WAR Time CONTROL OF NECESSITIES
WITH SPECIAL REFERENCE TO CANADA

By

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A Thesis Submitted for the Degree
Bachelor of Arts
Honour Political Economy
McMaster University
1941
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INTRODUCTION

Probably the greatest lesson driven home to the nations of the world by the four bitter years of the first World War was the realization that modern wars are won by economic, not military, prowess. Production of our commodities, destruction of the enemy's, emerged as the primary requirement of victory. "The game is played on the farm and in the factory," wrote a university lecturer in 1918, "the armies merely tally up the score."(1) The belief in the importance of economic factors in war is clearly illustrated by the quotation.

The belief was not a new one to the world. Adam Smith, writing in 1776, was well aware of the connection between war and the state of the industrial arts.(2) But never before 1914 had the realization that war was not merely a clashing of arms and a waving of flags been so apparent to the world. The Great War posed the problem of total national organization before the belligerents, and offered victory to the side that could most quickly attain this end.

The allies, while gradually realizing the indispensability of nation-wide mobilization, were beset with troubles arising from the fact that they were all, in varying

(1) Ayres, C. E., P.102; "Readings in the Economics of War." Clark, Hamilton, Moulton.
(2) Wealth of Nations, Book V, Chapter 1.
degrees, essentially liberal countries. Their peoples were accustomed to varying degrees of laissez-faire, a national characteristic which is distinctly a liability in a state of total war. The organization and direction of public opinion, in fact, has now twice proven to be a major obstacle in the "war effort" of democratic countries, particularly when some of the belligerents stand in no perceivable danger of direct attack. Genuine mobilization is impossible without a national belief in the need for it and the inertia of public opinion is therefore a handicap in the path of effective action.

A similar handicap exists in the rigidities of the economic system of a democratic country. It is not overwhelmingly difficult to persuade a manufacturer of commercial trucks to divert his energies into army equipment, particularly if an attractive contract is offered, but an entirely different problem arises when a government must deal with producers of luxuries. It has been estimated that over a year is required to convert a peace time industry into a "sinew of war," in the production of which the concern has had no previous training. (3)

Industrial conscription, moreover, even when the requisite public opinion prevails, is no easy matter.

(3) Coffin, E. F., P.167; "Headings in the Economics of War." Clark, Hamilton, Moulton.
A co-ordination of the activities of government departments ordinarily pursuing different policies must be effected before co-ordination can be extended to privately owned industries. While government bodies may not be quite so rigid as an American Cabinet member once suggested when he said "a Board is long and narrow and wooden," there is nevertheless in liberal countries a tendency to move slowly and cautiously. There are other problems too, quite distinct from industrial mobilization, yet closely connected with it. The strict regulation of foreign exchange and the raising of militia units without damaging productive energy are two of the most important.

It is not the aim of this thesis to present a comprehensive study of economic mobilization for war. That subject is beyond the scope of any single slim volume. It is rather the intention to present a picture of how a government dealt with some of the problems ancillary to such mobilization during the first Great War, for the very increasing of production for purposes of war brings with it serious problems which are not self adjusting and are often further aggravated by other factors—for example, inflation.

One of the greatest of these problems of war is the prevention of exploitation of the consumer, the attainment of which carries with it, as a corollary, the prevention of profiteering. It is to this problem, and Canada's solution of it in both World Wars, that this thesis directs its attention.
CHAPTER I

ON PRICE-FIXING
It may be well to point out at the beginning of this thesis that when a government uses its authority to fix prices, or otherwise meddle in various parts of a country's economy it is not dealing with separate and independent entities; it is tampering with an intricate system—a system, furthermore, that works. It may work painfully, slowly, and inefficiently, but still, it works. The consequences of tampering with the price system would not be nearly so complicated, it is true, if one could try, by experiments, to correct the flaws in its workings, withdrawing one's experiments when failure was indicated. But because the price system is a system there can be no experimental dabbling that can be readily abandoned, for anything affecting one price sets up reverberations which echo and re-echo throughout an intricate network of other prices, bringing consequences which no one could possibly have foreseen. Haney gives an excellent example of this when he shows how an advance in the price of cottonseed meal during the war, designed to compensate producers for their losses on cottonseed oil (the price of which was declining because of foreign competition) resulted in an increase in cost to cattle feeders which, in turn, meant higher prices for meats.\(^\text{(4)}\) And, to take the example beyond Haney's point, the fact that consumers had to pay

\(^{\text{(4)}}\) Haney, L. A., Price Fixing During the War P. 40-41: quoted by Eckman in "Government Price-Fixing P. 261."
higher prices for meat would mean that either the production of meat would be discouraged, for less would be bought, or the demand for other foods would decline, because consumers would have less money to spend on them. Nor would the effects end here, for in either case there would be other reverberations back through industries which are only remotely connected (invisibly, in fact) with the production of cottonseed meal. No economist could be expected to foretell all the possible results of any given artificial price change.

Prices, be it noted, constitute more than one part among several of an economy. They are the key to the mechanism by which the elements in an economy are kept in balance. When prices are declining, to illustrate, they perform at least three necessary functions. In the first place, they are a signal to producers to cut inventories and curtail output. Secondly, unless the decline is so catastrophic that demand is retarded, they increase the number of consumers among which a product is distributed. Finally, high-cost producers are discouraged from producing. When prices are rising, consumers are warned to watch existing supplies carefully and to seek substitutes. Supplies will increase as the rising prices extend the margin of productivity but at the same time demand will tend to decline because of the same rising prices. In any

case, whether they be rising or falling, the price system, acting unhampered, tends to set in motion forces which in time will offset the causes giving rise to those forces. It is significant for our purpose to note here that the price system is more efficient in correcting maladjustments leading to an advance than in correcting those leading to a decline in prices. The prospect of higher profits offers ready incentive to producers to increase their output. Declining prices, however, cannot work so readily because of rigidities in industrial processes and the tenacity of producers in maintaining production as long as overhead costs can be earned.

The fixing of prices not only nullifies the functions outlined above, but frequently militates against the very end which the price-fixing authority is attempting to reach. Mr. Clark has demonstrated very ably that war-time price-fixing in Germany designed to protect the consumer actually accentuated the burden placed upon him, for because of various methods of fraud and evasion, the well-to-do were able to deal with producers directly, and help themselves to supplies which never reached the market. (6) Under an "unfixed" price regime, the small consumers might at least have been able to purchase small quantities of the goods in question. Again, when the growing scarcity of a

(6) Clark, W. C., Should Maximum Prices be Fixed? P. 18 Queen's University Bulletin No. 27, 1912.
necessity is indicated in a rising price, the fixing of that price to protect consumers, even though they are able to purchase the commodity on the market, will actually discourage production, for high-cost producers will be forced to curtail or close entirely their output. Both of these examples indicate that mere price-fixing is not enough; supplementary measures must follow if the price-fixing authority is to approximate its goal.

Herein lies another fundamental objection to price-fixing—the fact that it is but the first step—often, unfortunately, taken blindly into an utterly unknown maze. Thus, British attempts at control in the last war, which began as pure price-fixing experiments, ended up with complete schedules of prices for commodities from raw material down to the finished product. In some cases rationing was resorted to; in others, the central authority took over supervision of production and distribution. This same obstacle to price-fixing teaches one of the primary lessons that all would-be controllers must learn: that if a price is to be set and thereby stripped of its functions as an indicator to increase or decrease production, as well as of its powers to govern distribution and allocate resources, then the price-fixing authority must be prepared to assume all these functions itself.

The recognition of "post-fixing" activities by

(7) Pigou: Economics of Welfare, Chapters XII and XIII.
the authorities brings us face to face with technical details in the price-fixing process. Probably the most important single problem is that of selecting the basis on which to fix any given price. The logical basis, of course, is that which considers cost of production. To such a basis the price-fixing authority can simply add what it considers a reasonable rate of profit and peg the price at the answer it gets to this simple problem in addition. But in actual practice, the simple sum suggested above becomes an excessively complicated proposition—for the cost of production is not the same for any two producers. Further, there are few producers whose costs of production are computed on a comparable basis. There is, in short, no practical way of limiting all producers to the same rate of profit. And even if there were, the chaotic marketing problems involved in having, for identical finished goods, a separate price for every producer can be better imagined than described. There can be, therefore, only one fixed price for a commodity in any given area.

A single price, as well as being the normal market practice, means lower administration costs, easier adjustments, and the encouragement of efficiency, for low cost producers make a larger margin of profit. It has the disadvantage, at the same time, of placing few penalties on wastefulness on the part of low cost producers; in addition, it may have to be set unduly high so as to ensure production of an adequate supply.
The problem therefore becomes one of fixing a price so that the marginal producer—the one whose output is needed to furnish the required supply—will still be able to operate. It will be noted that the problem, as outlined here, implies that it is a maximum price we are seeking to set and since this is generally the problem which faces wartime price-fixers, it is convenient to discuss briefly here to point out the fundamental differences between price fixing in peace, and in war.

As Staley, in his "Raw Materials in Peace and War", has noted, a war economy is incompatible in many ways with a peace economy. (8) Different criteria of a good economy are applied; different motives are the primary forces; military, not social considerations are uppermost. Thus, while in peace time price fixing may be considered necessary to aid producers to get a profitable price, to reduce price fluctuations, or to adjust the purchasing power of a large national group dependent on one or two primary products, in war the goals are to protect consumers against extortionate prices, encourage expansion in production of certain products, or to secure a supply of a necessity at a reasonably low figure. These two sets of motives are not mutually exclusive, nor are they sharply divided. They do not consist, on the one hand, of motives favoring a fixed minimum price as opposed, on the other hand, to motives favoring a fixed

maximum price. It is a fact, however, that in wartime the setting of maximum rather than minimum prices is regarded as necessary. A further significant fact is that in wartime the problems of price-fixing are made a great deal easier than in peace because there is but one aim in mind—the rapid development of the strongest possible military state. Because of this singleness of purpose, and the exigencies of the situation, wartime price fixing can be attempted on a sweeping scale, and enforced in a most undemocratic manner.

This is not to say that the consequences of tampering with the price system are any less severe in war than in peace. It is true, however, that if price fixing is ever justified at all, wartime is probably the occasion to attempt it. For, not only do military ends supplant social but for many vital necessities the price system simply fails to ensure that adequate supplies will be forthcoming and that distribution will be as equitable as possible. The problem becomes, instead of a social matter of finding a price that equilibrates supply and demand, one of allocating in the best possible manner relatively limited supplies. There is still, of course, a vital social issue involved—that of protecting the consumer against exorbitant

(9) Mr. Clark to the contrary. See "Should Maximum Prices be Fixed." Staley says (op. cit. P.21) "free enterprise is incompatible with the particular test of efficiency applied under a war economy."

(10) Beckman, op. cit. P.34.
prices and incidentally stopping profiteering.

Other differences between peace and war price-fixing are reflected in the relative ease of enforcement of regulations during war-time. In addition to the driving force of patriotic sentiment, which, in the last war, frequently went the length of inducing individuals to act as voluntary spies for the government on violators of price regulations, there rests in the government's hands the right to requisition privately-owned supplies of necessities, and to commandeer factors of production which are in the hands of recalcitrant producers. A further very important power which the government holds is the right to order the standardization of common articles ordinarily issued in several grades of quality. The administrative difficulties involved in regulating the prices of a standardized commodity will likely be appreciably less than those involved in dealing with a commodity having many grades of quality. The problem is somewhat analogous to that of determining how to fix prices for an article produced at widely varying costs throughout an industry. A similar power is that of enforcing the use of substitutes.

To return to the main theme of our argument—the technical problems of price-fixing—we have established the maxim that as far as possible, one price should govern the marketing of any given commodity. We have further recorded that, in a time when the pressure of concentrated demand is such that price is likely to rise sharply, the problem is to set a maximum price such that, while consumers will be
enabled to procure some of the necessity, production by high-cost producers will not be discouraged. But that, without any supplementary activities, apparently cannot be done. Carl Goerdeler, former Commissioner of Price Controls in Germany, a country that desperately tried almost every conceivable means of control during World War I, has said ".... it is not sufficient to establish maximum prices.... whenever possible a country should not resort to price regulation when it can prevent prices from rising by increasing production. Rising prices will immediately stimulate more production and at the same time will reduce consumption... whoever attempts... to set a maximum price must also be prepared to pin wages and public contributions (taxes, social security, unemployment insurance, etc.) at a fixed level. And this would mean nothing less than creating a planned economy." (11) Similarly, Mr. Clark concludes that the mere fact of fixing maximum prices is a failure. He says "It fails to check waste and unnecessary consumption; it drives the commodity from the market and discourages production; it throws out of balance the sensitive mechanism of the price system; it involves endless frauds..." (12)

A consideration of the actual technique of fixing a maximum price indicates that these criticisms are sound. A maximum price can be fixed in one of three places; it may

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(12) Clark, op. cit. PP. 25-6
be higher, lower, or equal to the price that would prevail in a competitive market. If the price is fixed at a level equal to the competitive price, there seems to be little point in fixing it there at all. The only result such action could have would be that when the competitive price began to fluctuate in a normal manner, the fixed price would present troublesome rigidities. If the price is fixed at a point higher than the competitive price, as long as it is not a compulsory price—i.e. if it is merely to set an upper limit—it will have no effect at all, for the competitive price will fluctuate normally in its own strata. Any producer charging the maximum price would be likely to lose sales. If the price is fixed lower than the competitive one, however, there are some tangible results, most of them bad. There may be a decrease in production, as we have noted above, (13), or an increase in consumers' demand, as was seen in the case of butter in New South Wales during World War I. (14) In either case precisely opposite results to those desired are obtained. In almost any case of maximum price-fixing, there are countless frauds which in addition to their disintegrating effect on public morals, entail costly prosecutions by the price-fixing authority.

(13) For an example see Clark, op. cit. PP.16. Marketed pigs in Berlin dropped from 12,000 daily to 3,000 daily in a few months.

