

you say that this indicates there is some basic flaw somewhere in our monetary system?

Professor NEUFELD: I think that the presumption must be that there has been some basic flaw in the whole spectrum of our control techniques. What we are really trying to do is something very unusual, if you look at it with the perspective of history. We are trying to achieve high, full employment; we are trying to achieve increases in the standard of living; and, we are trying to achieve all this without inflation. Well, it is really only since the thirties, or since the Second World War, that we have really seriously tried to do this. So far we have not done it very well, and this implies that our techniques for trying to achieve these objectives are not as good as they should be. My view is that we should just keep on trying to improve them.

As I have explained, as I see it, the possibility might exist that we will make a better job of it if we use something of the guidelines approach in addition to the other things we have used up to 1965, than if we simply go along and hope for the best. So, I think it is to be remembered that we are trying to achieve economic objectives that probably we never have achieved before. Therefore, we may have to devise techniques that we have never had in order to achieve them.

Senator CARTER: But these techniques and traditional policies—both fiscal and monetary policies—that we have followed since the last war, and perhaps before that, were based on certain concepts. They have all been carried out within the framework of certain monetary concepts. I have been wondering whether you might inform the committee as to whether there might be basic flaws in these concepts themselves that confine the framework within which we have been operating. In particular, I have been thinking about money itself, and the use of money as a medium of exchange and, at the same time, treating it as a commodity. Could that possibly be one of the difficulties?

Professor NEUFELD: I do not think so. I think that the role of money in influencing prices, and the use of the control of money in trying to control prices, are things that are as important now as they ever were. I think unless we properly control our supply of money we would see the same old problem of cost and price increases in the future, so I do not think there has been a basic flaw there.

It has always been the case that one has to have a sensible control over money in the long term to keep prices under control. I do not think that that has changed, nor do I think there is a basic flaw there, but I think that what has changed is the desirability of achieving certain economic objectives. We want all the good things of life, and we want them without inflation. We have found that if we operate the economy at a high level of economic activity it might be that there are some price increases that arise not because we have too much money in the economy but because we have these very strong bargaining groups, on both the management side and the labour side, that set prices and wages that are not consistent with continuing high employment and continuing price stability. I say it is not that we have seen any basic flaw develop in the system; it is just that we are trying to do things that we have never tried to do before. The thing has always existed. What we are trying to do is control inflation which seems to be caused by things other than money, or too much spending.

Senator CARTER: Well, has any new thinking been done along these lines, such as exploring these concepts in the line of trying to develop new concepts? It seems to me that our monetary system is now in the horse and buggy stage when compared to our developments in science and other fields.

Professor NEUFELD: No, I do not think so. I think there have been tremendous developments on the monetary side, particularly in the use and