

But I would say one of the things we do need in Canada is better information in this area that would permit me to make this generalization on the basis of Canadian rather than U.S. facts.

Mr. OTTO: Dr. Neufeld, you are suggesting that the cost of consumer credit has no particular influence on inflation. Are you also suggesting that the wage earner is really not interested in his take-home pay, but that he is really interested in the overall package? My experience has been that the wage earner is interested in his take-home pay, and that excludes the amount of money he has to pay out in interest. In other words, if he has too much money to pay out in interest he wants more money. Are you saying that is not the case?

Professor NEUFELD: I am not saying that. You are asking me to form an opinion on the psychology of the worker. I do not know what he thinks when he picks up his pay envelope.

I would, however, make the point that the deflationary impact on total spending of interest rate increases is a lot greater than the fact that for a period costs have risen because interest rates have risen.

The simple point also has to be made that interest rates do not, in fact, keep going up and up and up. Sometimes they go down, and when they do, that brings prices down, following your argument. Whereas other costs do not come down in subsequent periods. After all, wages keep rising and rising and rising. So, apart from a once-for-all move in interest rates to a new level—and there has been no basic change in interest rates over 150 years in this country—there have been great fluctuations, but it is fluctuation within a range and, therefore, they cannot have been back of the general increase in prices that has occurred over that period.

Senator McGRAND: Table I gives the list of countries where the minimum cost of living is much higher than it is in Canada. Would you say a word as to how that has affected the economy of the country and the prosperity of the people?

Professor NEUFELD: Each country is a story by itself and, again, I cannot pretend that I have the details of each case.

Senator McGRAND: Just a short answer.

Professor NEUFELD: I would say that a number of those countries over the years have had serious balance of payments problems and a number of those countries have experienced exchange rate devaluation. That is one generalization one can make.

I think I would also make the generalization that the functioning of the capital market in many of those countries, in my view, has been impaired because of the existence of inflation. I think, by the same token, Canada has one of the most developed capital markets in the western world. There is still greater confidence in this country in long-term debt than there is in many of the countries that have experienced high inflation. So I would say probably another consequence of high inflation in these countries has been that it has impeded the growth of well functioning capital markets.

Whether or not one could say that the relatively higher inflation in some of these countries has resulted in certain social upheavals or political upheavals, I do not know; but I think it is true in some of those countries that there have been changes in the social and political structure that may or may not have been related to the problem of inflation.

Mr. SALTSMAN: This is a supplementary question to the one raised by Senator Vaillancourt when he asked about the role of advertising in stimulating demand under inflationary circumstances. I presume the senator was interested in your opinion regarding whether some measure of control should be taken in this area, the same type of control we might take through monetary policy.