

Mr. OTTO: In other words, it allows complete, free play of supply and demand with money?

Professor NEUFELD: It controls the supply of money. The distribution of money within the context of the total supply that it permits it does not decide. This is decided in the market place, and I would say that this is one of the greatest advantages of monetary policy, that it does not interfere with many of these market processes in the way that direct controls do.

Mr. OTTO: Would you admit, then, that advertising has a great deal to do with demand, and that the people who control advertising for the suppliers of goods have a great deal to do with demand?

Professor NEUFELD: Your question is, do I think that advertising is an important factor explaining the level of total demand?

Mr. OTTO: Yes.

Professor NEUFELD: Frankly, I do not think it is; I do not think it is important. However, my opinion in this area is no more useful than anyone else's. I hope I do not buy something because I am told time and time again that I should buy it—it may be that I do, but I do not think so.

Mr. OTTO: My question was directed to get your opinion as to whether we are still functioning under a free enterprise system, or whether there are so many impediments introduced into the basic foundation of supply and demand that we should consider we are no longer functioning under a free enterprise system. Let us decide what we are functioning under, in this question of the problem of inflation.

Professor NEUFELD: I do not know of many situations which you could really classify as black and white situations. The economist refers to our economy as a mixed free enterprise system. We have had a mixed free enterprise system for a long, long time. Economists tell you there are some areas in this economy where free enterprise does work; there are others where price fixing works. In my view we have never been in a situation where we could sit back and say we have a completely free free-enterprise system. I cannot conceive of our ever having been in that position.

Mr. OTTO: We have had changes in the law of supply and demand.

Professor NEUFELD: Government spending has taken a larger amount of G.N.P. If this is a definition of a change in the free enterprise system, one would have to say yes there has been a change. But on the question you have asked, if it is to be answered on the basis of known facts, it is a very difficult question. My own feeling is that probably in a great many areas the price system works as well as it ever did, but that we have a clearer opinion now than we have had in the past as to areas where it does not work well. This is the difference.

Co-Chairman Senator CROLL: Can we declare it a draw? There being no further questions, may I on behalf of the committee say to the professor how very worthwhile this day has been. It has been an excellent presentation. It has been a successful one, in that he has clarified matters for us, and I hope that they will be clarified for the Canadian people generally. The purpose of the exercise was attained, because he said that the most important thing that we could do was to bring understanding to the Canadian people. If at the same time we can bring it to the Members of Parliament, it is that much more to your credit, professor. We are indebted to you. Thank you very much.

The next meeting will be on Tuesday morning at 9 o'clock, we will go on to 1 o'clock and then we will adjourn.

Whereupon the committee adjourned.