the case of veal, lamb and beef seasonal differences in quality and production costs made it necessary for the Board to allow retailers to sell higher grades of meats at higher prices than those prevailing during the basic period.

Rent control had been exercised mainly in military areas before the over-all price ceiling came into effect. It was later extended to all real property and business premises in Canada other than farm land. It was necessary in the opinion of the Board to increase maximum rentals in special cases because of individual anomalies, seasonal variations, and legitimate increases in costs.



With the housing shortage becoming more critical in many areas, the Board has drafted special provisions for security of tenure and rigid rent control.

### Agricultural Price Policy

The Board did not attempt to anchor the ceiling price of most farm products upon the selling prices of individual farmers. Consequently after the price ceiling was announced, instead of a farmer's individual ceiling on prices, a market ceiling for the commodity or a ceiling over the manufacture or processed product was introduced. In the cases where controls established at a later stage in the marketing of the product was deemed sufficient the latter procedure was adopted. Where increased production was deemed necessary, maximum prices higher than those prevailing during the base period were set. Three main examples of such action were taken in the case of fish, fish products and feed grains.

Especially in the case of agricultural products, the Board attempted by fixing the price structure to assure the correct proportions of the war and civilian requirement for individual commodities. In pursuing this policy, the Board found it necessary to raise the price structure of milk and dairy products so as to assure a more adequate and balanced supply of milk, butter and milk products. In order to avoid any appreciable increase in the price of milk and milk products to the civilian population, the Board provided for the payment of subsidies in certain cases. During the summer of 1942,

fluid milk and butter production was subsidized in the hope of overcoming a threatened shortage of these two vital food products.

### "Battle of the Squeeze"

Not all battles are fought on the battlefield. A very serious problem inherent in establishing a general price ceiling simultaneously over manufacturing, wholesale and retail levels when prices are rising is that the price relationships between the different levels may be out of line. When the price ceiling was superimposed upon the economy, many base-period manufacturing and wholesale prices were higher than those reflected in base-period retail prices. It was just this usual time-lag in prices which produced what the Board has named the "squeeze". In the majority of cases, the Board arranged for importers, manufacturers and distributors to share the "squeeze" between themselves. Where it was impossible to "roll back all of the squeeze" in this way, the Board has reduced manufacturing and marketing costs by simplification of design and conservation of material throughout the trade and not reducing the maximum price by the amount thus saved. Where such action has proved inadequate to absorb the squeeze, the government has assumed the responsibility for maintaining a flow of essential supplies through the Commodity Prices Stabilization Corporation. This Crown company under the direction of the Board has acted in three main ways: (1) payment of subsidies; (2) modification and remission of

duties; and (3) government bulk purchasing.

The assistance provided in any of these three ways is given, as the Minister of Finance, Mr. Ilesley, has said of subsidies,

"in the interests of the consumer....When there is no other way of ensuring adequate supplies of a particular product for the consumer at prices permitted by the price ceiling. In principle, these subsidies are paid to the consumer to keep down the cost of living. In practice, because consumers are so numerous, they are paid to producers or dealers on condition that they maintain supplies and carry out the policy of the price ceiling....The subsidy in conjunction with the special conditions attached to it, should leave the industry in a worse, not a better profit position than before the price ceiling was imposed." (1)

The subsidy is designed to give the industry a very small margin of profit - usually much smaller than what they had before the price ceiling was imposed. To the problem of time-lag has been added that of rising costs since the price ceiling was imposed. The sharp increases in costs have occurred chiefly in the importation of goods due to rising shipping rates and insurance charges, and rising prices in the countries from which we import. More recently, such factors as reduced volume, the high rate of labour turnover and the employment of inefficient personnel have increased costs in civilian industries as a whole.

### Imports

Imports of essential materials have been maintained with the assistance of subsidies, reduction or

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(1). Hansard, April 23, 1942.

elimination of duties and bulk purchasing. With respect to subsidies, the important questions which arise are the degree of essentiality of the import and whether or not a sufficient domestic supply is procurable. As time goes on the conditions under which subsidies are payable have been made more difficult. An increasing number of commodities are being excluded from subsidy payment because they are no longer considered essential. Furthermore, subsidies have been reduced or completely refused because the cost of the import is considered excessive or substantially similar goods are available at home at reasonable prices.

In a number of cases, import duties and taxes have been cut down or completely suspended so as to make subsidy payment unnecessary or to reduce them. The effect is the same as if the subsidy were being paid because the maximum price for the goods is not reduced in most cases. On recommendation of the Board, the Department of Finance has suspended special or dumping duties temporarily in some cases. In other instances specific tariff changes have been made.

Where importation of necessary goods through private enterprise has threatened to break down because of difficult shipping conditions and dislocation of the normal supply presenting great business risks, the Board through the Commodity Prices Stabilization Corporation has made bulk purchase abroad. The Corporation in marketing the goods have

reduction of styles of footwear was successful in reducing costs to the industry. Therefore, on July 1, 1942, the rate of the subsidy was reduced to 4 per cent.

Where subsidies are paid on a uniform basis throughout any industry it is impossible to adjust the "squeeze" to the individual capacity of each firm to absorb it. Accordingly, a profit limitation scheme has been devised. In brief, it provides that in the industries to which it is applied, subsidies are to be regarded as accountable advances, to be paid in whole or in part to the extent to which the recipient is in the excess profits tax category. Or to put it another way, no recipient of this type of subsidy can earn any net income in excess of standard net profits as defined for excess profits tax purposes.

Bulk purchasing of domestic supplies is now being undertaken in addition to bulk purchasing of imports. An example of this is the purchase of the entire Canadian wool clip through the Canadian Wool Board Limited, a government owned corporation. The formation of this company has encouraged sheep raisers by providing them a stable market at fixed prices. An increase of domestic wool is therefore expected. However, if domestic supplies will be less than expected, the Wool Board will also buy imported wool to maintain the necessary supplies.

Another special government agency, Wartime Food Corporation was established in an attempt to solve the

beef problem. The Board believed that the main problem in the marketing of beef could be solved if the Corporation would regulate beef supplies in the face of heavy export and domestic demands. The Corporation was made the sole exporter of beef. In addition, the price of beef was set on a seasonal basis. The Board then expected that an orderly supply of beef cattle throughout the year would be maintained and cattle prices kept in proper relation to maximum wholesale prices for meats. Their hopes did not materialize and we shall see why in a later section on the beef problem.

### Economies and Simplification

The Board embarked upon a programme of economies and simplification in the production and distribution of civilian goods in order to cut down on the payment of subsidies. The price ceiling itself has been a strong incentive towards eliminating unnecessary prices and other wasteful practices. The civilian trades have in most cases gladly co-operated with the knowledge that their competitors had to do the same as themselves. Not only did simplification of practice help to keep prices below the ceiling but also conserved metals and other scarce materials for their use in war production. The Board has set three prime objectives of the simplification programme. They are,

(1) to reduce manufacturing and distributing costs in such a way as to maintain the supply of essential goods

and services at ceiling prices, and to reduce or eliminate subsidies where they have been or might become payable;

(2) to conserve materials and labour, and

(3) to make the most efficient use of the materials and labour which remain available for the production of essential consumer goods.

An illustration of where this policy has been applied with marked success is the leather footwear industry. The reduction in the subsidy payment to 4 per cent from 7 per cent was in the most part made possible by standardization in the manufacture of shoes. The many different styles, colours and sizes, which were responsible for high manufacturing costs, have been reduced in number. Many other consumer goods have been subject to simplification and conservation orders with a view to conserving scarce materials as well as reducing costs. Several examples of this are tinsplate and other metal and glass containers, various types of machinery, and a variety of wearing apparel which includes, of course, the "victory suit" known to all men.

The Board will lean heavily upon their programme of economies and simplification with the increasing diversion of materials and labour to war production, to maintain essential civilian supplies. With this in mind, the Board has organized a new Industrial Division which will include and expand the work of the former Division of Simplified Practice.

## Rationing Controls

At the time the price ceiling came into being, the necessity for price control arose from the growing shortages of many civilian supplies. That did not mean that goods which are scarce will be fairly distributed among the population. This can only be done by some form of rationing. In January, 1942, the first formal rationing was applied to sugar. It is believed that although sugar stocks in Canada were not seriously depleted, future receipts of sugar were affected by the necessity of diverting shipping space to more essential needs, and by the intensification of submarine attacks along the Atlantic Coast. Supplies of tea and coffee were threatened both by shipping necessities and by the loss of sources of supply to Japan. With three commodities to ration, it became necessary for the Board to establish a coupon system of rationing. The Board, by the end of August 1942, had completed the establishment of a permanent rationing organization. In addition the Board has almost completed organizing local rationing boards throughout Canada to assist in the administration of the rationing of other commodities when the need arises.

## Board Organization

By Order-in-Council, the Wartime Prices and Trade Board was made the central authority in the field of price control. Because of its wide ramifications, the Board found it necessary to co-ordinate its controls with those of



other government agencies. However, no other federal or provincial authority can make any order touching on maximum or minimum prices without the agreement of the Board.

Liaison between the Wartime Prices and Trade Board and the Wartime Industries Control Board of the Department of Munitions and Supply is very close. The Chairman of each Board sits as a member of the other, and all actions by the Controllers and the Wartime Industries Control Board affecting price require the concurrence of the Wartime Prices and Trade Board. So as to avoid duplication and overlapping of administrative machinery, Controllers have agreed to extend their duties to deal with price matters within the jurisdiction of the Wartime Prices and Trade Board. To this end, all Controllers were appointed administrators under the Prices Board.

In administering its wide powers over prices and civilian supplies, the membership of the Wartime Prices and Trade Board was enlarged to include officials of other government agencies closely affected and concerned by the policy of price control. The adoption of an over-all price ceiling required the appointment of a great many administrators covering every major industry in the country. Among the most important appointments have been the Administrators of Retail Trade, Wholesale Trade, Foods and Services and Rentals, and Co-ordinators of textile, pulp and paper and metals. Administrators have the power to revise maximum prices within the

price ceiling, control of the methods and ways of production and distribution of civilian commodities, full powers of investigation of individual firms in the industry assigned to them and, adjustment of retail price anomalies. However, every order of an administrator must be countersigned by the Chairman of the Board, for the Chairman is responsible for the actions of his subordinates. To administer rent control, local rental committees were established in all Canadian cities. The committee consists of one person - the Judge of the County or District Court, except in Quebec where the district magistrate is the member.

To facilitate the administration of the Board, thirteen regional offices were opened across Canada.(2) Under these thirteen offices are the many specialized smaller offices. The head of the regional office is known as the Prices and Supply Representative. He is the senior officer and is responsible to the Wartime Industries Control Board as well as the Wartime Prices and Trade Board at Ottawa. The function of the regional office is to enforce the orders of the Board by conducting investigations, answering the many inquiries and disseminating information.

A Consumer Branch has been set up as a clearing house for problems arising out of price control measures and to build up a close liaison between consumers and the Board.

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(2). The thirteen regional offices are in Brockville, Charlottetown, Edmonton, Halifax, London, Montreal, North Bay, Quebec City, Regina, Saint John, Toronto, Vancouver and Winnipeg.

In April 1942 the Women's Regional Advisory Committees were set up in the thirteen main centers across Canada. These Committees were elected from amongst women's clubs and groups. Their job is to organize their region for the purpose of interpreting the new regulations to all consumers, and to represent consumer opinion to the Prices Board. To this end, the Committees have appointed local women's liaison officers to make contact with hundreds of smaller communities. The Board has also announced a plan to organize five hundred local ration boards with a view to bringing consumers in closer contact with the consumer rationing system and to deal with many problems and complaints on the spot.

Under the general licensing plan of all business, the necessary machinery for policing prices and for securing information for the allocation of materials in case of shortages has been established. Moreover it has provided a mailing list of manufacturers, wholesalers and retailers who are sent Trade Bulletins and Administrators' Orders. Investigation of possible infractions is made from the Regional Offices but the central office at Ottawa reserves the power of license suspension.

The headquarters of the Wartime Prices and Trade Board at Ottawa is organized in four main divisions. They are,

- (1) Prices and Supply
- (2) Distribution and Rationing
- (3) Industrial
- (4) Research.

The new Industrial Division has been given the responsibility of planning the curtailment of "non-essential" civilian activities and, as mentioned above, is in charge of the work carried on by the former Division of Simplified Practice. Plans for drastic curtailment and concentration of civilian industry are now being formulated by the Industrial Division in conjunction with the various administrators. This appears to be the next big job in store for the Board.

## CHAPTER VI

### THE OFFICIAL COST OF LIVING INDEX

The life of all Canada is intimately tied up with a cost of living index, for it represents a standard of living for the Canadian people. Speculation is rife as to exactly what standard of living this index represents. Most of the assertions that this writer has heard, is that the index is based on a living standard below that of the "average" Canadian. However one may define the word "average", the fact which stands out is that most of us really don't know what is considered in the index and what is not. This section is a detailed description of the index and is included in the hope that some clarification may result.

Prior to September 1940, two cost of living indexes were being kept by government agencies, one by the Department of Labour and the other by the Dominion Bureau of Statistics. The Bureau was then charged to establish an index which would reflect a most up to date standard of life.

#### Purpose of the Index

The purpose of the index was to provide a record of the cost of living of the Canadian urban wage earner and his family. The index is based on a fixed budget and no account is taken of income changes due to direct taxation. In other words, all indirect taxes, such as sales taxes, are considered where they change the price for commodities or

services under the index.

### Establishment of the Index Budget

Firstly, a study of the 1931 census data was undertaken so as to determine the chief characteristics of urban families and to arrive at standards which the Bureau could call "typical". As a result of that study, the Bureau in 1938 set out to obtain expenditure records from families which satisfied the three following conditions:

- (1) Husband and wife living at home as joint heads over a family of from one to five children.
- (2) Self-supporting during the survey year with the family income ranging from \$450. to \$2500. for that year.
- (3) Living in self contained housing units and not sharing their kitchen or bathroom and lavatory facilities with other families.

Secondly, the Bureau made a preliminary canvass of twelve Canadian cities in 1938 to find families which fell into the three classifications stated above.<sup>(1)</sup> In this preliminary survey about 50,000 homes were investigated by the Bureau's field staff. The case histories which satisfied the three main requirements were picked out and from this list a random group was asked to submit a complete record of income and expenditure for the year. Each family provided a detailed account of expenditures in the year ending September 1938.

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(1). The twelve cities included Charlottetown, Halifax, Saint John, Quebec, Montreal, Ottawa, Toronto, London, Winnipeg, Saskatoon, Edmonton and Vancouver.

The families then kept a record of individual purchases of food for three separate weeks. The first week was in the period October to November 1938, the second in February 1939 and the third in June 1939. In this way differences in food purchases during three seasons were noted. From these records the Bureau computed the food index budget quantities.

These detailed records were received from 1,439 families. The average number of persons per family was 4.6, the majority of families having two and three children. Most of the incomes ranged between \$1,200 and \$1,600 for the year. One out of every three families owned a car and there were about two tenant families to one home-owning family. Every principal racial group was represented among the 1,439 families. The distribution of living expenditures totaling 1,413.9 dollars is directly represented in the cost of living index. The general distribution of expenditures for all the families is shown in the following table.

AVERAGE ANNUAL LIVING EXPENDITURES  
FOR 1,439 URBAN WAGE-EARNING FAMILIES  
(Year ending September 30, 1938).

| BUDGET GROUP     | EXPENDITURE AVERAGES | PERCENTAGE DISTRIBUTION |
|------------------|----------------------|-------------------------|
|                  | \$                   |                         |
| Food             | 443.0                | 31.3                    |
| Shelter          | 269.5                | 19.1                    |
| Fuel and Light   | 90.5                 | 6.4                     |
| Clothing         | 165.8                | 11.7                    |
| Home Furnishings | 125.7                | 8.9                     |
| Miscellaneous    | 319.4                | 22.6                    |
| Health           | 60.8                 | 4.3                     |
| Personal care    | 23.9                 | 1.7                     |
| Transportation   | 79.3                 | 5.6                     |
| Recreation       | 82.1                 | 5.8                     |
| Life Insurance   | 73.7                 | 5.2                     |
| Total            | 1,413.9              | 100.0                   |

The Bureau chose the Base Period of 1935-1939 = 100 to replace the 1926 base. The Bureau wanted to find a recent twelve month period to serve as the base, but none could be considered "normal", the criterion being the indexes of employment, industrial production and car loadings. The 1935 to 1939 period, however, was one of recovery, "boomlet" and mild recession. The rise and fall tended to minimize the differences in the base levels of many series relative to prior periods. Similar research in the United States in the revision of their index had previously been carried on and the 1935 to



1939 period was chosen as the base for the United States cost of living index. This further confirmed the opinion of the Bureau's staff that the base was representative of pre-war conditions and a fair standard of living for a country which was recovering from a depression.

The Bureau found wide differences in the character of price movements for commodities and services in the price coverage of urban areas. In some cities, certain foods, rentals and car fare local prices varied substantially from those prevailing in other areas. Other prices, such as tobacco, movies and periodicals were much the same throughout Canada. Because of the stability of certain prices and the fluctuations of others, more cities had to be covered in the determination of an average price for some commodities than for others. Not only that, but our largest urban areas had to be broken down into communities and reports made from them, because the prices of various commodities varied within the city itself. For example, in Montreal and Toronto one report of car fare from each city is sufficient while in the case of foods, many reports are required from each city so that the average may be representative. In the summary immediately following is a list of the number of urban areas from which reports are received for each budget group in the cost of living index as it exists today.

PRICE REPORTING BASIS OF CANADIAN COST OF LIVING INDEX

1935 - 1939 = 100

| Budget Groups<br>and<br>Sub-Groups | Frequency<br>of<br>Reports | Number of<br>Cities<br>Represented | Approximate<br>Number of<br>Reports<br>Received |
|------------------------------------|----------------------------|------------------------------------|---|
| 1. Food                            | Monthly                    | 69                                 | 1,600   |
| 2. Rentals                         | May & Oct.                 | 61                                 | 200   |
| 3. Fuel - Coal                     | Monthly                    | 58                                 | 330   |
| Coke                               | "                          | 26                                 | 200   |
| Gas                                | "                          | 16                                 | 16  |
| Electricity                        | "                          | 109                                | 109   |
| 4. Clothing                        | Monthly                    | 11                                 | 24  |
| 5. Home Furnishings and Services   | "                          | 11                                 | 24  |
| 6. Miscellaneous -                 |                            |                                    |   |
| Medicines                          | Quarterly                  | 23                                 | 82  |
| Car Fare                           | Monthly                    | 18                                 | 18  |
| Theatre Admissions                 | "                          | 23                                 | 1   |
| Insurance                          | Annually                   | All Canada                         | 11  |
| Tobacco                            | When Prices<br>change      | All Canada                         | 1   |
| Newspapers                         | Monthly                    | 22                                 | 43  |
| Periodicals                        | Annually                   | All Canada                         | 6   |
| Doctor                             | "                          | 22                                 | 103   |
| Dentist                            | "                          | 37                                 | 61  |
| Hospital                           | "                          | 23                                 | 57  |
| Laundry                            | "                          | 23                                 | 76  |
| Cleaning Supplies                  | Monthly                    | 23                                 | 347   |
| Barbers' Fees                      | "                          | 23                                 | 85  |
| Toilet Articles                    | Quarterly                  | 23                                 | 82  |
| Telephones                         | Monthly                    | 23                                 | 23  |
| Motor Operating Costs              | "                          | 23                                 | 15  |

It is seen from the above summary that the new index is divided into six main groups of living expenditures, foods, rentals, clothing, home furnishings and services, fuel and light and miscellaneous.

## Foods

The food index is compiled from the prices of forty-six items. There are fourteen meats and fish, ten fruits, seven vegetables, six dry groceries, five cereals, three dairy products and eggs. In pricing the forty-six foods, the quotations are made for the normal sales unit and not the odd amounts computed in the index. The Bureau then converts the price to apply to the particular quantities called for in the index. 1600 reports are received from sixty-nine cities at the first of each month. Independent stores prices are weighted 2 to chain stores prices 1. The average price of the forty-six items is multiplied by the budget quantity and the resulting aggregate is totalled to give the total food budget. The total food budget is divided by a corresponding aggregate for the base period 1935 - 1939 to get a Dominion index each month. In our new index foods are allotted 31 per cent of family living costs as compared to 30 per cent in the 1926 base index.

