

and Canadians have done the same in the United States. There is a tremendous volume of export and import trade, of tourist trade, and of other commercial transactions between the two countries. Consequently, the financial relations between Canada and the United States must normally be more close and complex than those between any other two separate countries. A third series of difficulties is a special case of the second, arising out of the great number of companies in Canada which are subsidiaries of American companies. Financial and commercial arrangements between "related" companies, or between branches and head offices, often present difficult legal and administrative problems in regulation, and this is particularly true in the case of exchange control. However, it should be noted here that American business men as well as Canadians have cooperated wholeheartedly in the working out of the control on practical and satisfactory lines and in observing the spirit of the control, as well as its letter. This

has enabled the purpose of the control to be achieved without disrupting the normal course of business.

The general policy followed by the Canadian Foreign Exchange Control Board has been to interfere as little as possible with imports, exports and the tourist trade, but to reduce to a reasonable minimum any movement of capital out of Canada, either by Canadians or others. There has been no restriction of imports or exports for exchange purposes, though licenses are required in order that a check can be obtained on the corresponding exchange transactions. Exchange is being sold by the Board for the purpose of paying interest and dividends (out of earnings) to non-residents, and for meeting debts in foreign exchange at their maturity, so that the control does not preclude Canadians fulfilling contracts entered into before the control was established. It may be noted, in concluding, that these policies are consistent with the purposes of the control as set forth in the paragraphs above.

Price Control in Canada

By H. R. KEMP

AMONG the economic lessons of the war of 1914-18 few have made a more lasting impression than the evils of excessive price increases, whether arising from shortage of supplies, money and credit inflation, or antisocial conduct on the part of individuals, which increased the cost of carrying on war and the burden of fixed debt resulting therefrom, bore heavily upon wage-earners and consumers in general through the rising cost of living, deprived millions of persons in the warring countries of savings to which they looked for financial security, and prepared the way for postwar deflation and depression. It is not surprising,

therefore, that one of the first measures for public security to be announced in Canada on September 3, 1939, the day when Great Britain declared war, was the appointment of the Wartime Prices and Trade Board to provide safeguards under war conditions against any undue enhancement in the prices of the necessities of life, and to ensure an adequate supply and equitable distribution of such commodities. While food, fuel and clothing are mentioned in the regulations, the Board may at any time extend the category of "necessaries of life" to include other articles of any description.

The powers of the Wartime Prices and Trade Board are more extensive and drastic than has been generally realized. The Board may investigate costs, prices,

EDITOR'S NOTE: Hubert R. Kemp, Professor of Commerce in the University of Toronto, is at present economic adviser to the War-time Prices and Trade Board.

profits, and inventories of manufacturers, producers, dealers, importers and exporters of any necessary of life. It has power to inspect and examine books, records, and stocks of goods and materials in the possession or control of persons so engaged. It may refer to the Attorney-General of any province information respecting any alleged offence against any regulation, order, or requirement of the Board. It may require manufacturers, producers, importers, exporters, or dealers to furnish written information with regard to such necessities of life. It may publish its findings or reports in the case of any investigation, or withhold publication if it considers that the public interest would be better served by such withholding. It may ration the sale or purchase of any necessary of life: for it has power to limit the quantities that may be bought, sold, or distributed by any person within prescribed periods of time, and to prohibit purchase, sale or distribution beyond such limits.

These powers, which may be exercised by the Board on complaint or of its own motions, are supplemented by five others of an even more drastic character, which may not be exercised except with the approval of the Governor in Council.

(1) The Board has power to require manufacturers, importers, exporters, producers, jobbers, wholesalers, retailers of, or other dealers in a necessary of life to obtain licences: and to suspend or cancel a licence in any case where in the opinion of the Board the licensee has failed to comply with any regulation, order or requirement. This licensing power could be used, if necessary, to make the privilege of continuing in business as a producer, importer, exporter or dealer, dependent upon compliance with the regulations. Up to the present time, the technique of control by licence has been applied only to the coal industry, but it could be extended, in case of need, to any other branch of industry or trade.

(2) The Board has power to fix maximum prices or maximum markups at which any necessary of life may be sold or offered for sale. Up to the present time this power has been only once used,

and for a limited time, to control the price of certain grades of wool, but it could obviously be extended like the others in case of need.

(3) The Board has power to buy and sell any necessary of life through agencies which it may designate. This power, which has been exercised in dealing with sugar, would render possible wholesale or retail dealing on any necessary scale.

(4) The Board has power to take possession of any supplies of a necessary of life, paying to the owners thereof such price as may, in default of agreement be decided to be reasonable by the arbitration of a superior court judge.

(5) The Board may also prohibit the export of a necessary of life except under permit. In the event of a possible scarcity of any article in Canada, this power could be used to safeguard domestic supplies. Thus the exportation of wool, tops, yarn, rags and waste from Canada since September, 1939, has been allowed only by permit granted after examination of the circumstances in each individual case. A similar restriction applies to cod liver oil.

