

control of money in trying to achieve high employment, in trying to achieve price stability, and in trying to achieve increases in the standard of living.

I think a lot of things have happened that have been very useful in this area. I do not think the money system is in the horse and buggy stage, I think it is in the jet age, but it is not enough, we have to do other things, too.

Senator CARTER: In your brief at page 9 you refer to the devaluation of the Canadian dollar and its possible effects on price increases. I may have misinterpreted what you said, and I would like you to correct me if I did, but I got the impression from your brief and from your remarks that the devaluation of the dollar in the light of history, looking back on it, was entirely a good thing, and I gathered from your brief that you would not agree with letting the dollar find its own level on the monetary market at a floating rate. Am I interpreting your brief correctly?

Professor NEUFELD: I did not specifically raise the question of the desirability or undesirability of a floating rate. I am quite happy to state my view. I said that if a country tries to protect itself against the impact of foreign price increases, eventually you will have to have changes in your exchange rate. Whether you would do this by permitting the rate to float or by changing it regularly from one peg to another peg, is of course an important question in that case. But I gather that you want me to answer the question whether or not I would favour a floating exchange rate, or am I misinterpreting you?

Senator CARTER: I just want a clarification, because I was not sure from your brief exactly what you meant in regard to devaluation. To go back in history at that time, I do not think Canada had any choice, with the conditions that were more or less imposed on it at that time, and that this was the price of getting the support from the International Monetary Fund and federal reserve funds to shore it up. So I do not think we had much choice but to devalue the dollar. But in trying to assess what you have stated in your brief and what you said this morning, I am not quite clear whether you think Canada should have devalued the dollar at that time or should now revert to a floating rate.

Professor NEUFELD: I think that at the time we should have had a devaluated dollar but should have achieved it through pursuing a monetary policy that would have brought it about. Unfortunately the monetary policy we pursued at the time did not achieve that objective. In my personal opinion, it was inappropriate to the economic situation at that time. When the devaluation was achieved initially, I think it was done through important public speeches about the desirability of the Canadian dollar being lower than it was, by fairly prominent cabinet ministers. Eventually there was the devaluation. The question, however, was not so much one of devaluation, but whether the rate should be fixed or not, so we fixed the dollar. Those are two issues, it seems to me. So that when you ask me should we have had devalued the dollar, I think in view of the economic conditions at that time—high unemployment—that a devalued dollar was quite appropriate.

Now, the question of whether we should have fixed it at that time or whether we should have permitted it to float. The point I made in the paper is this, that if it is true that we have permitted our unit costs in Canada to rise more than the United States—and I would hope that the Economic Council would provide you with more authoritative information than I can—then we have eroded the advantages we have gained from devaluing the dollar, in the first place, and if we had had a choice, in my view, if we had decided we were going to erode the dollar in this way it would have been better to permit the dollar to float back up, rather than in effect re-valuing it and getting prices out of line with U.S. prices.

As to the floating exchange rate, I still believe, particularly if it can be done in the context of more flexible international exchange rates, that Canada