Oddly enough, however, the general conclusion of experts who were actively concerned in price-fixing in World War I is that war-time control was at least partially successful. Index numbers and price statistics for the United States for controlled and uncontrolled commodities show clearly the comparative stability of controlled articles during the last war. (15) Taussig records that the results were good as far as the experiment went, though "far from conclusive as regards fundamentals," because of their inconsistent application. (16) Haney, gives his opinion that "the evils of price-fixing may be reduced to such a minimum that in war time the advantages gained thereby outweigh the disadvantages." (17) Likewise Pigou, considering only the situation in Great Britain, is of the opinion that the size of the national dividend was not seriously reduced. "At the same time," he adds, "they (i.e. price-fixing and rationing) jointly saved the poor from a disaster that could not otherwise have been avoided. (18) Only W. C. Clark disagrees, and the key to his

(15) Backman, J., Government Price-Fixing, PP. 32.
(17) Haney, L. A., Price Fixing During the War, PP. 73; quoted by Backman, op. cit. PP. 31.
(18) Pigou, A. C., Economics of Welfare; PP. 694.
disagreement is found in the fact that, whereas the writers quoted above were assuming as granted the supplementary activities of rationing, supervision, etc., Clark considers price-fixing alone. And price-fixing alone is generally inadequate.
CHAPTER II

METHODS OTHER THAN PRICE FIXING
Indirect controls of prices, naturally enough, concern themselves with the price determinants in a free economy: viz. supply and demand; and, since the exigency of war demands immediate action, the problem is usually to distribute a limited supply as near to satisfy as far as possible a comparatively large demand. There are two avenues of approach: stimulation of supply to meet the large demand, and limitation of demand in an attempt to make the existing supply adequate. Many of the methods used seem but remotely connected with price control, yet it must be remembered that any force which affects either the supply of, or the demand for, a commodity is affecting its price. Indeed, the most effective regulation of prices takes little heed of prices themselves but attempts to control supply and demand, so that the price determined will be acceptable to consumers and ensue an equitable distribution of the commodity. When such broad measures fail, the authorities must resort to direct rationing and allocation of raw materials.

In Canada, the number of industries to which active stimulation of supply can be readily applied is small, for many of her vital necessitities are imported. In such cases, control of supply must limit itself to agreements with external powers. The reliability of such control depends largely on circumstances beyond the regulation of the Dominion government. In the case of agricultural commodities, the expansion of acreage is a slow process and involves months of delay until the actual finished product increases
in quantity. In industry, the reluctance of producers to increase overhead costs and the rigidity of existing means of production makes for slow increases in supply. Those criticisms apply, of course, to other countries besides Canada. In connection with slow increases in supply, it is important to note that governments do not have to wait until the various producers feel that expansion is justified. Expansion can be ordered, and even before expansion begins, a government can fix the price which it will pay for the augmented supply. Even under the dictatorial government in time of war, however, increases in supply require time. If the crisis is sufficiently acute, existing supplies must be rationed.

There are two main aspects of rationing as regards consumers. One form is a recognition of the fact that, while price-fixing may nullify the effects of competition in determining prices, it cannot stop competition between consumers in regard to buying as much of a commodity as possible at the fixed price. Rationing is necessary to ensure that no small group of consumers will buy up the total available supply of a commodity. The experience of Germany in World War I, (1) already referred to, illustrates the necessity of rationing in such a contingency.

The second important type of rationing also recognizes a flaw in price-fixing—the fact that setting a

(1) Supra: PP.
figure at which a commodity is to be sold destroys the function of price in distributing the supply of a commodity through time. If the commodity is such that a year's supply becomes available at one time, price limitation, unaccompanied by rationing, may mean that too much will be bought in the earlier part of the year so that the latter part is marked by an embarrassing shortage. The experience of the United States in wheat regulation in the first Great War is a case in point. (2) The fact that such shortage crises do not occur more often is due largely to the willingness of speculators to take the risk of losing money by holding back portions of the year's supply until the late months of the harvest year. (3)

Despite the degree of interference with civilian rights which rationing signifies, it is undoubtedly justifiable in the emergency of war. It is apparently the only way of equitably distributing a limited supply of a necessity among consumers. It is, furthermore, not difficult to enforce in principle in wartime because of its appeal to patriotism. Patriotism, unfortunately, does not go the length of ensuring that everyone can be trusted to content himself with his share, and for this reason elaborate administrative machinery is often needed. Backman gives an excellent example in his description of the sugar control

(2) Pigou, A. C., Economics of Welfare P. 213.

(3) Clark, W. C., Should Maximum Prices Be Fixed? P. 3.
in the United States in 1917; "... there was also
instituted a rationing system which was enforced by giving
retailers Sugar Distribution Certificates which they, in
turn, had to give to the wholesalers who then passed them
on to the manufacturers. In the distribution of these
certificates the country was divided into zones and an
equitable allocation was worked out on the basis of
population and normal needs. Naturally, having gone this
far, it became necessary to carry the system of rationing
right down to the ultimate consumer. For the purposes of
control, consumers were divided into five classes and the
amount that could be consumed by each class was strictly
limited." (4) Pigou concludes that, despite their short-
comings, experiments in rationing in 1914-15 "did not
injure production and did benefit distribution." (5)

Other measures, closely allied to direct ration-
ing and having similar purposes and results, include
conservation by standardising and by substitution.

One of the more beneficial results of the Great
War was its effective demonstration of the economies to be
gained by standardised production. The key to the economy
of standardisation is found in the greater scope it gives
to specialisation, which, in turn, leads to an increased
output of the finished article. There are economies in the

(5) Pigou, op. cit. P. 695.
application of raw materials, in the fact that larger amounts of relatively unskilled labour can be utilized in the marketing of the finished product, and even in the manufacture of the tools used to make the product. The practice of enforcing standardisation of such goods as clothes and boots is an acceptable implement for overcoming the difficulties inherent in price control of commodities manufactured in many types and grades. In England, for example, "manufacturers were ordered to devote one-third of that part of their plant which was engaged on civilian work to making 'standard boots'. In clothes.... manufacturers were tempted to take up...(standard) work by relatively favourable treatment in the matter of the quota of raw wool allowed to them." (6)

It should be noted that standardisation is an obstacle to improvement by means of development, and hence cannot be applied to many war necessities. One of the main functions of wartime aeroplane manufacturing, for example, is constantly to improve on present models. An enforced standardisation might well have been fatal to the allied cause in 1914-18. Stories of clothing and food, however, do offer many opportunities for economies by means of standardisation.

Substitution is a combination of rationing and

(6) Pigou, op. cit. P. 237-8. Prices of the finished goods were also fixed, based on conversion costs.
standardisation. It is obvious that if the supply of a commodity is limited relative to the demand for it, the adverse affects of the shortage can to some degree be alleviated by diluting the original supply with acceptable substitutes. Just as in peace the aims of many a well-intentioned attempt at price regulation have been (7) frustrated by the availability of substitutes, so in war it can be used with opposite results. Probably the world's best-known example, with which all belligerents in the first World War were acquainted at any rate, is the substitution of margarine for butter.

We have been concerned thus far in this chapter with the problem of distributing relatively small supplies of finished goods among the ultimate consumers. Certainly of equal importance, however, are the problems of allocating inadequate supplies of raw materials among producers. A fundamental difference is to be noted, for, far from protecting consumers from the evil effects of inequitable distribution and inadequate supplies, the state must here concern itself with diverting what raw materials it has into the channels of maximum political—i.e. in wartime, military—benefit. It must decide, if raw material supplies are inadequate for all purposes, which channels of production are to be given preference in the matter of available resources. Having determined which products are most desirable, it

must turn its attention to allocating raw materials between the various manufacturers of those products. Then when the article is finished, it must be rationed among its consumers.

Some of these problems, it will be noted, require purely negative action by the authorities. Prohibitions on investment abroad and on the use of raw materials for certain purposes, for example, will release supplies for more important purposes. (8) More direct control is afforded by the use of a system of licenses, without which a producer can legally obtain no raw materials whatever. Licenses, in most cases in World War I, set up conditions of operation which producers were required to follow, demanded regular reports from producers, and included periodic government inspection of each producer's records. The system, which was used extensively in the United States and Great Britain, also provided severe penalties for violation of the established regulations. The United States Food Administration, a well-organized body which utilized patriotic appeal with considerable influence, was empowered to try cases of producers accused of violation and, if necessary, to revoke their licenses. Occasionally violators were released on the promise to make a large contribution

(8) An interesting example is the restriction imposed by the British government in World War II on the use of silk for stockings. Parachutes required most of the available supply.
to the Red Cross or to refund their excess profits to the state. (10) From August 10, 1917 until December 30, 1918, the Food Administration alone revoked 2,676 licenses, an indication that the system did not work without friction. (11)

A more positive form of the license system of allocating resources is found in the use of priority certificates. Licensing leaves the determination of priority among producers to the administrative organization issuing the permits. It is limited to determining distribution of a raw material between producers who will all use the material for one purpose. It does not determine, when a raw material has two possible uses, which of them is to be given preference; that is a question to be decided, presumably, by the administrative body. Priority certificates, however, recognize that the uses to which a resource can be put are not all of equal urgency, and attempt to distribute the resource as usefully as possible. Great Britain, in the last war, gave first preference to government work, second to work of special national importance, and so on. Sales to holders of certificates of lower urgency were not permitted until all higher certificate-holders had been satisfied. (12) The system is defective in that it does not guarantee that first grade certificate holders will get

(11) ut supra
(12) Pigou, op.cit. P. 245.
all they need: Great Britain, with varying success, attempted to surmount this obstacle by becoming itself the owner of so much of the commodity as was of specially urgent need: the supply was then allocated to producers in accordance with government requirements. Even then a problem remained, for in the process of production of each grade of any commodity there are producers competing for the right to manufacture the good into the next stage of production. The restriction of prices eliminated competition; the method finally chosen was based on comparative pre-war purchases. This is an entirely different principle to that which governs rationing to consumers, viz. comparative current need.

One further method of indirectly regulating prices remains to be discussed—the use of conversion margins, that is to say, the setting of maximum margins of profit upon the conversion of a raw material at any given stage into the semi-finished or finished product. A schedule of maximum margins for any given commodity represents a mature aspect of price regulation, and was the goal toward which many controls were directed in 1917-18. It is impossible to lay down any general principle concerning the use of such margins for, of necessity, the method of approach and treatment of the problem varies with each commodity considered. The United States control of wheat, from flour mill to consumer, was perfected to the point where different margins were allowed according to indiv-
individual distributor's cost of production. (13) The British schedule for milk, used not on cost of production but on the relation between future and past prices, worked with creditable success. One obvious flaw to such a method of regulation is common to many other types, viz. the enormous administrative problems (and therefore costs) involved. Still, the method did work and, when supplemented by various forms of the other indirect controls considered in this chapter, gives a concrete meaning to the phrase "government control of prices in wartime."

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(13) Backman, op. cit. P. 19.
CHAPTER III

PRICES IN CANADA: 1914-18
A brief sketch of the course of prices in Canada during the first Great War is an exceedingly unsatisfactory criterion by which to judge whether or not government intervention was required. As the Labour Gazette has pointed out, the rise or fall of prices depended not so much on the mere fact of an increased demand or a curtailed supply but on how these conditions were dealt with by those concerned. (1) In the same connection, it is important to note that low prices do not constitute a goal in themselves. They are important to the consumer only in relation to his income; falling prices, if accompanied by a greater proportional fall in income, may actually mean an increased cost of living.

On the other hand, a study of the course of prices is a valuable method for stressing the importance of the economic aspect of war as far as the consumer is concerned. As the accompanying graphs show, the cost of living did rise precipitously during the war, particularly during 1917 and 1918. Surely the need for some government action can be seen there! The need for government intervention in individual commodities cannot be seen, it is true. The nature and urgency of such needs are reflected in the steps which the controlling authorities actually took, and which we shall consider in a subsequent chapter. For the present, a brief consideration of the course of prices...

(1) Labour Gazette: August 1919, P. 991.
from 1914 to 1918 and the causes of changes therein will suggest more precisely the channels which regulation of industry and its products was likely to take.

Wholesale prices in Canada began to rise in 1896 and continued to rise with temporary setbacks until 1913. In this pre-war period, a wholesale price index number was also a fair indicator of cost of living trends, for there was no wide divergence between raw material prices and the prices of finished products to consumers. During the war, however, the great rise in prices made it apparent that living costs might not be reflected at all by index numbers including figures for materials that were needed in abnormally large quantities for war purposes and for which prices were very high because of irregular and small supplies. Accordingly, consideration must be given to both wholesale and retail prices in any attempt to probe the need for government regulation.

The outbreak of war in August, 1914, found Canadian prices in the middle of a slight recession, owing to good crops and a lessening of the expansion of industry. (2) The actual outbreak brought with it a burst of speculative high prices, most noticeable in necessities such as wheat and other grains. Even more noticeable was the fact that the greatest rises were made in the prices of commodities as they reached the final consumer,—ie. in flour rather than wheat. (3) The shock to trade

(2) Labour Gazette; August 1919, P. 989.
(3) Ibid, April 1915, P. 1187.
raised import prices, of course, and there was some falling off of exports. When, however, adjustments were made to rectify the dislocations caused by the beginning of hostilities, many prices receded. The temporary disorganization of industry thickened the demand for many materials; the falling off of exports caused the accumulation of larger than usual supplies of some commodities for the domestic market. At the same time, the cutting off of imports formerly obtained from Europe raised some prices. And it was not long before an insatiable demand from Europe for necessities of war began making its presence felt here.

By 1915, disturbances occasioned by the fact of war were over and the general level of prices had begun to rise almost without individual exceptions. Throughout 1915, the chief gains were made in raw materials used in the manufacture of military equipment—e.g. steel, chemicals, textiles. Food prices also rose appreciably largely because of Europe's demand, particularly for dairy products. Crop staples such as those used in the manufacture of bread, flour and oatmeal, rose "in sympathy with the wheat market." (4) Meats were actually cheaper in 1915, as were coal and wood, the staple fuels. This latter fact was due to a greater degree of competition among dealers,

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(4) Labour Gazette: January 1916, P. 807
according to a competent authority. Despite these price rises, the cost of living did not rise appreciably in Canada in 1915 because of decreases in rents throughout the country. The only two exceptions to this were New Brunswick and Prince Edward Island.

In 1916, the emphasis in price rise was changed from raw materials to foods, largely because of a crop failure. Despite the marketing of an enormous surplus from 1915, grain and other agricultural products rose steeply in price. Retail prices of other foods also rose in response to the continuing heavy demand and consequent shortage of supplies. Meat alone did not rise excessively, because the high cost of feed was forcing the marketing of animals that would ordinarily have been kept. This, of course, inevitably meant a shortage of meat later, when the ordinary time for slaughtering these animals arrived. This seems to be one case where a far-sighted government might well have stepped in to regulate the marketing of a commodity. In 1916 too, fuel rose in price, not only because of a shortage in supply, but also because of serious congestion on American railway lines. The concrete result of the course of prices in 1916 was that the cost per week of a family budget of staple foods, fuel, lighting, and rent rose from $14.10 in January 1916 to $16.40 in January 1917, an increase of approximately 16%. 

