

would be better off by having a floating or semi-floating system of exchange rate than a fixed exchange rate. If it is true that our unit costs have got out of line with U.S. unit costs, in effect it means that the 92½ cent dollar we set then is not the rate of exchange we have today in real terms. So that we have in fact changed the exchange rate. If we are going to change it, perhaps it would be better to let it float rather than let costs get out of line with those of the United States.

Co-Chairman Senator CROLL: Mr. Bell and Mr. Olson are next.

Mr. OTTO: Mr. Chairman, may I ask a short question?

Co-Chairman Senator CROLL: Just a short one.

Mr. OTTO: Senator Carter asked if we have any flaws in our free enterprise system. Would you not say that taking away labour from the law of supply and demand is a very serious flaw in our whole system?

Professor NEUFELD: That is a very pertinent question, and of course when one talks about these things one has to begin by a definition of what one means by "flaws". I think that you could well argue, as you have suggested, that the very fact that market forces do not seem to establish correct prices in all industries, because there is inadequate competition, and do not seem always to establish correct wages because the market does not work too well in those areas, could be defined as a flaw in the free competitive system, and I think there is not an economist on earth who would argue that we have a perfect competitive system. In fact, I think it could be argued the other way, that there always have been many areas in the economy where the free market system does not work particularly well.

Co-Chairman Senator CROLL: Mr. Bell?

Senator THORVALDSON: Mr. Chairman, I would like to ask a question about the question Senator Carter asked. Professor Neufeld, what will be the effect on Canada and our trading relations and monetary relations with the United States if we continue to widen the inflationary gap between Canada and the United States.

Professor NEUFELD: Well, the end result would be, if continued long enough, a further devaluation of the dollar.

Senator THORVALDSON: To follow that up, would you deem that to be detrimental to our economy?

Professor NEUFELD: I have seen the question argued in an academic sense on both sides. My own feeling is that it is not appropriate for a nation of this kind to pursue a policy of continuing devaluation of its currency.

Co-Chairman Senator CROLL: Mr. Bell?

Mr. BELL (*Saint John-Albert*): Mr. Chairman, most of my questions have been answered, and I would like to compliment Professor Neufeld on his answers; they were much to my personal satisfaction, and were less socialistic than I thought his background would have indicated, coming from Saskatchewan's School of Economics. I also noted that there was some general agreement between Professor Neufeld today and Mr. Bryce, the Deputy Minister, yesterday, in at least two fields. First of all, there was some agreement, I think, that interest rates no longer have the same control over our problem today, and I think you both expressed the same general views about our gross national product developing in the future. However, I want to follow the one point which Mr. Basford touched on with respect to D.B.S. Are you fully satisfied that D.B.S. are providing the true figures that we need to follow through the techniques you suggested? Should more be done here?

Professor NEUFELD: I think that more should be done here. I think one must be completely fair to the D.B.S. They have plans, if I read their outlines