

more sharply than in any other category except one—and I hope Mr. Hellyer notes this—that of military pay and allowances, which went up some 10.7 per cent. There has been a steady and quite dramatic rise in this since 1949.

Professor NEUFELD: Yes.

Mr. CAMERON: I wonder if you would care to comment on the possible significance of that in regard to inflationary pressures.

Professor NEUFELD: Yes. Well, I think that you will see that that process ended in about 1960.

Mr. CAMERON: No, no.

Professor NEUFELD: Item 5?

Mr. CAMERON: Yes, Item 5.

Professor NEUFELD: If you look at Table 6, Item 5 you will see it shows that the increase in the proportion of income represented by rent, interest and miscellaneous investment income reached 6.8 per cent in 1960, and in the first half of 1966 it was 6.7 per cent. Do you agree?

Mr. CAMERON: Yes, you are right.

Professor NEUFELD: So that this means that the problem, if there was a problem, ended away back in 1960, well before any of this recent inflation occurred.

Mr. CAMERON: I was just looking at Table 5 where it shows it continually increasing, but I see that in proportion to the total—

Professor NEUFELD: Yes, it ended in 1960.

Mr. CAMERON: Although the increase had been 10.7 per cent in 1965 over 1949, and 10.3 per cent in 1966 over 1965.

Professor NEUFELD: Not 10.3 per cent of that. It is just that the increase from 1965 to 1966 was 10.3 per cent, but I think that Table 6 does show that nothing much happened in terms of the income distribution in that item since 1960.

Mr. CAMERON: Yes. Now, I would like to come back to the answers you gave Mr. Basford with regard to the desirability or otherwise of imposing price controls. First of all, I should like to make clear that no one, so far as I know, has suggested complete price control over the whole range of the economy. The only suggestion made was that key basic commodities should be subject to price control. In your answers to Mr. Basford you raised three objections—at least, I got down three. The first that I would like a little more elaboration on is your statement that it does not get rid of inflation, but merely hides it. Would you elaborate on that statement a bit?

Professor NEUFELD: Well, to the extent that people have the money to spend and, therefore, have the resources with which to push up prices, but cannot push up prices because people who sell goods are told the price at which they should sell them—to that extent, the people are still left with the money, but the price level is being kept down. What do you do in a situation where the amount of money they have to spend is greater than the actual goods available? Obviously, what you have to do is start rationing, and say there will be so much to a customer. Therefore, what I am saying is that the basic problem of inflation, in the sense of excess purchasing power, has not been removed. It has, in a sense, been hidden. The next stage normally is the development of black markets throughout the economy, so the inflationary forces begin to reveal themselves through the development of black markets.

This is why I think it does not remove the problem, but merely hides it, and diverts the forces in other ways.