(5) Ibid, loc. cit.
in one year. (6)

The rise was particularly steep during the latter part of 1916. The crop failure was the most important single factor, but also important was that, despite increased production, supplies of other goods were becoming exhausted. The effort to increase the volume of production was also causing an increase in production costs. Transportation costs were also rising rapidly.

It is not at all surprising, accordingly, that 1917 should be marked by a proportionately greater rise in the cost of living. The family budget rose from $16.40 in January 1917 to $19.60 in January 1918, an increase of nearly 20%. This increase occurred despite the fact that an increase in acreage under cultivation, accompanied by efforts to use better seed and fertilizer, had resulted in a much better crop in 1917 than in 1916. There was, of course, no large surplus left from the previous crop, as had occurred in 1916, to mitigate the evils of a small supply relative to demand. The entry of the United States into the war in April, 1917, was probably the most important single factor influencing Canadian prices. Not only was the demand for many commodities produced here greatly increased, but supplies in the United States formerly accessible to Canada were now diverted to that country's own war program. The crisis in coal, to be considered later, is a case in

point. In 1917, as in 1916, the price rise was particularly
great in foods.

The same story was repeated in 1918. The family
budget rose from $19.60 in January 1918 to $21.60 in
December. (7) The proportionate rise is much less, being
barely 10% as compared to the 20% rise of 1917 and the 16%
increase in 1916. The drop perhaps indicates that the
limit was being reached—or that government intervention
was becoming more effective.

It should be noted that a price rise in wartime
is not an entirely undesirable occurrence. A rise of prices
as compared with wages will cause forced saving. Consumers
will purchase less of the goods which are increasing in value,
thereby releasing larger quantities of these same goods for
government requirements. A price increase will also cur-
tail expenditure on luxuries and non-necessities, releasing
factors of production to more useful purposes. Great
Britain in World War II deliberately followed a policy of
allowing prices to rise faster than wages.

The extent to which this particular factor was
at work in Canada in 1914-18 is difficult to determine, with
the limited resources at our disposal. The considerable
slack in employment which existed in 1913, which was grad-
ually absorbed as the war progressed, suggests that the in-
crease in money wages paid out in Canada would accentuate

(7) Labour Gazette, August 1919, P. 1004.
the demand for commodities, so that prices would rise beyond a desirable point. A real wages index, computed by weighting the Department of Labour's wage index with the cost of living index of the Bureau of Statistics, establishes the point with considerable emphasis. The real wages index for Canada in World War I declined steadily until 1917, recovering slightly in 1918: (8)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost of Living</th>
<th>Wage Index</th>
<th>Real Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>1913</td>
<td>63.7</td>
<td>55.4</td>
<td>87</td>
</tr>
<tr>
<td>1914</td>
<td>66</td>
<td>56.1</td>
<td>85</td>
</tr>
<tr>
<td>1915</td>
<td>67.3</td>
<td>56.1</td>
<td>83.3</td>
</tr>
<tr>
<td>1916</td>
<td>72.5</td>
<td>58.6</td>
<td>80.8</td>
</tr>
<tr>
<td>1917</td>
<td>85.6</td>
<td>65.9</td>
<td>77</td>
</tr>
<tr>
<td>1918</td>
<td>97.1</td>
<td>79</td>
<td>81.1</td>
</tr>
<tr>
<td>1919</td>
<td>107.2</td>
<td>91.5</td>
<td>85.1</td>
</tr>
</tbody>
</table>

The fact of a decline in real wages is beyond dispute. The extent of the decline, measured in human wants and needs, can perhaps best be indicated by a consideration of the actual regulation of necessities undertaken by the government.

(8) For an analysis of the subject, see the B.A. thesis of W. A. Royall: "Real Wages in Canada."
Cost per week of a Family Budget of Necessities in Terms of Prices in 60 Canadian Cities, 1914-1918
Based on Statistics of The Department of Labour.
CHAPTER IV

GOVERNMENT REGULATION IN CANADA

August 1914 to June 1917.
It is interesting to note in passing that Canada entered the war possessed of two instruments that could be expected to prove exceedingly useful in any attempt to regulate necessities.

One of the instruments consisted of sections of the Criminal Code which provided penalties for any action taken by individuals unduly "in restraint of trade." In practice, as one might suspect, those particular sections of the Code enjoyed a stormy career, mainly because of a wide variety of opinion on the matter of what constituted undue restraint of trade. So difficult was it, in fact, for the Code to be used effectively against combines etc. that were regulating prices to the detriment of consumers that it was found necessary to supplement the Code by the Combines Investigation Act of 1910. The inadequacy of the Code was pleaded on the grounds that it made a criminal offence of a business practice which might have been implemented entirely in good faith and with good intentions. Furthermore, it was argued, the Code provisions offered no solution to the problem of obtaining sufficient facts to warrant a prosecution.

The Combines Investigation Act of 1910, which was the second of the two instruments we have mentioned, accordingly facilitated investigation. Broadly defining as an undesirable combine any association whose activities were detrimental to the public interest, the Act stated that any six British subjects resident in Canada could
apply to a judge for an order directing an investigation. Application was made rather difficult by the fact that it had to be accompanied by "a full statement describing the nature of the alleged combine, its result on prices, and how it operated to the detriment of the public." (1) Each of the six petitioners had to show specifically how the combine affected him, as a consumer. Just how six ordinary citizens were to find out all this information is not indicated. In any case, the judge petitioned, if the application appeared valid, was to order an investigation and the Minister of Justice would then appoint a Board of Investigation to conduct a full inquiry. After all this, presumably, the Department of Justice would prosecute any offenders that may have been unearthed during the inquiry. The sponsors of the legislation did not believe the penalty feature was of particular importance: they rested their faith in the corrective influence of the publicity that was to follow every investigation! (2)

The Act, hailed with great applause, was used only once. Its enforcement was simply too much trouble in peacetime: in wartime it moved too slowly and had to be relegated to the background in favour of more vigorous measures.

In addition to these two positive correctives

(1) Ball, John: Canadian Anti-Trust Legislation, P. 41
(2) Ibid, P. 43.
whose use would inevitably coincide with the aims of
government authorities seeking the most efficient war
economy, there existed the Industrial Disputes Investigation
Act, a piece of legislation whose effective use would in-
evitably facilitate production. The Act required the
establishment of a board of arbitration to settle dis-
putes between employers and employees.

The early months of Canada's participation in
the war, and indeed almost the entire period of hostilities,
were marked by a total lack of appreciation of the need
for economic mobilization. It can be pleaded in extenuation,
of course, that economic mobilization was a new policy for
government to be pursuing. And nobody could foresee that
the war was to run four years and three months, or that the
demand for necessities both for export and for home con-
sumption was to rise in such an unprecedented fashion.

Be that as it may, the outbreak of war found the
federal government taking few positive measures. Invoking
the War Measure Act gave the governor-in-council sweeping
powers to regulate trade, both import and export, production,
and manufacturing. Government officials, notably the Deputy
Minister of Trade and Commerce and the chief statistician
of the Department of Labour, were instructed to secure all
possible information regarding steps which the government
should take to stop dealers from unduly enhancing prices.
The Department of Labour, in this connection, extended the
scope of its activities to obtain daily quotations of the
prices of most necessities and issued a bulletin laying down what would be regarded as normal, so that abnormal manipulations would stand out in bold relief. And there, for nearly two years, the matter rested. It is interesting to note that the Canadian Manufacturers' Association seemed to have a clearer conception of what action was needed than the government, for on August 26, 1914—a bare three weeks after hostilities commenced—it issued a circular pointing out, among other things, the need for a self-sustaining Canada if the war was to be successfully prosecuted. (1)

It is somewhat hard to credit that no steps in the direction of government regulation were taken from August 1914, until nearly the end of 1916, but such appears to have been the case. Apart from the extension, by Order-in-Council, of the Industrial Disputes Investigation Act to the munitions industry, no legislation bearing on control of necessities was passed. The Department of Labour undertook one price investigation, seeking to find a relation between the prices of the materials used in the making of bread and the cost of the bread itself to consumers; but it appears to have had no concrete results. (2) Perhaps it was useful in establishing a method of procedure for future investigations. The report recommended that no particular action be taken to amend any detrimental findings made.

(1) Labour Gazette: Sept. 1914, P. 337.
during the investigation.

As an excuse for the inactivity during these first two years it can be reasoned that the price rise was not sufficient to warrant government intervention. As our graph shows, the family budget, already referred to, rose from $14.10 in July 1914 to a mere $14.40 in July 1916. (3) There is a justifiable criticism, however, for very little foundation was being laid for future government action. The work done during this period was not so complete that, when the central authorities finally did act, they could proceed immediately on the basis of statistics and other data accumulated during this initial period.

On the contrary, the very wording of the Order-in-Council of November 10, 1916,—the first real step forward—clearly indicates the lack of groundwork on which controllers of necessities could operate. The Order-in-Council, occasioned by a startling rise in prices in the latter part of 1916, paid the Criminal Code the unique courtesy of deleting from it the word "unduly" in its sections relating to "conspiring unduly in restraint of trade." But it was much more positive than that. It made illegal the limiting of transportation, production, manufacturing, supplying, and dealing in necessaries of life, to enhance prices, and to prevent or lessen competition in the production and distribution of such necessaries. It gave the

(3) Supra.
Minister of Labour power to demand detailed information as to stocks on hand, costs of production and distribution, prices, length of storage etc. Moreover, it empowered municipal councils to make investigations on their own account, referring their findings, if warranted, to the Minister of Labour for further investigation. Prosecutions, because of the separation of powers decreed by the B. N. A. Act, were to be undertaken by the provincial attorneys general.

In criticism of this Order-in-Council it may be pointed out that its scope was not nearly wide enough. The Minister of Labour could be reasonably expected to investigate only those apparent abuses of national importance; municipal councils, on the other hand, could not be depended on to look after every other instance. In the first place, it would be an exceedingly courageous council that would dare to investigate the affairs of a large manufacturer within its own area of jurisdiction. Secondly, few councils would have at their disposal the resources to conduct an adequate probe. Finally, councils were to undertake such probes at their own expense. Under such conditions, it is not surprising that, while some investigations were made, (4) in no case did any legal action follow, despite the fact that the Order-in-Council was passed as the result of a represen-

(4) Ball, John: Canadian Anti-Trust Legislation, P. 52.
The work of the Department of Labour, however, was not without result. At least three exhaustive investigations were made, two being completed in May and one in July 1917. It is interesting to note that the reports submitted in May—into anthracite coal and sugar—were accompanied by a statement from the chief investigator pointing out the limitations of the Order-in-Council. He claimed, "It could not do anything to obviate any direct consequence of the war, prevent a reduction in crops, cheapen any ocean freight rate, or replace the lost productivity of many millions of men." (6) Its aims, he added, were rather to prevent "any undue and unnecessary accumulation and withholding from sale in face of a fair price obtainable...(and)...combining in restraint of competition or for the enhancement of prices." (7)

The investigator's complaints regarding the limitations of the powers granted by the Order-in-Council are well illustrated in his first two reports. Both commodities under examination, it will be noted, were such that Canada was forced to rely largely on imports to obtain a sufficient supply. This meant, of course, that circumstances beyond the control of any authority in Canada were

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(5) Labour Gazette: May 1917, P. 408.
(6) Ibid, June 1917, P. 476.
(7) Ibid, loc. cit.
dominant factors in determining the price of each commodity.
To help overcome this latter difficulty, it was suggested that some sort of Industrial Board be appointed, to have jurisdiction over trade combinations and trade methods, with the primary purpose of producing lower prices by means of greater selling efficiency. The existence of such a Board in the United States was noted with approval and, showing admirable foresight, the commissioner pointed out that Canada must organize itself to deal with the fact that the conclusion of the war, whenever it came, would inevitably greatly reduce the demand for export of Canadian goods. To emphasize this point, the report remarked the existence of large combinations having legal status in Europe: such combinations had a comparatively greater bargaining power when dealing with producers of Canada or the United States, where combinations were illegal--criminal, in fact, in Canada.

One more obstacle in the path of any would-be controller was revealed when the report showed the utter lack of exact cost accounting methods in Canadian industry. Not only was the calculating of precise profits impossible, but any losses due to this inefficiency always reacted on the consumer in the form of still higher prices.

While no exaction of unfair prices, with a few exceptions, was discovered by the investigators, the government nevertheless found it expedient to widen its intervention in industry. Accordingly, in June 1917, a Food Con-
Controller for Canada was appointed with specific instructions to investigate the quantities, location, ownership and sources of supply of food commodities and to ascertain the food requirements of the Allies and facilitate the export to them of any surplus in Canada. Broadly defined powers to make regulations concerning prices, storage, distribution, conservation, and manufacturing of foods were granted, as well as the right to purchase, requisition, or store food supplies. Simultaneously a Fuel Controller was appointed with similar duties regarding supplies of coal.

With the creation of these two officers empowered to make direct regulations, government control of necessities in Canada reached a second stage of development.
CHAPTER V

GOVERNMENT REGULATION IN CANADA

JUNE 1917 to FEBRUARY 1918
Before considering the degree of "state socialism", during the war, attained under the newly-appointed Controllers, it is convenient to digress to record the developments in another important field—the regulation of a Canadian product the bulk of which was exported. That product was wheat, and its regulation during the war years is another example of the interference of external forces in Canada's price system. The Dominion government's hand was forced in this instance by the fact that the buyers of Canadian wheat were organized to buy as much wheat as possible at the lowest price obtainable. Canadian producers, on the other hand, were comparatively disorganized and the federal authorities, after acting during the early years of the war as an intermediary between producer and purchaser, finally found it necessary to establish a Board of Grain Supervisors to devote its entire time to the problem.

According to the Report of the Royal Grain Inquiry Commission of 1938, (1) an Order-in-Council of June 11, 1917 marked the first departure from the open and competitive futures market trading system. The period immediately preceding the Order-in-Council was distinguished, on the one hand, by lengthy negotiations between the Canadian Council of Agriculture and representatives of England's Commission on wheat supplies regarding a plan whereby the Allies would purchase Canada's 1917 crop en bloc,

(1) P. 31.
and, on the other, by a "great flurry of price fluctuations" in Canada, with consequent discontent on the part of Canadian farmers. The fear of an oversold market, which had already resulted in the suspension of futures trading, was apparently the occasion for government intervention. (2)

Like most of Canada's Great War regulation, government intervention consisted largely of the granting of tremendous powers to a small group of individuals with accompanying responsibilities. The task of the Board of Grain Supervisors set up in June 1917, was to distribute domestic requirements so that they would "be controlled in such manner and under such conditions as will prevent to the utmost possible extent any undue inflation or depreciation of values by speculation, by the hoarding of grain supplies, or by any other means." (3) The Board was further charged with making available to the Allies all grain in excess of domestic requirements. In keeping with these duties, the Board had full control over price regulation, conditions of storage, transportation, and distribution, not only among millers in Canada, but also between the United Kingdom and other Allied governments.