## Rentals

Rental cost for workmen's houses, flats and apartments are ascertained every May and October. In addition, rental agents are asked to report upon the current rental situation relative to that at the preceding lease date. Before reporting forms are issued, rent data and descriptions of property reported by each agent for the last period are copied out in the new schedule in order to be consistent from period to period. 200 reports are received from sixty-one cities to

calculate the rent index. The average rentals of houses, flats and apartments are compared with base period rentals to form a sub indexes. The sub indexes are then weighted 70, 15 and 15 for houses, flats and apartments respectively. They are then combined to form the shelter index. Rent accounts for 19 per cent of the expenditures in our present index compared with 20 percent in the old.

### Clothing

The clothing index is based on a long list of men's and women's apparel. No annual replacement allowance for children's clothing appears in the index. Also omitted are women's afternoon and evening wear, women's hats, men's hats and gloves. Due to style and seasonal changes in clothing, the Bureau finds it difficult to maintain a continuous price series on the same quality of goods. Those items which make up the clothing index are, in the opinion of the Bureau, representative of the basic materials entering into clothing in almost the same proportions as they would be in a complete clothing budget. How can they reconcile this opinion with the fact that children's clothing and certain men's and women's clothing which are commonly worn (hats, gloves) are not in the index? The new index contains thirty-one items of clothing, piece goods and footwear, the prices of which have been followed over a period of years to test their reliability in an index. On the assumption that the thirty-one items will measure fairly accurately changes in the price of clothing, the Bureau has not used a larger

1st. Department stores are the main source of the Bureau clothing prices, and the monthly returns of the prices of the various items. The clothing index accounts for twelve per cent of the cost of living budget compared to eighteen per cent in the old index. The method of computation is the multiplication of the average prices by the estimates of consumption. The total aggregate is compared with the corresponding base aggregate to form the total clothing index.

### Home Furnishings and Services

Home Furnishings and Services is composed of eight sub-groups, furniture, floor covering, furnishings, hardware, dishes and glasses, laundry charges, cleaning supplies and telephone charges. Prices are received principally from department stores on twenty-five commodities in eleven cities on the first of each month. Laundry reports are received annually from ninety-five laundries in twenty-three cities, and reports of telephone charges for twenty-three cities every month. The average prices are multiplied by the budget estimates of consumption, and the average charges for the services are determined. Each group aggregate is compared with the base period to ascertain the sub-indexed. The final step is the weighting of the sub-indexes and their combination to form the Home Furnishings and Services Index.

### Fuel and Light

Coal, coke, gas and electricity are the four divisions of the Fuel and Light Index. Prices are noted the

first of each month for each sub-index. The coal index covers fifty-eight cities with approximately four reports from each source accounting for the type of coal used. Reports on coke prices come from twenty-six cities in Ontario and Quebec. The reports on electricity come from all of the 109 urban communities in Canada. The average prices are compared with the base period to form sub-indexes, which in turn are weighted and combined to form the final index. As in the old index, the cost of fuel and light is 6 per cent of the total budget.

### Miscellaneous

The price information of the miscellaneous group of commodities and services is collected almost entirely from the twenty-three largest Canadian cities. The group is divided into five sub-indexes, health maintenance, personal care, transportation, recreation and life insurance premium charges. Information on these expenditures is used in the determination of the five sub-indexes. The sub-indexes are weighted and combined to form the Miscellaneous index. The index is weighted twenty-three per cent of the total cost of living as compared with twenty-six per cent of the old 1926 base index. This is not a decrease in importance since home furnishings has now a quarter of the weight of the old index.

## CHAPTER VII

CANADA UNDER THE PRICE CEILING

Fifteen months have gone by since the price ceiling came into effect. During the first few months of price control, the main problem was to maintain an orderly flow of consumers' goods. Therefore most of the early price adjustments were made with this in mind. As time progressed, however, more direct controls over consumers' goods became necessary. Typical of the early price adjustments were allowances for individual price anomalies, time-lag problems and seasonal variations. The recent and direct controls include consumer rationing, introduction of simplified practice and standardization of production, government bulk purchasing through the Commodity Prices Stabilization Corporation and allocation of scarce materials.

The Board has encountered ten major price problems covering every season of the year. The price problems and the methods of adjustment are listed below.

(1) Exemptions from the price ceiling are made in those cases where administrative difficulties are excessive in relation to the importance of the particular commodity. Numerous difficulties were encountered in the administration of newspapers, magazines and all other periodicals.<sup>(1)</sup> Upon recommendation of the administrator of printing, publishing and allied industries the price ceiling

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(1). Wartime Prices and Trade Board Order No. 167, August 28, 1942.

was removed. Increasing costs of publications and the declining revenues in many cases made such action necessary. It was impracticable to introduce a program of simplification or standardization or pay a subsidy to those publishers which were operating under the price ceiling at a loss, without facing criticism for attempting to control a "free press". The only alternative was to permit publications to breach the former ceiling. Up to the present time publications imported from the United States are the only ones which have increased in price.

Exemptions from the price ceiling are few and far apart. In several instances, exemption has been allowed because the extremely wide seasonal fluctuations which the price normally undergoes makes price control very difficult. Such is the case in the price of fruit and fresh vegetables. In the case of luxuries, exemption from the price ceiling was chosen to be the most practicable method of allowing continued supplies in the face of heavy increases in costs. The Board has exempted from the maximum price ceiling most products sold by primary producers, farmers in particular, to all marketing outlets except the consumer. The price control appears in the wholesaler to retailer to consumer stage. In several instances, this formula has made price control a great deal more flexible and the administration of it much simpler, while it also encourages producers to maintain adequate supplies.

(2) In a number of cases, extensions of the



price ceiling have been enacted, ceilings reimposed and special regulations to clarify and strengthen the ceiling have been imposed on certain goods and services.

### Beef Cattle

The Board has found the control of beef prices a most difficult and vexatious problem. The maximum price regulations of agricultural products in general, have required special types of adjustment. Beef cattle prices were thought to require the same type of adjustment as other agricultural produce, perhaps a shade more complicated, but essentially the same. Originally when the price ceiling was imposed, each seller of goods had to maintain his own ceiling. Since the margin of profit per pound is very narrow in meats, those retailers who had previously depended upon turnover to provide a suitable total profit ran immediately into losses. However, the Board had not defined the various qualities of beef so wholesalers and retailers took the alternative of selling low grade beef at top grade base period prices. Moreover, the flow of cattle to the livestock markets had diminished to a dribble, for base period prices were those of grass fed cattle which are cheaper to raise than hay fed cattle in the winter. Therefore, farmers were unwilling to sell beef cattle without the normal seasonal increase in price. Indeed this fact was universally known to all cattle dealers and the livestock officials of the Department of Agriculture, yet the Board acted inadequately. During the winter of 1942,

beef prices along with those of other agricultural produce were allowed to ride freely between the primary producer and the wholesaler. The Board believed they had solved a supply problem by keeping the price ceiling at the processed state, or "dressed" in the case of beef. This meant that the farmer could ask any price he chose but the wholesaler could pay only that price which would permit him to sell his meat at the ceiling price and still make a profit. The Board believed that the buyers would be able to keep a stronger market position than the sellers. Superficially this may seem to be sound reasoning for Canada Packers Limited and Swift Canadian Company Limited account for more than half of the livestock purchases.<sup>(2)</sup> Although there are many farmers shipping to market, the majority of the beef cattle sold in Montreal come from the West under co-operatives organized by livestock raisers. The fact is that even before price control, the packers could not break livestock prices in Eastern Canada. There was no reason that it could be done now. In fact, there were new reasons to supplement the old why it could not be done. The removal of export restrictions to the United States in order to obtain foreign exchange, and rising cattle prices in the United States diverted huge stocks of cattle for export because Canadian packers could not pay the same price and avoid making a loss on every head of cattle purchased. In the spring of 1942, the packers curtailed

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(2). This discussion relates to the Montreal Livestock Market for the writer has investigated the situation at Montreal only. However newspaper reports tend to confirm the view that a similar situation exists at Toronto.

their purchases of beef in the hope that a large market would force the price down. This hope failed to materialize. On the other hand, smaller firms bought cattle at the market price and sold to retailers the dressed meats at higher than ceiling prices. With the large packers such as Canada Packers Limited and Swift Canadian Company Limited making what amounted to token purchases, the bulk of the Montreal business fell to the small dealers who were now making larger profits than ever before. Canada Packers Limited was deeply concerned over the evasion of ceiling prices through "black market" operations, that they embarked upon a policy of driving out the smaller wholesalers from business. After this was accomplished, a refusal to buy cattle on the part of the packers would produce an acute shortage in Montreal and force the Wartime Prices and Trade Board to allow the maximum price ceiling to be legally breached. The plan to eliminate the wholesalers was to purchase nearly all of the weekly market of cattle and then sell the dressed meat at ceiling prices. This, indeed, would involve losses but would effectively stop the wholesalers from buying and being able to sell anything. For the three weeks commencing June 18, 1942, Canada Packers Limited bought up almost the entire market. Wholesalers bought nothing, for there was nothing left to buy. In the three weeks Canada Packers lost \$55,000. and not one wholesaler had gone into liquidation. It became apparent to the company that if such a policy were continued they may conceivably drive themselves out of business. The plan was dropped.

J. S. McLean, president of Canada Packers Limited, testifying on behalf of the company's appeal against conviction and sentence on charges of failing to make an "appropriate reduction" in price as required by the Wartime Prices and Trade Board for secondary grades of beef, was reported by the Montreal Star as saying,

"There is a "black market" operating in Canada for beef, and this illegal market greatly adds to the upward tendency of beef prices..... Outside of the regular packing houses, there are numerous operators who pay no attention at all to ceiling prices, make no attempt to grade their beef, and simply buy for the price that is asked, and sell for the best price any one would pay..... In the three weeks ending July 7 last, Canada Packers lost \$55,032 on their beef department, due to the necessity of paying 2 $\frac{1}{4}$  cents a pound more for beef for sale to the public, than the ceiling price "allowed".(3)..... This is the first time in the history of the company that such a loss has been imposed on us, amounting to \$20,000 a week on account of a government order." (4)

To meet this situation the Board established the Wartime Foods Corporation in June 1942 to control the export of cattle to the United States. In July the Corporation undertook to pay the equivalent of export prices for the same number of cattle which was eligible for export under the United States quota. This move was made in order to divert cattle from the export to the domestic market. This was a step in the wrong direction for it only served to accentuate the uneven marketing of cattle. Since United States quotas were made every quarter, There was a flood of cattle to meet it. The Corporation got the rest of the cattle that failed to get in under the quota, whereupon they were immediately shipped off to the domestic

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(3). The word "allowed" is added by the writer to clarify the statement.

(4). Montreal Star, Volume LXXV, Numbers 29 and 30, February 4th and 5th, 1943.

market. For the first few weeks of the quarter, the market was large and then shrank to almost nothing until the next United States quota.

In September 1942, the Board made the Wartime Foods Corporation the sole exporter of beef to the United States, with authority to buy beef in the domestic market for our own use to assure Canadian supplies. Shortages continued during the month because farmers were holding back from marketing their cattle on the impression that prices would go up later on in the season. Normally, September is the month of heaviest shipment of cattle to market. By the end of September it became apparent that further steps must be taken to assure even or "normal" marketing of beef. On October 6, 1942, the Board at long last gave recognition to the fact that base period prices do not represent all year around prices by allowing the maximum price for "good commercial" wholesale carcasses to be increased by \$1.50 per hundredweight during October 13 to December 23. Thereafter, seasonal increases of \$ .50 per hundredweight would be made on December 24, February 11, March 25 and April 29, and a 25 cents increase on May 27. Since late spring is the time of highest beef prices in a free market, the Board hopes that prices after June 1943 will fluctuate seasonally below the new ceiling. In the same Order, the Board finally recognized the fact that there are many grades of beef. They properly defined six grades of beef with "Special Quality" at a maximum wholesale

price 50 cents higher than "good commercial". The other four grades are discounted below the maximum price for "good commercial" beef.(5)

Even with these periodical increases in the wholesalers maximum price, the actual price paid for beef on the livestock market today (March 1943), makes it impossible to kill, dress and sell the beef to retailers at the maximum prices. The large packing houses continue to buy beef, but in very small quantities. I believe I am not exaggerating if I say that every wholesaler, apart from the packers, is selling beef above the maximum price ceiling. Invoices are "cooked" to include items which the retailer never gets, and weights are shown far in excess of the actual truth. To the wholesaler it was a question of breaking the law or going out of business. He may be, and is, periodically caught and fined, but the fine is never as large as the losses he would incur if he sold at the price the Board orders him to. The retailer, on the other hand, is glad to get the beef at "black market" prices for the packers supply him infrequently and in token quantities. The fact must be noted that although seasonal increases in price were allowed for the beef the shopkeeper buys from the wholesaler, he was not allowed to increase his price. Allowed or not, the retailer has and still is charging prices above those of his base period.

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(5). Wartime Prices and Trade Board Order No.194, October 6, 1942.

In September 1942, the Board threatened that a system of allocating meat supplies along with consumer rationing may be introduced if shortages continue. Let it be clear that these shortages are not actual shortages in the stocks of live beef in Canada, but are shortages which have arisen because the channel of marketing has been blocked at several points. The Board further threatened to follow the United States in establishing ceiling prices on livestock. If this were done and prices were pushed down far enough to enable packers and other operators to handle beef at the legal price without incurring losses, the flow of beef to market would proceed in its former orderly fashion. The Board has chosen to implement their first threat. Consumer rationing will be introduced in May of 1943. It will not solve the "black market" problem or induce a steadier flow of beef to the slaughterhouses. It will make the check on maximum prices much easier and, consequently, bring more fines. It will not solve the underlying problem.

### Fuelwood

The difficulty of maintaining necessary supplies and controlling prices in many areas led to a clarification and extension of maximum price regulations. Where the supply problem is not acute and trade is functioning normally the basic principle followed in clarifying the regulations has been to hold on to the base period ceilings. In most cases the costs of fuelwood have increased and the Board has allowed the price

ceiling to be raised. More orders have been issued in an attempt to control the price and assure a supply of fuelwood than for any other good or service. The present coverage of fuelwood orders covers most of the cities and towns in Canada, (6) The supply situation threatens to become so critical in many areas during the winter of 1944 that the Board is warning local authorities to appraise their situation and take action to alleviate the shortage now. From March 5, 1943, a subsidy of one dollar a cord of fuel wood is payable to the fuelwood dealer. The dealer, in turn, must show that a dollar per cord has been paid to the primary producer. This system may have the undesirable result of channeling fuelwood away from local areas of consumption where the wood is sold by the primary producer directly to the consumer.

Special regulations have been passed dealing with the pricing of used goods, particularly those made of metal. Since new goods of many types have become increasingly difficult and in some cases impossible to obtain, the situation with respect to the pricing of used goods needed clarification. (7)

The difficulty of controlling rentals has forced the Board to set up rules and regulations regarding the

- (6). Fuelwood orders cover all districts in New Brunswick, Manitoba and mainland Nova Scotia, the settled parts of Quebec, southern Ontario, Fort William, Port Arthur, Kenora and the Vancouver and Victoria areas.
- (7). The Wartime Prices and Trade Board Order A296 fixes the maximum price of used structural steel. A391 and A392 sets the maximum prices for used sewing machines. A334 establishes the price of used clothing. These are a few of the orders regulating the price of used goods but indicates the problem and the wide scope of the regulations.



termination of leases, eviction and similar problems.(8)  
 In September, the Rentals Administrator was given the authority by Board Order No. 183 to prescribe the manner in which any maximum rental shall be fixed and to appoint Rental Committees to investigate the numerous complaints of alleged infractions.

With a view to clarifying and strengthening the maximum prices regulations with respect to consumers goods in general, the Board issued Order No. 214 on February 12, 1943 to supplement Order no. 145 of July 13, 1942, dealing with the principle of maintaining price ranges in relation to quality. The Order No. 214 states the principles to be followed in these terms;

"In all matters arising out of this Order or its operation, due regard shall be had to the necessity for continuing to provide safeguards under war conditions against undue enhancement in the price of consumer goods and to ensure adequate supply and equitable distribution thereof.

The price of any consumer goods shall not be varied or fixed under the provisions of this Order so as to enhance such price except to the extent that, in the opinion of the Chairman or the Administrator concerned, as the case may be, the manufacturer or importer of and the dealers in such goods cannot share among them the increase in the cost thereof on a basis which is fair and equitable.

Whenever a manufacturer produces any consumers' goods which are dissimilar in usefulness, durability, serviceability, or intrinsic worth to his standard goods, he shall before selling or offering to sell such dissimilar goods, on a form prescribed by the Board, make application to the Administrator concerned to fix the maximum price of such dissimilar goods."

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(8). Order No. 108 of December 10, 1942, is a consolidation of orders regarding maximum rentals and termination of leases.

The same broad principles apply to importers and wholesalers while special rules apply to the pricing of dissimilar goods by retailers. Moreover, manufacturers could not reduce the proportion of goods manufactured in the lower price ranges unless on approval of the Board. The Board will only agree to such a reduction if unavoidable circumstances, such as the inability to secure materials, force them to do so.

(3) Anomalies in retail prices were one of the problems requiring adjustment during the first few months of the price ceiling. Although the policy of the Board was to hold tenaciously to the price ceiling at the retail level, many retailers' prices for specific commodities were abnormally low compared to prices for the same or substantially similar articles during the base period. The Board allowed the upward adjustment in price in certain cases after a careful investigation. A most extensive adjustment of such a nature occurred in the case of biscuit prices in Quebec and the Maritime provinces. The whole biscuit industry found itself unable to carry on in the eastern provinces because their prices during the base period had been abnormally low compared with the rest of Canada. The Board, after a thorough investigation, ordered an increase of one cent per pound in the maximum price of manufacturers, wholesalers and retailers of biscuits.(9)

Retailers who feel that the price they could charge are abnormally low compared to those charged by other

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(9). Wartime Prices and Trade Board Administrator's Order No. A-356.

retailers for the same or substantially similar goods may apply to the Administrator of Retail Trade for an adjustment. Many individual retail price anomalies were corrected in this way. Wholesalers have a similar recourse to the Administrator of Wholesale Trade. (10) We have now passed through a complete cycle of the four seasons so few adjustments of this type are expected to be made in the future.

(4) A ceiling schedule or formula has been adopted in the pricing of new or modified goods. This problem is drawing increasing attention because of the growing necessity of finding substitute goods and the program of simplification and standardization which is being applied to most industries. The formula to be followed is laid down in Board Orders 145 and 214. These orders have been dealt with in the previous section on the subject of the strengthening of the price regulations of consumers goods in general. In the pricing of new and modified goods, the original Order states the principle that new lines of merchandise should be instituted only when it is in the public interest. Here are the roots of the recent order prohibiting business expansion. Maximum prices must be established for those goods which are not substantially similar to goods sold during the basic period. The price of such goods must be approved in writing by the Board. The Administrator will only approve such prices when they are appropriate in relation to the prices and relative

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(10). Board Order No. 144 of July 1942 lays down the procedure to be followed with respect to the adjustment of retail price anomalies.

value of comparable goods. This order should have been made effective as soon as the maximum price ceiling was imposed, because there was a wide loophole through which many manufacturers, wholesalers and retailers, by slightly altering their products set the selling price at what they wanted, effectively blocking the purpose of the price ceiling.

(5) The Board has found it necessary to replace individual ceilings by market price or special formula ceilings. In the previous section it is noted that new or modified goods required a ceiling formula. Other factors which make a special formula ceiling necessary are seasonal variations in costs, the need to ensure a more even distribution of supplies throughout Canada, the necessity to ensure balanced supplies where there are a group of interrelated products and the desire to get a more flexible control over prices so that supplies may be maintained.

A ceiling formula of this type was applied to the selling price of eggs.<sup>(11)</sup> Maximum wholesalers' prices were established in eleven principal distributing centers with appropriate zone differentials designed to ensure a uniformity of supply in all sections of the country. Wholesalers' maximum prices at other points could not exceed the freight

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(11). Board Order No. 178, August 25, 1942, Other special formula ceilings have been applied to brazil nuts, A-404, September 21, 1942, and processed cheese, A-372, September 2, 1942.

charges to that point from the nearest center, added to the maximum price at that center. Retailers could sell the eggs at a maximum mark-up of 20% or eight cents per dozen whichever is the lower. This special formula ceiling operated successfully all winter and it is expected that market price ceilings will be more extensively employed.

