

tariffs down. I can see that as a possible technique in countering that particular problem, but I do not think this is a very complete answer to your question, and I am sorry.

Senator CARTER: I have several different lines of argument I should like to explore, but I should like to follow on with this business of guidelines for just one question. Dr. Neufeld, you will recall that several years ago the late President Kennedy set some guidelines for the steel industry, and eventually persuaded the steel companies not to put into effect the increases in price they contemplated. I think his effort was applauded over the United States and Canada, certainly, and perhaps all over the world. Some time around the end of August I was in the United States and I read an article by an economist about this. This article stated that although President Kennedy succeeded in preventing a price increase in respect of steel, that fact did not have very much effect on the economy of the United States because the big customers of the steel companies, such as the automobile manufacturers, had already announced their increased prices and they were not restrained. It was said that the result of the President's effort was mainly an increase in the profits of the automobile manufacturers at the expense of the steel companies. Would you agree with that assessment?

Professor NEUFELD: I would not agree with it because I do not think we have information at this point yet to come to such a definitive conclusion. One recalls the fact that the United States has had a slower rate of inflation than any other country in the Western world. One can start with that very simple fact. It may not mean too much, but it is there. The United States has had a rate of inflation lower than that of Canada, and Canada has not had a system of guidelines. Again, one should not assume cause and effect without looking at it closely, but it is the fact that this was the case.

Then, one can ask: "Well, were the guidelines the important difference in this?" I think that before we can say: "Yes, they were", we are going to have to have about three or four years of statistics in order to be able to look back and do a proper analysis in order to decide whether the guidelines made the difference or whether other things made the difference.

The first tentative appraisal of this I saw last spring, I think—that is, the first tentative serious appraisal of the question of whether or not the guidelines made the difference—and the tentative conclusion was that that sort of guidelines-incomes policy probably did make a difference. We are in the realm here, as I mentioned before, of a quite new area where results cannot yet clearly be seen. So, I do not think it is possible to argue strongly on either side of the case. Personally, I am impressed with the fact that the United States' price experience, in spite of Vietnam and so on, has been better than ours.

Senator CARTER: If we were to follow the policy of guidelines, as this morning's discussion has indicated might be essential, and which I think you yourself support, you would agree that any restraint on a basic commodity would have to be followed by similar restraints in order to prevent price increases imposed by the consumers of that basic commodity, would you not?

Professor NEUFELD: I think that the impact of the consumer has got to come through the usual techniques—the ones of controlling total spending by using your taxing policies, by using your interest rates and monetary policies. I think that the consumer spending side of the problem will have to be tackled in that way.

Senator CARTER: We have known from our experience in Canada and the United States, and in other countries, that prosperity, full employment and inflation seem to go hand in hand. To me, as an ordinary human being, it seems incredible that in an age when we can explore outer space and put satellites in orbit we have not been able to do anything about solving this problem. Would