

European countries. While little specific is known about the phenomenon, it is clear that among the transient youth are many who leave home with acute personal problems or encounter them on the way."

"We propose to try and find out exactly what the situation is," Mr. Wheeler adds. "We want to know who the itinerants are, why they are on the move, what their experiences are, what problems they encounter, what problems they create. We want to develop a 'profile of transient youth', and prepare a report that will be useful to agencies working with young people, including the social action projects that the young people themselves have formed."

The study is two-pronged: interviews will be held with agencies that are working with young people to determine patterns of community response and implications for needed services, and transients will be interviewed to assess the situation from their point of view.

MARINE HISTORY

Publication of *Usque Ad Mare*, an illustrated history of the Canadian Coast Guard and marine services in Canada by Thomas E. Appleton, was announced recently by Transport Minister Don C. Jamieson.

The author, a historian with the Department of Transport, tells how the Government became involved in marine services with the growth of commercial shipping and the accompanying need for aids to navigation and supporting services.

The book deals with lighthouses and buoys, Government steamers, lifesaving and rescue, Arctic survey and patrol, the disasters that resulted in legislation for public safety, administrative history of the Department of Transport and its forebears, and the evolution of the Canadian Coast Guard.

INTEREST RATES AND INFLATION

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crisis of last year, about 6½ per cent last September, just over 6¼ per cent in November 1967 before the devaluation of sterling and less than 5¼ per cent in the spring of 1961. The most recent cash offering of Government of Canada bonds, dated July 1, included a nine-year issue yielding 8 per cent and a one-year issue yielding 7¾ per cent. Average yields on outstanding long-term provincial government bonds have recently been 8¼ per cent or more, and those on municipal bonds and industrial bonds about 8¾ per cent; yields on conventional mortgages have been running at 9½ to 9¾ per cent and on NHA mortgages 9¾ to 9 3/8 per cent. Bank rate is 7½ per cent, equal to the previous peak reached during the exchange crisis in the spring of last year and the yield on three-month Treasury Bills at the tender last week was 7.13 per cent. Interest rates paid and

charged by financial institutions have also reached high levels. Last week the chartered banks raised their prime commercial lending rates to 8½ per cent. On the other side of the ledger, the interest rate paid by banks on non-chequable savings deposits was raised to 6½ per cent. All of these rates reflect among other things the strong demand for credit relative to the supply (under the monetary policy being followed) and the pull of external rates. If one uses as a measure the proportion of the chartered banks' total assets in relatively liquid form, the banks as a group are in a tighter over-all liquid position than at any time during the postwar period. This has made it necessary for banks to ration their available funds, a process which would be much more difficult and arbitrary if lending rates were completely out of line with market rates....

INFLATION PSYCHOLOGY

I should like now to raise the questions: why haven't the high interest-rate levels that we have seen been more effective in restraining the use of credit and the volume of spending? I believe that the willingness of many borrowers to incur obligations to pay high interest rates, often for long periods, is in large part due to the strong inflationary psychology that has developed. For those borrowers who firmly expect prices to go on rising at 4 to 5 per cent *per annum*, or perhaps even more, interest rates of 8 to 10 per cent before tax do not appear particularly high. And for investors who have the same price expectations, the relatively high yields available do not seem particularly attractive when they allow for taxes and the expected erosion of the value of their capital. Moreover, the over-all trend of interest rates in recent years, or indeed in most of the postwar period, has not been such as to encourage the desired response to high interest rates, namely a reduction in spending. With the secular rise which has occurred, those who have postponed spending plans because of the cost and difficulty of borrowing have not usually found that they have been able to obtain funds at lower rates later on. Nor have they often obtained a price advantage by postponing spending. This is part of the reason for the development of an inflationary psychology. If we want to move toward significantly lower interest rates we shall have to break these inflationary expectations....

HALTING INFLATION

While there may be general agreement that it would be nice if inflation were halted in a relatively painless way, there are in fact only a limited number of ways of dealing with inflation in a market economy. Monetary and fiscal policies are directed toward the management of aggregate demand, or total spending if you like. Monetary policy influences the level of spending through its effect on the availability and cost of money. Fiscal policy exerts an influence through changes in the level of disposable income