Actually, according to MacGibbon, the goal was a uniform price for grain, having regard to conditions of production and transportation. (4)

(2) MacGibbon: The Canadian Grain Trade, P. 58.
This would accomplish the desirable cessation of abuses arising from speculation. There was no intention, the same authority declares, of keeping prices down or encouraging production. (5) In practice the price set was so high that production was encouraged; acreage under cultivation in Canada rose from 13,619,410 in 1917 to 16,125,451 in 1918. (6) At the same time, it is interesting to note that the yield per acre dropped from 15.6 to 10.2 bushels.

The 1917 Board of Grain Supervisors, buying grain outright at its own prices, marketed the remnants of the 1916 crop and all of the crops of 1917 and 1918. Independently of the Board, federal authorities conducted a nation-wide campaign to extend the production of foodstuffs and to curtail, to some degree at least, domestic consumption. While the efforts of the Board of Grain Supervisors met with some success—although again an external circumstance intervened when the Board found it difficult to operate effectively until the United States had established a co-ordinating organization—the following table indicates that the rest of the government's policy was not without some weakness. (7)

(5) MacGibbon: op. cit. P. 60.
(7) Report of the Royal Grain Commission, P. 31. There is a remarkable discrepancy between these figures and the Board's own estimate that a beet exports 30% in 1917. (Canadian Annual Review 1918, P. 51A.)
<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
<th>Wheat</th>
<th>Wheat</th>
<th>Wheat &amp; Wheat</th>
<th>Flour</th>
<th>Flour</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1916</td>
<td>262,781,000</td>
<td>86,043</td>
<td>48,531</td>
<td>140,223,319</td>
<td>7,631,429</td>
<td>171,565,250</td>
<td></td>
</tr>
<tr>
<td>1917</td>
<td>233,743,000</td>
<td>133,639</td>
<td>21,693</td>
<td>118,579,601</td>
<td>11,257,442</td>
<td>169,240,323</td>
<td></td>
</tr>
<tr>
<td>1918</td>
<td>189,075,000</td>
<td>230,891</td>
<td>6,815</td>
<td>55,921,319</td>
<td>9,119,796</td>
<td>96,960,191</td>
<td></td>
</tr>
<tr>
<td>1919</td>
<td>173,260,000</td>
<td>115,420</td>
<td>19,136</td>
<td>63,450,123</td>
<td>6,155,129</td>
<td>92,499,552</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Apparent Home Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>1916</td>
<td>88,520</td>
</tr>
<tr>
<td>1917</td>
<td>64,784</td>
</tr>
<tr>
<td>1918</td>
<td>92,436</td>
</tr>
<tr>
<td>1919</td>
<td>100,962</td>
</tr>
</tbody>
</table>
To return to the main theme of this chapter, the period of the Controllers, we find that the office of Fuel Controller enjoyed a considerably longer life than the one created to deal with food, chiefly, it seems, because the comparatively small number of commodities to be dealt with facilitated successful operations. Accordingly, while the Food Controller lasted a bare six months, the regulator of fuel was allowed to remain in office for the duration of the war.

Compared with his colleague who was expected to control food, the Fuel Controller was rather fortunate in some respects. Under the Order-in-Council of November 10, 1916, an exhaustive investigation into the anthracite coal situation—which was the Fuel Controller's primary concern—had already been made. Valuable data, therefore, was at hand. In addition, because of strikes in the coal mines of British Columbia and Alberta, a Director of Coal Operations had already been at work for some time, primarily occupied himself with increasing domestic coal production by settling labour disputes. Finally, the United States, from which came two-thirds of Canada's supply of coal, was itself at war and had set up a commission to control the commodity. Co-operation between the two countries was greatly facilitated on this account.

The controller at first proceeded very cautiously, it seems, urging economy in the use of coal and gasoline, with the express threat that, if the required economy did
not appear, restrictions would. Whatever the public did, restrictions were soon made, after the Fuel Controller, having made further inquiries, was given the power to make direct regulations instead of mere recommendations to the government.

At first "heatless days" were required, in addition to the prohibition of the use of fuels for non-war production. Nation wide propaganda, of course, accompanied the demands for economy. At the same time, vigorous efforts were made to increase domestic production, and, despite the double shortage of labour and means of transportation, home production was increased by six per cent. Supplies were still far from adequate, however, which meant that imports would have to be increased. The Coal-Producing Committee of the United States' National Defence Organization intimated its willingness to co-operate with Canadian officials, if Canada would take similar steps for economy in the use of coal as the United States had taken--i.e. rationing.

Accordingly, the Canadian Fuel controller established a Fuel Administration in each province, to be responsible for setting up Commissions in each municipality. The main office, of course, was in Ottawa, with an important branch at Pittsburgh, U.S.A. Under this arrangement, the United States allotted supplies of coal to the Canadian Fuel Controller, who rationed it among the provincial Fuel Administrations, and thence to the Fuel Commissions set up in each municipality. The United States government, it should be noted, treated Canada, with admirable fairness, on the same basis.
as was utilized in allotting coal among the zones within
the United States itself.

To make the rationing effective, the Fuel Controller
issued several regulations. All coal importers were licensed,
and obliged to observe all other regulations in vain of hav-
ing their licenses revoked. Invoking the principle of
allowing dealers a reasonable profit above costs, wholesale
dealers were limited to a profit of thirty-five cents per
net ton of coal, retail dealers to fifty cents. For domestic
producers, operator's prices were fixed at the mine after
investigations had been made into costs of production.
Direct price control to consumers was found impossible,
because of reasons considered at the beginning of this thesis.
The Fuel Controller's Report, issued in the summer of 1919,
lists four reasons why direct price control was avoided:

1. variations in costs of production of domestic

producers; different routes in the transportation of both
domestic and imported coal; different methods of distributing
differences in the needs of various localities.

Even after making due allowance for the kindly
regard with which a man is inclined to look at the results
of his own work, the report of the Fuel Controller indicates
that no little success attended his efforts. As has been
recorded, domestic production was increased six per cent. At
the same time, strict regulations decreased consumption
appreciably: the prohibition of the use of coal for certain
purposes by the railways, for example, saved an estimated
million tons in 1918. (8) The arrangement with the United States government allowed an increase in imports of six hundred thousand tons more than had been imported in any previous year. This, considering that the Controller's work, undertaken during a double crisis in both inadequate production and chaotic transportation conditions, coincided with an exceedingly severe winter in 1917-18, is evidence that the coal problem was handled with some competence. The gasoline situation, into which the Cost of Living Commissioner was obliged to take an investigation, was found to be marked by profiteering on the part of retailers and, in view of the fact that profiteering was highest in small towns where the chief consumers were farmers who actually needed the fuel, retail prices were fixed, and the use of the commodity for unnecessary purposes prohibited. The gasoline problem was a minor one compared with that of coal—and with what it would be to-day—and was solved to the satisfaction of the Fuel Controller, which does not necessarily mean it was solved.

Whatever the Fuel Controller did or did not accomplish, his progress takes on the appearance of a triumphal march when compared to the achievements of the regulator of food. The task of the latter apart from the fact that he was responsible for countless commodities instead of merely two, was complicated beyond measure.

because far too much was expected by an annoyed public whose cost of living was beginning to rise almost precipitously. Even so, however, it does appear that the Food Controller proceeded with a caution that almost became reticence. For the first two months of his administration, for example, the only outward manifestations of food controlling consisted of pleas to the general effect that Canada must increase her production, decrease her consumption, and that everybody must do his bit. The use of various substitutes—of brown for white bread, for example—was also urged. Then, early in August 1917, two decrees were issued, ordering meatless days in restaurants and prohibiting the use of wheat for the manufacture of alcohol. As if encouraged by these first positive steps, the Controller also issued, in the same month, miscellaneous regulations regarding the export of flour to the United States without licenses; the need to restrict consumption of wheat, beef, and bacon, and the prohibition of the sale of canned vegetables while fresh ones were available. A justifiable criticism of the department's activities was indicated by the fact that an investigation of the effectiveness of this last order, made by a newspaper, revealed that Montreal dealers were simply ignoring the decree. (9)

That the department itself recognized the need for

action on a larger scale was indicated by the issue, in September, of Food-pledge cards, asking signers to use substitutes for wheat flour and white bread, for beef and bacon, and to eliminate waste. At the same time, the Controller's activities were being seriously criticized as a farce. The truth of this charge was more or less admitted by the widening of the powers he exercised, early in October. Now equipped to demand complete reports from producers and wholesale dealers, his work did begin to appear useful, particularly when, shortly afterwards, he was given the right to license all those dealing in food. Advantage was immediately taken of this latter power in regard to the sale of cereals. A little earlier, another useful step had been taken when all prohibitions on the importation, manufacture, and sale of oleomargarine were abolished. Late in the year export licenses were required for all food-stuffs intended to be sent elsewhere than the United Kingdom and its possessions. And early in 1918 the Food Controller resigned.

The fact that nearly three weeks elapsed before anything was done to replace the ex-official suggests that either he had established such a splendid administrative organization that it was able to run itself for a time, or that he had not been doing anything of so great importance that the country could not get along without him for a while. At the risk of being unfair to the Controller, it may reasonably be asserted that the former was not the case.
True, much was expected of him, and he was labouring under several difficulties beyond his control. He could not, for example, fix the price of bread, which action was being demanded, until the Canadian and American governments had fixed the price of wheat. Nor could he effectively control any commodity that was exported in large quantities to the allied governments in Europe until the purchasing of these various governments was centralized in one organization. As long as the allies were bidding independently for Canadian exports, the offering of a high price would divert to the European purchaser goods that would otherwise have been available to the Canadian consumer. The prohibition, late in 1917, of exports of foodstuffs, except under license, to buyers other than the United Kingdom and possessions was presumably an attempt to prevent this undesirable diversion. The centralization of the purchasing of the allies was not effected until shortly before the creation of the Canada Food Board, which succeeded the Food Controller. It is possible, therefore, that much of the work of the Food Controller has been credited to his successors, acting under the benefit of a co-operating Allied Provisions Export Commission.

It is not easy to appraise the work of the Food Controller. He did, it is true, restrict the use of some meats and cereals in certain connections; he did set the price of flour as soon as the price of wheat was fixed; committees to investigate ways of increasing the supplies
of fish, vegetables, fruit, dairy products were established; licenses were required of certain dealers and producers. But the mere issuing of decrees is no evidence that desirable results were obtained. The requirements that all dealers packaging corncobs in small boxes have licenses, for example, will result in very little control if a license is granted to every applicant—unless, of course, the license carries with it a ration card, which the Food Controller's did not.

The report of the Food Controller's successor, the Canada Food Board, contains the best available estimates of the former's achievements. Pointing out that food control was an entirely new departure, the report remarks that the Food Controller did valuable preparatory work that did not have to be re-done. The general principles of the regulation of foods were determined during his period of office largely by trial and error, it appears. The licensing of dealers was decided on as a policy, and had been partly put into practice. Direct control of the profits of firms dealing in foodstuffs was instituted and some regulations to that effect had been made, notably, in the meat packing and cold storage industries. Presumably, valuable data had also been collected.

Whatever his accomplishments, severe criticism marked a large part of the Food Controller's period. Perhaps the most significant comment as to the truth contained in such criticism is the fact that he was
succeeded, not by a colleague in his work as controller, although a colleague did not as controller for a short time, but by a committee of three, newly-constituted and with enhanced powers.
CHAPTER VI

THE CANADA FOOD BOARD 1918
The Canada Food Board, established by Order-in-Council on February 11, 1918, was so constituted as to include a director of food conservation, a director of food production, and a director of agricultural labour—all three offices to be under the jurisdiction of the Minister of Agriculture. Besides assuming all the duties and regulations of the Food Controller, the Food Board was specifically instructed to co-operate with the provincial governments in co-ordinating the activities of all local bodies, and to mobilize both idle land and labour for agricultural purposes. With the work of the Food Controller as a basis, the Food Board enjoyed an active life and was allowed to remain in office for the duration of the war. (1)

The Board's own report records that, as a matter of policy, the middle road was always taken in attempting to solve problems. Direct rationing, because of Canada's vast area and sparse population, would have done nothing but consume vast energy better directed toward production, the Board felt. In addition, it was estimated that the requisite administrative machinery would have cost from ten to twelve million dollars a year. The Board's "middle way," in effect, was a comprehensive system of licences generally aimed at regulating the distribution of goods in the bulk state. As the products approached the consumption stage, control

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was lessened, and voluntary conservation, kept in the public's eye by widespread propaganda, was the main policy followed. Such a policy, the Board found, interfered least with personal freedom.

One of the Board's first actions was to limit profits in the meat-packing industry, requiring licenses from all dealers and manufacturers whose gross annual sales exceeded $750,000. The same Order-in-Council also placed the industry in question under the direct regulation of the Minister of Finance, whose duty it became to fix prices so that profits did not exceed 2% of the gross annual sales of any one manufacturer. All excess profits, subject to some exceptions allowing for the return on invested capital, were to revert to the Crown. This Order-in-Council, which was made retroactive to the beginning of 1918, dealt in considerable detail with the profits to be allowed to subsidiary firms, permissible methods of computing sales and profits, depreciation etc. and provided that all books and records must be open to the Department of Finance. The Minister was given the power to make regulations to enforce the Order-in-Council. This particular decree, not entirely the work of the Canada Food Board, it should be noted, is one of the most mature examples of the degree of intervention attained by federal authorities in World War I. The license system was designed to provide equitable distribution; the regulations placed under the
jurisdiction of the Minister of Finance represent a situation tantamount to total mobilization of the meat-packing business.

Similar regulations, regarding the problem from the viewpoint of the producer, were made in regard to wheat. The Board organized the "Soldiers of the Soil" movement, promoted the use of tractors, persuaded millers to use more of the wheat for flour, secured the co-operation of the Railway War Board to facilitate transportation, licensed dealers and regulated their profits. Holding for sale and hoarding was prohibited, since all excesses above requirements were to be exported to the Allies.

The Board's work was not confined to controlling producers and dealers, however. On April 25, 1918, the Board did begin rationing, despite its declared aversion to the subject, by decreeing that no individual was to have or control flour or sugar more than sufficient for his needs for fifteen days. Exceptions, of course, were allowed in the case of persons living remote from licensed dealers in these commodities. At the same time, and supplementary to the license system, regulations were also made regarding the quantities dealers and manufacturers were to keep on hand. A little later, apparently because of delays in transportation, the regulations were modified to allow individual farmers to keep flour in excess of the fifteen-day requirement, provided the amount was reported to his miller or dealer, who in turn was required to report such holdings to
the Food Board.

