

Professor NEUFELD: I think it is certainly quite acceptable to say that the more hours per year worked the higher output there will be.

Mr. OTTO: And therefore if any method is found, it would have to be a way to increase productivity resulting from negotiation between labour and industry without stoppage of work?

Professor NEUFELD: That is one way, yes. If you could reduce work stoppages, that would increase total output and would be of help to everybody.

Mr. OTTO: Or efficiency of production.

Professor NEUFELD: Yes, in the sense that you would utilize your capital more fully over the year, more continuously over the year, and in that sense increase efficiency.

Mr. OTTO: I believe you have put your finger right on the very problem, that by labour using its strike methods, industry using its inventories and tactics to counter this—and I believe you also said that experience has shown the distribution between the two have not changed, and in your opinion will not change, and therefore we must look for some other avenue in which the returns may be increased to both of them?

Professor NEUFELD: Yes.

Mr. OTTO: Now, just in your opinion, and you also made comments about this, how serious is this present inflationary cycle?

Professor NEUFELD: I am worried about the fact that Canadian prices and costs have been rising faster than U.S. prices. The reason I am not panicky is that because for the past seven or eight months at least prices seem not to have been rising faster in Canada than in the United States, but am still worried, because I cannot see how in the light of recent wage settlements there will not be a further deterioration in the ratio of Canadian unit labour costs and U.S. unit labour costs; but this is in the realm not of statistics available, but in the realm of forecasting.

Mr. OTTO: When you say you are worried, what are you worried about, unemployment? You say you are not worried about recession?

Professor NEUFELD: No, I did not quite say that. What I am worried about is the fact of undesirable consequences in Canada of prices inflating at a faster rate than in the U.S., continuously over a period of time. I am worried about the fact that this would eventually lead to an exchange crisis and eventually to further devaluation of the Canadian dollar.

Mr. OTTO: Thank you.

Co-Chairman Senator CROLL: Mr. Saltsman?

Mr. SALTSMAN: Professor Neufeld, perhaps I might begin by saying how pleased I am to see you before the committee, and whether I agree with all your statements or not, how pleased I am at the hard answers you are giving to the questions that are arising here. I think there is a real need for this kind of an examination and I think the committee is going to benefit enormously from the information that you are giving us.

I would like to start off by asking you the same kind of question I asked Mr. Bryce yesterday, and it arises from some of the things you have already said. I refer to page 8, which says:

Whatever effect recent wage increases will have on this trend cannot yet be seen in the figures.

Now, the question generally is, what do you see for the economy over the next five years, although certain things are not showing up in the figures as yet? Do you anticipate, for instance, higher prices if we continue the way we are continuing with the set of policies we now have? Do you see full employ-