

Mr. R. B. Bryce, Deputy Minister of Finance,
Dr. Horst Seidler, Director, Berlin Institute for Economic Research
Mr. Roy Atkinson, President of the National Farmers' Union

Representing the Canadian Life Insurance Association:

Messrs. E. G. Schafer, Hervé Belzile, A. R. Hicks, G. F. C. Pangman,
J. H. Panabaker, J. W. Popkin and John A. Tuck.

Professor Vély Leroy, École des Hautes Études Commerciales, Montréal.

The Committee wishes to express its appreciation for their invaluable assistance to all witnesses who appeared before it. In particular, it wishes to take this opportunity to thank Dr. John Kenneth Galbraith, the U.S. economist, who met with the Committee in an informal unrecorded session to offer his wise and witty comments and advice.

The Committee also gratefully acknowledges the cooperation and devotion of Professors E. P. Neufeld and Vély Leroy, as well as Mr. E. Brower of the Library of Parliament, all of whom spent many hours working for and with the Committee in preparation of papers and briefs and in sifting and summarizing evidence in order to assist the Committee in its studies of the level of interest rates.

The Committee wishes to express particular appreciation to the Embassy of the Federal Republic of West Germany for the arrangements made to bring to Ottawa for a meeting with the Committee, Dr. Horst Seidler, a director of the Berlin Institute for Economic Research.

General Background to our Enquiry

Our examination of interest rates merged almost immediately with an examination of inflation, its causes and effects. We interpreted our Order of Reference, to include a consideration of the inflationary problem at home and abroad, and the measures that might be applied to control it.

The original Order of Reference of June 25, 1969, which was renewed in the Second Session on October 30, 1969, reads as follows:

"Ordered,—That the Standing Committee on Finance, Trade and Economic Affairs be empowered to consider the present level of interest rates in Canada and their relation both to rates in other countries and to economic conditions in Canada and elsewhere."

Your Committee received many written submissions from experts and interested parties and heard most of them as witnesses before the Committee. All submissions were printed as part of our proceedings and constitute an essential part of our report.

Your Committee has conducted its investigation of interest rates in the context of the economy of 1969: an economy struggling with an inflation which has already produced dangerous social effects, distorted national goals and weakened Canada economically. Inflation distorts the normal working of the market place rendering the price mechanism defective; it is destroying the Canadian market for long term obligations preventing governments from raising social capital for housing and other objectives; if our inflation exceeds that of our most effective trading partners, bearing in mind that two dollars of every five dollars of goods which Canadians produce are sold abroad, it will cause our foreign markets to shrink and imports to have additional advantages