the enforcement provisions of the charter also seconded an Australian amendment by which the obligation to enter into special military agreements to enforce peace was clarified, and this amendment too was adopted.

The Canadian attempt to provide a flexible procedure for amending the charter did not, however, prevail against the determination of the great powers to retain the right to veto amendments.

Results

All in all, the Canadian effort was first and foremost to aid in the establishment of an United Nations' organization; second, to make it as humane, liberal and flexible an organization as possible; third, to make it an organization in which Canada could effectively work for peace. The Canadian delegation worked in a spirit of moderation and compromise to achieve these ends, and had a great measure of success, because, on the whole, it gave expression and leadership to the desires of many of the lesser and on occasion of some of the great powers. It was achievement at once gratifying and promising.

The ratification of the charter by Parliament was such as to lead one to believe that in this country the turnover from isolation to whole-hearted participation in the work of maintaining international peace and co-operation is, for the moment at least,' complete. Canadian support of the United Nations is assured; it rests on interest and conviction.

It is too soon to speak of Canada's part in the United Nations. It will be a considerable one. Canadians may feel disappointment that Canada failed of election to the Security Council and that a Canadian was not made Secretary-General. Either or both would have been gratifying to our national pride and satisfying to the country's determination to support the United Nations. That things turned out as they did, need not matter. Canada may for some time suffer in the United Nations from the suspicion that it is a ward of the United States. But much remains for this country to do in the United Nations, where by serving its own best interests, it may also serve the cause of peace and international co-operation.

Agricultural Subsidy and Price Policies

By W. M. Drummond

I

At the outbreak of war in 1939 farm product prices were low when compared with other prices and particularly when compared with the prices of things which farmers had to buy. In making this comparison all prices are considered in relation to the 1926 base.

During the first two years of the war there was a tendency for this unfavorable price relationship to become still more unfavorable. During this period the demand for non-agricultural goods and services was more pronounced than that for farm products as a class. The result was that, in the general gradual price rise which took place, the prices of farm products rose less than the prices of non-farm goods and goods in general. However, between the middle of 1941 and the inauguration of the ceiling policy in the late fall of that year, an increasing scarcity of certain farm products caused their prices to rise fairly sharply. Indeed the rapid rise in the prices of these products was partly responsible for the date chosen for the start of the ceiling policy.

EDITOR'S NOTE; W. M. Drummond is Professor of Agricultral Economics at the Ontario Agricultural College in Guelph.

Nevertheless, at the time that policy was put into effect, the prices of *most* farm products and of *all farm products as a group* were still far below those of other goods. While the government realized this fact it felt that, in the interests of general price stability, it could not afford to delay the start of the ceiling policy until such time as an increasing demand for farm products might bring farm price levels up and into line with those of other goods.

From the time the general price ceiling policy was applied (December, 1941) until the end of the war the demand for farm products became more and more pronounced. In order to get the extra supplies that were needed, it became necessary to offer farmers higher prices or their equivalent. Faced with the double necessity of offering farmers extra financial inducement and preventing any serious increases in the general price levels, the governments decided to follow a mixed plan of procedure. Where the product was one which is largely exported such as cheese or bacon, the problem was partly solved by granting sizable price increases on the part of the product which was exported while maintaining low prices on the smaller part sold in the domestic market. This gave farmers higher average prices without causing corresponding increases in the cost of living index. Where a product was not used in the compilation of the cost of living index, as in the case of concentrated milk products, or was consumed in limited quantity and therefore had only a slight influence on the index, as in the case of lamb or mutton, the practice has been to permit the price to rise above that prevailing in the base period. In the case of some other products, such as eggs and potatoes, ceiling prices were raised above those existing in the original base period (Sept. 15-Oct. 11, 1941). This was done in recognition of the fact that prices of such products normally vary widely as between seasons. In setting the new ceilings the base periods chosen have been ones in which supplies were scarce and prices consequently high.

Why Subsidies Are Granted

On the other hand, in the case of products like milk and butter which, because of their regular and widespread use and the fact that they are consumed almost entirely within Canada, have an important effect on the index, the plan has been to give farmers the equivalent of a higher price by granting special producer subsidies. In a number of cases the added inducement took the form partly of higher prices and partly of subsidies. This combined method was used in respect of several fruit and vegetable products and in the important case of beef. In addition farmers were assisted indirectly by having part of the cost of transporting feed grain and fertilizers paid by the government.

Since these subsidy payments have formed a significant part of farm income, one can easily understand why recent suggestions or rumors regarding their possible removal have caused farmers serious concern. In view of this concern there are a few points which farmers and others interested in the possible removal of subsidies might well consider.