Late in June, the first compulsory use of substitutes was inaugurated, householders being ordered to use one pound of an acceptable substitute for every nine pounds of flour. The ratio was to be increased to one in four for private consumption after July 15, except in Canada west of Port Arthur, where the quantities of available substitutes were too uncertain for such definite regulations. Even more drastic restrictions were imposed on those selling food for private consumption, for bakers were to sell only "Victory Bread", a labelled loaf made according to the rule regarding the use of substitutes. Dealers were made individually responsible for having on hand sufficient supplies of substitutes, which consisted, apparently, of every grain except wheat. Two days before these regulations were to become effective, most of them were "postponed", with the result that the use of wheat substitutes was limited to the ratio of one to nine in domestic consumption, and purchasers for the same purpose had to buy substitutes in the ratio of one to four throughout Canada.

It is not possible to record here the complete activities of the Canada Food Board; rather this thesis must confine itself to giving examples of the type of work done in the various fields for which the Board was held responsible. Thus, for a brief time, restrictions were imposed on the use of pork in public eating-houses. Then the restrictions were shown to be unnecessary or impracticable, they were removed.
Similarly, the Board laid down a schedule of "reasonable" prices for the wheat substitutes ordered in June, a variable system chiefly designed to ensure that no exorbitant prices would be charged. Dealers who did not observe the Board's price schedule, or who failed to keep sufficient quantities of the wheat substitutes on hand, were subject to revocation of their licenses.

Late in the final year of the war, sugar rationing was carried further. Public eating-places were subjected to strict curtailment of the amounts they were allowed to use. At the same time, manufacturers of bread were required to use a stipulated amount of inferior sugar in their products and the public was requested, though not compelled, to limit its consumption of white sugar and to use substitutes like honey and syrups wherever possible, as well as inferior grades of sugar.

Authoritative journals such as the Labour Gazette and the Canadian Annual Review definitely convey the idea that the Canada Food Board was attaining an impressive degree of efficiency when the war reached its conclusion. The Journal of the Canadian Bankers' Association is authority for the statement that as early as April 1, 1919, the Food Board had issued the following licenses:

- Manufacturing bakers 1,500
- Cereal manufacturers 95
- Wholesale fruit and vegetable dealers 900
- Wholesale fish dealers 1,000
Wholesale grain dealers 300
Millers 450
Wholesale produce dealers 100 (2)

An excellent administrative organization, so established that Ottawa's orders were nationally in force in a few hours, was able to make the most of the possibilities of co-operation with manufacturers and dealers. In its brief term of office, the Board of Food issued some seventy orders, most of which were enforced by voluntary aid. A system of inspection, consisting, to a large degree, of the clergy, the press, and commercial travellers, proved particularly useful in some fields in industry, while the Board's licenses were effective in others. The inspectors, licenses, and regulations combined to make the Board's final report a creditable one. Food exports to the allies were as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1914-15</td>
<td>$187,011,300</td>
</tr>
<tr>
<td>1915-16</td>
<td>$332,455,900</td>
</tr>
<tr>
<td>1916-17</td>
<td>$482,619,400</td>
</tr>
<tr>
<td>1917-1918</td>
<td>$710,619,400     (3)</td>
</tr>
</tbody>
</table>

This table, however, cannot be accepted at its face value. Deflating the dollar values of the food exports.

(3) Canadian Annual Review 1918, P. 512.
by an average of index numbers for wholesale prices of foods allows for the fact that some of the increase in dollar values was due to price increases, and not entirely to actual increases in the physical volume of exports, and a rather different picture is given. (4)

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports</th>
<th>See #</th>
<th>Deflated Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1914-15</td>
<td>$187,011,300</td>
<td>159.3</td>
<td>1,173,864</td>
</tr>
<tr>
<td>1915-16</td>
<td>$332,455,900</td>
<td>173.4</td>
<td>1,917,277</td>
</tr>
<tr>
<td>1916-17</td>
<td>$372,619,400</td>
<td>221.5</td>
<td>2,178,369</td>
</tr>
<tr>
<td>1917-18</td>
<td>$710,619,400</td>
<td>270.6</td>
<td>2,626,088</td>
</tr>
</tbody>
</table>

(4 Average of Wholesale Food index numbers for January of each year.)

The corrected figures, instead of showing an increase of approximately 48% between the final year and the year previous, give a proportional increase of approximately 20.1%.

Not all of the credit for the increased economic efficiency in 1918 can be given to the Food Board. Both the federal and provincial departments of agriculture cooperated with the Board to increase the production of cereals and meat. A special branch of the Board stimulated the marketing of fish, an acceptable substitute for meat. The Railway War Board facilitated the transportation of

(4) The index number is computed from figures in the Labour Gazette for 1917, 1918 and 1919. The base is 1890 - 99 = 100.
necessities, in particular wheat and coal. Necessities other than food were handled, with varying degrees of competence, by organizations like the Canadian Wool Commission, which rationed wool imports among the Canadian industry. Labour difficulties were smoothed out, as well as possible, by such actions as the extension of the Industrial Disputes Investigation Act to the munitions' industry; the peculiar "Anti-Loafing Law" of 1917 was designed to see that all able-bodied men were profitably employed, even though it was only used once. Strikes were forbidden in 1917 by an amendment to the Industrial Disputes Investigation Act. Throughout the war, furthermore, there existed the almost forgotten Order-in-Council of November 10, 1916, which empowered municipal councils to make investigations on their own account, referring their findings to the provincial Attorney-General for prosecution. Late in the war the original Order-in-Council was made somewhat wider in scope by an extension of the facilities for investigation and an increase in the matters subject to such investigations. The "fair price" for any commodity was to be published; prosecution could be undertaken directly by a municipal council; rents were added to the list of possible subjects of investigation. Any municipality, provided it could pay its own expenses in the matter, could establish a Fair Prices Committee to examine any suspected situation, determine what is "fair", and publish its findings. A month after the war ended, this Order was again amended, this
time to allow municipalities to establish a "Fair Price Inquiry Commission" consisting of resident taxpayers instead of civic officials. The commission was to make only preliminary inquiries, referring its findings to a superior commission, consisting of a judge, a representative of the trade being investigated and a representative of labour or the consumers—all expenses still being payable by the municipality. The Minister of Labour was still able to proceed independently of any municipality.

As far as the municipalities were concerned, these Orders-in-Council were not particularly effective in regulating industry, for there is no instance of a prosecution following a municipal investigation. The reasons for this are not difficult to imagine and have been pointed out before. The resources at the disposal of a municipal council are limited, and the investigation of the private affairs of a large concern would require no little ability and courage, particularly if the suspected offending firm employed many of the municipality's taxpayers. It would not be at all unlikely for the executives of the firm to be civic officials—or at least be distinguished citizens!

The Department of Labour, as outlined in a previous chapter, took advantage of the Orders-in-Council to investigate several commodities and industries, including coal, sugar, the cold-storage business, and meat-packing.
CHAPTER VII

THE UNITED STATES 1917-18
For purposes of comparison, a brief sketch of the controls instituted in the United States after its entry into the war may be of value. The United States, as far as economic regulation was concerned, entered the war with at least some idea of the problems involved. From August, 1917, until March, 1917, it was able to note and study the regulations being issued in other countries—although little would have been learned from her immediate northern neighbour. It was also fully aware of the need for control, for between the autumn of 1915 and the spring of 1917 the general price level in the United States doubled. (1) Despite—or perhaps because of—the United States' position as a neutral, the characteristics of a war economy were already in evidence before the war was actually entered. Similar political characteristics were also apparent. In midsummer of 1916 a Council of National Defence and Advisory Commission was established, although it was not completely organized until about four weeks before the United States declared war in the spring of 1917. (2) This same Council, after proving itself hopelessly bureaucratic, apart from the fact of its being too unwieldy a body for effective action, became the pivot-point of the United States' plans for industrial mobilization and

general economic co-ordination. Under it were constituted innumerable bodies of control, which operated under such grandiose titles as "General Munitions Board"—a body which, incidentally, lasted exactly three months and eighteen days as an organ of state regulation. Its successor, after one or two re-organizations, existed as the United States War Industries Board, and, insofar as any one of the many American boards of the last war was prominent, it was apparently the most important factor in economic mobilization in the United States. Under its chairman, Mr. Bernard Baruch, the War Industries Board took its initiative from a special sort of sub-Board composed of the heads of the various divisions of the Board's work—the Priorities Division, representatives of the Army, the Navy, the Emergency Fleet Corporation, the Food Administration, the Red Cross, the Railroad Administration, the Fuel Administration, and the Allied Purchasing Commission—"practically all the government agencies which come in touch with the industrial field." (3) That imposing list of member-bodies suggests that the War Industries Board never completely surmounted the obstacle of being too unwieldy for effective action. Nevertheless, an article in the Journal of Political Economy of June 1918, found the board well on the way to becoming the sole directing (4)

(3) Ibid.
(4) Ibid.
agency between the government and industry. Co-ordination with the important war "programs"—in munitions, shipping, and labour, for example—had been obtained on paper at any rate, and the Board was directing the government's price policy.

For our purpose here, the Board's most relevant work was that undertaken by the Food Administration and the Fuel Administration. In both cases the policy pursued was not dissimilar from that of the Canadian authorities; and the concrete results of their work are even more difficult to determine. In the case of the Food Administration, much depended on a licensing system, supplemented by widespread publicity and voluntary co-operation. The licensing plan was effective, for a producer could obtain nothing without one. In addition, the obtaining of a licence entailed agreement with specified conditions of operation, as laid down by the government; licensees were also obliged to make regular reports regarding their activities, to refrain from doing business with violators of the regulations, and to limit their margins of profit.

An elaborate administrative organization, following the general outline of the federal form of government, was established. Its powers were absolute. It could hear cases as a court, revoke licenses, and issue such detailed orders as those standardizing the size and weight of a loaf of bread, in addition to specifying what flour were to be used therein. Producers of necessities whose gross sales
each year were less than $100,000 were not required to take out licenses, but were nevertheless kept in line with the Board's program one through voluntary co-operation, the submission of regular reports, and by the constant threat of having their business relations with licensed concerns severed. A typical example of the work of the Food Administration was its control of sugar, referred to in a previous chapter. (5)

Parallel with the Food Administration there existed, as in Canada, a Fuel Administration, with broadly defined powers analogous to those of its fellow-organization. With its work supported by the fact that the President had the right to commandeer plants which would not co-operate in the government's attempt at systematized control, the Fuel Administration was able to solve several pressing problems, including those occasioned by the lack of means of transportation for coal that was piling up at the mines, the need for increased production of all types of fuel, and, to a degree, the problems connected with excessive prices and profits. As with the Food Administrator's sugar plan, to take but one example, a zoning system was established which solved both price and transportation problems by eliminating much inefficient "cross-hauling." "Heatless days" were required on occasion, including a remarkable experiment which required

(5) Supra. Chapter II
all factories east of the Mississippi River to close down for five days. (6) This decree, designed to save coal and give transportation experts an opportunity to help "straighten out the transportation tangle in the eastern states", raises the unanswerable question "Will the saving more than compensate for the loss in production?"

In addition to the use of licensing and publicity, considerable use was also made of the device of fixing margins of profit, as well as prices. In its most mature phases, the American control included the fixing of prices and margins of profit at every stage of production, usually right down to the consumer. A distinct difference is noticeable here between this policy and that of the Canadian Wartime Prices and Trade Board of today, which believes that if sufficient attention is paid to the earlier stages of production, prices to consumers will look after themselves. Conservation, standardization, rationing, and substitution also played their part in the American system of control, though with less prominence than licensing and price and profit-fixing. In all these devices, compulsion was resorted to only as a final measure; the mere threat was generally sufficient to ensure the desired co-operation.

In March, 1918, special problems of price were

(6) Literary Digest, January 26, 1918, quoted in Clark, Hamilton and Moulton; Readings in the Economics of War, P. 330.
transferred from the Administrators to a Price-Fixing Committee, though with no appreciable change in policy. Voluntary co-operation was always attempted first, and all affected industries were consulted. Wherever possible, pools were formed to level out the advantages accruing to the low-cost producer as compared with the difficulties facing the marginal producer; cost of production, accordingly, was generally taken as the basis for government price and profit regulation.

Price statistics form the most reliable available indicator of the effectiveness of the American control of necessities. By the end of the war, 42% of the goods included in the index number of the War Industries Board were being controlled. Uncontrolled goods in the index rose steadily until the Armistice—and after—while the controlled group declined from September to November, 1917, and remained virtually stable till the end of the war. A similar decline is noted in the index number for food commodities, nearly all of which were controlled. (7) Price statistics, it should be remembered, do not indicate the effectiveness of the Administrator's plans of distribution among consumers. "Exploitation" may exist in the face of declining index numbers.

The most serious criticism levelled at the United States intervention in industry in the last war is common

(7) Backmann, op. cit. P. 32
to nearly all writers on the subject, and consists of the charge that the controls were top-heavy with administrative organs, and that consequently there was much lack of co-ordination. Thus Backmann remarks that the Food Administration "had more controls than it could name." (8) Similarly, Mr. C. N. Hitchcock, erstwhile assistant Secretary of the Council of National Defence, wrote in the Journal of Political Economy his considered opinion that the government departments and bureaus were moved more by a spirit of competition in efficiency than a desire to co-ordinate their efforts in a common cause. (9) The result was that general efficiency was sacrificed. A relevant remark, in a different connection, is recorded in another American Journal "the railways could have operated successfully as a unit if they could have induced Congress, the Department of Justice, the Interstate Commerce Commission, the state public-service commissions, the Shipping Board, the Army and Navy, and Fuel and Food administrations to work together." (10)

In the accusation implied in the foregoing quotation there is a lesson for all authorities seeking to

(8) Backmann, op. cit. P. 33
(9) Hitchcock, op. cit.
control industry. It is one accusation that cannot be
levelled at Canada's experiments, either in the first Great
War or the present one.
CHAPTER VIII

THE BOARD OF COMMERCE 1919
The economic controls instituted by the Federal government during the Great War were established by authority granted by the War Measures Act, and consequently ceased to become effective when that Act was returned to the archives until needed again. Economic controls—or, perhaps more correctly, attempts at economic control—were not yet over, however. And since the post-war controls were similar, in many respects, to those utilized during the war, it is not out of place to consider them in this thesis.

