



THE SECRETARY OF THE TREASURY
WASHINGTON

March 20, 1942.

Dear Marriner:

I have recently been impressed by the fact that living costs in Canada have distinctly levelled out since the Canadian price ceiling program was put into effect, while living costs in this country have continued strongly upward. I thought you would be interested in the attached chart showing comparative price trends in the two countries and in the brief explanatory statement which accompanies it.

Sincerely,

A handwritten signature in cursive script, appearing to read "Henry".

Honorable Marriner S. Eccles, Chairman,
Board of Governors of the
Federal Reserve System,
Washington, D. C.

FOR DEFENSE



Canadian inflation-control program.

On December 1, 1941, after previous unsuccessful attempts to control prices, Canada put into effect an overall price ceiling as part of a far-reaching program of inflation control. This 5-part program consists of (1) a general ceiling on retail prices, with limited exceptions, (2) a ceiling on wages and salaries, supplemented by cost-of-living bonuses, (3) curtailment of public spending through taxation and war savings programs, (4) a system of industrial allocations, with prospective consumer rationing, and (5) subsidies to producers of essential farm products, to maintain supplies without increasing costs to consumers.

While it is probably too early to determine the effectiveness of the Canadian program, a levelling-out of the Canadian cost-of-living index and index of retail food prices since November 1941 may be significant. The attached chart shows the official Canadian cost-of-living index and the index of retail food prices, in comparison with similar official indexes for this country. For comparability, both are converted to an August 1939 base.

The Canadian figures (as of the 1st of each month) show that the cost of living index in February was 0.5 percent lower than last November, and that the index of retail food prices was 1.8 percent lower. (The Order in Council establishing ceiling prices was issued November 1, the base period for the ceilings having been announced on October 18.) Figures for the United States (as of the 15th of each month) show in the same period a rise of 2.2 percent in living costs and a rise of 3.3 percent in retail food prices.

The Canadian price ceiling is essentially a rigid ceiling on retail prices, applying to all commodities (unless specifically exempted), to twelve essential services, and to the rental of all real property. A major administrative problem is the "rolling back" of squeezes between retail prices and basic costs, which is accomplished in part by the payment of various Government subsidies.

Attachment

COST OF LIVING, U.S. AND CANADA

August 1939 = 100