To begin with it would seem most necessary to keep in mind the reason why the subsidy policy was adopted in the first place. The fact is that the subsidies which farmers are thinking about at the present time were all applied during the war years and as a part of the war-time anti-inflation programme. Since subsidies were introduced in order to make this programme work one might reasonably expect that they would not be removed until or unless the specific purposes they were meant to serve had been fulfilled. These subsidies which are ordinarily called producer subsidies were granted in order to induce farmers to maintain or expand production. So long as the need for encouraging production remains as great as it is at present, i.e., so long as the supply of farm products remains limited relative to the demand for them, one would hardly expect that these particular subsidies would be removed. At any rate if they were removed farmers could hardly be expected to produce the wanted supplies unless the present ceiling prices were permitted to rise by the amount of the subsidies that were removed.

In regard to those subsidies which are usually referred to as consumer subsidies such as the 2 cent a quart subsidy on whole milk or the 8 cent a pound subsidy on butterfat, it is well to remember that they were decided upon in the first place in order to avoid the necessity of granting another cost of living bonus to labour. The government had to choose between paying a bonus to compensate for a rise in the cost of living and granting general consumer subsidies which would prevent the cost of living index from rising. The second alternative was chosen because it was felt that the other course might give rise to a serious inflationary spiral. The removal of these consumer's subsidies at the present time would have the immediate effect of increasing the cost of living index and inviting further demands for higher basic wage rates on the part of organized labour. In recent months, higher basic wage rates have been demanded on the ground that total labour earnings have been reduced due to the disappearance of overtime work and the higher than basic wage rates which accompanied it. Since labour has already demanded and to some extent been granted higher wage rates with the consumer subsidies still in effect, one can well imagine what its reaction would be to the removal of these subsidies at this time. As to whether their removal would result in any serious reduction in the volume of whole milk sold, opinions may vary. Personally we are inclined to think that any drop in milk sales would remain comparatively small so long as purchasing power is as high and widely distributed as it is at present. In this connection it should be remembered that many of the lower income consumers are now receiving additional purchasing power by virtue of the recently instituted family allowance payments. It might also be suggested that much consideration is bound to be given both in Canada and elsewhere to the idea of subsidizing food consumption of the lowest income groups more or less permanently. Such a programme could be advocated partly as a means of gradually raising the average nutritional level and partly as a means of maintaining or expanding the demand for food products. Instead of giving *all* consumers of milk a subsidy of 2 cents a quart as is done at present, the government might consider making it possible for the poorer people to buy milk (or other goods) at a lower price than those with more buying power.[1]

As to the general course likely to be followed in the removal of subsidies and price ceilings, one would expect that removal will have to be gradual and considered in relation to the special supply and demand conditions of the various commodities. Removal is likely to come first where supplies are most adequate and demands least urgent. It is likely to come last where supplies are least adequate and demands most necessitous. As an indication that such a course will be followed in practice, it has just been announced that certain kinds of non-subsidized imported goods may henceforth be sold in Canada at prices above their previous ceiling levels. It has also been announced that ceiling prices will no longer apply in the case of a selected list of 300 commodities. Most of the articles in question may be looked upon as luxuries or semi-luxuries. Moreover the fact that they exist in fair quantity should serve to prevent serious increases in their prices even under the free play of supply and demand forces. These goods are not the sort that the great majority of people are likely to insist on having more of right away. They cannot be regarded as prime neces-

1. This was the aim of the Food Stamp Plan operating in the U. S. A. before the war. See the Article, by Southworth in *Public Affairs*, Vol. V. p. 17.

sities from the standpoint of the average person. Moreover, the total amount normally spent by the average family on goods of this sort is but a minor part of the family budget. This means that, even though a considerable rise in the prices of these goods should occur, it will have comparatively little effect in raising the general cost of living index.

II
Post-War Price Policies

Consideration of the early future relationship between agricultural subsidies and price levels leads naturally to consideration of the more general subject of post-war agricultural price policy. When farmers speak of needing a special, permanent agricultural price policy, they are thinking primarily of a policy and programme which will prevent farm prices from falling too low in relation to prices of the things which farmers have to buy. In short they are thinking in terms of support prices. The very use of this term suggests their basic fear viz: that future demand will not be such as to support prices at satisfactory levels. What is wanted is something that will.

The experience of the last few years has shown very clearly that the best kind of support for any price is a willingness and ability of consumers to buy. In other words the natural way to get the prices of farm products supported is to have an effective demand for them. This suggests that, whatever else it may set out to do, an agricultural price policy should aim at ensuring the continuance of an effective demand. To say this is to suggest that agricultural price policy should be an integrated part of a general national and, indeed, international policy concerned with the maintenance of full employment and the development of an expanded world economy. It is also a way of saying that, in the absence of a satisfactory demand situation, no purely agricultural price policy can guarantee a satisfactory price and income situation over any considerable period. Prices simply cannot continue to be high *in spite of* a lack of demand.