(6) In a few cases, the Board has set standard maximum prices in an attempt to encourage the flow of additional supplies. Uniform maximum prices have been established mainly for raw materials, such as tin, critical steel, pulpwood, fuelwood in certain areas and oak flooring. For example, in the case of critical steel,

"No distributor shall sell or offer for sale any critical steel to any other distributor or to any wholesaler at a price in excess of the highest lawful price at which he sold any such critical steel during the basic period referred to in the Wartime Prices and Trade Regulations, excepting that the maximum price..... when sold by any distributor to and other distributor or to any other wholesaler, shall be \$3.25 per one hundred pounds, base, F.O.B., Montreal." (12)

Furthermore, to keep track of and ensure a continuous flow of supplies a list of distributors is included who may sell to certain wholesalers, of whom a schedule of names are also given.

(7) Allowances have been made in certain cases for normal seasonal variations in prices. Those products which were recognized as having a definite seasonal price

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(12). Administrator's Order No. A-330, August 12, 1942.

structure were removed from the base period ceiling regulations and placed under a special seasonal schedule or tied to prices prevailing in a corresponding period in 1941. Products like fresh fruits and vegetables were exempted from the price ceiling because the extremely wide seasonal fluctuations would impair the marketing of supplies. In the case of beef which is dealt with above, a special price schedule allowing for seasonal variations was introduced in October 1942.

(8) The price adjustments that were and are being made in the dairy industry demand that it be dealt with separately. The basic problem was to assure a better balance of supplies. This has been attempted in two main ways, the imposition of price variations for the different products and the payment of subsidies. During April 1942, the Board rearranged the ceiling prices on milk and dairy products by establishing maximum retail prices for fluid milk, and at the same time, cancelled the subsidies which were being paid to producers.(13) In addition, the Board paid the producers of butterfat a subsidy of six cents per pound from July 6 on, so as to avert a possible shortage of butter in the coming fall and winter. In August 1942, the Board absorbed the normal seasonal increase in milk prices by paying a subsidy to fluid milk producers and at the same time, the retail price of milk was raised in Halifax, Montreal and Vancouver.(14)

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(13). Board Order No. 124, April 7, 1942.

(14). Board Order Nos. 171 and 172, September 1, 1942.

In January 1943, the Board reduced the price of milk to consumers by two cents by paying an equivalent subsidy to milk producers. On December 20, 1942, the Chairman of the Wartime Prices and Trade Board announced butter rationing and an increase in the subsidy on butterfat of four cents per pound.

It is doubtful whether production of dairy products can be increased in view of the growing shortage of farm labour. Although butter rationing came in when it did because of panic buying in some areas, it nevertheless would have come, and is likely to stay for the duration of the war.

(9) The main task of the Board in the early days of price control was to meet time-lag problems. It has done this quite successfully in three main ways;

(a) The raising or lowering of intermediate prices with the manufacturers, importers and distributors each absorbing a part of the squeeze.

(b) Subsidies are paid usually to the manufacturer or importer where the squeeze becomes too great.

(c) A program of simplification and standardisation is applied so as to reduce costs, thereby reducing or doing away with subsidies, and conserving vital materials. (15)

(10) Subsidies are paid to maintain supplies of necessary imports, the prices of which have risen considerably. Remission of duties and government bulk purchasing are

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(15). Administrators Order No. A-405 is an example of simplification in the textile and clothing fields designed to reduce costs and conserve materials.

also used to ensure essential import. These three methods, constituting an important instrument of the policy of the Board, has been dealt with in the preceding chapter.

### The Manpower Program

On August 19, 1942, the Prime Minister announced the policy of the curtailment and elimination of non-essential activities.

"The Wartime Prices and Trade Board.... has been directed to put this policy into effect by such measures as appear necessary for the purpose..... In restricting civilian activity, the Wartime Prices and Trade Board will act in closest collaboration with the Director of National Selective Service, whose duty it will be to direct into the most useful channels the manpower released from non-essential civilian activities."

This was done because of the acute and growing shortage of manpower, both for the military forces and war production. The government recognized that any further expansion of the war effort could only come through deliberate transfer of manpower from civilian employment. Mr. Donald Gordon outlined his plans as follows,

"The direct task of steering and allocating labour into the most effective uses is the responsibility of the Director of National Selective Service. The responsibility for seeing to it that all non-essential civilian activities be curtailed or eliminated has been given to the Wartime Prices and Trade Board. This means that the government has asked the Board to take steps to place the country upon "iron rations" - to see not only that all non-essentials are eliminated but also to ensure that the minimum essential needs are satisfied by the use of the least possible amount of manpower, materials, machinery, fuel, power and transportation. As we do so, the Director of National Selective Service will channel into the war effort the manpower thereby released and other Government agencies will see to it that war production utilizes any



suitable productive facilities made available."(16)

This was the last step and possibly the most difficult one to take in order to make Canada a "total war economy". As this paper is being written in March 1943, no steps to implement this policy have been taken. The Wartime Prices and Trade Board set up a new division, known as the Industrial Division, which is believed to have completed their plans to curtail civilian industry if and when National Selective Service becomes what its name implies.

The Board had, however, in the anticipation that curtailment of industry would become a reality, "frozen" business for the duration of the war.(17) The Order prohibits the establishment of new businesses except by special permits which will be granted in exceptional cases only. Contracts and other arrangements which were made prior to the Order may be completed. The Board recognized the fact that in areas where population was expanding rapidly, more outlets would be required and announced that permits would be granted there. The Order also prohibits established businesses from expanding and from moving to larger premises without permission. A permit is also required before a firm may produce or handle a line of merchandise not previously sold. In a statement of policy on October 6, 1942 of "equitable distribution of goods in short supply by manufacturers and wholesalers", supplies are to be allocated equitably among their

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(16). Speech by Donald Gordon at Moncton, New Brunswick, October 22, 1942.

(17). Board Order No. 184, November 2, 1942.

established customers in proportion to their purchases in 1941. In addition, no supplier may now sell goods to a new customer or an old one, who was not previous to the order handling goods of the same kind, unless a special permit is presented.

### Consumer Rationing

Consumer rationing made its appearance in 1942 although the manufacturing industry had been rationed in the use of many essential materials. Consumer rationing through the coupon system has been applied to sugar, tea, coffee, butter and in the near future, meats.<sup>(18)</sup> It has been the policy of the Board to institute "honour" rationing when the stocks of essential foods have run low, it has in every case had to clamp on direct control soon after. It is indeed probable that "honour" rationing hastens the day of coupon rationing for many people take the advantage to hoard.

### Consumer Credit

One of the first steps taken by the Board to deal with the threatened inflation which developed in the summer of 1941 was the restriction of credit buying on a wide range of consumer goods.<sup>(19)</sup> The original Order has been superseded by a new Order requiring a down payment, when goods are bought on the installment plan, of at least one-third of the cash price after any trade-in allowance has been deducted. The time allowed to complete installment payments

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(18). The Department of Munitions and Supply is in charge of gasoline rationing.

(19). Board Order No. 64, October 14, 1941.

has been shortened. (20) The credit restrictions have helped to cut down extensive consumer buying. The Board announced that cash now forms 60 % of the sales as compared to 52 % in a similar period, last year, and installment sales have decreased by 7 %. (21)

### Enforcement Administration

As soon as the price ceiling came into effect, education as to the operation of the price ceiling and the necessary co-operation of the civilian population was the first stage of the enforcement policy. To implement this policy, the Board is publishing the Wholesalers' Bulletin, the Retailers' Bulletin and the Consumers' News. In addition, it maintains a daily radio program throughout Canada. (22)

By arrangement with the Department of Munitions and Supply has assumed the responsibility for the enforcement of the Orders of several Controllers of the Wartime Industries Control Board. Up to September 1942, the Board has engaged in 734 prosecutions and of these cases, won 93 %. For the first six months from December 1941 the Board took 110 cases to court and 624 for the following four months. This, it is believed, is indicative of the Enforcement Administration becoming more efficient and an increasing number of violations.

### Wholesale Prices

The index of general wholesale prices in Canada

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(20). Board Order No. 225, February 1. 1943.

(21). The Wartime Prices and Trade Board, Retailers' Bulletin, March 15, 1943.

(22). "Golden Wife" over C.B.C. network.

rose from 94.0 in November 1941 to 97.1 in November 1942, a gain of 3.3 per cent.(23) In the United States, the general wholesale price index advanced 7.8 % in the same period.(24) The small increase in the Canadian index is partly due to the higher price basic of wheat set for the 1942-43 crop year.

### The Cost of Living (25)

The wartime increase in the cost of living up to November 1941, totaled 15.4 % of which one half came in the first eleven months of 1941. The question now to be answered is whether the price ceiling policy has succeeded. In December 1941, when the price ceiling came into effect, the index experienced its first major decline since the war started.(26) The index continued its decline to January 1942, where it stood at 14.5 per cent above August 1, 1939. From January on the index continued to rise to July, creating a new wartime peak of 17 per cent above August 1, 1939. As a result of this rise, a cost of living bonus, which is outlined below, was paid. The index fell to 116.5 on September 1 and then rose rapidly to 117.7 in November. In a radio address on December 3, 1942, the Minister of Finance said,

"The record of our price and wage ceiling is good..... But there is cause for great concern..... Foreign prices beyond our control, shipping and other costs have

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(23). Graph VI.

(24). Graph VII.

(25). See Table V - Index Numbers of The Cost of Living in Canada.

(26). In February, 1941, the cost of living decline by .1 point while in December, 1941 the decline from the previous month .5 points.

increased the prices of some important imports.... In some cases, seasonal declines in price have failed to materialize.

It is now clear that some further small increases will emerge. There are practically no decreases to offset them.....

The problem is this. Shall we continue to rely on the automatic adjustment of the cost of living bonus to offset these increases in the cost of living?"

The Minister went on to explain that the cost of living bonus is not paid to large sections of the population and therefore leaves them unprotected. Since much of the revenue of industry now goes to the Government, any increases in industrial costs are made, in a large part, at the expense of the Government. Furthermore, an additional cost of living bonus would increase industrial costs and that, in turn, may increase the price of consumers' goods making another cost of living bonus necessary. Conceivably, the whole process would continue to repeat itself with no end in view. After three years of war many industries could no longer absorb increased costs without increasing the price of their products.

With this in mind, the government decided that it would be wiser not to rely solely on the cost of living bonus to offset all increases which may arise in the cost of living. The Minister announced that direct action to reduce the cost of living would be taken by reduction of duties, taxes and outright subsidy. The Commodity Prices Stabilization Corporation was put in charge of subsidising coffee and tea, the reduction in price to the consumer amounting to 4 and 10 cents per pound, respectively. The prices of oranges was

pushed back to those prevailing at September and October 1941 by the remission of import duties and taxes. A subsidy is also paid on fluid milk resulting in a general reduction of two cents in the price of milk to the consumer. It is estimated that cost of the subsidies and the loss of revenue from the remission of duties will cost forty million dollars per year. It amounts roughly to one cent per person per day which is more than offset by savings in the food budget of the individual.

As a result of this policy the cost of living index fell to 116.2 in January 1943. In order to examine the factors contributing to changes in the cost of living, the six main budget groups should be noted. Food influenced the upward movement of the index more than any other group. From August 1, 1939 to November 2, 1942, the food index rose exactly  $33 \frac{1}{3} \%$ . The rise in the five other groups for the same period were,

|                               |        |
|-------------------------------|--------|
| Rent                          | 7.2 %  |
| Fuel and Light                | 13.9 % |
| Clothing                      | 20.0 % |
| Home Furnishings and Services | 16.7 % |
| Miscellaneous                 | 5.7 %  |

The control of food prices is the most important problem of the Board in their attempt to keep the cost of living from rising any further. Cost of living bonuses, or subsidies for that matter, recognize a "fait accompli". It merely makes restitution to the population for a rise in their

cost of living, but in no way helps to prevent a further rise. Emphasis on this point cannot be too strong.

### Cost of Living Bonus

The National War Labour Board issued a General Order on August 4, 1942, regarding the cost of living bonus to be paid as a result of the rise of 2.4 points in the adjusted cost of living index for the month of July above the October 1941 index (from 114.6 to 117). Commencing with the payroll period beginning on or after August 15, 1942, an additional or a new bonus of sixty cents a week or 2.4 %, as the case may be, was paid by all employers to all their employees of and under the rank of foreman or comparable rank.

The Wartime Wages Control Order P. C. 5963 referred to in the General Order, revokes the Wartime Wages and Cost of Living Bonus Order P. C. 8253. Generally speaking, the new Order is a consolidation of the various regulations issued by the National War Labour Board and does not basically change the provisions of the previous Order P. C. 8253.

All employers must pay the bonus, regardless of the number of their employees. The exceptions are ,

(1) Any person, firm or corporation operating any hospital, religious, charitable or educational association or institution, if such association or institution is not carried on for purposes of gain.

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(27). The Labour Gazette, August 1942, pp. 904-905.

(2) Any person, firm or corporation engaged in agriculture, horticulture, fishing, hunting or trapping.

(3) Certain Dominion and Provincial government departments and agencies, as well as municipal corporations.

All employees of and under the rank of foreman or comparable rank must be paid the bonus, with the exception of any person employed in domestic service in a private home, or engaged in employment of a casual nature otherwise than for the purpose of the business of the employer.

All employees earning at the rate of less than \$175.00 a month are considered to be of and under the rank of foreman. All employees earning between \$175.00 and \$250.00 per month can be classed by the employer as being of and under the rank of foreman or comparable rank. Employees receiving \$250.00 or more a month are considered to be above the rank of foreman, unless the nature of their duties and responsibilities or relationship to other employees indicate clearly that they are not above the said rank. In case of doubt, for those receiving \$250.00 or more a month, the employer must secure a ruling from the National War Labour Board.

The new bonus to be added to an existing bonus, or to be paid for the first time if no cost of living bonus is at present being paid, is,

(1) Sixty cents a week to be paid to all male employees 21 years of age or over, regardless of their earnings.

(2) Sixty cents a week to be paid to all employees earning \$25.00 or over a week.



(3) 2.4 % a week of actual earnings of females receiving less than \$25.00, and males under twenty-one receiving less than \$25.00 a week.

## CHAPTER VIII

CANADA UNDER THE WAGE CEILING

Aside from the fact that wage statistics in Canada are very inadequate, there is no official index of real wages. The writer has compiled an index of real wages from March 1941 onwards for eight leading industries.<sup>(1)</sup> How accurately the table represents the true situation is not known, for completely satisfactory basic material was not available. All the same, a trend toward an increase in real wages is shown in manufacturing, logging, mining, construction and maintenance, services and the composite index for the eight leading industries.

The question which may logically arise now is why real wages can rise if the cost of living and money wages are pegged to each other. The answer, I believe, is twofold. Firstly, the table does not eliminate increased money wages as a result of overtime. Secondly, although it is illegal to give increases in pay without the consent of the National War Labour Board, civilian industries in many cases have and are giving illegal pay increases in order to keep their labour from leaving for better paid jobs in the war industries. As yet, not one firm has been prosecuted on these grounds although infractions are believed to be numerous.

The trend of real wages as shown by Table VI is partially substantiated by an index of per capita earnings

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(1). See Table VI.

compiled for the manufacturing industries and a composite of eight leading industries.<sup>(2)</sup> The per capita earnings in manufacturing increased 17.8 per cent from June 1941 to October 1942. The cost of living increased by 6.6 per cent in the same period, indicating that real wages are rising.

The fact that per capita earnings are generally higher than those used as a base in compiling the cost of living index is seen on Table VIII. Only earnings in non-durable manufacturing, logging, services and trade are on the average lower than the average expenditure of \$1413.9 which is represented in the cost of living index.

Canada is working under a serious handicap in the attempt to build up her industrial output - the handicap being labour unrest and disputes. Labour disputes fall roughly into two main categories, those involving collective bargaining and union recognition, and those relating to hours and wages. Significantly, the majority of labour disputes since the beginning of the war are jurisdictional. Although organized labour protested the imposition of the wage ceiling, it has not been the main bone of contention. The trouble arises from the fact that Canadian employers are refusing to grant trade union recognition and union representation in many cases. Trade unions, on the other hand, believe that now is the time when they can force employers to recognize them and thus consolidate the position of organized labour during wartime.

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(2). Table VII.

for when the war is over unemployment may arise and if labour is unorganized, trade unionism may be smashed irreparably for many years. Trade unions are unanimous in their demands for the outright acceptance of the principles of collective bargaining. When this is achieved labour will be admitted to full citizenship, economic as well as political. In few democratic countries has labour been ostracized from participating in the affairs of state as in Canada. Almost without exception the industrial and social planning of the government at Ottawa is the exclusive territory for business executives and highly placed civil servants. Labour feels it has no voice and refuses to co-operate in the industrial program as much as they would, were their grievances rectified.

The government has up to the present attempted to play a passive role and avoided exerting influence in the favour of labour or capital. This has incurred the danger of both labour and industry. If serious damage to the war effort is to be avoided, the government should formulate a clear policy regarding its position in regard to labour. It is believed that most Canadians do not think that the science and wisdom of industrial and social planning is the exclusive monopoly of business men and government officials. For labour to assume its rightful place in our economy the government must,

(1) give labour, as it has given business men, a voice on the many official wartime organizations. Teamwork is essential for the most efficient prosecution of the war. Labour should not be told what it must do without helping to make the decisions.

(2) Reassure labour that the government will stop paying lip service to the basic rights of labour. It can do this by repealing P. C. 7307 and 5830. (3) P. C. 8253, which asserts that labour "should" be free to negotiate with their employers through freely chosen delegates, must be made mandatory.

(3) Make definite provisions to determine, in case of dispute between unions, which shall be the bargaining agent.

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(3). P. C. 5830 empowers the Minister of National Defence to call out the armed forces in labour disputes.

## CHAPTER IX

THE FUTURE OF PRICE CONTROL

The place of price and wage control in the national war effort is becoming increasingly important. It is apparent that the emphasis is now shifting from the obvious pricing problems to those of supply of materials and manpower. The freezing of prices threw into bold relief the basic problems of shortage, which would otherwise have been obscured and hidden by inflation. The role of the price ceiling policy has, therefore, been that of preventing the unfair and demoralizing uncertainties of inflation and the focussing of attention upon the actual physical problems resulting from war.

Since October 1941, much has happened to increase the whole tempo of the war. The entry of Japan into the war on the side of our enemies has changed the fight from one between two continents to a global war. This has magnified and intensified the contribution we are making to win the war and, at the same time, has cut off the import of key war materials and various consumers' goods.

The Wartime Prices and Trade Board is responsible for the drastic curtailment of civilian output and the maintenance only of the essential needs of the civilian population. Apart from rationing of a few commodities, Canada has a long way to go before we are on "iron rations". More widespread and co-ordinated measures of control are now necessary. The

events of 1942 illustrate how much more disturbing are the adjustments which become necessary as the war effort approaches its peak. To get the last 100,000 workers, or the second last 100,000 is infinitely more difficult than to obtain the preceding requirements of equal size. Focal points of shortage have within the last six months become more acute and numerous, as reserves of labour have faded away and material stocks dwindle to new low levels and as automatic adjustments and shifts become fewer and fewer. The price of an all out war effort is a transformation of our way of living to a lower level than we now enjoy. The reduction in civilian consumption should have come in 1942. The pressure of buying power in excess of consumers' goods available for purchase is tremendous. In a recent address, Donald Gordon said,

"....Nothing short of our utmost effort and a settled determination to use every weapon at our command can prevent the accumulating inflationary pressures engendered by that war effort from infecting our economic system....

Let us make no mistake about it! The danger is great and imminent and the strain is beginning to tell....

With all the sincerity and emphasis at my command I tell you that the present danger cannot be over-stated...." (1)

It is true that the danger of the price ceiling collapsing cannot be understated. Why then, if the Government

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(1). Speech by Donald Gordon, Chairman, Wartime Prices and Trade Board, at the Retailers' Wartime Conference, Toronto, April 5, 1943.

knows this, have they not implemented a policy which they themselves presented in August 1942? If it is because of political expediency, then no condemnation of the Government can be harsh enough. It is obvious that the price ceiling policy cannot stand alone. It was originally designed to be a part of a broad national policy designed to prevent inflation and to facilitate the most complete and fullest diversion of manpower and materials for use in the war effort. The general wartime policy consisted of five main tenets.

- (1) An over-all price ceiling.
- (2) A wage and salary ceiling.
- (3) Profit and income controls, such as taxation and borrowing.
- (4) Allocation and rationing controls.
- (5) Manpower controls.