It is the duty of the Board to arrange for the collection of any necessary statistics regarding prices, costs, inventories, volume of production, productive capacities, etc., to refer to the Commissioner of the Combines Investigation Act, in certain circumstances, any information relating to practices which may be violations of the Combines Investigation Act or of Section 498 of the Criminal Code, to confer with manufacturers and dealers when desirable in order to enlist their cooperation in ensuring reasonable prices, adequate supplies and equitable distribution of the necessities of life; and to recommend any additional measures it may deem necessary for the protection of the public. It may, for example, recommend the reduction or removal of duty on imported goods, and has done so on more than one occasion.

In the section of this Order which deals with offences the main provisions may be briefly summarized as follows:

(1) No person shall sell or offer for sale any necessary of life at a price that

is higher than is reasonable and just... provided that if a maximum price has been fixed by the Board for the sale of such necessary of life, any price in excess of the price so fixed shall be conclusively deemed to be higher than is reasonable and just.

(2) No person shall acquire, accumulate or withhold from sale any necessary of life beyond an amount thereof reasonably required for the use or consumption of his household or for the ordinary purposes of his business.

(3) No person shall unduly prevent, limit, or lessen the manufacture, production, transportation, sale, supply or distribution of any necessary of life.

(4) No person shall in any manner impede or prevent or attempt to impede or prevent any investigation or examination instituted by the Board.

(5) No person shall sell or offer for sale a necessary of life in respect of which a licence is required unless he has a licence which is in full force and effect.

Offences under this order are punishable by fine or imprisonment, or both, and any director or officer of a corporation who assents to or acquiesces in any offence by such corporation shall be guilty of such offence personally and cumulatively with the corporation.

As a safeguard against frivolous or vexatious proceedings, it is provided that no prosecution shall be commenced without the written leave of the Board or of the Attorney-General of the province in which the offence is alleged to have been committed.

These regulations do not apply to farmers or gardeners in respect of their own produce.

In actual practice, the work of the Board to date has been threefold: it has received and investigated complaints addressed to itself or to other branches of the public service, supervised the supply and distribution of several key commodities, and kept a watch over prices and supplies of many other commodities with a view to anticipating possible future requirements.

Nearly two thousand individual complaints were received by the Board during

the first nine months of its activities. These complaints came from a variety of sources including individuals, unions, societies, trade associations, cooperatives, retailers, wholesalers, manufacturers, military organizations, and governmental bodies: they dealt with cases of supposed overcharging, hoarding, and actual or prospective shortages of supply, and they affected a very large number of commodities. Most of the complaints had to do with food, fuel and clothing, or materials for their production, and under these headings the Board's records show complaints with regard to more than forty different articles. In addition to these necessities of life more than a score of other articles were mentioned. All these complaints were examined and acknowledged, and appropriate action was taken. This action most frequently took the form of investigation, followed in a number of instances by warning and in some cases by actual prosecution. In hundreds of instances where the writers complained of inability to obtain needed supplies, the Board was able to locate or obtain supplies and make them available.

As was to be expected, many complaints were found on investigation to be unjustified. Some called for action which had already been taken by the Board's own initiative or at the request of previous correspondents. Some had to do with matters under the jurisdiction of other governmental bodies, to which they were referred.

Summing up very briefly this aspect of the Board's work, it may be said that the Board has provided a central agency to which persons in all parts of Canada have been able to bring their complaints with regard to prices, supplies, profiteering and hoarding, thus helping the public in general to cooperate in the prevention of undue price increases and the avoidance of shortages. It has also provided a specialized agency for investigating and dealing with a mass of material brought to the attention of the Government by Cabinet Ministers, members of Parliament, and others. Apart from the action taken on complaints actually

made, the fact that the Board is well known to be prepared to take action has undoubtedly served to protect the public and has acted as a warning to any who might otherwise have been tempted to take unfair advantage of the present emergency for their own financial gain.

It may be mentioned that, in this branch of its work, the Board has received valuable and extensive cooperation from the various provincial governments, which sent their Attorneys General to Ottawa to confer with the Board, suggested lines of action, and have in a number of instances set up provincial organizations, in cooperation with the Board to deal with local complaints. The Administrators appointed by the Board, to deal with wool, sugar, coal, hides and leather have also dealt with a great many cases which have not required the direct attention of the Board. Other complaints have been handled by the Royal Canadian Mounted Police and the officials of the Weights and Measures Service, both of which bodies have given willing and painstaking service to cooperation with the Board in the task of investigating complaints.

While the Board has been and is prepared to investigate and act upon all reasonable complaints, it has undertaken a special responsibility in connection with organizing and supervising the supply of wool, sugar, coal, hides and leather, and several other commodities particularly affected by wartime conditions.

