

# Wartime Regulation of Prices and Trading in Canada, 1914-1918

By C. W. BOLTON

AT the beginning of the present war trade and industry had been recovering since 1933 from a depression but had not reached the levels of 1929 in prices or in production in many industries whereas in 1914 the peak of a great expansion in trade and industry had been reached in 1913.

In one important phase the problem of price control in the Great War differed greatly from that in the present war, that is in the great demand for wheat for export with rising prices, halted only at the end of 1915 for a few months owing to the tremendous crop of 1915. The price at Winnipeg rose from 90 cents per bushel in July, 1914, to \$1.40 by July, 1915, falling to \$1.15 by the same date in 1916 and rising to \$2.95 $\frac{3}{4}$  by May 3, 1917, there having been a short crop throughout the world in 1916. The average price of bread in Canada rose from 4.2 cents per pound to 7 cents during this period. This abnormal war demand for wheat and rise in prices led to a great increase in the acreage planted to wheat in Canada and the United States and is considered to have been one factor in creating the problem of surplus wheat in recent years and also with halting the development of the livestock industry in western Canada. As in the present war, however, there was an immediate flurry in the sugar market and the price rose from 5 cents per pound to 7 cents in a few weeks and the price continued to advance throughout the war, in spite of regulation of markets and a great increase in the production of cane sugar. The markets for materials used for war supplies expanded considerably raising prices of wool, copper, lead, zinc, etc., and finally cotton which at first was depressed. The export demand for wheat, flour,

meats, oats, eggs, butter, etc., at the beginning of the war led to advances in prices and there was considerable buying by householders to lay in stocks.

Under the provisions of the War Measures Act, 1914, the Dominion Government had obtained power to regulate prices and trading by Order-in-Council and the Deputy Minister of Trade and Commerce and the Chief Statistician of the Department of Labour were directed to act as a committee to study prices and report on any action required. The collection of prices statistics was extended, retail prices figures being obtained weekly instead of monthly and wholesale prices of some food products daily for a time. In a short time the disturbance on the markets subsided and the retail prices of staple foods advanced only ten per cent by the end of 1915. During 1916, however, prices rose very steeply especially in foods after July. Complaints as to abnormal stocks in cold storage, manipulation of prices of potatoes, prices of canned goods, etc., were made. By October, 1916, the average cost of staple foods was up by twenty-five per cent over pre-war prices and prices of coal and clothing were rising fast.

On November 10, an Order-in-Council was passed authorizing the Minister of Labour to require information as to stocks, supplies, prices, and as to contracts and agreements, from any person operating a cold storage plant, factory, mine, etc., where any necessary of life was held, produced, marketed, etc. Municipal councils were also authorized to investigate and report to the Minister of Labour. The order made it a criminal offence for any person or corporation to conspire or combine to restrain or limit trade or the production of any necessary of life or withhold from sale at reasonable prices any such articles beyond the ordinary needs of his house-

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hold or business. The Minister of Labour, or the municipal council, could forward any information as to any offence under the regulations to the Attorney-General of the province where it occurred for prosecution. The penalty was a fine up to \$5,000 or two years' imprisonment or both.

The Minister appointed Mr. W. F. O'Connor, K.C., of the staff of the Department of Justice to act as a commissioner under the regulations to secure information and report. Information was obtained as to stocks in cold storage, trading in sugar, anthracite coal, and the operations of flour milling companies. These records were taken over after the war and have been continued since by the Dominion Bureau of Statistics. Special Reports on these subjects were published in 1917 and 1918. Reports were also made weekly or at frequent intervals to the Minister. Several municipalities made investigations and as a result of these and those of the Cost of Living Commissioner considerable publicity was given to many features of the trade in some commodities. In some cases leave for prosecution was secured from provincial Attorneys-General but further proceedings were not required as the offending parties discontinued the illegal practices. A General Report of the Commissioner dated May 18, 1917, included the following statement:

I have sought for evidence of undue accumulation and warned against it. I have carefully traced out costs and prices. I have many times insisted upon the right of proper buyers to buy at a fair price. I have searched for evidence of trade combines, located many, and caused them to dissolve. I shall not attempt to report to you as respects all these matters. They have constituted part of the day's work and you are as familiar as I with most if not with all of them. You will be aware that at times we have been able in specific instances to prevent rises in price. But you will agree, I am sure, that the best success attained under the regulations has been by way of restraining and informing. The knowledge that costs and prices were undergoing constant supervision has, I am sure, done much to restrain undue inflation

of prices. The information as to the cost to wholesalers and retailers, from time to time conveyed to inquirers who otherwise would have remained subject to the impression that advantage was being taken of the necessities of the poor, has resulted in a better understanding between the consumer and the dealer, both of whom, in fact, seem to be in most cases in almost the same box. I cannot too earnestly impress upon you, as I would like to impress upon all concerned, that notwithstanding any impression anywhere or by anybody held to the contrary effect, the manufacturing and trading classes of Canada, so far as my investigations have extended (and they have been wide and deep), seem, with very rare exceptions, to have resisted the temptations and withstood the strain of the time through which we are passing in a most commendable manner.

