

surpluses because it has been trying to do something fiscal and monetarywise, but the provinces and municipalities have had large deficits. It appears to me that if we are to use these fiscal and monetary policies to the greatest effect we must have stronger central authority and powers, we must either have a unitary state or a strong central authority, as in the United States. I am wondering what you think as an economist, whether we can ever be really effective in fighting inflation and recessions unless we have these powers.

Professor NEUFELD: I am slightly less pessimistic than some others over our ability to pursue fiscal policies to ensure effective stabilization. I certainly think that it is necessary to keep sufficient economic power in the hands of the central government to ensure an effective stabilization policy. I think I would agree with that. What this really means in terms of the kind of split between the provinces and municipalities and the federal Government that we can have and still preserve this central power is another matter.

I think one of the most interesting things has been the great improvement in the quality of the civil servants at the provincial level.

I do not think it is impossible to arrive, through co-operation, at a stabilizing fiscal policy at the provincial level to some degree. Again, we are in new ground, and we are going to have to be patient, but I think the movement is in the right, not the wrong direction. There is also the point I think that the amount of economic power you need for purely stabilization purposes may have been exaggerated. I think that you need not necessarily have a split between the provinces and the municipal governments that you had in the past in order still to preserve sufficient economic power in the hands of the federal Government to achieve stabilization purposes. So I am not too pessimistic on this score. I think the provinces in time will develop policies that will be more and more in harmony with stabilizing growth. Indeed, it is in their interest to have it.

Mr. OTTO: But if the forces of supply and demand were completely free, you would not need guidelines; is that so?

Professor NEUFELD: That is right.

Mr. OTTO: So therefore what you are really saying is that you are substituting guidelines to bolster the faulty rules of supply and demand?

Professor NEUFELD: Yes.

Mr. OTTO: Rather than controls which are really arbitrary?

Professor NEUFELD: Yes.

Mr. OTTO: On that very subject, your paper is written, of course, under the rules of free enterprise, and we are discussing this question under the rules that are applied in a free enterprise, but you have already admitted that there are serious flaws in the supply and demand of labour and by impediment in the introduction of new equipment and machinery.

Professor NEUFELD: I did not say that.

Mr. OTTO: Well, I think that labour by its resistance towards industry bringing in new equipment has shown an impediment there. I think you have also admitted that.

Professor NEUFELD: I did not admit that, sir.

Co-Chairman Senator CROLL: He not only did not say so, he does not admit it.

Mr. OTTO: Will you admit, Professor Neufeld, that the Bank of Canada certainly interferes with free enterprise, either for good or bad?

Professor NEUFELD: No, I would not admit that.

Mr. OTTO: It does not interfere at all?

Professor NEUFELD: No.