Judging from the views most commonly expressed it would appear that, when farmers speak of the probable disappearance of the present favorable demand for their products, they are really visualizing the coming of another general depression with farm price and income conditions comparable to those of the 1930's. While some degree of price fluctuation occurs in good times as well bad, farmers know only too well that the really serious price fluctuations of the past have coincided with the coming of general business depressions. They know too that, in the past, agriculture has always borne a disproportionately large share of the special social burden resulting from a depression. When a general depression comes, agriculture suffers most because farm prices fall first and furthest, because farmers have to try to maintain or even expand production despite big price declines or rather because of them, and because the general expectation of low farm income causes a rapid drop in land values. It is probably not too much to say that, if he could feel assured that general depressions were a thing of the past, the average farmer would regard special agricultural price policy as something of secondary importance. What he is asking for and intending to insist upon is some form of social insurance against the low prices and purchasing power which characterize depression periods.

Since agriculture's aim must be reasonable stability of prices, incomes and purchasing power, and since the main cause of serious instability has always been the occurrence of those major business fluctuations generally known as shifts from booms to depressions and back again, it follows that agriculture should co-operate wholeheartedly in any general effort to keep economic activity on an even keel. The problem of maintaining price and income stability is fundamentally the problem of the entire national economy. This means that any attempts to deal with it must be undertaken on behalf of all classes and not merely agriculture. At the very best no strictly agricultural price policy can do more than form a consistent supplement to the more general policy. However, if future attempts at preventing or counteracting depressions are to be any more successful than in the past, the mistakes of the past including those in respect of agricultural price policy, will have to be avoided.

A New Approach

Many leading agricultural economists in the United States have recently suggested a support price policy which is worthy of the most careful consideration. In formulating this policy the first step is to assume that farm prices would, in general, be sufficiently satisfactory in non-depression periods. The second step is to suggest that, if, in spite of all anti-depression programmes, a depression starts to show itself, farmers should be given compensatory payments by the state. The amount of these payments would equal the difference between the new, lower, depression prices actually received and the prices received just prior to the depression. These payments would do several things. They would ensure that consumers got cheaper food if and as a depression took place. They would also ensure that farm income was maintained at approximately the pre-depression level. Moreover the amount received by farmers as compensatory payments would add to farm buying power and be used by farmers to keep up the demand for manufactured goods. Because of this the payments would tend to offset or counteract the existence of the depression itself. They would have a counter-cyclical effect.

One of the main advantages of a price support policy of the type just mentioned is that it would eliminate the possibility of goods being sold at a much higher price in the domestic than in the foreign market, something which normally leads to retaliation and charges of dumping. This feature is particularly important in the case of a country like Canada which exports such a large part of total production. The policy outlined above would allow all prices, both domestic and foreign, to be determined by the interplay of supply and demand forces. At the same time it would give farmers supplementary payments as and when the supply and demand prices got too low. While some may think that the supplementary payments would involve too large a public expenditure, it seems hardly likely that the amount required would exceed the fund already provided for in connection with the Agricultural Prices Support Act. If the counter-cyclical effect of the payments was reasonably prompt and effective, the total amount of the payments might well be reasonably limited.

Forward Prices

As for reducing the variations in supply which result from farmers' miscalculations regarding demand requirements and price possibilities, consideration might well be given to adopting a system of forward prices. Instead of leaving it up to farmers themselves to decide what and how much to produce, the task of estimating future supply and demand requirements would be entrusted to a group of government experts. On the basis of all possible information this group would estimate the amount of each product that should be produced in the production period immediately ahead. In order to encourage or discourage production a guaranteed minimum price would be announced prior to the time that farmers had to start actual production. This price would apply during the period covered by the next production season. While this forward price would be a guaranteed price, it would also be a supply and demand price. In fact it is precisely because it would be in line with the actual price expected to result from the interplay of supply and demand that the government could afford to guarantee it. In order to play safe in this matter, however, the announced forward prices should probably be no higher than ninety per cent of what the future market prices are expected to be. This would give the government considerable insurance against erroneous estimating.

These forward prices would be valuable in two ways. The fact that the prices to be received in future are known and guaranteed in advance of production would reduce those variations in production which have resulted from the farmers' uncertainty regarding future prices. In the second place the pattern of production that is based on forward prices expertly calculated is likely to result in a far more efficient use of farm production resources than one based on the private decisions of a multitude of farmers, very few of whom can hope to know a great deal about the general supply and demand situation. The real questions regarding forward prices relate to the accuracy with which production goals and the prices necessary to achieve them can be calculated by the experts and also the political possibility of reducing prices from one season to the next when desirability of reducing production dictates this course. Recent war-time experience in setting production goals gives considerable reassurance on the first point while the current United Kingdom attempt to bring about a shift from grain to certain livestock and livestock products may provide a partial answer concerning the second.

