

from 1963 to 1964 and 1965 when Canadian economic activity went quite a bit faster than U.S. economic activity, and unemployment dropped quite a bit more in Canada than the U.S., and I think this created price pressures in Canada that were greater than the price pressures in the U.S. The stability in the recent period—and it would be foolhardy to be specific about this, but one should notice that this rate of growth in Canada in relation to the United States has levelled off, and it might well be we are so far away from the devaluation now that whatever effect it has had on prices, has worn thin. So we may well be entering a period when the only thing left to worry about is the possible effect of very large wage settlements.

Senator THORVALDSON: Another question, doctor, in regard to the devaluation of the Canadian currency. I suggest that the increase in the Canadian consumer price index as a result of the deflation seems to amount, from your figures at Table II, to about 3 or 4 per cent, or so, which would be approximately one-third of the actual devaluation on the percentage basis. In other words, one might expect the devaluation—which actually was from the dollar at \$1.03 to the dollar at 92½ cents—

Professor NEUFELD: Yes, it works out to 10 per cent.

Senator THORVALDSON: 11 per cent?

Professor NEUFELD: Yes, almost 11 per cent.

Senator THORVALDSON: One might expect the increase in the Canadian consumer price index to increase by 11 per cent as a result of devaluation, whereas it appears only to have increased by 3 or 4 per cent.

Professor NEUFELD: I do not think you would expect it to increase by the whole amount of the devaluation, because imports do not account for all the goods bought in Canada. Their impact is smaller than that. Various estimates have been made. None of them, that I know of, is regarded as a final view on this question as to how much Canadian prices will rise if foreign prices rise.

My own instinct tells me—and that is not a very reliable thing, but it tells me it might be in the nature of one-third or up to one-half. In other words, if foreign prices rise by one, Canadian prices will rise by, say, one-half merely because foreign prices have risen. Do not take this estimate seriously, but I think it is probably of that order.

Senator THORVALDSON: I really do not know what relationship Mr. Cameron's question with regard to the decline in exports of B.C. forest products has to this study, but would it not be accurate to say that is a case of pricing yourself out of a market? In other words, as I see it, there is tremendous additional competition in the forest products industry being provided by the pulp mills in the southeastern United States, and so on, and other places. Would you not say that is merely because of pricing yourself out of a market?

Professor NEUFELD: I really do not know anything about the British Columbia pulp industry or the nature of its markets. I must say I do not think it would be very useful for me to imply that I did.

Mr. ALLMAND: Professor Neufeld, I notice on Table III the prices that have increased the most have been with respect to building materials and then other services. You said that as far as you know there was no particular item that thrust up prices in Canada such as perhaps the Vietnam war did in the United States. But do you think perhaps from 1963 to 1966 that so many of our projects that are for Centennial—including, let us say in the Montreal area, Expo—could have had some effect on forcing up prices in the construction area and the services area?

Professor NEUFELD: It is difficult to point at a particular thing. We know there was a time there in 1965 when the construction boom generally was