The first three controls are in operation, but their effectiveness is greatly reduced because the last two controls exist only on paper. (2) Because of the growing pressure of war demands on materials and labour now being used in civilian industry, it is absolutely essential that the majority of consumers' goods be rationed up to the point where a further reduction may seriously impair the health of the nation. The manpower, released through the curtailment of civilian industry, would then shift into war production

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(2). Although tea, coffee, sugar and butter are now being rationed, they represent a small fraction of the goods and services the writer believes should be rationed.



or enter the armed forces. The Industrial Division is believed to have extensive plans to co-ordinate and direct the curtailment of non-essential activities. The outlook for 1943 may be summed up in one word, SHORTAGE. It will be a year in which the available supplies of civilian goods and services will fall far short of spendable incomes and, as a result, the battle of inflation will be much more difficult. If blanket consumer rationing and manpower controls are not introduced within the near future, Canada will enter into the fourth stage of her war effort. In this stage, due to the exhaustion of materials, diversion of men to the armed forces, transportation difficulties and many other strains, total output will decline, and the brunt of it will be borne by the war industries. The responsibility rests with the government. They realize the danger and they have the plans to avert it.



GRAPH I \*  
 INDEX OF EMPLOYMENT IN ALL INDUSTRIES  
 1929-1939  
 (1926 = 100)



\* EXCEPT AGRICULTURE

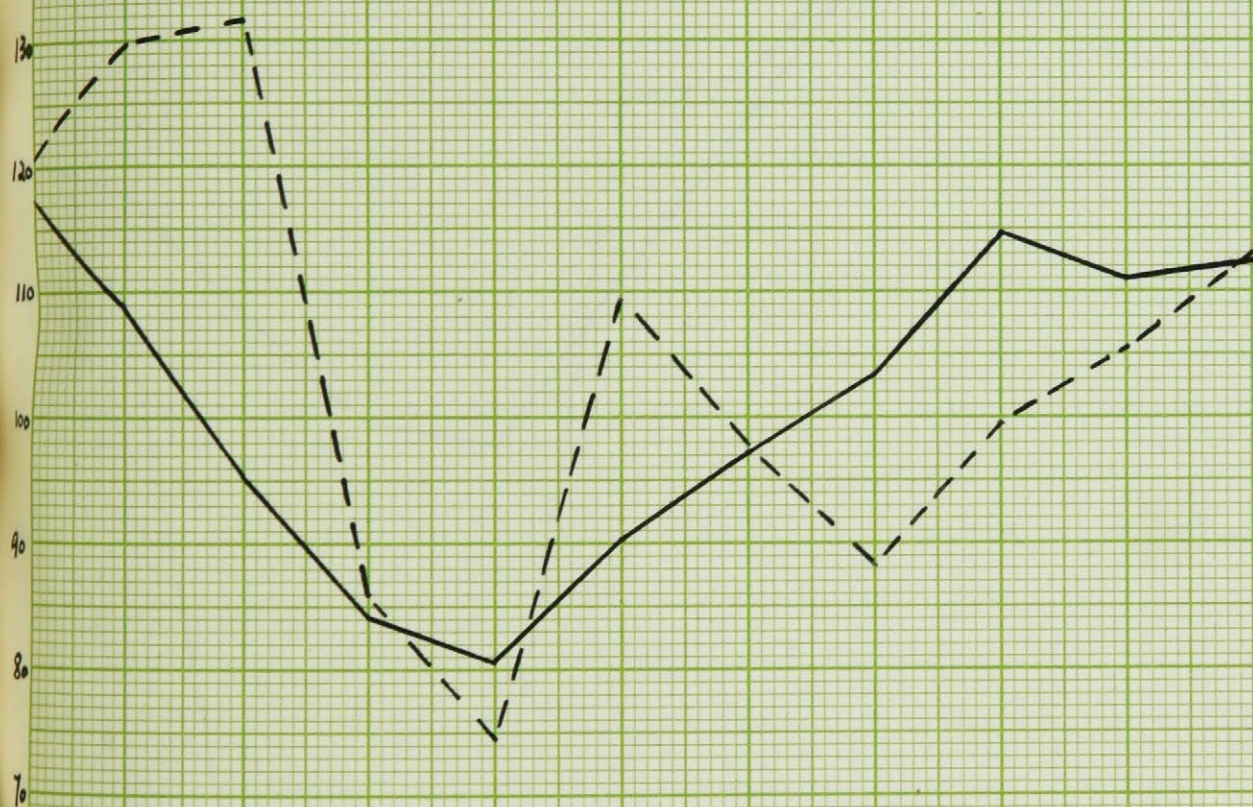
"SUMMARY OF THE EMPLOYMENT SITUATION



## GRAPH 11 \*

INDEX OF EMPLOYMENT FOR MANUFACTURING AND CONSTRUCTION  
AND MAINTENANCE 1929-1939

1926 = 100

LEGEND

INDEX OF EMPLOYMENT FOR MANUFACTURING  
INDEX OF EMPLOYMENT FOR CONSTRUCTION  
AND MAINTENANCE

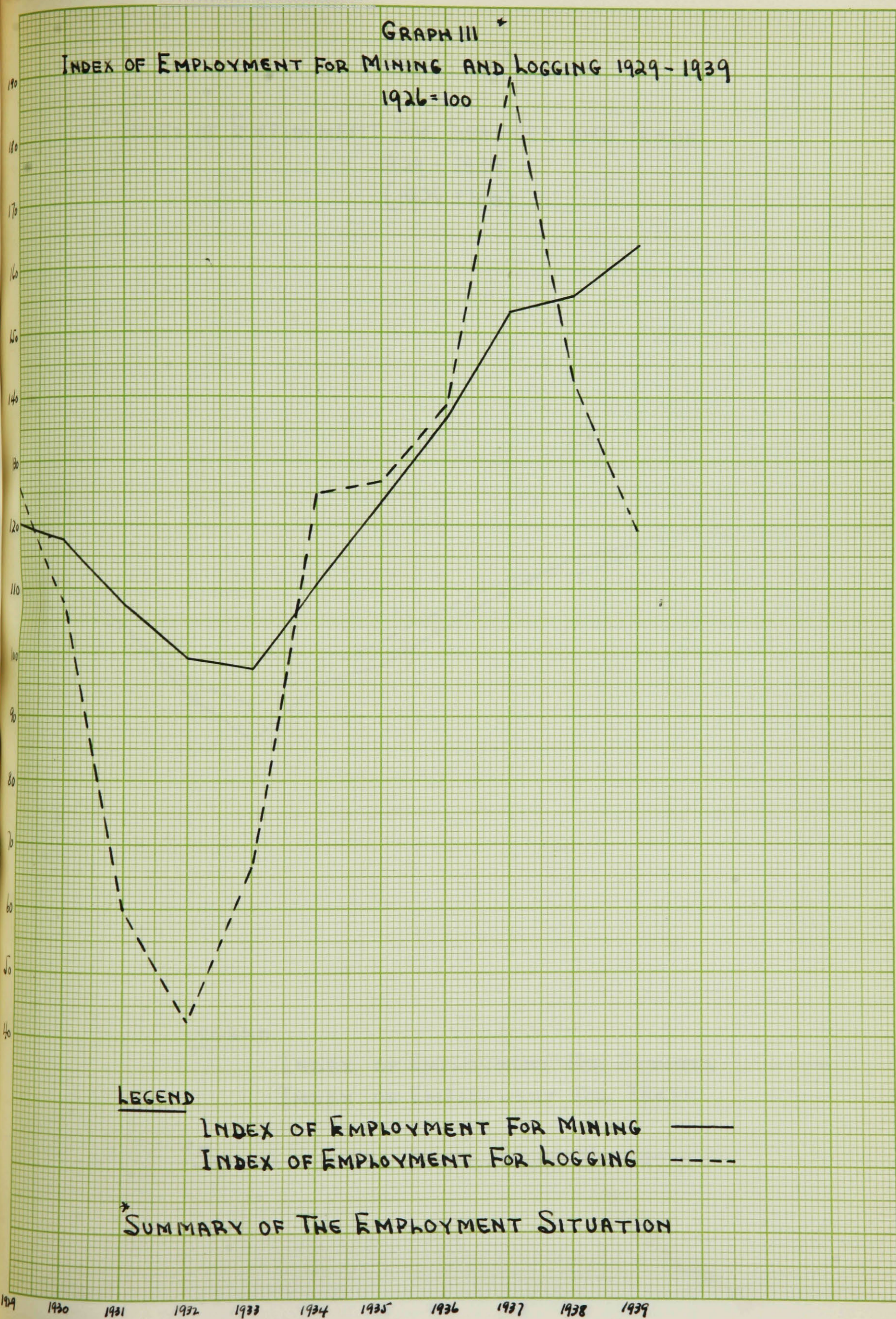
\* SUMMARY OF THE EMPLOYMENT SITUATION



GRAPH III \*

INDEX OF EMPLOYMENT FOR MINING AND LOGGING 1929-1939

1926=100

LEGEND

INDEX OF EMPLOYMENT FOR MINING ———

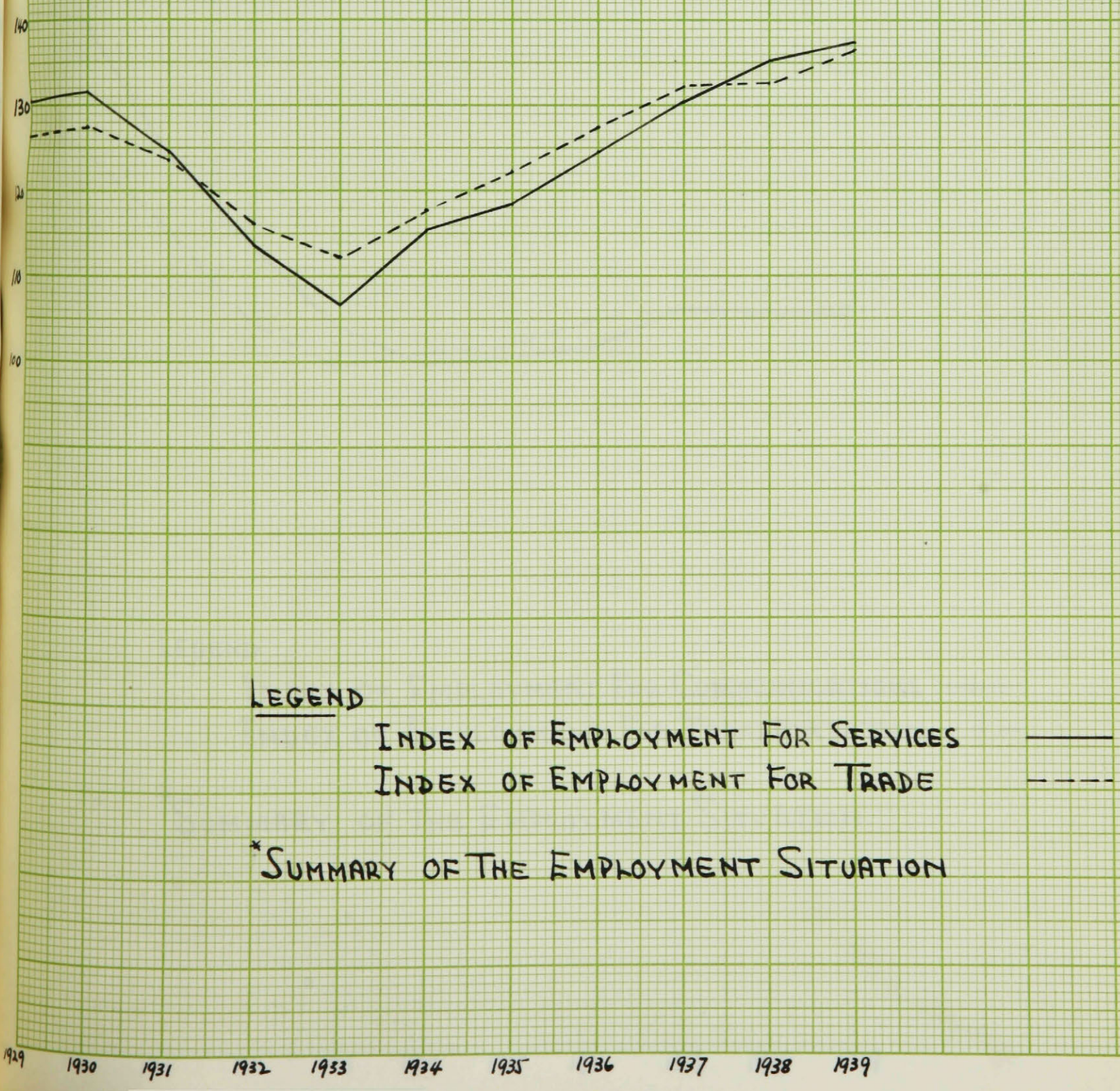
INDEX OF EMPLOYMENT FOR LOGGING - - - -

\* SUMMARY OF THE EMPLOYMENT SITUATION



GRAPH IV \*

INDEX OF EMPLOYMENT FOR SERVICES AND TRADE  
1929 - 1939  
(1926 = 100)



LEGEND

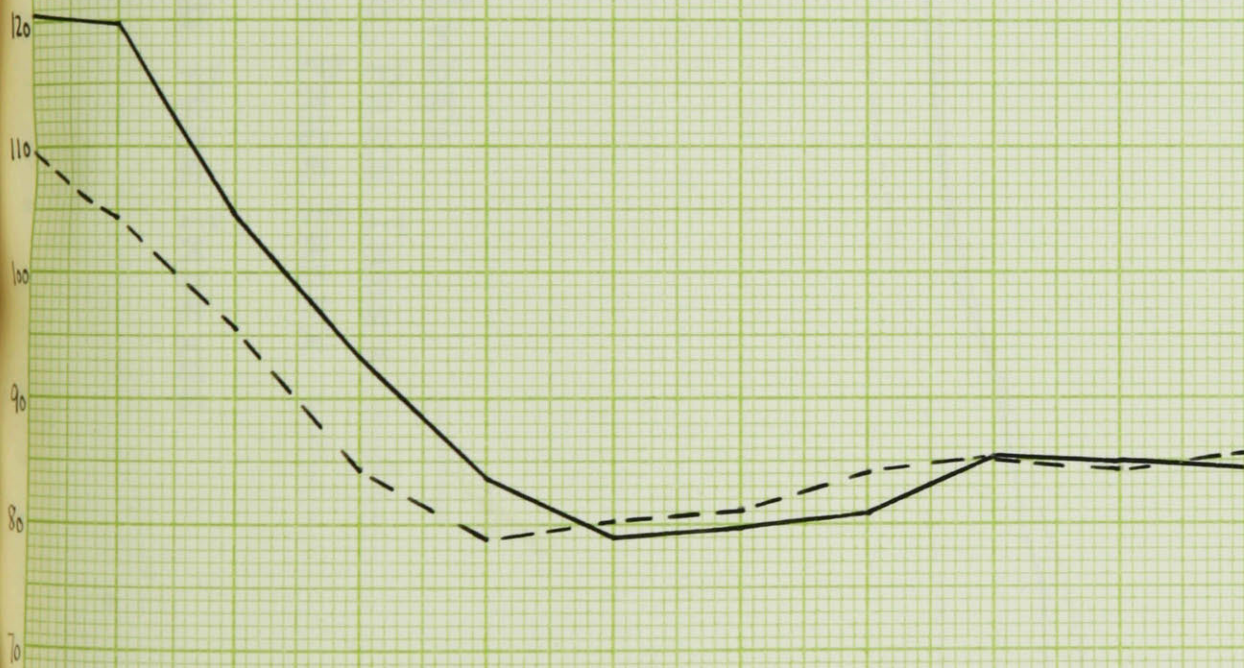
INDEX OF EMPLOYMENT FOR SERVICES ———  
INDEX OF EMPLOYMENT FOR TRADE - - - - -

\* SUMMARY OF THE EMPLOYMENT SITUATION



## GRAPH V \*

INDEX OF EMPLOYMENT FOR COMMUNICATIONS AND TRANSPORTATION 1929-1939  
1926 = 100



## LEGEND

INDEX OF EMPLOYMENT FOR COMMUNICATIONS ———

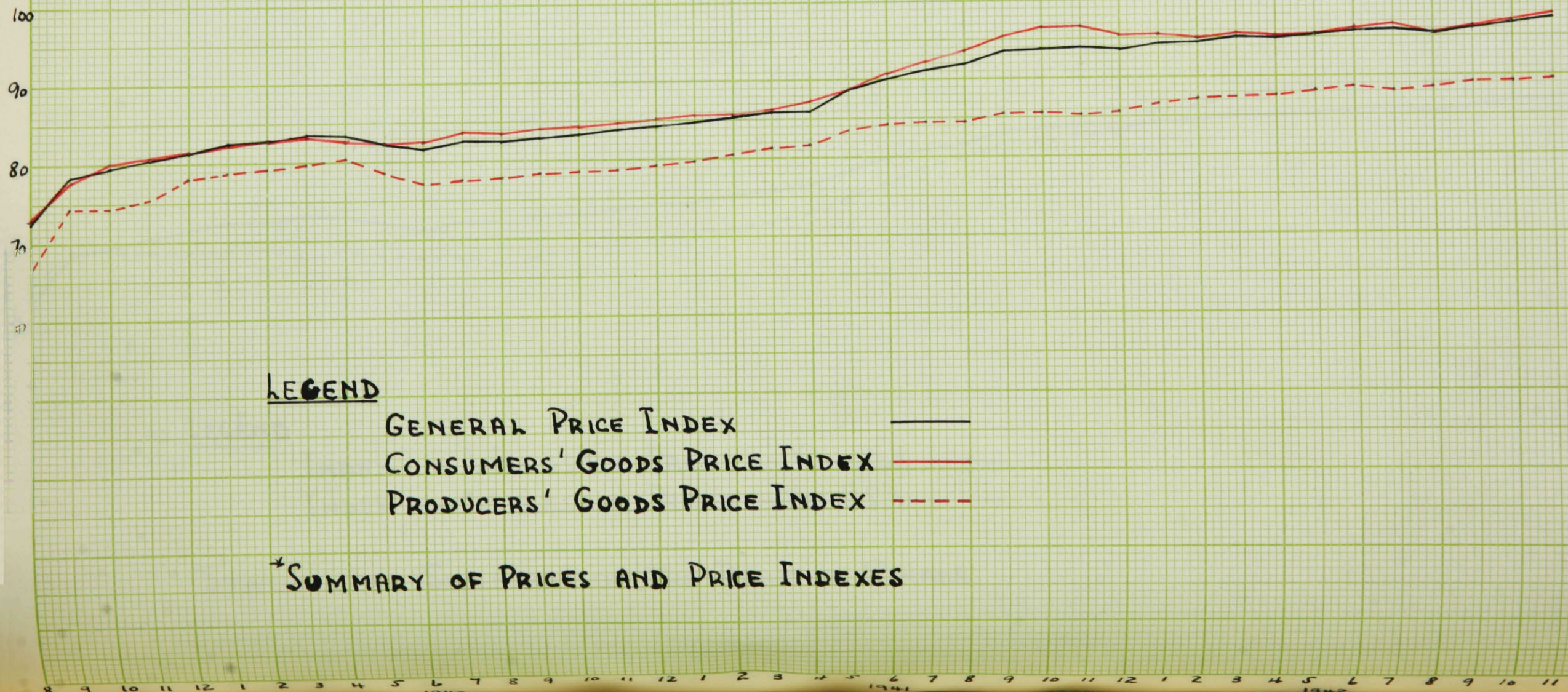
INDEX OF EMPLOYMENT FOR TRANSPORTATION - - -

