

point, and I do not want to do so. However, this is not to say that there may not be pockets in the capital market, such as consumer credit and so on, where the market does not function well and where something should be done.

However, as a general proposition, the capital market works exceedingly well and the interest cost that you see is an accurate reflection of the relative demand for funds.

Mr. SALTSMAN: I would like to pursue this subject a little further because I think it is quite important.

Would you not say the same thing about labour, that the cost of labour today is an accurate reflection of market demand? The market in effect says that, if you can squeeze harder, you will get more, and, if you are more powerful, you will get what you want, or, if there is a shortage, prices will go up.

We could say the same thing about labour as about interest. I am suggesting that there is really not this kind of flexible degree and wise allocation in the market interest rates.

What we have today, really, is an extreme shortage, or apparently, a really extreme shortage of capital. There is really no bidding. Capital can practically get what it demands. It is in that sort of position in the market.

Competition is not really to lend money to people, but to up the rates on those holding money.

I would suggest this is an imperfect market, and just as we may be in an imperfect market for some labour in Canada, we have a similar situation with interest rates. The market is not functioning normally.

Now I will leave that point, and go on.

Professor NEUFELD: Was that a question?

Mr. SALTSMAN: Well, it is in the form of a statement that is intended to provoke you to an answer.

Co-Chairman Senator CROLL: I was going to suggest, Mr. Saltsman, that the statements are being made from here. That was the original intention.

Mr. SALTSMAN: Well, I have raised my voice on the matter.

Professor NEUFELD: I would like to record that I just disagree with you.

Mr. SALTSMAN: Yes. I would like to hear your reason for disagreeing.

Co-Chairman Senator CROLL: Just one minute, Mr. Saltsman. Just wait a minute, please. Professor Neufeld says that he disagrees with you, and he is going to give you reasons. We are all listening, Professor Neufeld. Go ahead.

Professor NEUFELD: First of all, in the case of your comments relating to the labour market, that it works reasonably well and that wage prices are an accurate reflection of the market, I think that we have to admit that important wage settlements are arrived at through a very peculiar process: the battle between the very powerful management group and the very powerful union group.

Competitive markets are not conceived as being structured in this way, where no individual in the market can decisively influence the market price, so that I do think, just as there are industries where there is not sufficient competition for us to believe that the prices they established would be the ones that would be established by a competitive market, so the wage settlements arrived at by the large and powerful unions might well be wage settlements that, too, would not have been arrived at had there been free competition in the labour market.

In the case of interest rates, I repeat what I said before. In my view, from observing for some time now the functioning of the capital market, I think this is probably the most efficient market of any kind that the nation has, where changing demand and supply forces accurately are reflected in the cost of