years, rising costs have become a serious problem for farm people... Farmers are particularly vulnerable to the pressures of inflation because they are unable to pass on their increased costs to someone else". Mr. R. M. Fowler, President of the Canadian Pulp and Paper Association, told the Committee "For many reasons, the Canadian pulp and paper industry fears inflation and believes in price stability... If the situation over the next few years is one of slow or creeping inflation, it may well be that the impracticability of recovering cost increases in price will have a bad result for this industry and for Canada... It could have serious effects, on the long term competitive position of this industry in world markets". Mr. James Muir made the emphatic statement that "...over time it (a moderate dose of inflation) would increase the incidence of unemployment, reduce productive efficiency, undermine equity and incentive in the distributions of income. and so prevent Canada from attaining an appropriate rate of economic growth".

The Investment Dealers Association discussed the effect on saving ". . . continually rising prices—or the expectation of rising prices—stimulates spending and discourages the saving needed to finance the new and productive capital equipment on which a rising standard of living depends". Professor Knox commented on the psychological situation which would be created and its likely consequences. "But when you lay it down as an element in national policy that you are not only going to tolerate it if you cannot help it, but you are going actively to assist and to promote, if necessary, a rise in prices of several per cent a year, then it seems to me that you put the public under notice that this is going to happen; and it better begin to protect itself against it. When the public begins on a large scale to protect itself against inflation, your inflationary pressures rise and the keeping of it moderate becomes, I think, impossible." Mr. James E. Coyne, Governor of the Bank of Canada, stated his opinion to the Committee ". . . I do not believe there ever has been or ever will be creeping inflation for any length of time. I think it will either break into a gallop or lead to a collapse. . .".

Those who expect, or would accept, a situation of creeping inflation have suggested various devices which they argue would ameliorate or overcome some of its evils and inequities. They would facilitate and encourage arrangements for the escalation of otherwise fixed dollar payments and fixed dollar commitments according to some formula geared to the degree of inflation contemplated. Thus there would develop a vast system of more or less automatic adjustments in fixed dollar claims respecting salaries, wages, pensions, utility rates, interest, mortgages and other fixed investments, savings accounts, life insurance policies, annuities, agricultural prices, etc. etc., so that their real values are kept in line with the decline in the value of money. Even if enough electronic computers could be produced to make this untold number of calculations, the result would be merely a crude attempt to restore the *real* positions which would have existed under a much simpler and more direct policy of reasonable stability in the value of money.

Once such a system of escalations, hedges, and dodges is in full operation the whole purpose of the creeping inflation policy is gone. Once it is no longer possible for particular groups to gain at the expense of others, through the process of inflation, the policy loses its supposed virtue as a device for reconciling conflicting economic and social claims. Of course there would always be some who would try "to beat the game" (no one has shown how this could be avoided) in which case the escalation formulas would become an engine for converting the "creeping" inflation into a "galloping" inflation. If, in these circumstances, the gallop could be contained through appropriate monetary and fiscal policies as is sometimes claimed, then these policies could have been used effectively in the first place to maintain a reasonable stability in the value of money, with at least equally good results in respect of employement and economic progress. Furthermore, the