\* SUMMARY OF THE EMPLOYMENT SITUATION

1929 1930 1931 1932 1933 1934 1935 1936 1937 1938 1939



GRAPH VI \*  
INDEX OF WHOLESALE PRICES IN CANADA 1939-1942  
1926 = 100



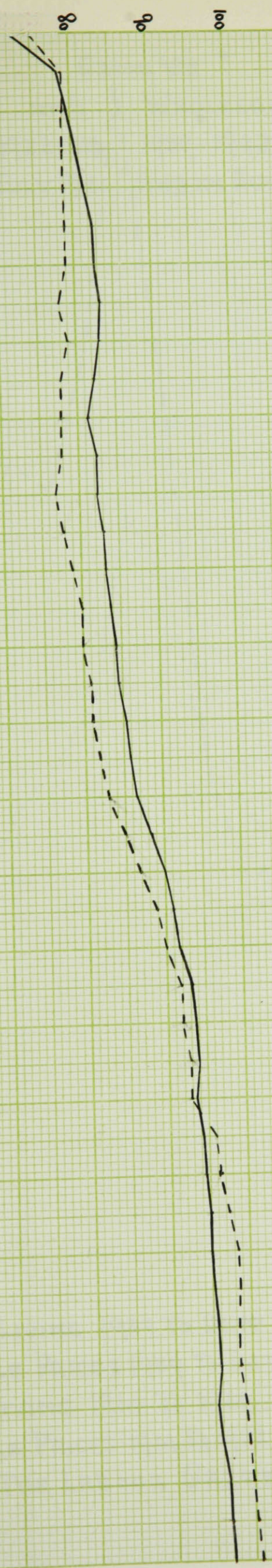
LEGEND

- GENERAL PRICE INDEX —————
- CONSUMERS' GOODS PRICE INDEX —————
- PRODUCERS' GOODS PRICE INDEX - - - - -

\* SUMMARY OF PRICES AND PRICE INDEXES



GRAPH VII\*  
INDEX OF WHOLESALERE PRICES IN CANADA AND THE UNITED STATES 1939-1942  
1926 = 100



LEGEND  
INDEX OF WHOLESALERE PRICES IN CANADA —  
INDEX OF WHOLESALERE PRICES IN THE U.S.A. ---

STATISTICAL SUMMARY OF THE BANK OF CANADA



GRAPH VIII \*

INDEX OF COST OF LIVING AND WHOLESALE PRICES IN CANADA  
 1914-1922 AND 1939-1942  
 PRICES IN JULY 1914 AND IN AUGUST 1939 = 100

LEGEND

COST OF LIVING 1939 TO DATE — — — —  
 WHOLESALE PRICES 1939 TO DATE — — — —  
 COST OF LIVING 1914 TO 1922 .....  
 WHOLESALE PRICES 1914 TO 1922 — —

\* SUMMARY OF THE LABOUR GAZETTE

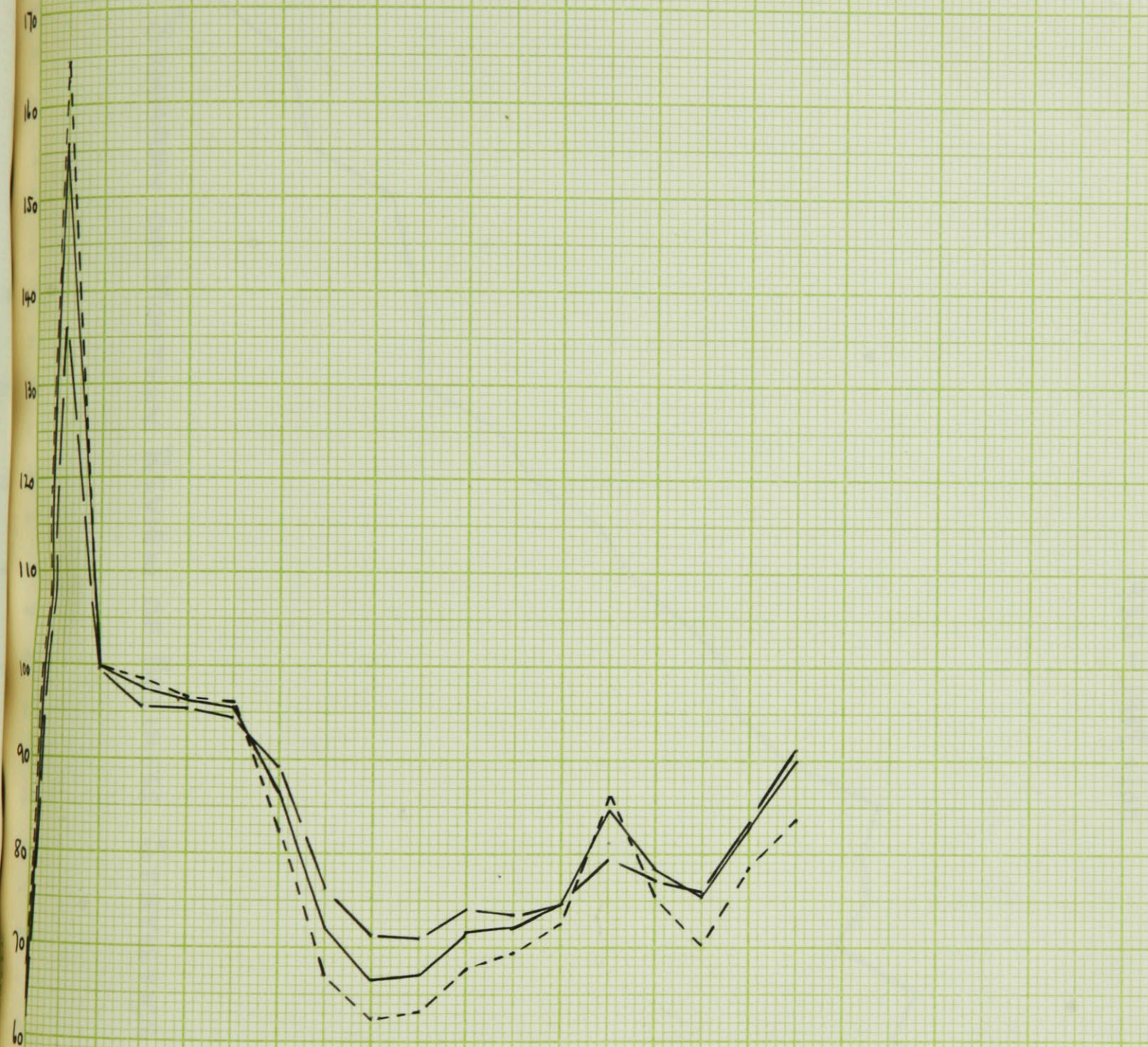
1914 1915 1916 1917 1918 1919 1920 1921 1922  
 1939 1940 1941 1942



GRAPH IX\*

INDEX OF WHOLESALE PRICES 1913-1940

1926 = 100



LEGEND

GENERAL WHOLESALE PRICES INDEX ———

CONSUMERS' GOODS PRICES INDEX - - - -

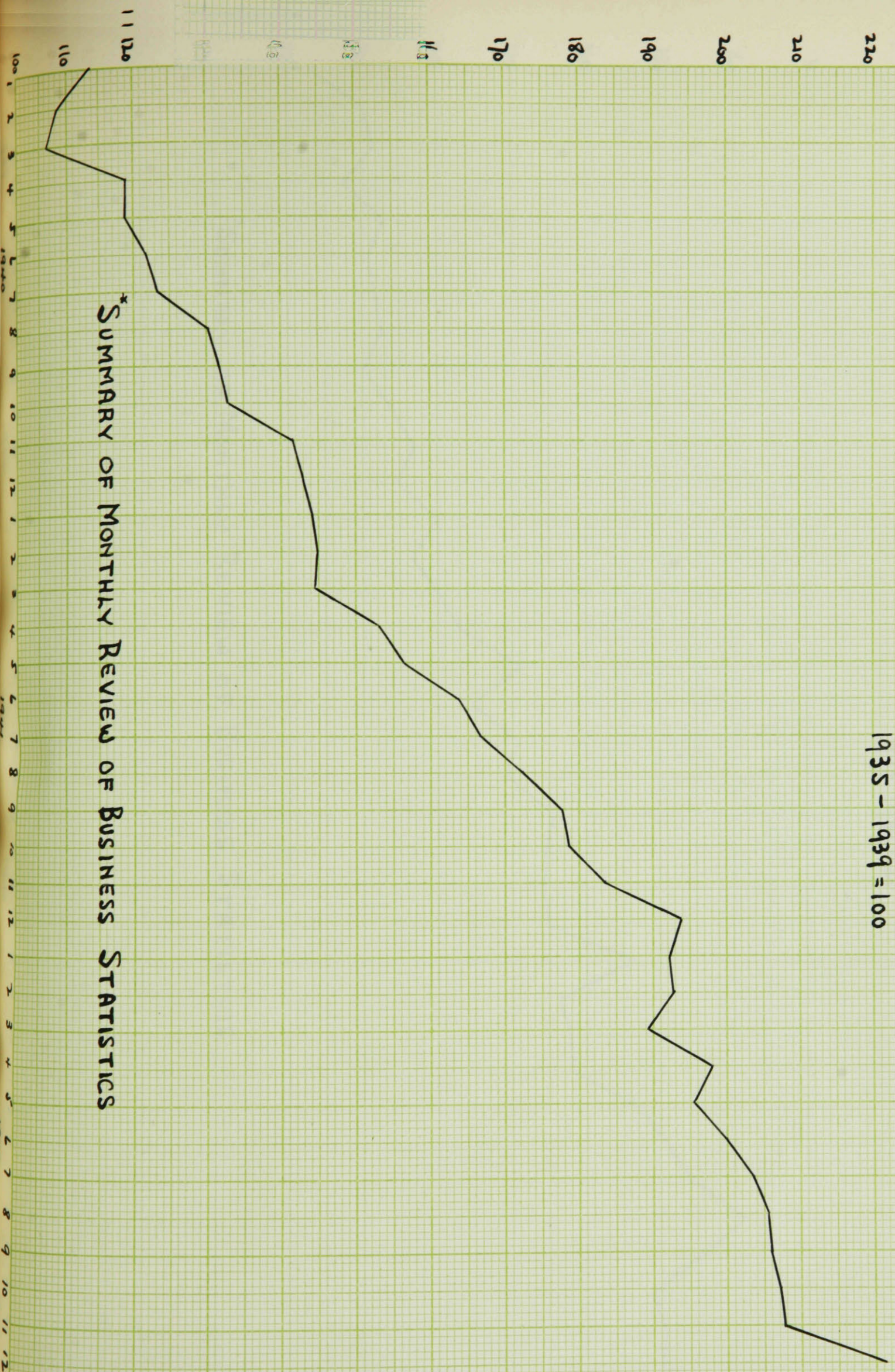
PRODUCERS' GOODS PRICES INDEX - - - -

1913 1920 1926 1927 1928 1929 1930 1931 1932 1933 1934 1935 1936 1937 1938 1939 1940 1941



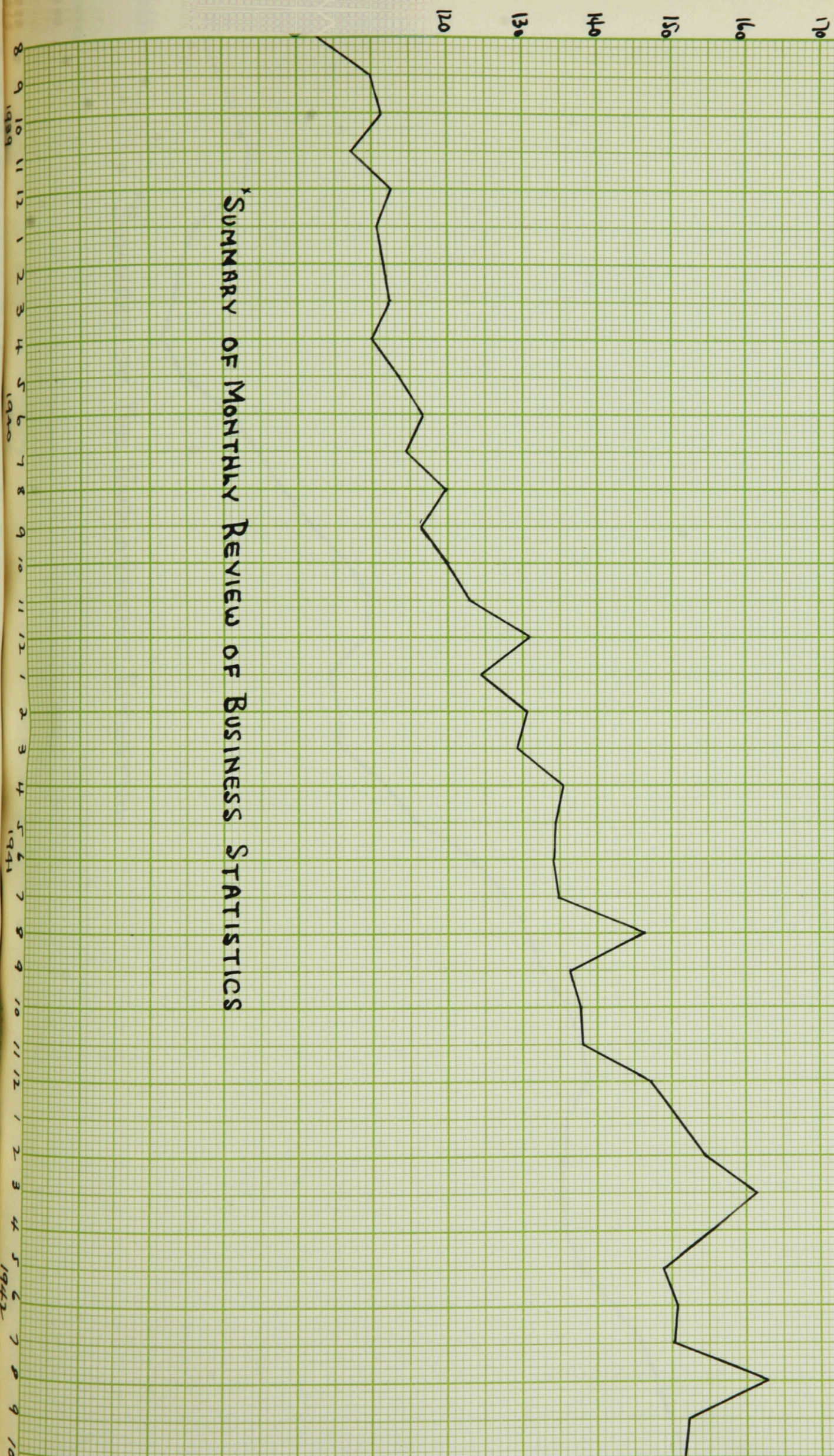
GRAPH X \*  
 SEASONALLY ADJUSTED INDEX OF PHYSICAL VOLUME OF BUSINESS 1940-1942  
 1935 - 1939 = 100

