

I want to go on to the main part of your question which related to the impact of consumer credit on inflation. You made the comment that there were some institutions that seemed to be charging 10, 20 or 30 per cent. I would say first of all that these account for an exceedingly small part of the total credit that is granted. They are, by and large, rates that are charged by very fringe-type organizations, and I think that one could well make the case that as a minimum these fringe-type organizations should receive the glare of publicity. I cannot see much justification for interest rates of 30 per cent in the consumer credit field. But I would say in my view that is not a significant factor in terms of the total problem of inflation, because that is very unrepresentative of the price at which the great bulk of credit is, in fact, granted in this country and we are getting better and better information on what the rates actually are. Indeed, I would hazard a guess that the price of consumer credit is lower today than it was six or seven years ago, primarily because of the entry of the banks into the consumer credit field which has driven down the price many others charge. I think that situation is better now than it was six or seven years ago.

As to whether or not consumer credit and all the publicity surrounding it causes inflation, I think, first of all, it is correct that in the early part of this expansion and perhaps even well into the expansion there was a growth in the amount of consumer credit which, if it had continued, would definitely have been inflationary and therefore, I think it is as necessary to observe the behaviour of consumer credit as it is necessary to observe the growth of other types of credit. There is some evidence that consumer credit growth at certain times has caused inflationary influences just as business credit has caused inflationary forces to develop. My own feeling is that the problem at a minimum is not worse than that of business capital spending. It has been no more serious than the question of credit used by business. Therefore I don't think we need special controls to control consumer credit.

It is interesting that consumer credit has been one of the things that has levelled off in the last three, four or five months. High interest rates, tight money and so on have got through not merely to business credit but to consumer credit so that the expansion in consumer credit seems to be amenable to the forces of monetary policy in general, and because of this I think that probably our techniques for controlling it are sufficient. From time to time it has been suggested that perhaps we need additional techniques such as bigger down payments to prevent it from growing too quickly. I don't have a closed mind on that issue. I think it would be worth while if one could have in this country—and this is difficult because of the nature of our constitutional relationships—but I think it would be useful to have standby techniques to control excessive consumption of consumer credit, even though it seems to me that probably monetary policy in general will be sufficient to control it.

I would like to make one final point about consumer credit. I think that some of your remarks might have been interpreted to mean that consumers in general were getting out of their depth as far as the burden of consumer credit is concerned.

As far as I can see, this is not the case generally, although there are always dramatic individual examples of people using too much credit and getting into financial difficulties because of it. But if one takes the total figures of the income of people or the proportion of the population that is using credit and of the stock of assets of people, and tries to measure the burden of debt in this way, one comes to the conclusion that probably there has been no increase in the burden of debt, consumer debt, on individuals for a long time.

Again, I do not want to overstate my case. Some of my conclusions are based on consumer credit information of the United States and not of Canada. But, if anything, the United States has gone further in using consumer credit than Canada, so this generalization based on U.S. information might be valid.