

Do we have the personnel in Canada and the information in Canada presently for the establishment of such guidelines?

Professor NEUFELD: In the last several years there has been a very substantial improvement in our knowledge of productivity. Until the last several years that information was not available, but the Dominion Bureau of Statistics has forged ahead in this field and the information is improving year by year, so I think we are getting to a point now where we have got the information, and I certainly think we have in Canada the expertise to use the information. So I see at this stage no obstacle of that sort to prevent us from moving forward.

Co-Chairman Mr. BASFORD: The reporting facilities of the Dominion Bureau of Statistics are now sufficient, they are giving us enough information, are they?

Professor NEUFELD: The information they have created in the last several years is so much better in this area than the information we had before that we are certainly getting to the position where the information is sufficient. My opinion would be it is sufficient to start now. When one remembers that these things do not happen too quickly, and that in the meantime the information will keep on improving, looked at in this way the problem of information should not impede progress on these points.

Co-Chairman Mr. BASFORD: You came out earlier in your evidence, in answer to some questions by, I think, Mr. Cameron, clearly opposed to price controls with the emphatic answer, "No." I think it would be useful to have on record your reasons for the "No."

Professor NEUFELD: I think price controls usually have two major effects. The first is that they do not get rid of inflation; they merely hide it for a period; the inflation is still there. The way it is hidden is through the substitution of rationing procedures, price rationing procedures. Rationing there still is. It is done through other ways rather than price, so it does not get rid of the problem of inflation, but merely obscures it.

The second thing I think may be said against price controls is that it distorts the relative price structure. Quite apart from increasing prices it destroys the relative price structure. There are, in fact, quite substantial changes in relative prices, because the demand for some things falls off and the demand for other things increases. By permitting such relative price changes you encourage the production of things that are wanted and discourage the production of things that are not wanted.

It is interesting that in highly centrally controlled economies the direction is in favour of using prices more and not less, because of its allocating function. Price control would destroy that allocating function—at least, would severely limit its effectiveness. Therefore, I do not think it is desirable on these grounds.

Thirdly, I would say that as long as we essentially decide we are going to have an economy that is price oriented, in which the allocation of capital and the organization of a good part of the activity and the pricing of things that people buy is essentially based on a price-oriented approach, as long as we accept this, then I think a system of price controls would be an anachronism because it would, in fact, tend to destroy the general market-oriented economy we say we want to have.

So, I think there are three points: it does not prevent the problem of general inflation; it prevents the system from allocating goods; and, thirdly, it would, I think, tend to destroy the essentially market-oriented economy that seems at this stage of our history still to be the most acceptable type of economy.

Senator THORVALDSON: Mr. Chairman, on this point may I ask just one question?