\* SUMMARY OF MONTHLY REVIEW OF BUSINESS STATISTICS





GRAPH XI<sup>\*</sup>  
ADJUSTED INDEX OF RETAIL SALES IN CANADA 1939-1942  
1935-1939 = 100

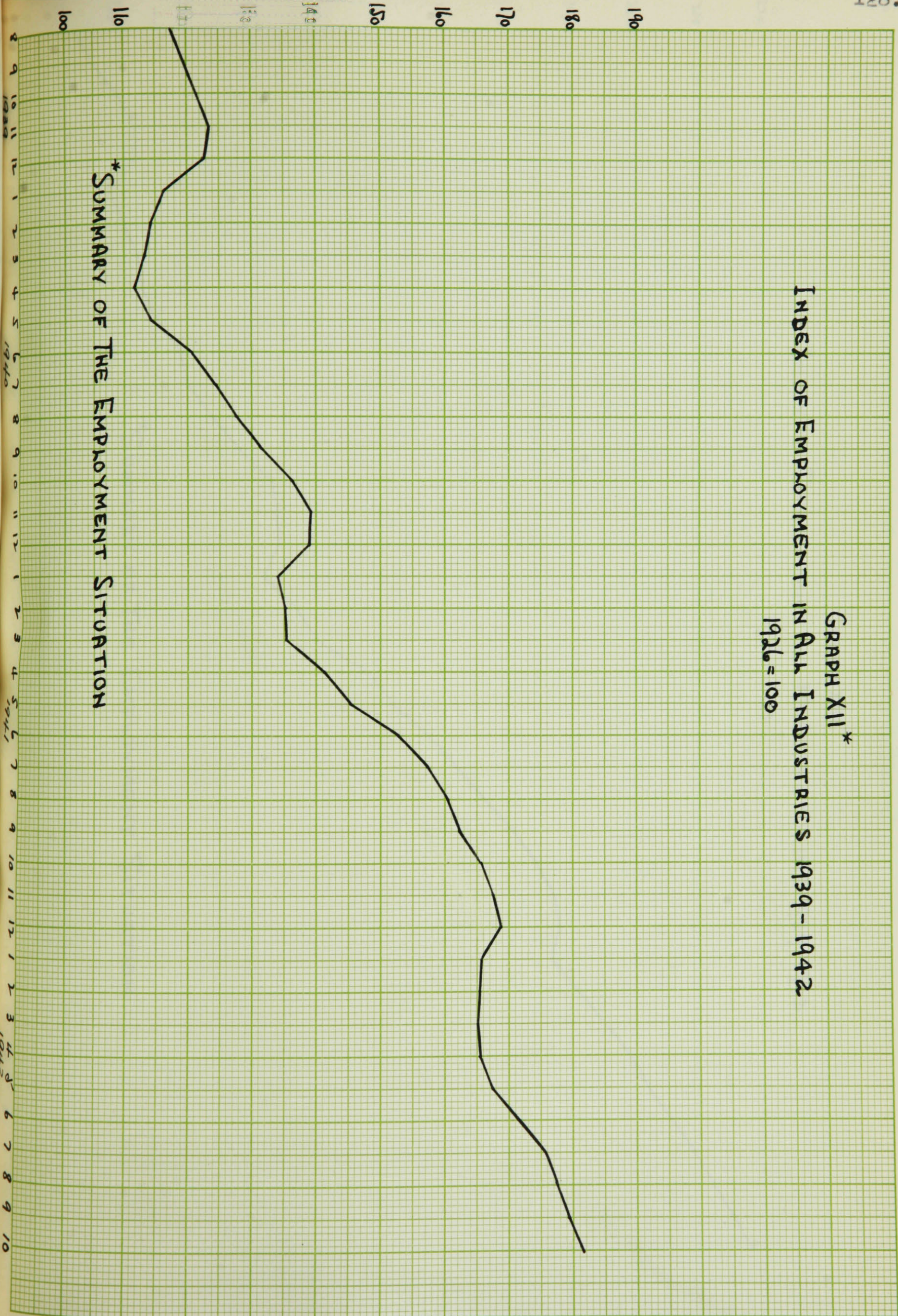


SUMMARY OF MONTHLY REVIEW OF BUSINESS STATISTICS



GRAPH XII\*  
INDEX OF EMPLOYMENT IN ALL INDUSTRIES 1939-1942  
1926 = 100

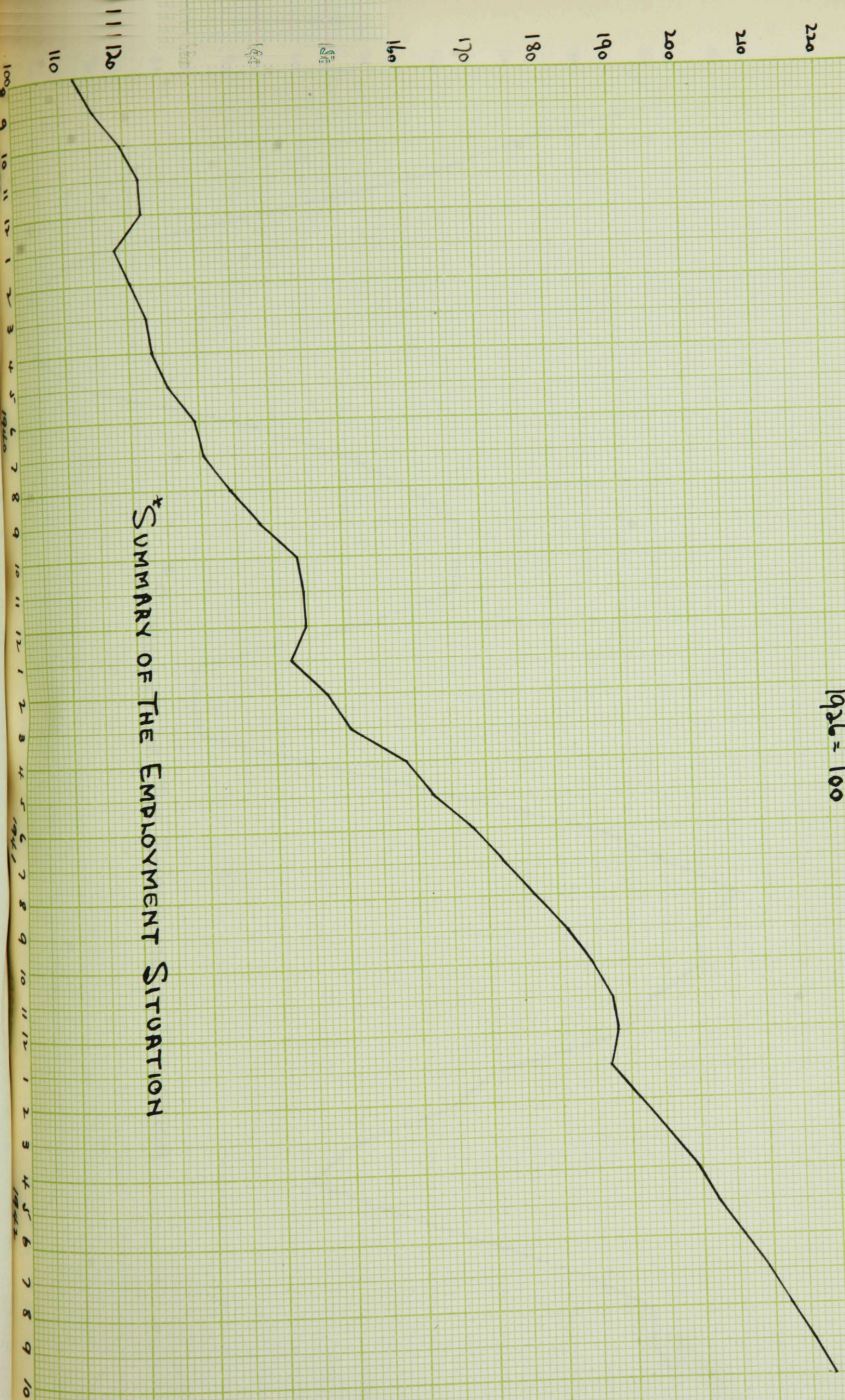
\*SUMMARY OF THE EMPLOYMENT SITUATION





GRAPH XIII\*  
INDEX OF EMPLOYMENT IN MANUFACTURING 1939-1942  
1926 = 100

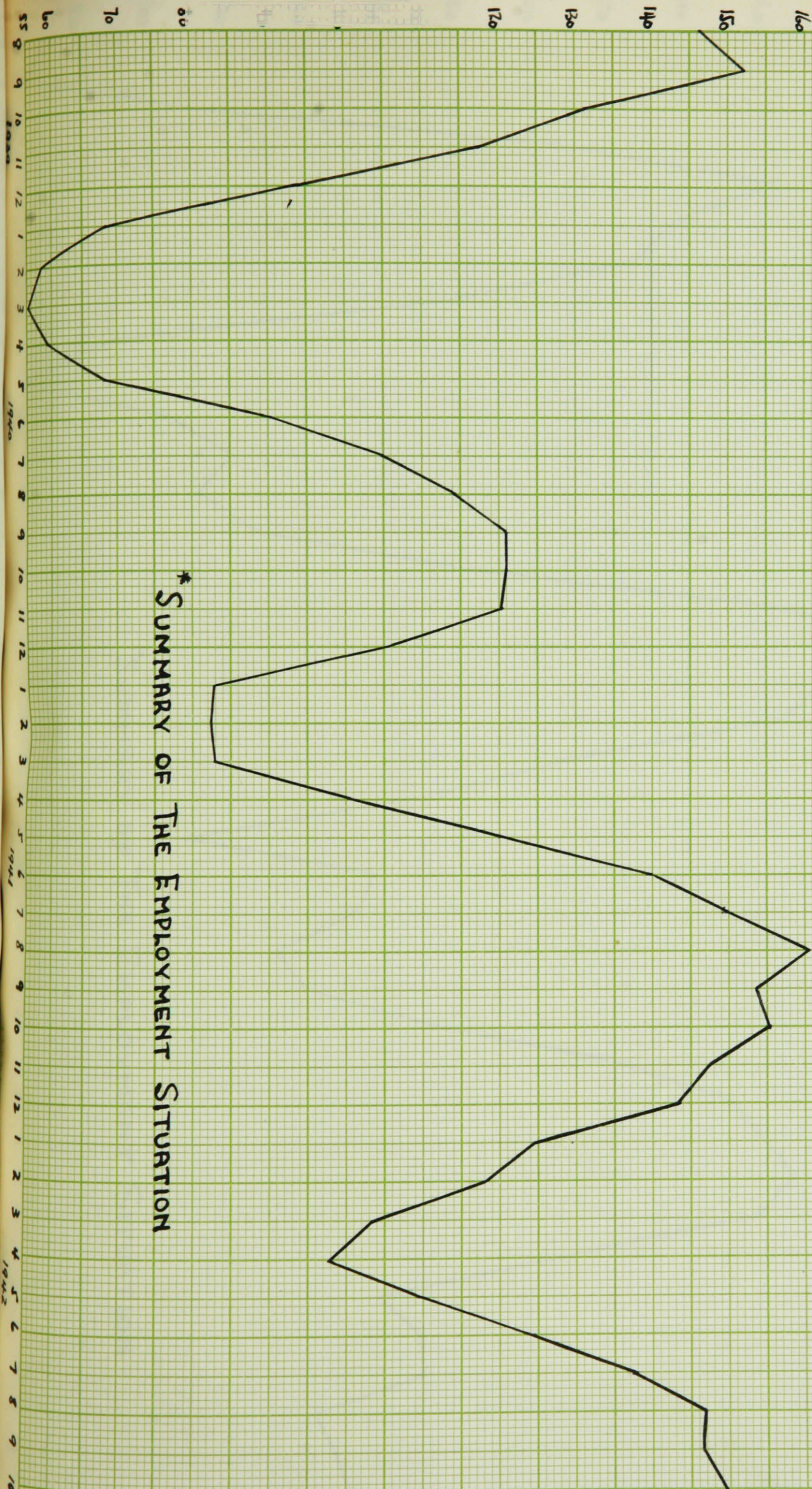
\*SUMMARY OF THE EMPLOYMENT SITUATION





GRAPH XIV\*  
INDEX OF EMPLOYMENT IN CONSTRUCTION 1939-1942  
1926 = 100

\* SUMMARY OF THE EMPLOYMENT SITUATION





131.

GRAPH XV\*  
INDEX OF EMPLOYMENT IN LOGGING 1939-1942  
1926 = 100



\* SUMMARY OF THE EMPLOYMENT SITUATION



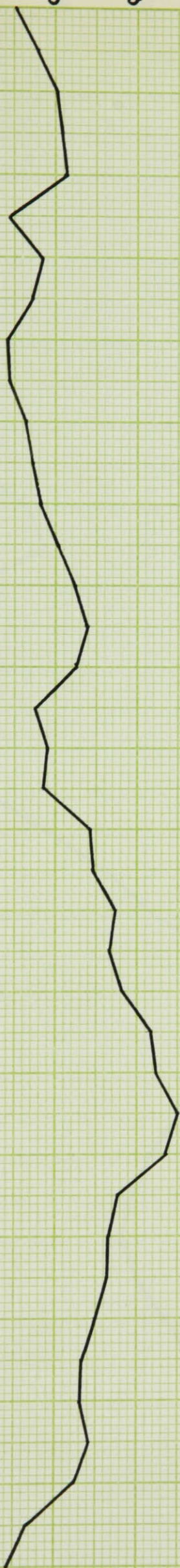
GRAPH XVI\*  
 INDEX OF EMPLOYMENT IN MINING 1939-1942  
 1926 = 100

190  
 180  
 170  
 160

50

\*SUMMARY OF THE EMPLOYMENT SITUATION

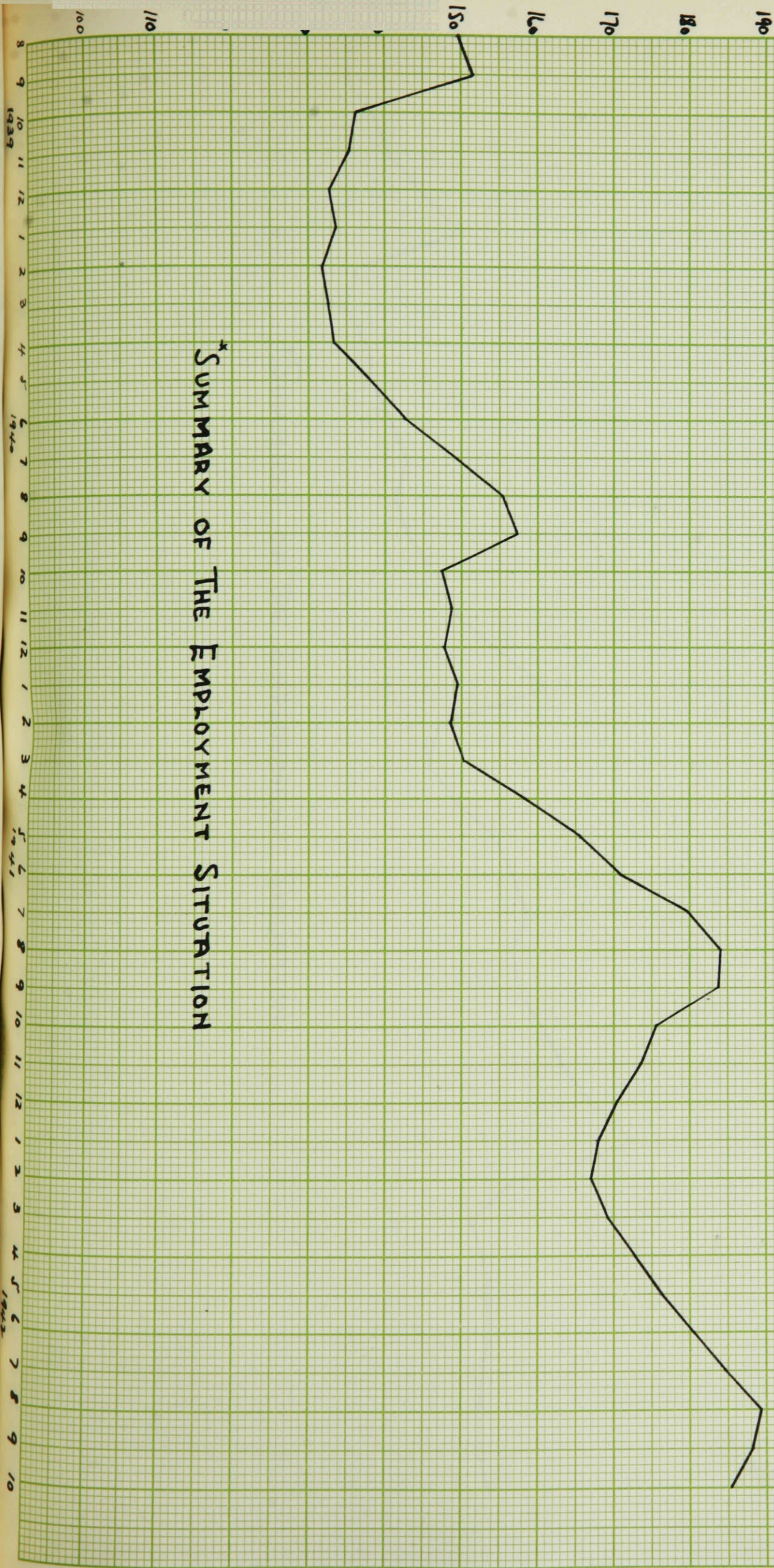
8 9 10 11 12 1 2 3 4 5 6 7 8 9 10 11 12 1 2 3 4 5 6 7 8 9 10 11 12 1 2 3 4 5 6 7 8 9 10  
 1939 1940 1941 1942





GRAPH XVII\*  
 INDEX OF EMPLOYMENT IN SERVICES 1939-1942  
 1926 = 100

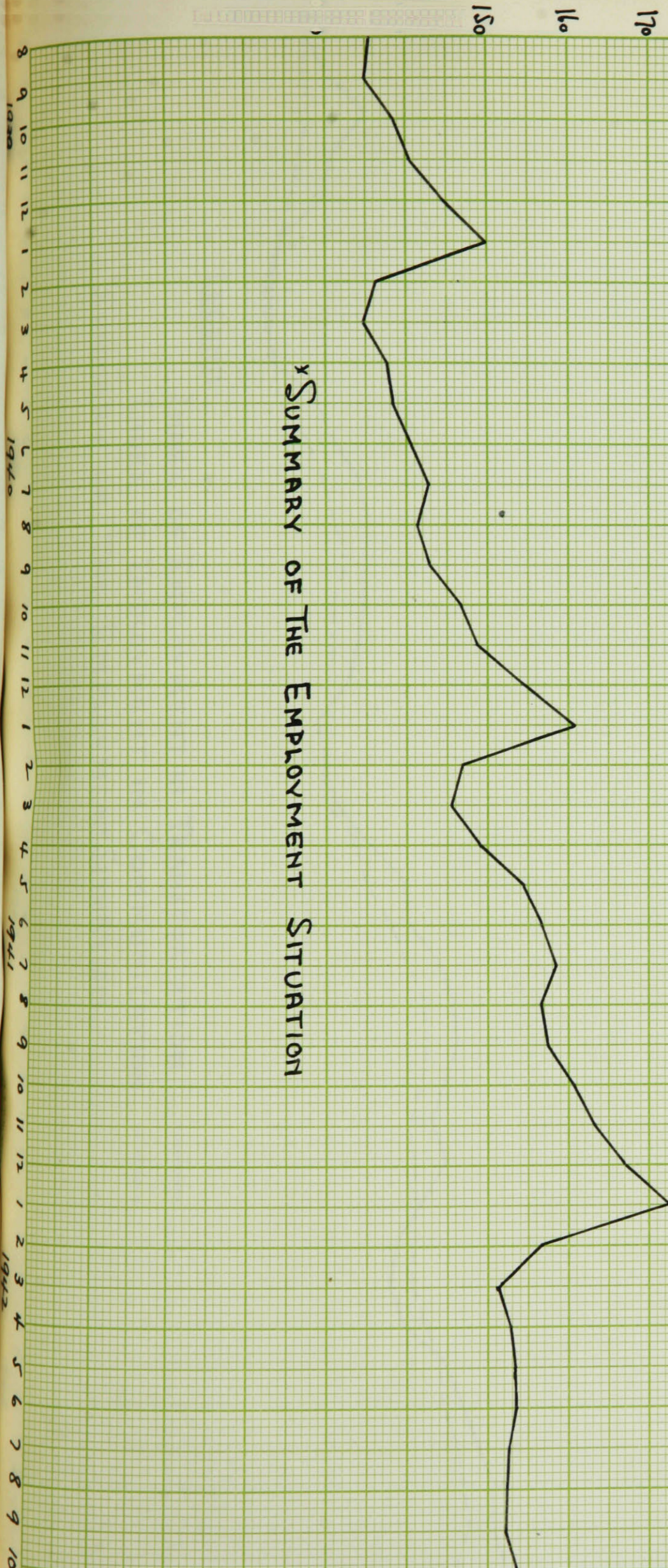
\*SUMMARY OF THE EMPLOYMENT SITUATION





GRAPH XVIII\*  
INDEX OF EMPLOYMENT IN TRADE 1939-1942  
1926 = 100

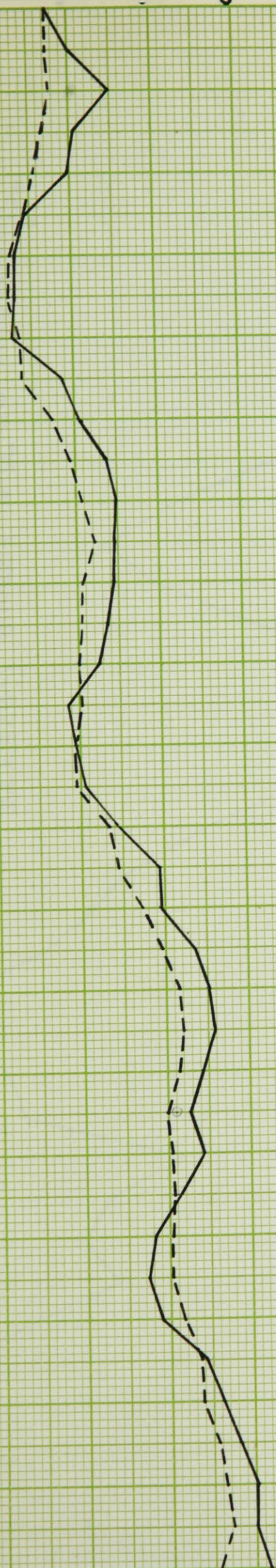
\* SUMMARY OF THE EMPLOYMENT SITUATION





GRAPH XIX\*  
 INDEX OF EMPLOYMENT IN TRANSPORTATION AND COMMUNICATION 1939 - 1942  
 1926 = 100

LEGEND  
 INDEX OF EMPLOYMENT IN TRANSPORTATION ———  
 INDEX OF EMPLOYMENT IN COMMUNICATION - - - -  
 \*SUMMARY OF THE EMPLOYMENT SITUATION





GRAPH XX \*  
PERCENTAGES OF UNEMPLOYMENT AS REPORTED BY TRADE UNIONS 1939-1942

SUMMARY OF THE LABOUR GAZETTE

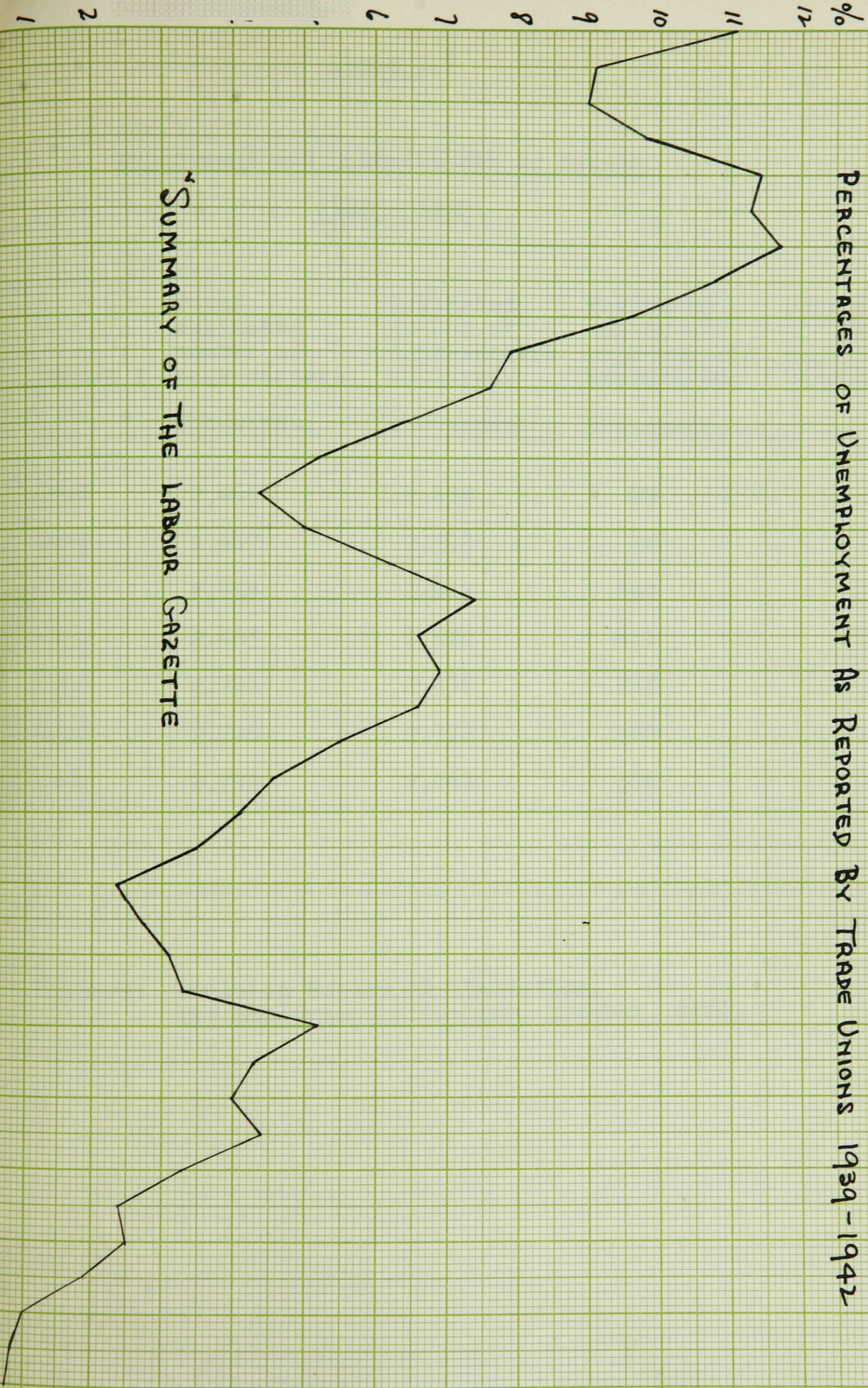




TABLE 1.<sup>#</sup>Employment and Unemployment in Canada1928 - 1939.

| August 1 | Total<br>estimated<br>number of<br>wage-earners. | Estimated<br>number of<br>wage-earners<br>employed. | Estimated<br>number of<br>wage-earners<br>unemployed. | Percentage<br>of total<br>wage-earners<br>unemployed. |
|----------|--|---|---|---|
|          | Thousands.                                       | Thousands.  | Thousands.  |   |
| 1928     | 2,465  | 2,438   | 27  | 1   |
| 1929     | 2,647  | 2,599   | 48  | 2   |
| 1932     | 2,459  | 1,815   | 644   | 26  |
| 1933     | 2,483  | 1,872   | 611   | 25  |
| 1937     | 2,781  | 2,536   | 245   | 9   |
| 1938     | 2,746  | 2,378   | 368   | 13  |
| 1939     | 2,793  | 2,461   | 332   | 12  |

<sup>#</sup>Source: Dominion Bureau of Statistics,  
The Employment Situation, October, 1940.