Adequate Prices

If it is necessary that farm prices and incomes be reasonably *stable*, it is also essential that they be sufficiently *adequate*. This question of adequacy is so large and involved that it is impossible to do more than touch on it in the limited space provided for the present article. Very briefly it may be said that the really fundamental problem is to find a method of determining with reasonable accuracy or scientific exactness when adequacy in respect of prices and incomes has been attained. It may be true that most people would readily agree that farmers are entitled to economic equality with other groups on grounds of sheer equity. In actual practice, however, there is no scientific method of telling us when farmers, or any other group, are actually receiving treatment that is strictly equitable. It may be claimed, of course, that so long as active and atomistic competition exists in and between all sectors or our economy all classes, including farmers, will receive fair economic treatment automatically. The answer to this claim is that prices in some non-agricultural sections of the economy have long since ceased to be anything like strictly competitive. If active competition were everywhere present, if the virtually unlimited need for food products could be translated into a permanent demand as effective as that of the present, and if there was no longer any danger of general depressions, the problem of securing adequate farm prices and incomes would cease to be a matter of general concern if it would not disappear altogether. At any rate it is worth noting that the problem did not become acute until artificial price-raising, production restricting and generally non-competitive tactics on the part of some non-agricultural groups assumed serious proportions and until agriculture became a very serious casualty of the worst depression on record. This suggests that, so long as these conditions are likely to prevail or recur, the problem of ensuring a fair price and income situation for agriculture will continue to exist. And, if it does, the task of finding a suitable criterion for adequacy will have to be undertaken.

Parity Principle

Some thirteen years ago United States farmers along with their Federal Government decided to adopt what has come to be known as the parity principle. Briefly this meant that farm prices were to be kept at levels which would result in farmers continuing to have the same purchasing power as they had during 1909-14.

That is farm prices were to be so related to non-farm prices that farmers would have the same buying power at all times as they had during 1909-14. This base period was selected because it was felt that the general economic situation of farmers was pretty satisfactory during this five year period. Farmers were not sure that they were getting exactly the right treatment but felt that, if things could be arranged so that they would never get any worse treatment, they would be satisfied. Instead of using this parity formula as a yard stick they might have decided that farmers should get prices sufficient to cover costs of production. In fact they came fairly close to choosing this measuring rod. It is this cost criterion that, generally, speaking, has been applied in recent years in the United Kingdom. Still another method might be to decide that prices should be such as to give farmers a certain specified share of the national income. Or again, prices might be so arranged as to give farm people a material living standard corresponding with that of certain urban groups.

To mention these methods is simply to suggest that there are various possible alternative measures, that no one is entirely satisfactory, and that the general problem involved is tremendously important and involved. The main point to remember about all of these arbitrary criteria is that their use is apt to result in farm prices that are out of line with those that would result from the unhindered interaction of supply and demand forces. They are apt to result in prices that are satisfactory *in spite of* the lack of an effective demand. The great objection to all such criteria is that they are apt to result in the mere achievement of a certain price being regarded as the final objective. In the last analysis it must never be forgotten that a price is but the means to an end and not an end in itself. Prices are something for producers and consumers to react to, not something to aim at.

The Junior High School in Canada

By Alex. S. Mowat

The Traditional System

THE traditional system of school organization in North America is the 8-4 grade plan, that is, the single educational ladder consisting of eight grades of elementary or common school followed by four grades of high school. Tradition dies hard, they say. It certainly dies hard in this case, for, although the need for some improved form of organization has long been recognized, the old 8-4 system still operates in many parts of the United States. In Canada it still forms the basis of educational organization in two provinces and traces of its influence remain in all the others. In Nova Scotia, for example, while the present Course of Study calls for a 6-3-3 division, that is, six grades elementary school, followed by three grades of Junior High School and a subsequent three years of Senior High School, yet the provision of free text books ceases with Grade VIII and schools are still to be found organized on the old 8-4 method.

There does not seem to have been any sound reason, either educational or psychological for the 8-4 division. Indeed in some southern states of the U. S. A. the elementary school period was one of only seven years. The 8-4 system, like Topsy, just "growed" up in most of New England, and since New England influence was the most potent in the development of Canadian schools, it was transplanted across the border and became part of Canadian educational tradi-

EDITOR'S NOTE: A. S. Mowat is Professor of Education at Dalhousie University.