

strong economic growth over the middle period. The expansion going on in the rest of the world looks as though it will afford us good markets for our exports. There are questions, however. First, we have had a long, uninterrupted or relatively uninterrupted upswing, and it is very unusual that this should go on without some kind of setback occasionally. Certain of our industries have a tendency to overbuild their capital, plant and facilities from time to time. We have been remarkably lucky this has kept up the way it has. I would say in general terms that the underlying position is good provided we can avoid these inflationary tendencies gathering strength leading to excessive efforts to get in ahead of the increase in construction costs and things like this and so lead people to do things out of temporary need which don't fit into long-term patterns.

The Minister of Finance in his budget last spring emphasized what he thought the importance was of getting on to a sort of stable growth pattern, and what he is aiming to do, as set forth in his speech in the house in September, is to try to devise some form of sensible restraint on the rate of increase in our expenditures so that we can hold to a reasonable growth rate and not get something that has obviously got to stop at some point.

Mr. SALTSMAN: I would take it, then, you are anticipating we will continue, or to put it in other words, pressure on the economy will be maintained fairly strongly as it has been over the last five years. It seems to me we are entering into a different kind of economic circumstance from what we have experienced before because of the nature in the change of our attitude, transfer payments or perhaps because of military commitments of some nations and armaments that are necessarily being maintained, that we may be facing the kind of situation we faced during the war where you have a permanent pressure on all your available resources both material and human and that perhaps the normal fiscal and the monetary policies will not be sufficient to contain these pressures in order to avoid inflation, and we should be considering, perhaps, something in the nature of physical rationing of money, price controls on money, price controls on basic commodities—I would like to hear your comments on that.

Mr. BRYCE: That is a very tall order indeed. I would hope we can learn to live with prosperity. We have not had to do it year after year before and I would hope we can learn to live with prosperity now without having to have rationing and controls and a centrally-managed economy. There are great advantages to being able to have decentralization and freedom of action on the part of the individual and business. But if this is the case, I think we have to learn to live with conditions where we can make the transition from an expansion taking us towards full employment, to live on some kind of stable growth pattern. I don't know where this has been done before. In the United States they are trying it now, and it looks as if they are lagging a few months behind us and catching up fairly quickly. We are both having difficulty in making this transition. The advantages of achieving it are so great that there is tremendous reason for trying to manage our affairs in such a way as to keep the thing in balance without having to harness it to keep it under control.

Mr. SALTSMAN: I can appreciate why you would want to do it in that particular way. But the question I am asking is: Are we going to be able to do it in that particular way? Have things changed? Is there something far more fundamental afoot other than the normal increase in prices and what one might call normal inflation? Are we going into a change in circumstances where the traditional tools will not be effective? The question of the interest rate has been brought up. Are we going to let it rise to dampen demand? This is simply not working. They are accepting the money at the highest cost and then passing it on. It also appears that a re-allocation is taking place in our society. Values are changed. Housing is being penalized and commercial construction is proceeding