TABLE II #Economic Developments in Canada, 1928 - 1938.

|  | 1928  | 1929  | 1932 | 1937  | 1938  |
|--|-------|-------|------|-------|-------|
| Index of physical volume of business. (1926 = 100).              | 117   | 125   | 79   | 123   | 113   |
| Net value of manufacturing products (millions of dollars).       | 1,578 | 1,755 | 956  | 1,509 | 1,428 |
| Net value of agricultural products (millions of dollars).        | 1,501 | 1,034 | 565  | 679   | ---   |
| Value of exports, excluding monetary gold (millions of dollars). | 1,380 | 1,190 | 560  | 1,176 | 996   |
| Total value of mining products (millions of dollars).            | 275   | 311   | 191  | 457   | 442   |
| Construction contracts (millions of dollars).                    | 472   | 577   | 133  | 224   | 187   |

#Dominion Bureau of Statistics, Canada Year Book, and  
Statistical Summary of the Bank of Canada.

TABLE III.

The Ten Leading Manufacturing Industries, 1938, Compared  
as to Rank in Representative Years 1929 - 1938.

| INDUSTRY                                     | <u>RANK IN</u> |      |      |      |      |
|--|----------------|------|------|------|------|
|  | 1938           | 1937 | 1936 | 1933 | 1929 |
| Non-ferrous metals smelting<br>and refining. | 1              | 1    | 1    | 2    | 9    |
| Pulp and Paper.                              | 2              | 2    | 2    | 1    | 1    |
| Slaughtering and meat<br>packing.            | 3              | 3    | 3    | 3    | 2    |
| Butter and cheese.                           | 4              | 6    | 5    | 5    | 6    |
| Flour and feed mills.                        | 5              | 5    | 4    | 4    | 3    |
| Automobiles.                                 | 6              | 4    | 6    | 11   | 4    |
| Petroleum products.                          | 7              | 9    | 7    | 6    | 10   |
| Sawmills.                                    | 8              | 7    | 8    | 14   | 5    |
| Electrical apparatus and<br>supplies.        | 9              | 8    | 9    | 16   | 8    |
| Railway rolling stock.                       | 10             | 10   | 14   | 24   | 7    |

#Dominion Bureau of Statistics, Canada Year Book, 1941.  
(Ottawa: The King's Printer, 1941). P.328.



TABLE IV #

ESTIMATED CANADIAN LABOUR FORCE  
INCLUDING ARMED FORCES  
1939-42

| Thousands  | March<br>1939 | Sept.<br>1939 | March<br>1940 | Sept.<br>1940 | March<br>1941 | Sept.<br>1941 | March<br>1942 | Sept.<br>1942 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Armed Forces</b>                                  |               |               |               |               |               |               |               |               |
| Male   | 10            | 10            | 90            | 200           | 240           | 340           | 440           | 540           |
| Female   | -             | -             | -             | -             | -             | -             | 4             | 10            |
| Total  | 10            | 10            | 90            | 200           | 240           | 340           | 444           | 550           |
| <b>Agricultural Workers (1)</b>                      |               |               |               |               |               |               |               |               |
| Male   | 1340          | 1475          | 1320          | 1435          | 1220          | 1300          | 1091          | 1185          |
| Female   | 20            | 110           | 20            | 140           | 25            | 170           | 25            | 200           |
|  | 1360          | 1585          | 1340          | 1575          | 1245          | 1470          | 1116          | 1385          |
| <b>Wage Earners in War Industry</b>                  |               |               |               |               |               |               |               |               |
| Male   | -             | -             | (2)           | 275           | 353           | 500           | 630           | 750           |
| Female   | -             | -             | (2)           | 25            | 34            | 50            | 105           | 165           |
|  | -             | -             | (2)           | 300           | 387           | 550           | 735           | 915           |
| <b>Wage Earners in Civilian Industry</b>             |               |               |               |               |               |               |               |               |
| Male   |               |               |               | 1461          |               |               |               | 1245          |
| Female   |               |               |               | 705           |               |               |               | 900           |
| Total  | 2049          | 2269          | 2202          | 2166          | 2112          | 2346          | 2153          | 2145          |
| <b>Owners and Own-account Workers</b>                |               |               |               |               |               |               |               |               |
| Male   |               |               |               | 366           |               |               |               | 350           |
| Female   |               |               |               | 108           |               |               |               | 110           |
| Total  | 469           | 471           | 471           | 474           | 476           | 478           | 475           | 460           |
| <b>Total Number at Work (including Armed Forces)</b> |               |               |               |               |               |               |               |               |
| Male   |               |               |               | 3737          |               |               |               | 4070          |
| Female   |               |               |               | 978           |               |               |               | 1385          |
| Total  | 3888          | 4335          | 4103          | 4715          | 4460          | 5184          | 4923          | 5455          |

(1) Includes unpaid family workers.

(2) Figures for March 1940 are not available. Wage earners at that date in war industry are therefore included under civilian industry.

Available information regarding the female farm labour force is so contradictory that no reliable estimate as to its size or change over the period is possible. The figures given in these estimates are therefore almost completely arbitrary, and are given merely to indicate a trend.

Source: Bank of Canada, Statistical Summary, Aug.-Sept. 1942.

TABLE V #

DOMINION BUREAU OF STATISTICS INDEX NUMBERS OF  
THE COST OF LIVING IN CANADA

## PRICES AS AT THE BEGINNING OF EACH MONTH

| On base of average prices in 1935-1939 as 100 |  |       |       |       |                      |          |   |                    |
|---|--|-------|-------|-------|----------------------|----------|---|--------------------|
|   | Adjusted<br>to base<br>100.0<br>for Aug.<br>1939 | Total | Food  | Rent  | Fuel<br>and<br>Light | Clothing | Home<br>Furni-<br>shings<br>and<br>Services | Miscel-<br>laneous |
| 1939  |  |       |       |       |                      |          |   |                    |
| August 1                                      | 100.0  | 100.8 | 99.3  | 103.8 | 99.0                 | 101.1    | 100.9                                       | 101.3              |
| September 1                                   | 100.0  | 100.8 | 99.4  | 103.8 | 98.9                 | 99.6     | 100.8                                       | 101.3              |
| October 2                                     | 102.7  | 103.5 | 106.3 | 104.4 | 104.4                | 99.6     | 101.0                                       | 101.7              |
| November 1                                    | 103.0  | 103.8 | 107.1 | 104.4 | 105.3                | 99.6     | 101.0                                       | 101.9              |
| December 1                                    | 103.0  | 103.8 | 104.7 | 104.4 | 105.4                | 103.3    | 104.1                                       | 102.0              |
| Year  |  | 101.5 | 100.6 | 103.8 | 101.2                | 100.7    | 101.4                                       | 101.4              |
| 1940  |  |       |       |       |                      |          |   |                    |
| January 2                                     | 103.0  | 103.8 | 104.5 | 104.4 | 105.5                | 103.3    | 104.3                                       | 101.8              |
| February 1                                    | 103.0  | 103.8 | 104.5 | 104.4 | 105.8                | 103.3    | 104.3                                       | 101.9              |
| March 1                                       | 103.8  | 104.6 | 104.8 | 104.4 | 105.7                | 107.8    | 105.9                                       | 101.9              |
| April 1                                       | 103.8  | 104.6 | 104.8 | 104.4 | 105.9                | 107.8    | 106.1                                       | 101.8              |
| May 1   | 104.1  | 104.9 | 104.4 | 106.9 | 106.1                | 107.8    | 106.2                                       | 101.8              |
| June 1  | 104.1  | 104.9 | 103.8 | 106.9 | 106.0                | 109.1    | 106.5                                       | 101.8              |
| July 2  | 104.8  | 105.6 | 105.3 | 106.9 | 107.9                | 109.1    | 106.9                                       | 102.2              |
| August 1                                      | 105.1  | 105.9 | 105.4 | 106.9 | 108.4                | 109.1    | 106.9                                       | 103.0              |
| September 2                                   | 105.6  | 106.4 | 105.4 | 106.9 | 108.5                | 112.4    | 108.9                                       | 102.8              |
| October 1                                     | 106.2  | 107.0 | 106.1 | 107.7 | 108.0                | 113.5    | 109.7                                       | 102.8              |
| November 1                                    | 106.9  | 107.8 | 108.7 | 107.7 | 108.5                | 113.5    | 110.0                                       | 102.8              |
| December 2                                    | 107.1  | 108.0 | 109.1 | 107.7 | 108.5                | 113.5    | 110.7                                       | 102.8              |
| Year  |  | 105.6 | 105.6 | 106.3 | 107.1                | 109.2    | 107.2                                       | 102.3              |
| 1941  |  |       |       |       |                      |          |   |                    |
| January 2                                     | 107.4  | 108.3 | 109.7 | 107.7 | 108.6                | 113.7    | 110.8                                       | 103.1              |
| February 1                                    | 107.3  | 108.2 | 108.8 | 107.7 | 108.7                | 114.1    | 111.5                                       | 103.1              |
| March 1                                       | 107.3  | 108.2 | 109.0 | 107.7 | 108.9                | 114.2    | 111.6                                       | 102.9              |
| April 1                                       | 107.7  | 108.6 | 110.1 | 107.7 | 108.9                | 114.3    | 111.7                                       | 102.9              |
| May 2   | 108.5  | 109.4 | 109.7 | 109.7 | 109.2                | 114.5    | 111.8                                       | 105.1              |
| June 2  | 109.6  | 110.5 | 112.5 | 109.7 | 110.2                | 114.9    | 112.1                                       | 105.6              |
| July 2  | 111.0  | 111.9 | 116.6 | 109.7 | 110.5                | 115.1    | 113.0                                       | 105.6              |
| August 1                                      | 112.8  | 113.7 | 121.3 | 109.7 | 110.5                | 115.7    | 114.3                                       | 106.1              |
| September 2                                   | 113.8  | 114.7 | 123.3 | 109.7 | 110.9                | 117.4    | 115.8                                       | 106.4              |
| October 1                                     | 114.6  | 115.5 | 123.2 | 111.2 | 112.1                | 119.6    | 117.3                                       | 106.5              |
| November 1                                    | 115.4  | 116.3 | 125.4 | 111.2 | 112.7                | 120.0    | 117.9                                       | 106.7              |
| December 1                                    | 114.9  | 115.8 | 123.8 | 111.2 | 112.7                | 119.9    | 117.9                                       | 106.7              |
| Year  |  | 111.7 | 116.1 | 109.4 | 110.3                | 116.1    | 113.8                                       | 105.1              |
| 1942  |  |       |       |       |                      |          |   |                    |
| January 2                                     | 114.5  | 115.4 | 122.3 | 111.2 | 112.9                | 119.9    | 118.0                                       | 106.8              |
| February 2                                    | 114.8  | 115.7 | 123.1 | 111.2 | 112.9                | 119.8    | 118.0                                       | 107.1              |
| March 2                                       | 115.0  | 115.9 | 123.7 | 111.2 | 112.9                | 119.8    | 118.0                                       | 107.1              |
| April 1                                       | 115.0  | 115.9 | 123.7 | 111.2 | 112.9                | 119.8    | 118.1                                       | 107.1              |
| May 1   | 115.2  | 116.1 | 124.3 | 111.3 | 112.9                | 119.9    | 118.0                                       | 107.1              |

TABLE V (continued)

DOMINION BUREAU OF STATISTICS INDEX NUMBERS OF  
THE COST OF LIVING IN CANADA

PRICES AS AT THE BEGINNING OF EACH MONTH

| On base of average prices in 1935-1939 as 100 |  |       |       |       |                      |          |   |                   |
|---|--|-------|-------|-------|----------------------|----------|---|-------------------|
|   | Adjusted<br>to base<br>100.0<br>for Aug.<br>1939 | Total | Food  | Rent  | Fuel<br>and<br>Light | Clothing | Home<br>Furni-<br>shings<br>and<br>Services | Miscel-<br>aneous |
| 1942  |  |       |       |       |                      |          |   |                   |
| June 1  | 115.8  | 116.7 | 126.2 | 111.3 | 112.6                | 119.9    | 117.9                                       | 107.1             |
| July 2  | 117.0  | 117.9 | 130.3 | 111.3 | 112.5                | 120.0    | 117.9                                       | 107.1             |
| August 1                                      | 116.8  | 117.7 | 129.6 | 111.3 | 112.5                | 120.1    | 117.8                                       | 107.1             |
| September 1                                   | 116.5  | 117.4 | 128.5 | 111.3 | 112.5                | 120.1    | 117.8                                       | 107.1             |
| October 1                                     | 116.9  | 117.8 | 129.8 | 111.3 | 112.8                | 120.1    | 117.8                                       | 107.1             |
| November 2                                    | 117.7  | 118.6 | 132.4 | 111.3 | 112.8                | 120.1    | 117.8                                       | 107.1             |
| December 1                                    | 117.9  | 118.8 | 132.8 | 111.3 | 112.8                | 120.2    | 117.8                                       | 107.2             |
| 1943  |  |       |       |       |                      |          |   |                   |
| January 1                                     | 116.2  | 117.1 | 127.3 | 111.3 | 112.8                | 120.2    | 117.8                                       | 107.5             |
| February 1                                    | 116.0  | 116.9 | 126.7 | 111.3 | 112.7                | 120.1    | 117.8                                       | 107.5             |

For the period 1913 to 1934 the former series on the base 1926 = 100 was converted to the base 1935-1939 = 100.

The cost of living bonus provided for by the Wartime Wages Control Order, July 10, 1942, P.C. 5963, replacing P.C. 8253, must be based on the index shown in the left-hand column. For each rise of one point in the index the amount of the bonus or its increase shall be:- (1) twenty-five cents per week for all adult male employees, and for all other employees employed at weekly wage rates of twenty-five dollars or more, and (2) one per cent of their basic weekly wage rates for male employees under twenty-one years of age and female workers employed at basic wages rate of less than twenty-five dollars per week.

# Dominion Bureau of Statistics, The Labour Gazette, 1939-1942.

TABLE VI #

## INDEX NUMBERS OF REAL WAGES 1941-1942

March 1941 = 100

|       | Manu-<br>fact-<br>uring | Logg-<br>ing | Min-<br>ing | Commun-<br>ication | Trans-<br>Port-<br>ation | Cons-<br>truction<br>& Main-<br>tenance | Ser-<br>vices | Trade | Eight<br>Leading<br>Indus-<br>tries |
|-------|-------------------------|--------------|-------------|--------------------|--------------------------|---|---------------|-------|-------------------------------------|
| 1941  |                         |              |             |                    |                          |   |               |       |                                     |
| March | 100.1                   | 100.         | 100.        | 100.               | 100.                     | 100.                                    | 100.          | 100.  | 100.                                |
| April | 99.                     | 110.6        | 94.3        | 98.6               | 89.7                     | 93.8                                    | 102.4         | 99.4  | 97.9                                |
| May   | 98.8                    | 102.3        | 99.1        | 99.0               | 90.4                     | 94.3                                    | 101.7         | 100.  | 97.0                                |
| June  | 97.6                    | 117.8        | 99.1        | 97.4               | 96.8                     | 92.0                                    | 99.6          | 100.4 | 97.4                                |
| July  | 97.2                    | 105.3        | 97.7        | 94.6               | 97.4                     | 92.5                                    | 96.8          | 99.0  | 97.0                                |
| Aug.  | 96.3                    | 99.3         | 95.5        | 93.0               | 96.4                     | 93.4                                    | 97.5          | 98.5  | 96.2                                |
| Sept. | 97.6                    | 97.5         | 100.2       | 95.4               | 95.8                     | 94.3                                    | 98.9          | 96.6  | 96.6                                |
| Oct.  | 99.7                    | 95.7         | 105.4       | 94.6               | 98.1                     | 94.8                                    | 101.0         | 96.6  | 98.3                                |
| Nov.  | 101.3                   | 91.6         | 101.2       | 94.6               | 100.5                    | 94.8                                    | 100.3         | 96.6  | 94.9                                |
| Dec.  | 95.1                    | 91.0         | 96.7        | 97.0               | 102.5                    | 93.4                                    | 100.3         | 95.6  | 95.3                                |
| 1942  |                         |              |             |                    |                          |   |               |       |                                     |
| Jan.  | 95.5                    | 91.6         | 96.7        | 97.4               | 102.8                    | 93.8                                    | 100.3         | 95.6  | 100.4                               |
| Feb.  | 102.6                   | 89.8         | 108.5       | 95.4               | 100.0                    | 98.0                                    | 101.0         | 98.0  | 101.2                               |
| March | 103.0                   | 96.9         | 104.4       | 95.4               | 100.1                    | 99.8                                    | 101.7         | 99.0  | 103.3                               |
| April | 104.3                   | 103.5        | 105.0       | 96.6               | 100.1                    | 104.4                                   | 101.7         | 100.  | 103.8                               |
| May   | 105.1                   | 108.8        | 104.4       | 95.4               | 99.4                     | 101.2                                   | 103.8         | 100.4 | 101.7                               |
| June  | 103.0                   | 104.7        | 102.6       | 96.2               | 99.1                     | 98.9                                    | 102.4         | 99.0  | 102.1                               |
| July  | 103.4                   | 108.2        | 99.1        | 94.2               | 99.1                     | 100.7                                   | 101.7         | 99.4  | 102.1                               |
| Aug.  | 103.0                   | 116.0        | 101.9       | 93.8               | 97.8                     | 103.9                                   | 100.3         | 99.4  | 104.6                               |
| Sept. | 105.5                   | 116.6        | 104.7       | 96.2               | 99.1                     | 107.1                                   | 103.1         | 99.4  | 105.5                               |
| Oct.  | 106.8                   | 110.0        | 104.7       | 98.2               | 97.4                     | 109.                                    | 105.9         | 100.4 | 106.                                |

# Dominion Bureau of Statistics, Monthly Review of Business Statistics, 1941-1942.

TABLE VII <sup>11</sup>/<sub>11</sub>

INDEX NUMBERS OF EMPLOYMENT AND PAYROLLS,  
 BASED AT JUNE 1, 1941 = 100, TOGETHER WITH  
 PER CAPITA WEEKLY EARNINGS

| Eight Leading Industries |                    |                     |       | Manufacturing    |                    |                     |
|--------------------------|--------------------|---------------------|-------|------------------|--------------------|---------------------|
| Index Numbers of         |                    |                     |       | Index Numbers of |                    |                     |
| Employment               | Aggregate Payrolls | Per Capita Earnings |       | Employment       | Aggregate Payrolls | Per Capita Earnings |
| 1941                     |                    |                     |       |                  |                    |                     |
| June 1                   | 100.               | 100.0               | 25.25 | 100.0            | 100.0              | 25.57               |
| July 1                   | 102.9              | 103.9               | 25.49 | 102.6            | 103.6              | 25.82               |
| Aug. 1                   | 105.0              | 106.9               | 25.69 | 105.2            | 107.3              | 26.06               |
| Sept. 1                  | 106.4              | 109.8               | 26.04 | 108.0            | 110.8              | 26.22               |
| Oct. 1                   | 108.4              | 113.3               | 26.37 | 110.1            | 115.4              | 26.80               |
| Nov. 1                   | 109.6              | 117.3               | 27.02 | 111.6            | 120.4              | 27.59               |
| Dec. 1                   | 110.4              | 119.5               | 27.32 | 112.1            | 123.4              | 28.15               |
| 1942                     |                    |                     |       |                  |                    |                     |
| Jan. 1                   | 108.4              | 112.3               | 26.13 | 111.4            | 114.6              | 26.32               |
| Feb. 1                   | 108.2              | 118.5               | 27.65 | 113.8            | 126.3              | 28.39               |
| Mar. 1                   | 108.0              | 119.4               | 27.92 | 116.5            | 130.2              | 28.58               |
| Apr. 1                   | 108.0              | 121.6               | 28.41 | 118.7            | 134.3              | 28.94               |
| May 1                    | 109.5              | 124.0               | 28.59 | 120.4            | 137.3              | 29.19               |
| June 1                   | 112.3              | 125.5               | 28.20 | 122.6            | 137.6              | 28.73               |
| July 1                   | 114.9              | 129.7               | 28.49 | 124.7            | 142.0              | 29.16               |
| Aug. 1                   | 116.3              | 131.8               | 28.62 | 126.4            | 143.5              | 29.08               |
| Sept. 1                  | 117.3              | 135.5               | 29.29 | 128.3            | 148.9              | 29.72               |
| Oct. 1                   | 118.6              | 137.9               | 29.49 | 129.9            | 152.8              | 30.13               |

# Dominion Bureau of Statistics, The Employment Situation,  
 October, 1942.

TABLE VIII #

## EMPLOYMENT AND EARNINGS

| Industries                         | No. of Persons<br>Reported at<br>Oct. 1, 1942 | Aggregate<br>Weekly<br>Payroll<br>At Oct. 1, 1942 | Per Capita<br>Weekly Earnings<br>At Oct. 1, 1942 |
|------------------------------------|---|---|--|
|                                    |   | \$  | \$   |
| Manufacturing                      | 1,137,242                                     | 34,269,765  | 30.13  |
| Durable Goods (1)                  | 605,130                                       | 20,280,276  | 33.51  |
| Non-Durable Goods                  | 513,428                                       | 13,332,606  | 25.97  |
| Electric Light<br>and Power        | 18,684  | 656,883   | 35.16  |
| Logging                            | 45,005  | 983,191   | 21.85  |
| Mining                             | 76,831  | 2,725,687   | 35.48  |
| Communications                     | 28,296  | 819,112   | 28.95  |
| Transportation                     | 140,729                                       | 4,831,156   | 34.33  |
| Construction and<br>Maintenance    | 188,660                                       | 5,307,437   | 28.13  |
| Services                           | 41,237  | 738,933   | 17.92  |
| Trade                              | 157,672                                       | 3,874,334   | 24.57  |
| Eight Leading Industries           | 1,815,672                                     | 53,549,615  | 29.49  |
| Finance                            | 64,173  | 1,972,743   | 30.74  |
| Total - Nine Leading<br>Industries | 1,879,845                                     | 55,522,358  | 29.54  |

(1). This classification comprises the following - iron and steel, non-ferrous metals, electrical apparatus, lumber, musical instruments and clay, glass and stone products. The non-durable group includes all other manufacturing industries with the exception of light and power.

