

No longer is it a matter of arguing whether government should become involved in the procedure. It has already become deeply involved, both through the incredible wage settlements of recent months, and through its action concerning steel prices. It is now a matter of whether that involvement will be haphazard, probably ineffective and possibly damaging to the flexibility of the price-oriented economy, or whether it will be systematized, essentially in harmony with the character of the economy, and effective in reducing "cost-push" inflationary forces.

If you wish, I will just quickly run through the main points I have been trying to make. There are eight of them.

1. By international standards Canadian prices have been remarkably stable, but they have risen more than U.S. prices.

2. Foreign price increases, particularly U.S. price increases, tend to push up Canadian prices.

3. Unless special situations exist, to try to insulate Canadian prices from U.S. price increases would probably lead to increased unemployment and slower economic growth in Canada.

4. Therefore a rule of thumb, albeit a crude one and open to exceptions, for our policy makers should be to keep Canadian prices and costs in line with U.S. prices and costs.

5. A number of Canadian prices over the last several years have increased more than U.S. prices, although in 1966 they for the most part have not done so.

6. The main reasons for the faster increase in Canadian prices seem to have been the Canadian dollar devaluation and the more rapid move in Canada, until recently, toward full capacity including low unemployment.

7. It seems both from statistics already available and from recent wage settlements that are not yet reflected in the statistics, that wage-push inflation may be a more serious problem in Canada than in the United States.

8. While excess spending forces appear at present to be fairly well under control, it should not be assumed that new techniques will not be required to control "cost-push" inflationary forces. Government should now move systematically forward in this area rather than continue to pursue all ill-defined, unpredictable, and possibly ineffective approach to the problem.

Thank you, Mr. Chairman.

Co-Chairman Senator CROLL: I believe Mr. Olson has some questions to ask.

Mr. OLSON: I would like to ask Dr. Neufeld for a little explanation of what he says in his summary in paragraph 8, where he says that

"spending forces appear at present to be fairly well under control."

Professor NEUFELD: Yes.

Mr. OLSON: What leads you to believe that these spending forces, or excess spending forces, are now under control? Do the statistics indicate that this has dropped off recently or is this a diminution of the capital available for this?

Professor NEUFELD: I think there are now a number of statistics that suggest that the rate of spending has levelled off.

Mr. OLSON: Since when?

Professor NEUFELD: I would say since about February or March. I think that this began with weakness in housing, which extended it to weaknesses in other durable goods. It also, then, went into cars. Since about the beginning of this year there has been weakness in cars, and for the last 5 or 6 months there has not really been any further increase in the level of non-residential building.