The Sirois Report records that the wartime regulation was, in itself, responsible for the post-war attempts. "People saw how government could mould their lives and civil servants learned how to do it. Statistical and other information necessary for effective intervention in economic affairs was accumulated. The belief grew that governments could and should use their powers to improve social conditions. The War-time experience with the regulation and direction of enterprise was an important factor in bringing on the wide extension of government control which economic and social chaos seemed to make desirable." (1) At the same time, however, it is significant to note that "the immense authority, born of a common aim, which the Dominion Government exercised during the struggle disintegrated with the

return of peace." (2)

In any case, whatever the prevailing social philosophy, the need for government intervention was just as great after the war as during it. The cost of living in Canada did not falter in its upward trend. To add to the complexities of the situation, the allied governments, after the Armistice, asked for an increase in supplies that averaged fifty per cent more than their requirements for the final year of hostilities. (3) To satisfy the clamour for government action, a Select Committee of the House of Commons was appointed in May 1919, to investigate the cost of living and recommend remedial measures as soon as possible.

The report of this committee revealed a number of interesting things, not the least of which was the implication that some of the causes of the high cost of living were far beyond the control of any Board of Commerce such as the committee recommended be established. The report reads in part......"Scarcity of material, and obstruction due to war have partly caused this rise in price, but even more the expansion in currency and credit has caused a general money depreciation..."(4)." The extent of this "...is indicated by

(3) Ibid: P. 111.
(3) Canadian Annual Review: P. 514, 1918.
(4) Report of Select Committee of the House of Commons on the Cost of living, 1919, Section 16.
the fact that Dominion and Bank notes combined increased 125% between 1914 and 1919, while commercial bank deposits increased 100%. (5) Apart from the mere fact of increase in money factors, furthermore, the report showed that there was no proportional distribution of profit between the manufacturers, farmers, distributors, retailers, etc. engaged in any particular line of industry—let alone in industry as a whole—so that a comprehensive plan of government intervention was literally impossible. The best that could be expected was a checking of flagrant abuses wherever they arose.

To a large extent, of course, this had been the wartime policy. But during the war some bona fide attempts at actual mobilization of industries had been made by the Food Board, and the establishment of the War Trade Board in February 1918, to quote the Sirois Report again, "revealed the full logic of the War economy"—even though its powers were used sparingly. (The War Trade Board had complete power to supervise industry—a , to give priority to certain industries in regard to stocks of raw materials.)

The Board of Commerce, created by an Act of Parliament on July 7, 1919, was in no sense a decree for

industrial mobilization. Specifically, it was intended
to administer the Combines and Fair Prices Act, enacted
at the same time, "the purpose of which is to provide
machinery for the investigation and restraint of combines,
monopolies, trusts, and mergers, and to restrain the en-
hancement of the prices of commodities". (6) The powers
granted to the Board to carry out its duties were wide; it
could investigate the production and distribution of any
necessity of life, check any undue accumulation or with-
holding from sale, restrain and prohibit unfair profits—or
anything else contributing to the enhancement of prices—and
order any storage-warehouse proprietor, dealer, canner,
manufacturer—in short, anybody engaged in dealing in
necessities—to make detailed returns to the Board. The
Board itself had the right to define the ambiguous terms in
its constitution—"unfair", "undue", etc—and the Board's
word was sufficient evidence of the guilt of anyone accused
of profiteering, in the provincial courts. It was the
tremendous scope of these powers that ultimately led to the
Board's undoing.

The first outward manifestation of activity on
the part of the new Board, whose personnel had been chosen
almost immediately after its establishment, was to publish
the fact that it had agreed to co-operate with United States
Officials in an "anti-high-price campaign". Shortly
afterwards, the Board took positive steps to reduce prices

in a specific instance—the Canadian sugar problem.

Acting on the conviction, established by the Board's investigations, that the price of sugar was being held up by a combine, the policy of which was to export sugar from Canada, thus maintaining a shortage at home, the Board prohibited exportation of the commodity. At the same time, the loss of much of British Columbia's fruit crop, due to the shortage of sugar, was averted by the Board's shipping the required amount to the Pacific Coast. Shortly afterwards the Board fixed the price of sugar to allow a gross profit of two-fifths of one cent per pound to sugar dealers—which meant a 5% commission to wholesalers; retailers were allowed to add one cent to each pound. Early in 1920 the Board's policy was changed to a fixed maximum retail price, to which only freight charges could be added. Late in February 1920, the Board's control of sugar was discontinued. At this point the Board claimed that it had kept the price of sugar from three to seven cents lower than the price in the United States, and had saved the Canadian consumers twenty-one million dollars thereby—a claim with which abrogation of control seems hardly consistent!

Further regulation of sugar by the Board, which is worth recording in some detail as an example of the Board's work and difficulties, began in June 1920. During the period of the Board's inactivity regarding the commodity,
the Canadian Trade Commission had been exercising
absolute control of the import and export market, pro-
hibiting the export of sugar by refiners until a certain
domestic quota had been satisfied. Resumption of price
control by the Board of Commerce was accompanied by a
judgment against a profiteering refiner which stated
incidentally that inquiries had revealed profiteering in
both the retail and wholesale branches of the sugar industry,
and further disclosed the unseal presence of profiteering
by speculation. This last abuse the Board attempted to
quash by ordering that refiners and wholesalers must deal
solely with each other. Shortly afterwards the Board
published, as it had threatened to do, a list of offenders
in all branches of the sugar industry, refiners, whole-
salers, and retailers—and defined "fair" profits as those
which allowed 5% to be made at each of the two main stages
of the trade—i.e. from refiner to wholesaler, and from whole-
saler to retailer. The retail price was fixed at twenty-
three cents.

Within a few weeks the Board was virtually
forced to admit the defeat of its sugar control. It
removed all export restrictions on the commodity and on
July 20, 1920, approved an order of the refiners, who had
fixed their price at a minimum above the retail price
allowed by the Board, which resulted in the Board's
allowing a "fair" price of twenty-six cents plus freight.
Such defiance of the Board's decrees was not an uncommon
In October of 1920 the Board again attempted to assume control of the Canadian sugar market, this time in defence of the refiners, not the consumers. The price of sugar in the United States was dropping faster than the Canadian price, with the result that Canadian dealers were experiencing severe competition from dumped American sugar. The Board in this instance held that, since the Canadian price had dropped because of the refiners' co-operation, despite the fact that many of these concerns were heavily stocked with sugar bought at war prices, the refiners should therefore be protected as the consumers had been. Ignoring the inconsistency between the argument that the refiners held large stores of war sugar and the fact that the Board was specifically instructed to prevent such hoarding, the Board took drastic action. On October 13 the price was fixed at twenty-one cents plus freight; American sugar was excluded by an order to the effect that Canadian refiners, wholesalers, and retailers could deal only with each other. These orders were almost immediately revoked because of the tremendous opposition that arose. And on October 22, the Board ceased to function.

The Board's activities were not confined to making regulations about sugar, however. Sugar has been chosen here to illustrate the ambitious type of undertaking the Board indulged in, and the sugar regulations have been considered in chronological sequence to the
exclusion of the Board's other interests. Almost as soon as the Board entered the sugar business it set up committees in various cities across the Dominion to conduct hearings into the cost of clothing and several foods, and to make investigations wherever warranted.

It is difficult to escape the conclusion that the Board's work in these investigations was largely ineffectual. Its exhaustive investigation into the retail clothing trade, for example, resulted in the declaration that "fair" prices prevailed, despite the specific comment of the very committee that recommended the Board's establishment that the staple cloths revealed a profit ratio of 15-25% between factory and wholesaler, and of 50% between wholesaler and retailer. An examination of the milk problem of which the Toronto situation affords the best example, found the Board pursuing a policy of fixing the price of milk on a cost of production basis. At Toronto, however, when the milk producers' association announced their intention of raising the price of an eight gallon can from $2.55 to $3.35, delivered at the dairies in Toronto, the Board prohibited the increase for forty days, made an investigation on its own account, and allowed the price to be increased to $3.10--while at the same time the price of milk to condenseries remained very near the original figure. When the producers indicated their intention of defying the Board's decree, it was the dairies concerned, not the Board, that were responsible for maintaining the price of $3.10.
Similarly, when the Board ordered that after October 15, 1919, all pork products were to be sold at prices prevailing on March 10 of that year, when the price rise became noticeable, a protest from the pork producers resulted in the revocation of this price-fixing order, and the substitution of a fixed margin of profit for retailers, not producers—an action which would not necessarily prevent prices from becoming exorbitant, even though they were allowed to fluctuate only with variations in the price of live hogs. A decision handed down by the Board in regard to a battle concerning the rights of grocery manufacturers to sell directly to retailers said, in effect, that the Board did not find it in the public interest to eliminate the middlemen—ie. the wholesalers. In all these cases a lack of authority is discernible.

At the end of 1919, after a bare five months of working, the Board issued several statements of policy which disclose that all was not well with its regulations. At Winnipeg, on December 9, the Board published a statement which described the scope of the Board’s knowledge of Canadian industry, reiterated that its work was sufficient evidence of guilt to convict a profiteer or hoarder, declared that profiteering was not nearly so common as was often claimed, and concluded with the interesting and pious remark that “the Board has a confident hope that business men will be as the Board’s right hand in the now imminent business of tracing and punishing those among them who,
according to the new business ethics of this era, have dishonoured their brethren." Another statement, issued on December 27 at Toronto, revealed that a good many businessmen, far from worrying about dishonouring their brethren, had shown a callous disregard for their own souls and had formed mergers—in direct defiance of the Combines and Fair Prices Act, which the Board of Commerce was charged with administering. The Board's statement reminded such miscreants that their mergers were subject to dissolution if inquiries indicated that they were harmful to the public—and that similar action could be taken in regard to price-fixing arrangements between dealers. The Board announced its intention of demanding that in future all such mergers and agreements be referred to the Board before they would be considered legal; unless referred, they would be assumed as being detrimental to the consumers' interests. Most significant of all, as an indicator of the troubles the Board was having, was the declaration that "the time has come when the Board must demand more complete compliance with its orders"—surely a frank admission of the Board's lack of authority. The third statement of policy, also released at Toronto on December 27, announced the Board's intention of investigating the tariff—which had been raised when the United States was substituted for Great Britain as Canada's competitor—to find out if unfair advantage was being taken of it to exact high prices.

A bare two weeks after these public declarations,
the Board, which had been creating hostility to its activities almost from its inception, suffered the first of a series of blows which completely incapacitated it, and made the Privy Council decision, which ultimately declared it ultra vires, appear a mere formality. Beset with troubles from a powerful textile combination, which went over the Board's head directly to the government to appeal its case, and from a struggle with the Civil Service Commission regarding the Board's right to select its own experts, the organization suddenly found itself without a Chairman. And not content with merely resigning, the retiring Mr. Robson publicly repudiated the policy of the Board in particular, and his belief in peace-time economic control in general.

It is not too much to say that, after this, the Board was never the same again. Its first Annual Report, which outlined the Board's difficulties lucidly as has been done above, declared that the Board had not tried to blame (there is no doubt that it did not), but had merely tried to perform its duty, and that effective operation was impossible under the existing conditions. About the same time, the other two members of the Board resigned, one of them vehemently accusing the government of failing to "back up" the Board, a charge which he reiterated confidentially for several weeks during the election campaign of 1921.

After these unfortunate events, the Board was re-constituted temporarily, pending the decision of the Canadian
Supreme Court in a test case concerning the Board's jurisdiction. This same hypothetical case, translated into the terms of a specific situation, was referred to the Judicial Committee of the Privy Council when the Canadian Supreme Court divided evenly on the decision, and the Board was found ultra vires late in 1921--hoist, as it were, by its own petard. The Privy Council ruling is significant as an indicator of the difficulties of any future peace-time economic control in Canada. The Judicial Committee found that, in the first place, economic control such as the Board of Commerce typified was permissible in wartime but not in peace. Secondly, recognizing the validity of the Board of Commerce would have enabled the federal government to invade the field of "rights" constitutionally belonging to the provinces simply by enforcing such encroachments by the Dominion Criminal Code. Finally, the Board of Commerce was constituted as a court administering the law--and the B.N.A. allowed no such courts. The judgment concluded by remarking that the end sought was impracticable without the co-operation of the provincial legislatures. It is important to note that this peace-time attempt at economic control was annulled on purely constitutional--but not before it had been proven almost impossible of operation on economic grounds.

Like its unfortunate wartime predecessor, the Food Controller, the work of the Board of Commerce is

(7) This second Board also resigned: See above.
difficult to evaluate. There is certainly some evidence to support the belief that the Board was little more than a political gesture and never really intended to function seriously. The first chairman, for example, at first refused the appointment and accepted it only after others had also refused—and he had no illusions regarding the efficacy of a body such as the one over which he presided. Similarly, the dispute with the Civil Service Commission could surely have been arbitrated by a government sincerely desirous of seeing the Board of Commerce a useful organization. One of the Board members, alluded to above, later charged that the Board was strongly opposed by many government members, that certain interests had been protected and not attacked, and that he personally had been urged on occasion to leave certain matters alone. This of course, was uttered in the heat of an election campaign and may mean very little.

The fact remains, however, that the jurisdiction of the Board was never clearly defined. Its effective powers were seriously limited, whatever its theoretical abilities. And too much was expected of it. Hostility began almost as soon as it was organized. Farmers' organizations across the Dominion claimed that it was undoing the work of the Department of Agriculture—though in what respects is not clear. It was naturally opposed by industry, for one thing it did demonstrate effectively was that the consumer—between the producer, the manufacturer, and the
distributor—was helpless. Many of its investigations yielded ambiguous conclusions and, most seriously of all, its decrees seemed to have little result from the point of view of the consumer. Prices often rose after notices by the Board, and not a little of its activity consisted of approving, in part or in whole, price rises that had already been made by dealers in defiance of previous orders from the Board. Before the Board had been in action six months influential associations such as that of the Manitoba Grain Growers were extolling its abolition, and the Canadian Retailers' Association was pressing for reform that could have meant a complete reversal of the Board's policy.