The supply of wool for Canada is of obvious importance because this commodity is indispensable for clothing and certain industrial purposes in the Canadian climate, and eighty per cent of the wool normally used in Canada must be imported. The chief sources of imported supplies are Great Britain, New Zealand and Australia. On the outbreak of war, the Wool Control, which was established as a war measure in the United Kingdom, took possession of all supplies of wool in that country and purchased the entire exportable surplus of wool of Australia and New Zealand for the duration of the war and one clip thereafter. While this action was designed to safeguard the

supply of raw material for clothing the British and French troops and their civilian populations, to keep an essential article from the enemy, and to make the best use of a valuable sterling asset, one of the incidental results was to interrupt the supply upon which Canada also normally depends. Meanwhile the demand for wool was increased by requirements for war contracts. In these circumstances, action was taken to protect Canadian supplies by prohibiting the export of wool save under licence. An Administrator was appointed and made responsible in cooperation with the industries concerned and under the direction of the Board, for the organization of arrangements for the securing of supplies of wool, both domestic and imported; for the supervision of the purchase, shipment, delivery and allocation of such supplies; for the investigation of applications for export licences; and a variety of other duties. The movement of Canadian supplies into consumption was expedited by the negotiation of an informal agreement as to price, which was accepted by dealers, growers, manufacturers, and the Government, and was later given legal force by Order in Council for a period of time sufficient to move such wool as still remained in the hands of collectors. Negotiations with the British Wool Control resulted in the release of increasing quantities of wool from the United Kingdom, Australia, and New Zealand, first for military and later for civilian purposes. When it became apparent that adequate supplies of Empire wool could not arrive in time, the duty on wool from intermediate tariff countries was temporarily removed. As a result of these and other measures, needed supplies were obtained, and arrangements were made to assure a sufficient quantity of wool at least until the end of the first year of war, after which it may be expected that similar arrangements will be made for a further period.

The Board's activities with regard to sugar are perhaps better known to the public. The need of action with regard to sugar was brought about, not by any deficiency of supply but by a run on

wholesale houses and grocery stores which began several days before the outbreak of war. Householders were buying far in excess of normal requirements, wholesale stocks were nearing depletion, and refiners found it almost impossible to keep their warehouses replenished. Such was the situation which faced the Board on its appointment. Within three days the refiners had been called to Ottawa and the Board had obtained their voluntary agreement to release immediately not less than 25 per cent in excess of average September distribution, and at no increase in price. On the day on which the Canadian refiners agreed to continue selling at pre-war prices, the price of sugar in New York increased 1.35 cents a pound. The Board arranged a coast-to-coast inspection service to investigate complaints of hoarding and profiteering, and investigated the stocks of sugar in the hands of refiners, wholesalers, and retailers throughout the country. Several large industrial concerns which normally hold large stocks of sugar for the ordinary purposes of their business were persuaded to release large quantities for the use of the public. The cooperation received from refiners, industrial consumers, wholesalers and retailers, made available in September some 40 million pounds more than normal. Increased supplies and regulated distribution rendered possible the canning of thousands of carloads of fruit—possibly 2,000 carloads in the Okanagan Valley alone—which otherwise would not have been conserved. Hundreds of individual requests for sugar were filled as a result of the Board's intervention.

While these steps were being taken to meet the emergency, arrangements were made to remedy the general situation by increasing the total supply available. By suspending the dumping duty on refined sugar for a short time, importation was facilitated. Following the recommendation of the Wartime Prices and Trade Board, the Government entered, jointly with the Government of the United Kingdom, into the so-called Sugar Control Scheme for the mobilization of Empire sugar resources for Empire needs.

A Sugar Administrator was appointed, conferences were held with the British Sugar Control, and it was arranged that all raw sugar for Canadian use would be purchased from the United Kingdom Sugar Controller by the Canadian Sugar Administrator for resale to the refiners, the price to be agreed upon each year. This joint purchasing is designed to assure adequate supplies in Canada for the duration of the war and to eliminate the possibility of any abnormal speculative increases in price such as occurred in the last war.

The reports of the Board contain fuller particulars of the steps taken to organize supplies and guard against undue increases in the prices of these and other commodities, including coal, hides and leather (for which administrators have been appointed), flour and feeds, cod liver oil, castor oil, and many others. The number is constantly increasing.

In dealing with these commodities, it is obviously not sufficient to wait and deal with emergencies after they have arisen. The Board is maintaining a constant watch over prices and supplies of a wide range of commodities, for which purpose it not only makes use of data obtained by the Dominion Bureau of Statistics, but also obtains regular and frequent reports on its own account. Possible future shortages or price increases are thus reported at an early stage, and plans are considered for dealing with them in advance. As a matter of general policy, the Board has acted on the belief that if ample supplies are available, freedom of enterprise encouraged, monopolistic tendencies curbed or controlled, and sporadic instances of profiteering dealt with, fair and reasonable prices will be maintained. It is the belief of the Board that such policies are best suited to the present Canadian economy and can most effectively utilize its resources. Should the war and the future course of events create a real scarcity of goods and services on this continent, Canadian policies of price control might have to be extended to a wider range of commodities and modified to meet the changed conditions.