

REPORT OF THE COMMITTEE

TUESDAY, 14th July, 1959.

The Standing Committee on Finance, to whom was referred the instruction to study the threat of inflation in Canada, reports as follows:—

In recent years the problem of inflation has become a major concern of public policy throughout the Western World. An outstanding authority stated to your Committee that "Inflation has replaced recession as the major topic of business concern on this continent". The nature of this problem, its cure, and its threat for the future have become matters of urgent interest and widespread discussion. The information submitted to your Committee has indicated that these apprehensions have arisen because of the persistent rises in prices and costs and the consequent erosion in the value of money which has occurred during the post-war period; the continuing increases in the cost of living during the recent recession; and the obvious reluctance which has developed on the part of the general public with respect to the investment of savings in long-term fixed dollar obligations, with the result that governments in particular have encountered increasing difficulties in financing their requirements.

It was against this general background that your Committee proceeded to carry out its instructions "to study the threat of inflation in Canada". The Committee sought the assistance of both competent individual authorities and of representative groups in the Canadian community. Within the limited time available the Committee was able to arrange 10 public meetings. At its first such meeting the Committee heard from a distinguished economist, Professor F. A. Knox of Queen's University who presented an explanation and board analysis of the nature of inflationary forces. At its subsequent meetings the Committee received the views of leading representatives of industry, commerce, finance, labour, agriculture, and of the Governor of the Bank of Canada. In all, the Committee heard from 44 witnesses. Their names, positions, and the organizations which they represent are shown in Appendix A.

The submissions which were received were of invaluable assistance to the work of the Committee. All of the presentations were prepared with special care and were the result of much thought and effort. They were constructive, frank, and reflected the great importance which was being attached to the subject of our enquiry. Consequently, the evidence placed before the Committee as published in its proceedings does itself constitute a most valuable contribution to the discussion and elucidation of a problem of great social and economic significance to the future welfare and progress of our country.

In particular, the views and information which were presented have enabled the Committee, within the limited time available, to submit some preliminary, but, useful findings. Clearly, there has not been sufficient time to pursue many of the intricacies and implications of so complex and difficult a subject. Consequently, the Committee will confine itself in this report to a brief consideration of certain basic issues of vital importance about which there was some consensus of view among the witnesses who came before us. These issues relate to such fundamental matters as the question concerning the historical and long-term inevitability of inflation, the nature and effects of the post-world War II rise in prices, the compatibility of the aims regarding the maintenance of high levels of employment and the preservation of reasonable stability in the value of money, the doctrine of creeping inflation, and finally the existing situation and psychology concerning the threat of inflation.