By May 3, 1917, the price of wheat had reached nearly \$3.00 per bushel at Winnipeg and it was found that exporters had bought more wheat of contract grades, No. 1, 2 and 3, Manitoba Northern, than was available in Canada, in fact buyers for the British and allied governments had unwittingly cornered the market. It was arranged that lower grades of good milling value would be accepted at certain price differentials and a Board of Grain Supervisors was appointed to control the trade in wheat with power to fix prices for sales from storage elevators, to sell to the British and allied governments, to control the trade in flour and fix prices, to investigate unfair trading practices and through the Railway Commission to control the movement of freight cars for wheat and flour. The price of wheat was fixed at \$2.40 for the last of the 1916 crop in August and \$2.21 for the 1917 crop in September. The board made regulations reducing the grades of flour produced to three, one of western spring wheat flour, one of winter wheat flour and one of blended flour. Prices were fixed from time to time according to the price of wheat and the millers were allowed a maximum profit of 25 cents per barrel.

In June, 1917, the Honourable W. J. Hanna, formerly Provincial Secretary for Ontario, was appointed Food Con-

troller for Canada with power to ascertain the food requirements of the country, to facilitate the export of food to Great Britain and allied countries, to make regulations as to prices, storage and distribution, as to the consumption of food in hotels, restaurants, cafes, clubs, private houses and other places, and to make regulations as to the manufacture, storage and transportation of food, with power to purchase, requisition, store, sell and deliver food. The regulations were subject to approval by the Governor-in-Council.

At the same time Mr. C. A. Magrath, chairman of the Canadian section of the International Joint Commission, was appointed Fuel Controller with power to investigate the production and importation of coal, the demand for coal and to regulate the trade in and the prices of coal. One of the most important features of the coal problem was to obtain adequate supplies from the United States where, as in Canada, an acute shortage was developing owing to the demand for the production of munitions. As a member of the International Joint Commission, Mr. Magrath's relations with United States authorities enabled him to obtain most favourable consideration of Canada's needs for coal. Regulations were made for the control of the distribution of imported coal and of that mined in Canada. It was arranged that each province should appoint a provincial fuel administrator to control chiefly the wholesale trade, and each municipality to appoint a local fuel commission to control the retail trade. All mine operators and importers, all wholesale dealers, and retail dealers were required to obtain licenses from the above authorities, the fees providing revenue for their work. Brokers were allowed to sell at a margin of 30 cents per ton over the cost of the coal at the mine in Canada, or at the point of entry if imported, wholesalers at a margin of 35 cents over the cost, freight paid, and retailers at a margin of 50 cents over the cost of coal plus delivery expenses. All dealers were required to report on all coal

handled, prices, sales, etc. The chief of the Internal Trade Branch in the Dominion Bureau of Statistics was placed in charge of statistical records of the Food Controller and the Fuel Controller. A Director of Coal Operations was appointed to control the mining operations in Alberta and the South-East section of British Columbia, owing to strikes of coal miners, with power to control wages, working conditions, and prices and to issue orders as to the operations of any or all of the mines. Toward the end of the war the Fuel Controller was appointed Director of Coal Operations in the Maritime Provinces with similar powers.

One of the chief problems in food control was to promote the export of food to Great Britain, especially in flour, beef and pork, and to prevent unnecessary consumption and waste in Canada. Regulations were made that on certain days there should not be served in public eating places, bacon, ham, beef, etc., the use of food made from wheat flour was restricted, the use of substitutes for wheat flour was required not only in public eating places but in bakeries and in private homes. The manufacture of package cereals was placed under a license system and an educational campaign was carried on to induce the public to conserve sugar, flour, butter, etc. The use of sugar for the manufacture of candy and confectionery was restricted as well as its use in public eating places. All dealers in foods were required to obtain licenses from the Food Controller and a license might be cancelled or suspended at any time. This was found to be effective in preventing violation of the regulations, including the prompt reporting of data required, as a dealer had to close his place of business while under suspension. There was practically no price fixing by the Food Controller but the margins allowed for selling prices over the cost were fixed for a number of commodities, including meats, lard, cheese, butter, oleomargarine, eggs, fish, bran and shorts. Later regulations standardized the weight of loaves of bread by provinces, and limited the use

of ingredients such as milk, sugar, etc., and made compulsory the use of specified percentages of substitutes for wheat flour, such as potatoes and other flours. Owing to this shortage and the high price of butter, the legislation prohibiting the manufacture, importation and sale of oleomargarine was suspended by Order-in-Council, regulations being made as to manufacture, etc.

In January, 1918, Mr. Hanna had resigned as Food Controller, being succeeded by Mr. H. B. Thomson and on February 11, 1918, the Canada Food Board was appointed to take over the duties of the Food Controller, Mr. Thomson being Chairman. Shortly afterwards Mr. O'Connor resigned as Cost of Living Commissioner being succeeded by R. J. McFall, Ph.D., Chief of the Internal Trade Branch of the Dominion Bureau of Statistics who as mentioned above was in charge of the statistical reports and records of both the Food Controller and the Fuel Controller. This tended to unify the administration where the powers of the Cost of Living Commissioner overlapped those of the two Controllers. An acute shortage of paper had developed and Mr. R. A. Pringle, K.C., was appointed Paper Controller with power to fix prices and control distribution.

