

SENATOR CRERAR: Even if it did not go to extremes, and was a moderate factor, would it contribute to inflation?

Mr. COYNE: I don't know that it would. But it would add one more straw to the camel's back, so to speak. It could create excessive total spending within the economy, and it might stand out in the public eye because it is of a different nature than ordinary cash spending.

SENATOR CRERAR: For example, the New York Stock Exchange, some 18 months to two years ago, fearing a surge in stock speculation, made a condition that 90 or 95 per cent of the purchase price of stocks had to be paid in cash, thus eliminating margin buying. Would you consider that a factor in reducing the possibility of inflation?

Mr. COYNE: I don't know how much effect that had generally on inflation. I think it had some influence in reducing the volume of speculation on the stock exchange, and perhaps holding down the level of stock prices a little lower than they might otherwise have gone. I am not too sure on that point. But it means there will not be the same necessity for forcing selling out on margin accounts when the downturn in the stock market comes, as it is sure to come.

I think the level of stock market prices, particularly in the United States, is itself a symptom of inflation psychosis, so to speak. It cannot be justified, except on the assumption that there is going to be inflation of some seriousness. For myself, I don't think there is going to be inflation of that seriousness, because I think that the work we are all doing is going to bring it under control; and I think the people who have been buying stock merely as an inflation hedge, without regard to real value and real earning power, are going to be sorry in the end they did so.

SENATOR CRERAR: That is an indication that in the public mind, at any rate, to some degree there is a fear of inflation.

Mr. COYNE: Yes.

SENATOR CRERAR: What would be the effect if, for instance, in Canada we were able to lay down a regulation that no article could be bought on time without a 50 per cent down payment?

The CHAIRMAN: You are getting into controls.

Mr. COYNE: That is a bit outside my field.

SENATOR CRERAR: I thought you might have an opinion on it.

Mr. COYNE: The effect would be to reduce the volume of sale of those goods.

SENATOR CRERAR: Do not two ideas come into conflict: one, that we must have an ever expanding economy? Therefore, our thinking is conducive to that end, and consequently if the merchants can increase their sale of goods by a 5 per cent down payment, there is a school of thought that thinks it would be good for our economy. On the other hand, does it not tend to produce the very condition that would bring about inflation?

Mr. COYNE: I prefer to say this: it may add to our total spending, and it may create a condition in which there will be an abrupt decline in total spending as soon as a recession sets in. Those who have borrowed from the future, so to speak, will not be in a position to continue their purchases at the very time when economic activity may be slowing down. So, it may add to the difficulty in the ensuing recession.

SENATOR CRERAR: That is, the glorious time we are having now may come to an end, and there will be a set-back?

Mr. COYNE: Yes, I think that is quite clear. To use an American example again, the very heavy pressure selling of automobiles on credit, and long-term credit, in 1955 had an adverse effect on automobile sales in the United States later.