In 1910, the interest rate was 7 and 8 per cent on mortgage loans and there was no talk of inflation at the time. Moreover, a dollar was worth 100 cents, so that a $5 bill was actually worth $5. We could go to the bank and get a $5 gold piece; this is out of the question today.

In 1945, about 5 per cent of the national income of labour was mortgaged to the money lending institutions. In 1957, the rate had increased to 10 per cent and today it is 29 per cent. Now, is it not a fact that such financial institutions as Atlantic Acceptance Corporation, which lend money at 10, 15, 20 or 30 per cent interest, exert an influence on the cost of living, on inflation? Further, it may be that the high pressure publicity campaigns being carried out at present and which encourage people to buy even if they do not need to, is responsible for the rapid rise in the cost of living; for instance, people are being told: "Take your holidays now and pay later." In this connection, sometime ago I met a casual friend and I asked him: "Where did you spend your vacation this year? He replied: "In the kitchen." I said: "Why?". "Because I am still paying for last year's vacation" he answered.

So, when the professor, that is the witness, tells us that people must be better educated, it seems to me that some control should be applied to such blatant publicity which leads to inflation.

We, in the credit unions, try to help a lot of people who earn $25,000 to $35,000 per year but who owe as much as $40,000, $50,000, and $80,000—one such case came to my attention last week—but who are unable to pay their indebtedness. Why? Because of the publicity being carried out and which needles people into spending more and more in order to live better, which is sheer nonsense.

I noticed that the witness said that price control was not a simple matter. However, during the war we had price control and there were no bankruptcies, no inflation. On the other hand, living in a democracy as we do, we must enjoy a little more freedom, but this freedom must be used wisely and we should put an end to such high pressure publicity campaigns which are one of the causes of inflation. This, to my mind, is the crux of the problem.

Professor NEUFELD: I think that there are two important questions here. First of all, the very acute and correct observation that many years ago in an environment of relative price stability we had mortgage rates of about 7 or 8 per cent. That was the first comment.

The second one was whether or not it is not the case that consumer credit leads to inflation both through the level of interest rate changes and through the fact that it enables people to spend more than they otherwise would. On the first point, I think it is quite true that there was a period many years ago, roughly from Confederation to just before the turn of the century, when we had substantial price stability and when, over much of that period, we had mortgage rates that were of the order that you suggest. It is, however, interesting that the longer the period of price stability continued, the more interest rates fell, I looked at the year-to-year record of interest rates from about the 1850's, to the extent that this is possible, and my observation is that the low of interest rates was reached in 1896 and '97, and in that period we saw the rates on all kinds of things, mortgages, government bonds, municipal bonds, provincial bonds, and corporation bonds being about as low as they ever have been. So I think the period would indicate that prolonged periods of price stability will cause declines in interest rates, but it is true, as you said, that we had mortgage rates in periods of stability that were fairly high. This leads me to comment about this present postwar period and to say that it is remarkable not that the interest rates are high but that they are so low in many areas. If you adjust for inflation, the actual rate savers get on their money is not very great.