ment—the same heavy demand on the economy as has been experienced in the last number of years? Just generally, just what do you see for the economy over the next five years?

Professor NEUFELD: I think that if we can assume that we are going to manage our affairs reasonably well, that the next five years will be five years of very substantial growth in real terms, probably a growth of 5 per cent per annum. I think that this provides conditions for very satisfactory employment conditions.

I am not at all confident, as of now, that we will be able to achieve this growth without a fair amount of inflation, because I am not at all confident that we yet have techniques designed to deal with cost-push inflationary forces. I am heartened by the fact that we seem to have greatly improved our ability to deal with demand-inflation forces.

The policy of the Bank of Canada over the last five years, in my view, has an excellent record. Fiscal policy has revealed, for the first time perhaps, a degree of imagination, in the budget, that had been absent for so many years.

Because of these factors, I am hopeful that we will be able to contain demand-inflation, but at present we cannot feel at all certain that we are going to contain cost-push inflation; and if I were forced to make a forecast I would say that the next five years are going to be five years of rising prices.

Mr. SALTSMAN: From what you say, and I think this is somewhat in line with what was said yesterday by Mr. Bryce, it would appear that our economy is arriving at a different stage of maturity.

For instance, the cycles that have been traditional in our economy, the business upswings and the violent down-turns, seem to be drawing to an end, through the use of Government policies of pump priming. We seem to have some answers—transfer payments and things like that—for providing full employment, providing demand in the economy.

With the United States engaged in its war in Viet Nam and with every indication that it may, even after a settlement in Viet Nam, be continuing to pursue foreign policies which would mean a great demand on its production in the United States—and, as you have indicated, our own economy is quite closely related to that of theirs—I feel very much the same way, that we are probably in for a sort of permanent full employment of all our resources.

The question I am then asking is, can we handle this kind of situation? I think I referred to it as a situation which is analogous to a war, a sort of permanent war situation economy. Can we handle this with traditional fiscal and monetary policies?

You have given some indication of a departure from those traditional policies. You have talked about wage and price guidelines which are not generally considered or have not generally been considered in the past in our economy.

I would like you to go a little further than this. Are you suggesting that the traditional tools at our disposal for managing monetary policy, for adjustments through fiscal policy, will not be sufficient to contain the kind of forces that are afoot in our economy now?

Professor NEUFELD: I think the point is that they have not been sufficient in the past. There are two reasons why they were not sufficient. First of all, they were not always used correctly. Secondly, they are directed essentially towards controlling excess spending or deficient spending.

As I mentioned before, it is not that those techniques are becoming less important: those techniques will be needed in the future to deal with the same things that they have done in the past and to do it better, and I think they will in fact be able to do this.