Perhaps the best appraisal of the Board of Commerce was made by the Toronto Star for June 19, 1920. This newspaper postulated, as the Board's main achievement, that consumers had enjoyed certain price advantages in necessities as a result of the Board's activities. Toronto milk consumers, for example, had been saved a quarter of a million dollars; the Board itself later estimated that it had saved sugar consumers twenty million dollars, and claimed that Canadian consumers, up until speculative flurries in the American sugar market had caused the price there to drop precipitously in the summer of 1920, had always enjoyed better post-war prices than those prevailing to the south. As a second achievement, the Star claimed that the Board's warnings were successful in curbing abuses where more drastic action was not warranted—a claim almost impossible of
substantiation. Finally, the Board's inquiries had impressed on retailers the losses resulting from inefficient business methods, which meant higher prices to the consumer. Both the Board of Commerce and the Select Committee that preceded it demonstrated that the larger and more efficient firms enjoyed cheaper costs of production. The Canadian Annual Review sums up the work of the unhappy Board of Commerce......"It was carried amid difficulties which from the first were almost insuperable; yet some good was accomplished in detail while in a general sense public opinion was soothed and the people carried more smoothly over the rocky road of war prices and reconstruction problems than would otherwise have been the case." The tribute does not really say a great deal.
CHAPTER IX

THE WARTIME PRICES AND TRADE BOARD 1939-
It is impossible to avoid being impressed by the difference between the Canadian governments' approach to the problem of regulating necessities in 1914 and the attitude in 1939. From an economic point of view, in fact, it is apparent that one of the really useful results of World War I was the experience it afforded in how not to attempt industrial control. As a consequence, a committee to "assure an adequate and continuous distribution of the necessaries of life at reasonable prices, to eliminate hoarding and profiteering, and to curb those who otherwise might endeavour to turn national needs into personal profits" was established actually before Canada entered World War II. (1) The committee was the Wartime Prices and Trade Board, set up by Order-in-Council on September 3, 1939.

Its powers, following the practice of 1917-18, were very broadly defined. Established under the jurisdiction of the Minister of Labour, the Board could make complete investigations into the manufacture, storage, and distribution of any necessary of life; license all those dealing in necessaries; fix prices and margins of profit; ration, buy, sell, or store any necessary, and require detailed returns from all dealers in such commodities. (2) Matters for prosecution were to be referred to the provincial

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(1) Summary of Activities: September 3 to December 31, 1939. Wartime Prices and Trade Board P. 2.

(2) Canada Gazette; No. 13, Vol. LIX; P. 914.
Attorneys-General. The Board's rights to impose
licensing system upon all dealers, fix prices and profits,
and to take possession of goods being "unreasonably with-
held from the market", were to be exercised "only subject
to the approval of the Governor-in-Council". (3) The
Board was specifically charged with the immediate accumu-
lation of all relevant statistical data, to enlist the fullest
coopération of dealers in necessities, to refer to the
Commissioner of the Combines Investigation Act any apparent
violations of that act or Section 498 of the Criminal Code,
and to recommend to the Governor-in-Council any additional
measures needed for the protection of the public.

On December 5, 1939, this order-in-council was
re-enacted to include several amendments and extensions of
power. The most relevant changes for the purpose of this
thesis were those which gave the Board more detailed super-
vision of specified necessities, of life. An important
new power was that which allowed the Board to appoint
Administrators of specified commodities, subject to the
approval of the Governor-in-Council, who were to act in re-
gard to their single responsibility largely as the Board
acted in regard to necessities as a whole. In this respect
and others, the new Order-in-Council was simply ratifying
action already taken by the Board, for several administrators—

(3) Ibid.
for coal, wool, and sugar, for example—had already been appointed by Order-in-Council. The Board was also empowered to prohibit the export of any necessity except under a permit from the Board, and was required to refer to the Commissioner of the Combines Investigation Act only those matters which impeded the operation of the Board's regulations. Since the Commissioner of this Act was a member of the Board from the beginning of its activity, this alteration in the Board's duties was probably intended to lighten his individual duties as a Board member and as Commissioner. There is also the implication that except for matters requiring prosecution, for the duration of the War the Combines Investigation Act and Section 498 of the Criminal Code were to be supplanted by the jurisdiction of the Wartime Prices and Trade Board. A similar attitude had been taken during the first World War.

From its inception, the Board put into practice the belief that, on the whole, there are better ways of attaining the desired ends than by implementing a policy of widespread price-fixing. "The principle guiding its activities in the stabilization of prices", reads its first report, "has consisted of efforts to provide an adequate and regular flow of supplies to the Canadian market, rather than in any attempt at widespread price-fixing or prices control...

The Board has acted in the belief that, if ample supplies

are available, freedom of enterprise encouraged, and sporadic instances of profiteering dealt with, fair and reasonable prices would be maintained". (6) Should the future course of events require a changed policy on the part of the Board, it had ample reserve powers at its disposal.

Perhaps the best description of the Board's work can be given by an outline of its conception of effective control as revealed in its own periodic reports. This conception, altered in detail only to adapt itself to the conditions of production and distribution of any specific commodity, required active intervention by the Board almost exclusively in the supply side of price determination. Generally the Board first collected statistics of needs, existing inventories and supplies, potential domestic production, and potential imports. If any shortage, real or threatened, existed the Board then assumed control of the distribution of the existing quantities of the commodity by establishing a licensing system. At the same time strenuous efforts to increase supplies were made. A rigorous system of inspection was set up, which might take the form of a personal investigation by a representative of the Board, or consist of detailed periodic report made by all dealers and manufacturers to the Board. When conditions warranted it, the Board itself undertook to provide trans-

(6) Quarterly Summary of Activities: September 3 to December 31, 1939. Wartime Prices and Trade Board, P.3.
portation facilities. In all its activities the Board tried to utilize voluntary co-operation of producers and dealers to the fullest extent, and constant contact was maintained with all government departments whose work was ordinarily concerned with conditions and commodities which concerned the Board. Where imports were required, the Board worked in close contact with similar organizations abroad; domestically, it promoted and facilitated production, and prevented waste and exportation, as much as possible.

Thus briefly outlined, the work of the Board may not appear particularly difficult to a casual observer. In actual practice, however, the Board was continually meeting—and usually surmounting—obstacles of extreme complexity. In several cases—wool, coal, sugar, hides and leather, for example—it was found necessary to establish separate bodies each under an administrator, to confine their activities to single commodities. A sketch of the Board's activity in one such commodity may give a more complete picture of the Board's policy, and of typical difficulties which beset its path.

Insofar as any commodity engaging the Board's attention can be called typical, sugar appears to be one of the most illustrative examples. It required prompt and immediate action by the Board, the arrangement of some transportation facilities, co-operation with both external and domestic organizations and a degree of direct price-regulation, in addition to co-operation in a type of control peculiar to itself—an empire sugar control,
centered in the United Kingdom Sugar Controller.

Even before the war began, householders, no doubt remembering the sugar shortages of the last war, were buying far in excess of ordinary requirements. To meet the exigency, the Board at once persuaded the Canadian refiners to release at once "not less than 25% in excess of their average September distribution; and at no increase in price." (7) At the same time, the Board established a nation wide "complaint-investigation" service and took a through inventory of all stocks of sugar in Canada. When its agreement with the refiners proved inadequate to supply the panic-inspired demand, the Board drew on the supplies of large industrial users—supplies which were private property. It was undoubtedly the Board's intention to satisfy the insatiable demand as far as possible, mean-while quietly taking effective steps to augment the supply. The psychological effect of proving the war's initial buying panic to have no sound basis could conceivably be enormous. The Board did surmount this initial obstacle, and, by so doing, it allowed the conservation of much fruit that would otherwise have been lost, permitted small establishments to obtain necessary supplies, and, by the rapid organization of a permit system for 2,000 apiarists, saved countless future honey crops from destruction. (8)

The Board's attempts to augment Canada's rapidly disappearing stock of sugar resulted in the government's participation in the empire Sugar Control Scheme. The appointment of a Sugar Administrator soon followed and it was agreed that Canada would obtain her wartime supplies of raw sugar from the United Kingdom Sugar Controller, at a price decided upon by mutual agreement. Canadian refiners then obtained all supplies through the Administrator. It was intended by this scheme not only to ensure adequate supplies, but also to prevent "abnormal speculative increases in price such as occurred in the last war." (9)

The plan functioned with admirable smoothness. A buying flurry in December 1939, and January 1940, was well handled by the refiners themselves, who, where necessary, "rationed" their product to industrial concerns and distributors on the basis of the purchases by these latter organizations in January 1939. A similar tendency to "stock up", in the second quarter of 1940, inspired by an anticipated increase in the Excise tax on sugar, was met in a similar fashion, at the request of the Administrator. Later in the year a second contract with the United Kingdom Sugar Controller was concluded, at an increase in price of approximately 15%. Owing to increases in ocean freight rates, insurance, etc, the Administrator found it advisable to make price adjustments which raised the wholesale price of

(9) Ibid: P. 5.
refined sugar about 35 cents per 100 pounds. (10) Refiners, however, were relieved of any inventory profits they would have made on their accumulated stocks by having to sell their sugar to the Board and then at once re-purchase it at the increased price. The Board's profit from this transaction was put into a Sugar Stabilization Fund into which, in fairness to the cane sugar refining industry, domestic beet sugar producers were also required to pay 33\% per 100 pounds of sugar produced. Subsequent to the establishment of its second contract with the United Kingdom Controller, Canada's sugar problem, as far as the consumers are concerned, largely ceased to exist. Apiarists no longer found it necessary to apply to the Board for special certificates to purchase sugar, so well was the market supplied. The situation was further eased by the fact of a substantial increase in domestic beet sugar production.

To a large extent, a similar story can be told of the Board's work in wool. After an initial period of considerable anxiety, the Board, through its Wool Administrator, established a satisfactory situation based, like that of sugar, on an empire agreement. While, despite the greatly increased demand, Canadian wool imports decreased 6% over a previous average during the first three months.

(10) Quarterly Summary: April 1 to June 30, 1940. Wartime Prices and Trade Board, P. 3.
of the war, the beginning of 1940 saw a marked increase in imports with the result that the Board was able to announce that, for the six months period ending May 30, 1940, raw wool imports had been "more than double the average imports in the same period in the previous three years." (11) An acceptable situation existed thenceforward, with exporters and importers working under a strict licensing system. Canadian civilian requirements for 1941 were guaranteed by an agreement with the British Wool Control.

For our purpose here, there are two particularly interesting features of the wool control. One consists of the Board's first definite price-fixing action, which occurred in November 1939, when the Board took action to secure the immediate release of those existing stocks of wool that had not been voluntarily marketed. The price regulation affected only those who were "holding out", contrary to the Board's request for immediate release of all stocks, and was rescinded when it had served its purpose. The second feature was the creation of a buyer's pool, designed to equalize prices to Canadian purchasers. Purchasers paid premiums, or received rebates, according to their source of supply. A third interesting point, somewhat outside the sphere of the Wartime Prices and Trade Board, was the incorporation, under the Department of Mun-

itions and Supply, of a firm established to buy raw wool for military contracts. The Wool Administrator, who with his two advisors constitutes a majority of the Board of Directors of this company, had also been active in establishing another firm, concerned with one of the technical aspects of wool processing, whose operation facilitated the production of wool for military purposes.

Equally effective action was taken by the Board and its representatives in regard to coal. Transportation and foreign exchange difficulties contributed materially to the Board's troubles in this instance, as did domestic labour problems. These latter obstacles were substantially solved by the creation of a Cost of living Commission in the affected area. A licensing plan was put into effect to facilitate distribution, and other difficulties were overcome to the extent that the Board was able to announce increases both in domestic production and in imports from the United Kingdom. (12) There were still several unsolved problems; however, largely occasioned by the fact that Canada's industrial expansion was increasing more rapidly than its supplies of coal. There were still transportation difficulties, also chiefly in bringing Nova Scotia coal inland to Montreal.

It is impossible in this brief sketch to survey

(12) Quarterly Summary 1940, Oct. 1 to Dec. 31, Wartime Prices and Trade Board, P. 2.
completely the successes and near-successes of the Wartime Prices and Trade Board. There is no denying the value of its work in connection with those commodities over which it assumed control. In addition to the three necessaries briefly considered above, the Board regulated hides and leather,—over which it put an Administrator—fish oils, bread and flour, and rents, and several minor commodities, investigations of which revealed no need for large scale action by the Board. At the end of 1940, the Board pegged the wholesale price of butter at the maximum price prevailing on December 12—and immediately raised a flurry of loud criticism; Some criticism has also been voiced on the Board's rental policy, though largely, it is significant to note, from real estate interests. That the government was satisfied with the Board's work was indicated by the fact that it from time to time increased the powers and responsibilities of the Board, for instance to charge it with "guarding against unwarranted price increases as a result of the excise taxes and import restrictions imposed by Parliament. . .December 3, 1940." (13) And compared with the similar period in the First Great War, the work of the Wartime Prices and Trade Board was nothing short of spectacular, for there was no control whatever during the similar period in the First Great War.

CONCLUSION

The treatment of the subject in the proceeding pages is by no means an exhaustive study of the problems of government regulation of industry. Nor is it even exhaustive in those matters to which it has directed its attention. If it has demonstrated some broad generalities which are of value in any consideration of the intervention of government in the conduct of industry, it has not been barren of result.

In the first place, the need for state intervention in industry during wartime is established beyond dispute. Equally clearly, there are better ways of attaining the desired ends than by simple and direct price-pegging. In certain specific instances—as, for example, the action of the present controlling body to move slow stocks of wool in November of 1930—price-fixing is effective. In such cases, even so ineffectual an organization as the unhappy Board of Commerce might find an occasional useful place in the Canadian economy. As a general policy, however, price-fixing cannot function.

But there are policies which can function. To a degree this was demonstrated by the Canada Food Board in 1918. At present, the Wartime Prices and Trade Board is every day proving that effective government intervention in industry is not only possible, but practical—during war, that is.

It is difficult to discover in wartime regulation any principles significant to democratic peace-time control.
Totalitarian methods are inherent in wartime control. There is but one end—the winning of the struggle—and such activities as the prevention of exploitation of civilian consumers are similarly, on the one hand, concessions to the political state we enjoy in peace time and, on the other, a method of increasing the war effort by keeping the populace contented and fed. There is no business cycle in wartime, and no danger of state regulation being found ultra vires by the Privy Council. War control operates during periods of shortage, when a fixing of maximum prices and profits is desired; there is little in it to teach economists how to regulate industry when minimum prices must be set, then there are too many human factors of production, not too few. It is rather ironical that a better job of preventing the exploitation of these human factors can be done during war, when the nation's interest in diverted to Europe, than during peace, when we are inclined to make "no commitments" regarding our attitude to that depressing continent.

Having spent enough time investigating and establishing the above conclusions, there is little to be gained by conjecture as to the probable future of economic control in Canada—or anywhere, for that matter. If, after any war, there still remains a single vital need which can be substituted for the pursuit of victory, and economic conditions accompanying that need approximate those obtaining in war, then economic control—as long as
it remains intra vires—may continue.
Appendix A

Report from the Minister of Trade and Commerce submitted to the Committee of the Privy Council, June 8, 1917.