As a result of the report of the Cost of Living Commissioner on cold storage and a subsequent inquiry by a Royal Commission into the businesses of certain meat packing companies regulations were made placing the slaughtering and meat packing of large firms under a license system under the Canada Food Board and providing that prices should be fixed so that profits should not exceed two per cent of the gross value of sales during a year and that of any profits over seven per cent of the capital invested up to fifteen per cent, one-half should be paid to the Dominion Treasury and all in excess of fifteen per cent.

In the summer of 1918 the Cost of Living Commissioner made an investigation into the price of gasoline and certain regulations as to the trade and prices

were made by the Fuel Controller. Amendments to the Order-in-Council of November, 1916, were made on November 8, 1918, giving the Commissioner greater powers of investigation and prosecution; also bringing rentals of dwellings under his jurisdiction and extending the powers of municipal Fair Price Committees.

Following the Armistice on November 11, 1918, the control of prices and trade soon ceased. The Fuel Controller announced that the regulations as to coal would expire on March 31, 1919, but the Order-in-Council providing for fuel control was not cancelled until March 5, 1920. The Canada Food Board was dissolved by Order-in-Council of March 19, 1919, its powers to regulate exports being transferred to the Canadian Trade Commission which had been appointed on December 6, 1918, to promote export trade after the war. The Cost of Living Commissioner continued in office carrying on the various statistical records for the Bureau of Statistics to which they were later transferred. In the spring of 1919, owing to rising prices of clothing and various food products, further investigations were made but on August 14, 1919, all these powers and duties were transferred to the Board of Commerce, which had been appointed under the Board of Commerce Act, 1919, to administer the Combines and Fair Prices Act of 1919 following an inquiry by a committee of the House of Commons during the 1919 regular session of Parliament.

An outstanding feature of the control of prices and trading during this period was the number of authorities set up and reporting to different members of the government: the Cost of Living Commissioner and the Director of Coal Operations for Western Canada to the Minister of Labour, the Canada Food Board to the Minister of Agriculture and the others to the Minister of Trade and Commerce. The measures taken to control supplies and prices of materials for munitions and other war supplies have not been included in this account. There was of course cooperation among

these authorities and with the regular departments of the government and very little friction appeared where the functions of one extended into the field of another or required supplementary action by the other. It may also be noted that in 1916 action began with the imposition of penalties for profiteering, hoarding, price fixing, etc., with provision for investigation and prosecution, also for the collection of statistical data. As it appeared, and was learned from the experience in other countries where price fixing had been tried since the beginning of the war, that regulation must include the control or direction of supply as well as the promotion of increase in production, prevention of waste, and the control of transportation

and distribution, measures for these were also taken and in coal mining were extended to some control of wages, owing to labour disputes. In the present war, having the advantage of the experiences during the Great War, provision for the control of prices and trading was made from the beginning and to a great extent centred in the War-time Prices and Trade Board, consisting of permanent officials in various departments of the government service, with wide powers of investigation and control of trade through administrators or controllers responsible to the Board, many of them from the permanent civil service, while others are drawn from business or the professions in order to have the advantage of their special knowledge and experience

## Wheat in a War Divided World

By HELEN C. FARNSWORTH

**B**EFORE September, 1939, when Adolph Hitler sent his troops on their fateful march into Poland, one could talk meaningfully of a "world" wheat problem. At present, with the swastika flying over most of Continental Europe, and naval blockades curtailing outside shipments to that area and to Britain, it is necessary to distinguish between two different wheat problems: (1) the critical scarcity of wheat in Europe, and (2) the burdensome surplus in the overseas exporting countries. If the European war could immediately be ended, the former problem would vanish, but the more basic wheat-surplus condition would persist, at least for another year or two.

### EUROPE

Within Europe, the degree of wheat scarcity varies from country to country. Britain, and Britain alone, has had full access to the large wheat supplies overseas. Yet even Britain, faced with heavy

shipping losses, has taken steps to curtail wheat consumption by prohibiting feeding and by requiring increased extraction of flour from a given quantity of wheat. Excellent bread, however, is still obtainable in Britain, and in unlimited quantities at a cheap (subsidized) price.

The various neutral nations of Europe have had a more limited access to overseas wheat. Under British navicerts they have been permitted to import wheat for current consumption and for the maintenance of stocks not in excess of two weeks supplies. But inadequacy of shipping facilities and lack of foreign credits have greatly restricted such imports. Portugal, Switzerland, and Sweden seem to have had ample supplies of bread grain during the past year, and Eire and Finland faced no really critical shortage. On the other hand, Spain had to adjust to a serious deficiency of bread and other food, in spite of the importation of at least 20 million bushels of wheat (mainly from Argentina).

Greece was reasonably well supplied with basic calorie foods until she was

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