# Dominion Bureau of Statistics, The Employment Situation, October 1942.

## APPENDIX C #

WEIGHTS USED TO CALCULATE THE COST OF LIVING INDEX IN CANADA1935-1939 = 100

| Description                  | Commodity<br>Weights<br>(Weekly<br>Quantities) | Sub-Group<br>Weight | Group<br>Weight |
|------------------------------|--|---------------------|-----------------|
| 1. <u>FOOD</u>               |  |                     | 31              |
| A. <u>Chain Stores</u>       |  | 1                   |                 |
| B. <u>Independent Stores</u> |  | 2                   |                 |
| <u>Dairy Products</u>        |  |                     |                 |
| Milk                         | 10.5 quarts                                    |                     |                 |
| Butter                       | 2.8 lbs.                                       |                     |                 |
| Cheese                       | .4 lbs.  |                     |                 |
| <u>Eggs</u>                  | 1.4 doz.                                       |                     |                 |
| <u>Meats and Fish</u>        |  |                     |                 |
| Sirloin Steak                | .5 lbs.  |                     |                 |
| Round Steak                  | .9 lbs.  |                     |                 |
| Rolled Rib Roast             | .7 lbs.  |                     |                 |
| Blade Roast                  | 1.1 lbs.                                       |                     |                 |
| Stewing Beef                 | 1.0 lbs.                                       |                     |                 |
| Veal                         | 1.0 lbs.                                       |                     |                 |
| Lamb                         | .3 lbs.  |                     |                 |
| Pork, fresh loin             | 1.5 lbs.                                       |                     |                 |
| Pork, fresh<br>shoulder      | 1.0 lbs.                                       |                     |                 |
| Bacon                        | .7 lbs.  |                     |                 |
| Canned Salmon                |  |                     |                 |
| lb.tin                       | .2 tins  |                     |                 |
| Finnan Haddie                | .1 lbs.  |                     |                 |
| Vegetable short-<br>ening    | .8 lbs.  |                     |                 |
| Lard                         | .2 lbs.  |                     |                 |
| <u>Cereals</u>               |  |                     |                 |
| Bread                        | 12.1 lbs.                                      |                     |                 |
| Flour                        | 2.9 lbs.                                       |                     |                 |
| Rice                         | .3 lbs.  |                     |                 |
| Rolled Oats                  | .5 lbs.  |                     |                 |
| Corn Flakes,<br>8 oz.pkg.    | 1.3 pkgs.                                      |                     |                 |

(contir

| Description | Commodity<br>Weights<br>(Weekly<br>Quantities) | Sub-Group<br>Weight | Group<br>Weight |
|-------------|--|---------------------|-----------------|
|-------------|--|---------------------|-----------------|

1. FOOD (continued)

Dry Groceries

|                  |          |
|------------------|----------|
| Granulated Sugar | 4.2 lbs. |
| Yellow Sugar     | .6 lbs.  |
| Tea              | .4 lbs.  |
| Coffee           | .2 lbs.  |
| Cocoa, ½ lb.tin  | .2 tins  |
| Salt             | .5 lbs.  |

Vegetables

|                             |          |
|-----------------------------|----------|
| Beans                       | .2 lbs.  |
| Onions                      | .8 lbs.  |
| Potatoes                    | .8 pks.  |
| Canned Tomatoes,<br>2½ tins | .6 tins  |
| Canned Peas, 16 oz.         | .7 tins. |
| Canned Corn, 16 oz.         | .4 tins  |
| Canned Beans, 16 oz.        | .5 tins  |

Fruits

|                           |          |
|---------------------------|----------|
| Raisins                   | .2 lbs.  |
| Currants                  | .1 lbs.  |
| Prunes                    | .1 lbs.  |
| Strawberry Jam            | .6 lbs.  |
| Marmalade                 | .1 lbs.  |
| Canned Peaches,<br>16 oz. | .2 tins  |
| Corn Syrup, 5lb.tin       | .1 tins  |
| Bananas                   | 1.2 lbs. |
| Lemons                    | .1 doz.  |
| Oranges                   | .7 doz.  |

2. RENTALS

|            |    |    |
|------------|----|----|
| Houses     | 70 | 19 |
| Flats      | 15 |    |
| Apartments | 15 |    |



(continued)

| Description                     | Commodity<br>Weights<br>(Weekly<br>Quantities) | Sub-Group<br>Weight | Group<br>Weight |
|---------------------------------|--|---------------------|-----------------|
| <b>3. <u>FUEL AND LIGHT</u></b> |  |                     | <b>6</b>        |
| Coal                            |  | 42                  |                 |
| Coke                            |  | 11                  |                 |
| Gas                             |  | 14                  |                 |
| Electricity                     |  | 33                  |                 |
| <b>4. <u>CLOTHING</u></b>       |  |                     | <b>12</b>       |
| <u>Men's Wear</u>               | (Annual<br>Replacement<br>Allowances)          | 41                  |                 |
| Top Coats                       | .4   |                     |                 |
| Suits                           | .8   |                     |                 |
| Sweaters                        | .4   |                     |                 |
| Overalls                        | 1.0 pair                                       |                     |                 |
| Socks                           | 9.0 pairs                                      |                     |                 |
| Underwear, Athletic             | 1.5 sets                                       |                     |                 |
| Balbriggan Combinations         | 1.0 sets                                       |                     |                 |
| Underwear, Winter               | 1.0 sets                                       |                     |                 |
| Pajamas                         | 1.0 pair                                       |                     |                 |
| Shirts, Work                    | 1.0  |                     |                 |
| Shirts, Broadcloth              | 2.5  |                     |                 |
| <u>Women's Wear</u>             |  | 36                  |                 |
| Top Coats                       | .5   |                     |                 |
| House Dress                     | 1.5  |                     |                 |
| Slips, Rayon                    | 2.5  |                     |                 |
| Hosiery, Silk                   | 10.0 pairs                                     |                     |                 |
| Hosiery, Woollen                | 3.0 pairs                                      |                     |                 |
| Vests, Rayon                    | 1.0  |                     |                 |
| Bloomers, Rayon                 | 4.0  |                     |                 |
| Bloomers, Wool                  | 1.0  |                     |                 |
| Nightgown, Cotton               | .7   |                     |                 |
| Nightgown, Rayon                | 1.6  |                     |                 |
| Smock                           | .2   |                     |                 |
| <u>Piece Goods</u>              |  | 4                   |                 |
| Cotton dress print              | 3.0 yards                                      |                     |                 |
| Wool                            | .3 yards                                       |                     |                 |
| Flannel                         | .2 yards                                       |                     |                 |
| Celanese or rayon<br>material   | .7 yards                                       |                     |                 |
| Flannelette                     | 2.0 yards                                      |                     |                 |

(continued)

| Description                                | Commodity<br>Weights<br>(Annual<br>Replacement<br>Allowances) | Sub-Group<br>Weight | Group<br>Weight |
|--|---|---------------------|-----------------|
| <hr/>                                      |   |                     |                 |
| 4. <u>Clothing</u> (continued)             |   |                     |                 |
| <u>Footwear</u>                            |   | 19                  |                 |
| Men's Work Boots                           | 2.0 pairs   |                     |                 |
| Men's Oxfords                              | .7 pairs  |                     |                 |
| Men's Rubbers                              | 3.5 pairs   |                     |                 |
| Women's Shoes                              | 2.0 pairs   |                     |                 |
| 5. <u>HOME FURNISHINGS AND SERVICES</u>    |   |                     | 9               |
| <u>Furniture</u>                           |   | 33                  |                 |
| Dining Room Suite, 9 pc.                   | .06 sets  |                     |                 |
| Bedroom Suite, 4 or 5 pc.                  | .06 sets  |                     |                 |
| Kitchen Table                              | .08   |                     |                 |
| Kitchen Chairs                             | .20   |                     |                 |
| Studio Couch                               | .08   |                     |                 |
| Bed Springs                                | .05   |                     |                 |
| Mattress                                   | .16   |                     |                 |
| <u>Floor Coverings</u>                     |   | 9                   |                 |
| Axminster Rug, 9'X12'                      | .04   |                     |                 |
| Congoleum Rug, 9'X12'                      | .15   |                     |                 |
| Linoleum                                   | 1.70 sq.yds.  |                     |                 |
| <u>Furnishings</u>                         |   | 15                  |                 |
| Sheets, 81" X 100"                         | 1.0   |                     |                 |
| Towels, cotton terry,<br>22" X 44"         | 3.0   |                     |                 |
| Blankets, all wool, 6-8<br>lbs., 72" X 90" | .5  |                     |                 |
| Table Oil Cloth                            | .4 yds.   |                     |                 |
| <u>Hardware</u>                            |   | 3                   |                 |
| Frying Pan, steel, no.9                    | .2  |                     |                 |
| Frying Pan, iron                           | .1  |                     |                 |
| Saucepan, enamel, 2½ or<br>3 quarts        | .5  |                     |                 |
| Garbage Can, galvanized                    | .25   |                     |                 |
| Kitchen Broom                              | 1.0   |                     |                 |

(continued)

| Description                                  | Commodity<br>Weights<br>(Annual<br>Replacement<br>Allowances) | Sub-Group<br>Weight | Group<br>Weight |
|--|---|---------------------|-----------------|
| 5. HOME FURNISHINGS AND SERVICES (continued) |   |                     |                 |
| <u>Dishes and Glassware</u>                  |   | 2                   |                 |
| Set of dishes                                | .1  |                     |                 |
| Glass Tumblers                               | 2.0   |                     |                 |
| <u>Cleaning Supplies</u>                     |   | 17                  |                 |
| Laundry Soap                                 | 24 bars   |                     |                 |
| Lux (including other<br>flakes)              | 24 pkgs.  |                     |                 |
| Dutch Cleanser                               | 9 cartons   |                     |                 |
| Chloride of Lime                             | 2 pkgs.   |                     |                 |
| <u>Laundry</u>                               |   | 6                   |                 |
| Sheets                                       | ) Geometric<br>Average  |                     |                 |
| Towels                                       |   |                     |                 |
| Men's Shirts                                 |   |                     |                 |
| <u>Telephones</u>                            |   | 15                  |                 |

continued,

| Description                       | Commodity<br>Weights<br>(Annual<br>Replacement<br>Allowances) | Sub-Group<br>Weight  | Group<br>Weight |
|-----------------------------------|---|----------------------|-----------------|
| MISCELLANEOUS ITEMS               |   |                      | 23              |
| A. <u>Health</u>                  |   |                      | 17              |
| (i) <u>Medicines</u>              |   |                      | 23              |
| Aspirin Tablets,<br>Box of 12     | 1.3   |                      |                 |
| Epsom Salts, 1<br>pound           | .7  |                      |                 |
| Boracic Acid, 2<br>ounces         | .3  |                      |                 |
| Tincture of iodine,<br>1 ounce    | .7  |                      |                 |
| Zinc Ointment, 1<br>ounce         | .7  |                      |                 |
| Scott's Emulsion,<br>large bottle | 1.3   |                      |                 |
| (ii) <u>Hospital Charges</u>      |   |                      | 17              |
| Semi-private Room                 | 1   |                      |                 |
| Public Ward Bed                   | 1   |                      |                 |
| (iii) <u>Doctors' Fees</u>        |   |                      | 42              |
| Office Consulta-<br>tion.         | }   | Geometric<br>Average |                 |
| Ordinary day visit                |   |                      |                 |
| Ordinary confine-<br>ment         |   |                      |                 |
| (iv) <u>Dentists' Fees</u>        |   |                      | 18              |
| Amalgam Filling                   | }   | Geometric<br>Average |                 |
| Porcelain Filling                 |   |                      |                 |
| Gold Filling                      | }   |                      |                 |
| Upper and Lower<br>dentures       |   |                      |                 |
| Ordinary Extrac-<br>tion          | }   |                      |                 |
| Prophylaxis                       |   |                      |                 |

| Description | Commodity<br>Weights<br>' Annual<br>Replacement<br>Allowances) | Per-<br>cent | Sub-Group<br>Weight | Group<br>Weight |
|-------------|--|--------------|---------------------|-----------------|
|-------------|--|--------------|---------------------|-----------------|

MISCELLANEOUS ITEMS (continued)

B. Personal Care

9

(i) Personal Cleaning Supplies 58

|                |      |
|----------------|------|
| Talcum powder, |      |
| tins           | 1.3  |
| Tooth Paste,   |      |
| tubes          | 21.7 |
| Tooth Brushes  | 8.7  |
| Shaving Sticks | 2.2  |
| Toilet Soap,   |      |
| bars           | 52.2 |
| Vaseline, jars | 1.3  |
| Razor Blades   | 65.5 |

(ii) Barbers' Fees 42

|                 |   |           |
|-----------------|---|-----------|
| Haircut (Men's) | } | Geometric |
| Shave           |   | Average   |

C. Transportation

26

(i) Motor Operating Costs 67

(percentages)

|                   |    |
|-------------------|----|
| Gasoline          | 42 |
| Tires and tubes   | 6  |
| Repairs and main- |    |
| tenance           | 9  |
| Licenses          | 8  |
| Depreciation      | 35 |

(ii) Rail Fares 4

(iii) Street Car Fares 29

| Description | Commodity<br>Weights<br>(Annual<br>Replacement<br>Allowances) | Per-<br>cent | Sub-Group<br>Weight | Group<br>Weight |
|-------------|---|--------------|---------------------|-----------------|
|-------------|---|--------------|---------------------|-----------------|

MISCELLANEOUS ITEMS (continued)

D. Recreation

26

|                        |    |
|------------------------|----|
| (i) Theatre Admissions | 23 |
| (ii) Newspaper Costs   | 22 |
| (iii) Magazine Costs   | 4  |
| (iv) Tobacco Costs     | 51 |

Cigars                    )  
Cigarettes                )  
Cut Tobacco                )  
Geometric  
Average

E. Life Insurance

22

Dominion Bureau of Statistics, The Dominion Bureau of Statistics  
Cost of Living Index.

In the Cost of Living Weighting System there are several stages in the calculation of each of the six main group indexes from which the final index number is calculated.

Firstly, the budget quantities are multiplied by the current price averages. The products are added together and the resultant total is divided by a corresponding base period aggregate. The number thus obtained is multiplied by 100 to obtain a sub group index for the current period. This index is then multiplied by the sub-group weights shown above. When this procedure of weighting all sub groups is completed, the resultant products are added. The total so obtained is then divided by 100. To secure the final composite cost of living index, each of the six group indexes is multiplied by the group weights and the products thus derived are added. The sum total is divided by 100.

## APPENDIX D

### GOODS AND SERVICES EXEMPTED FROM MAXIMUM PRICE CEILING (1)

Why the cost of living can rise when there is price control is a question which is commonly asked. One answer is, of course, that many items which are calculated to part of our cost of living are exempted from the price ceiling. Another answer is that our price ceiling does not extend to goods produced in other countries. When we import such goods and a higher price is asked, we must pay it or forego the use of these goods. In most cases, where this import is deemed to be essential, the government may pay a subsidy to importers or make the civilian population pay the higher price directly.

Exemptions to maximum prices are principally those where administrative problems are excessive in relation to the importance of the commodity concerned. However, exemptions are made for many other reasons. As an expansion and clarification of section (1), Chapter VI, a list of goods and services specifically exempted, and the main reason for it, will prove useful.

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1. Wartime Prices and Trade Board, Order Number 189, September 22, 1942. This Order is a consolidation of previous Order Numbers 66, 67, 69, 71, 77, 80, 102, 103, 106, 107, 114, 130, 169 and 168.

PRINCIPAL REASON FOR EXEMPTION

GOODS OR SERVICES EXEMPTED

Extreme seasonal fluctuation. It is believed no undue increase in price will result from "normal" trading.

To enable domestic consumers to get supplies in the face of heavy exports. The Board will adopt other controls to assure supplies if export demand forces up price increases.

It is a luxury and supply is inadequate. It is also a seasonal demand.

Difficult to administer and therefore to control.

The price increased in the U.S., but is ineligible for exemption because of "non-essentiality." However, the Board will not prevent people from buying them.

Sales between producers are subject to regulations. Not exempted because of the localized and seasonal nature of such sales.

Too difficult to administer price control at the primary level of production.

(1) Sales by any persons of the following:

fresh fruits (ceiling reimposed on bananas), fresh vegetables (except onions and potatoes), green house products;

fish, all fresh water fish (except salmon) and most salt water fish;

fur coats and skins;

bills of exchange, securities title deeds;

printed matter, including books and publications.

(ii) Sales by one primary producer to another (including sales, barter, for the purpose of resale)

agricultural products and supplies.

(iii) Agricultural services by one primary producer for another.

(iv) Sale of livestock, poultry, eggs, milk, cream, butter, onions and potatoes by the primary producer to manufacturer, processor, wholesaler, retailer or other dealer.



PRINCIPAL REASON FOR EXEMPTION

GOODS OR SERVICES EXEMPTED

|  |   |
|--|---|
| Other Government controls.   | (v) Sales of the provincial liquor control boards.  |
| Other Government controls.   | (vi) Sales of goods in canteens at military establishments.   |
| Other Government controls, chiefly the Treasury Office and Post Accounting Audit". | (vii) Sales of any goods or services to the Department of Munitions and Supply or its agencies.                     |
| Exporters may get the benefit of foreign markets.                                  | (viii) Sales of goods for export where the export is made by the seller, but not including sales to Canadian ships. |
| The sale is of an occasional nature and there is no basic period price.            | (ix) Sale by any person of personal or household effects.   |
| Such sales are of an occasional nature and no basic period price.                  | (x) Infrequent sales of goods or services by any person not in the business of selling such goods and services.     |
| This special type of sale and price has no noticeable effect on supply.            | (a) Auction sales - where this is the normal practice.  |

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