Last winter very considerable difficulty and hardship were experienced owing to shortage of supplies and congestion of transport, resulting in increases in prices to consumers, serious temporary curtailment of production in factories, and much discomfort and privation in the homes of the poorer classes in towns and cities. These causes bid fair to continue and with increasing force during the present season, and are added to by the scarcity of labour for the mines, the increasing difficulties in transport, and the added demand for coal in both the United States and Canada owing to the ever-increasing exigencies of the war.

At the present moment the outlook for the coming season gives cause for grave anxiety and calls for prompt and efficient action if subsequent shortage and its consequent privations are to be avoided. The Quebec district, which formerly drew for its needs for railways and factories, some 2,000,000 tons of bituminous coal from Nova Scotia mines, cannot estimate on more than 200,000 tons from that source. Nearly all the prospective output of these mines will be required for local needs, bunkering purposes and the use of the Intercolonial Railway. This transfers the supply of this deficiency to United States mines, whilst in Middle Canada the demands have to be met,
if at all, by drawing upon United States sources.

These two difficulties are encountered. First the high price and shortage of supply in the United States mines, caused by extraordinary demands and reduced output owing to scarcity of labour. The entrance of the United States into the war and the vast preparations necessary for the equipment of sea and land forces and the growing needs of the Allies call for vastly increased output of coal and added restraint of export for other than war purposes. In the second place transport by land and water is daily becoming more inadequate compared to the increasing volume of freights to be moved, and freight costs are continually increasing.

In the western Prairie Provinces the supply has been diminished by strikes in some of the mines and in respect to those working the output is restricted by the tendency to neglect putting in orders during the summer season, and consequent failure to haul coal to consuming centres during the slack and favourable season.

The Minister represents that it seems, therefore, to be necessary that a competent fuel controller should be appointed:

(1) To examine into the coal situation of Eastern and Middle Canada from the Atlantic coast to the Rockies.

(a) As to the probable demands for consumption therein for the coming season.

(b) As to the output of Canadian coal that can
be relied upon towards meeting those demands and what, if any, measures can be adopted to increase this output.

(c) As to the sources outside of Canada from which the deficiency can be provided, and the possibility of obtaining the necessary amount.

(d) As to the possibility of providing sufficient transport for the carriage of both Canadian and foreign coal from the points of production to the distributing points.

(e) As to the possibility of early and continuous co-operation between producers, carriers and consumers, with a view to economizing and facilitating the needed supply.

(2) That in the course of and in connection with such investigation, he be authorized to confer with and co-ordinate the different interests with a view to ensure so far as possible a sufficient supply of coal for Canadian requirements during the approaching autumn and winter season and from time to time to report and recommend to the Government ways and means for effecting the same.

The Minister recommends that Charles A. Magrath be appointed Fuel Controller and be charged with carrying out the purposes outlined in the foregoing memorandum, and that all expenses incurred by him for clerical assistance and travelling and living expenses in connection therewith constitute a charge upon and be paid from the War Appropriation Funds.
His excellency the Governor General in Council under and in virtue of the provisions of the War Measures Act, 1914, is pleased to make the following orders and the same are hereby made and enacted as follows:

(1) The Governor General in Council may appoint an officer to be known as Food Controller for Canada who shall hold office during His Majesty's pleasure.

(2) It shall be within the power of and it shall be the duty of the Food Controller:

(a) To make such inquiry and investigation as he deems necessary for the purposes hereinafter set forth into the quantities, location, and ownership and into the sources of supply of any article of food used by the people of Canada and into the prices at which same is sold or held for sale and the causes of such prices.

(b) To ascertain the food requirements of Canada and to facilitate the export of the surplus to Great Britain and her allies.

(c) To make regulations where he deems it in the public interest and subject to the approval of the Governor in Council.

(1) Governing the prices of any article of food
(5)

and the storage, distribution, sale and delivery thereof.

(2) Providing for the conservation of food and
the prevention of waste thereof and governing the consump-
tion of food in hotel, restaurants, cafes, private houses,
clubs and other places.

(3) Respecting the manufacture, preparation,
storage and transport of food.

(4) Authorizing the Food Controller to purchase,
requisition, store, sell and deliver food.

(3) For all the purposes of these orders the
Food Controller shall have the power of a Commissioner
appointed under the provisions of Part One of the Inquiries
Act.

(4) All powers conferred and all duties imposed
on the Food Controller by these Orders or by any subsequent
Order of the Governor in Council may be exercised and per-
formed by him either independently or in co-operation with
any Department of the Government of Canada, or any
Provincial Government or with any department or officer of
the Government of Great Britain or of any Allied country
vested with similar powers.

(5) The salary of the Food Controller shall be
such as may from time to time be prescribed by the Governor
in Council.

(6)

(a) The Governor in Council may, upon the
recommendation of the Food Controller, appoint such officers,
clerks, and other persons as may be deemed necessary to assist the Food Controllers in the performance of his duties, who shall receive such remuneration as may be approved by the Governor in Council upon the recommendation of The Food Controller.

(b) All expenses lawfully incurred under these Orders shall be payable out of the moneys provided by the War Appropriation Act, 1917, and any subsequent war appropriation voted by Parliament.

(7) The powers and duties hereby conferred and imposed on the Food Controller shall not include or interfere with the powers and duties vested in the Board of Grain Supervisors for Canada established by Order in Council approved on the 11th day of June, 1917.
Appendix C

Order in Council establishing the Canada Food Board,
February 11, 1918.

His Excellency the Governor General in Council,
on the recommendation of the Minister of Agriculture and
under and by virtue of the powers in that behalf conferred
on the Governor in Council by the War Measures Act, 1914,
is pleased to order and it is hereby ordered:—

That a Board be created to be called the Canada
Food Board;

That the said Board consist of a Director of Food
Conservation, a Director of Food Production, and a Director
of Agricultural Labour;

That the Board shall be under the jurisdiction
of and shall report to the Governor General in Council
through the Minister of Agriculture.

And it is hereby further ordered:—

(1) That the Board shall generally direct the
production, conservation and distribution of food stuffs
in the interests of Canada and the other British Dominions
as well as the Allied Nations.

(2) That all the powers and duties now vested
in the Food Controller be transferred to and vested in the
Canada Food Board, and that all relevant orders in Council
and regulations conferring powers or imposing duties upon
the Food Controller shall have force and effect as if the
Canada Food Board had been named and designated therein.
(a) Instead of the Food Controller.

(3) That for the better accomplishment of the said purposes the Board shall have power:-

(a) To expend any sums of money approved by the Governor General in Council for any of the purposes aforesaid.

(b) To co-operate with the Provincial Governments with a view to co-ordinating the activities of all local bodies for the aforesaid purposes.

(c) To enter into agreements for the cultivation of idle land on such terms as may appear to the Board to be advisable.

(d) To utilize and direct the co-operation in the work of the Board of any member of the Outside Service for the purposes of publicity and of securing information.

(e) To mobilize on a voluntary basis the farm labour resources of Canada.

(f) To make such regulations consistent herewith for carrying out their duties and for the internal economy of the Board, as the Board may deem advisable.
Appendix D

Order in Council of December 5, 1939, reconstituting the Wartime Prices and Trade Board.

Note: The original Order in Council, of September 3, 1939, was found by the Board's experience to need some amendments to allow more effective action. Law enforcement officers had also recommended that the regulations governing the Board be strengthened. Consequently, to make the desirable changes, and to consolidate the previous Regulations and amendments, all previous Orders in Council pertaining to the Regulations were rescinded and a new Order passed. Only relevant parts of the new Order in Council are reproduced below.

Regulations Respecting Necessaries of Life in Time of War

Title

1. These regulations and any amendment or addition thereto may be cited as the Wartime Prices and Trade Board Regulations.

Interpretation

2. (1) ........ a definition of terms used ........

(2) Every offence against any regulation, order or requirement shall, for the purposes of the Criminal Code, be deemed to be an offence against the Criminal Code.
(3) Unless and until action is taken by the Board under these regulations which conflicts with action taken by a properly constituted authority under or pursuant to a statute of a province or regulations made thereunder, these regulations shall not be construed as being repugnant to or as superseding such provincial statute or regulations.

Wartime Prices and Trade Board

3. (1) There shall be a Board to be called Wartime Prices and Trade Board consisting of five members, of whom one shall be the Chairman, appointed by the Governor in Council to hold office during his pleasure.

(2) The Board may establish at any place or places in Canada such office of offices as are required for the discharge of the duties of the Board, and may provide therefor the necessary accommodation, stationery and equipment.

(3) The Board may, with approval of the Governor in Council, appoint qualified persons, to be known as Administrators, to regulate, under the direction and supervision of the Board, the supply and distribution of specified necessaries of life and every such Administrator heretofore or hereafter appointed shall have the powers vested in the Board by paragraph (a) of subsection (1) of section 4 of these regulations, together with such other powers as the Governor in Council may, from time to time, on the recommendation of the Board, vest in him.

(4) The Board may, subject to the approval of the
Governor in Council, .... appoint such officers as may be deemed necessary (to be remunerated according to the recommendations of the Board.)

(5) ....... gives the Board the right to conduct its business in the most convenient manner, provided such rules as it may make governing its proceedings are not inconsistent with these regulations.

Powers and Duties of the Board

4. (1) The Board shall have power
(a) to investigate, of its own motion or on complaint, costs, prices, profits and stocks of goods and materials of any person engaged in the manufacture, importation, production, storage, transportation or sale of any necessary of life or any alleged or apparent offence against any regulation, and for the purpose of any such investigation the Board shall have the powers of a commissioner appointed under the provisions of the Inquiries Act.
(b) to inspect and examine any or all books, records and stocks of goods and materials in the possession or control of any person engaged as aforesaid, and to require any such person to produce such books and records at any place before it or before any person appointed by it to investigate, and to take possession of any or all of such books and records:
(c) to require manufacturers, importers, exporters, producers, jobbers, wholesalers or retailers of or other dealers in a necessary of life to obtain licences from
the Board and to issue licences to such persons and to fix
the fees payable on account of such licences. Provided,
however, that the issue to any person of a licence shall
not be deemed to affect the liability of such person to
obtain a licence as required by any other statute or
law of Canada or any province thereof;
(d) to suspend or cancel a licence in any case where in
the opinion of the Board the licencee has failed to comply
with any regulation, order or requirement;
(e) to fix maximum prices or maximum markups at which any
necessary of life may be sold or offered for sale by manu-
ufacturers, importers, exporters, producers, jobbers,
wholesalers, retailers or other dealers; and any order
made pursuant to this regulation shall apply throughout
Canada unless otherwise provided therein;
(f) to fix or limit the quantities of any necessary
of life that may be sold or distributed to persons within
prescribed periods of time and to prohibit sale or
distribution in excess of the quantities so fixed or
limited;
(g) to fix or limit the quantities of any necessary of
life that may be bought or sold by any person within
prescribed periods of time and to prohibit purchase or
sale in excess of the quantities so fixed or limited;
(h) to buy and sell any necessary of life through
agencies designated by the Board;
(i) to take possession of any supplies of a necessary of
life, paying to the owners thereof such price as may be, in default of agreement, be decided to be reasonable by the arbitration of a superior court judge of the province in which possessions was taken;

(j) to prohibit the export of a necessary of life except under and in accordance with the terms of a permit granted by the Board;

(k) to refer to the Attorney-General of any province information respecting any alleged offence against any regulation, order or requirement;

(l) to require from time to time any person who manufactures, imports, exports, produces, stores or sells any necessary of life to furnish in such form and within such time as the Board may prescribe written returns under oath or affirmation showing such information as the Board may consider necessary with respect to such necessary of life;

(m) to make public their finding or report in the case of any investigation or to withhold such publication if they consider the public interest would be better served by such withholding.

(2) The powers vested in the Board by paragraphs (c), (e), (h), (i) and (j) of the next preceding subsection shall be exercised only subject to the approval of the Governor in Council.

5. ........ rules regarding a quorum of the Board, and the Board's right to delegate its powers where necessary
6. The Board shall, in exercising any of the powers vested in it by these regulations, take into consideration the amount of a necessary of life required for the use or consumption of any person in his household or for the ordinary purposes of his business and at what price a necessary of life may be sold to return to the seller a reasonable and fair profit.

7. It shall be the duty of the Board
(a) to arrange, wherever possible through existing government agencies, for the assembling of required statistical data in relation to any part of any trade or industry regarding prices, costs, stocks of goods, volume of production, productive capacities, and related matters;
(b) to refer to the Commissioner of the Combines Investigation Act any information relating to practices which may be violations of the Combines Investigation Act or of Section 498 of the Criminal Code, if, in the opinion of the Board, such practices impede the operation of these regulations;
(c) to confer with manufacturers, wholesalers and retailers as and when it is considered desirable by the Board with a view to enlisting their co-operation in ensuring reasonable prices, adequate supplies and equitable distribution of the necessaries of life;
(d) to recommend any additional measures it may deem necessary for the protection of the public with respect to necessaries of life and in any case where the Board is
satisfied that a necessary of life is being sold or offered for sale at a price that is higher than is reasonable and just or is being unreasonably withheld from sale, or that the manufacture, production, transportation, sale, supply or distribution of such necessary of life is being unduly prevented, limited or lessened, the Board may recommend that such necessary of life be admitted into Canada free of duty or that the duty thereon by reduced to such amount or rate as will, in the opinion of the Board, give the public the benefit of reasonable competition.

8. All expenses lawfully incurred under these regulations, including travelling expenses of the members of the Board, shall be payable out of moneys provided by Parliament.

**Offences**

9. (1) No person shall sell or offer for sale any necessary of life at a price that is higher than is reasonable or just and in any case where a trader accused under this provision has not kept such books of account as are necessary to exhibit or explain his transactions, the onus shall be upon such accused person to establish that the price 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; and provided further that if a maximum markup has been fixed by the Board for the sale of such necessary of life, any price which includes a markup
in excess of the markup 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 of consumption of his
household or for the ordinary purposes of his business.

(3) No person shall unreasonably 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 manufacturer, importer, exporter, producer,
wholesaler, jobber, retailer or other dealer shall sell
or offer for sale or ship, distribute or deal in a
necessary of life in respect of which a licence is required
unless he has a licence from the Board which is in full
force and effect.

10 ...... provides the penalties for non-observance of
Board Regulations;

11 No prosecution for a contravention or non-observance
of any regulations, order, or requirement 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.

12 Every order made by the Board shall take effect from a
date to be stated therein not earlier than the date of
publication in the Canada Gazette.

13 These regulations and any order made thereunder shall not apply to any farmer or gardener in respect of any necessary of life produced upon any land cultivated by him.

14 The Board shall report to the Minister (of Labour) as and when required to do so by the Minister.
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