

money. The only exception I would make to that is that there are times when a certain psychosis develop and people get very frightened because of international developments and so on, and because of some concern over the financial stability of financial institutions and so on, when for short periods of time you might have really drastic interest rates such as in 1959, for example.

However, excluding that, my view is that almost all the time interest rates indeed are a correct reflection of the cost of money, because they have been arrived at in a market that is remarkably competitive.

Mr. SALTSMAN: This is the point I was trying to make, that the market is not competitive in the traditional sense. When we talk about competition, we usually talk about competition for the consumers custom. I see an analogy between what is going on in labour, perhaps in certain instances where they have sufficient power to make certain demands, and what is happening with those who hold money and who have sufficient power to make certain demands. I am thinking of some of the larger industries in Canada who have large sums of money that they put out for short term and who go round from one source to another and say, "how much more will you give me than the other fellow?"

Now, is this really intrinsically different from what labour is doing? After all, labour in Canada is still subject to market conditions. We do not see labour in Canada excessively higher than or, even in most cases, closely related to that of the United States. On the other hand, we see interest quite a bit higher than that of the United States. I find that the holders of money are really acting in a way that they have the market to themselves. They can almost bid it up as they please today.

Senator THORVALDSON: Nonsense.

Mr. SALTSMAN: This seems to be what is happening. I would like to ask you if you see interest rates coming down substantially.

Professor NEUFELD: I do not think so. I do not think interest rates will come down.

Another point I always fail to understand is why there is such concern for the position of the borrower and so little concern for the position of the saver.

You think interest rates are high today. But, if you compute what they really mean to a person who has an income tax rate of 25 per cent and who has to adjust to the fact that both interest income and capital value have been depreciating because of the rising cost of living rates, which have gone up 3 per cent per annum, what has he left? Very little. So, in real terms, interest rates are exceedingly low in Canada. They are not high.

Mr. SALTSMAN: Interest rates over the last three years, especially on mortgage money, seem to have increased, I would say, roughly at least 30 per cent. Would you agree with that? I am talking about traditional mortgages, where they have gone from 6½ to 8 per cent now.

Professor NEUFELD: No, I would not accept that.

Co-Chairman Senator CROLL: I would not agree with that either. It is not so.

Mr. SALTSMAN: In the last three years?

Co-Chairman Senator CROLL: No.

Mr. SALTSMAN: What have they gone to, then? What have they increased to, in your opinion?

Professor NEUFELD: I do not have the statistics in front of me, but I think it would be quite easy to get a definite answer.

Mr. SALTSMAN: Perhaps we could come back to that this afternoon.

Co-Chairman Senator CROLL: We were hoping to finish this morning.