

Recently, too, I have become impressed and interested in what appears to be the rather restricted financing facilities in Canada for large scale financing in the field of residential construction. While the question is not one in regard to which it could be said the investment industry has a primary responsibility, nevertheless it is a problem of interest to anyone in financial circles and I mention it here solely because it is another factual aspect of our money market.

Under the provisions of the Canadian Bank Act mortgage financing is not permitted, so that apart from some small working capital advances to professional builders our banking system does not appear in this field. Currently this country's housebuilding programme is at the rate of some 80,000 units per annum with a total cost of about \$600,000,000. The bulk of this very large financing comes in the form of loans from private persons and from lending institutions such as life insurance companies, loan and trust companies, credit unions, pension funds and similar institutions. The residential construction industry appears to be in the process of a major change in method, because for a variety of reasons the housebuilding programme of this country is likely to require financing for projects of fifty to a hundred houses in one operation rather than in units of one, two or three as in the past. This means, of course, that there is a demand for mortgage and construction moneys in large blocks and money which formerly could be made available from individuals, estates, etc., for one or two mortgages, now needs to be mobilized so that it can form a large enough fund to meet the greatly expanded projects. Indeed, the Central Mortgage and Housing Corporation established by the Federal Government in 1946 was in part in recognition of this gap in capital investment field.

Before leaving this particular reference to Canada's housebuilding programme it may also be of interest to call attention to one more important factor. It is the fact that in most Canadian municipalities there is a definite shortage of serviced land available for residential building. By serviced land I mean land suitable for residential housing equipped with necessary services such as water, sewers, roads, sidewalks and ultimately schools and hospitals, as well as the primary services such as pumping stations, sewage disposal, incinerator, etc. The provision of such facilities is bound to be a very expensive affair and must indicate that substantial borrowing operations by municipalities are likely to be seen in the market as efforts are made to remedy the shortages.

I come now to the last major source of demand for our national output. That is, of course, the Government - and again I remind you that I refer to Federal, Provincial and local governments collectively. In 1948 Government purchases of all kinds represented about 11% of our national production; at the peak of the war it called for 40%. In fact, I think it can be said that in the modern state the extent of Government purchases of goods and services and the method which Government selects to raise the money needed to pay for them has a profound effect upon the level of economic activity. It is for that reason that the budget presented by the Minister of Finance of any modern democratic state and the explanations which go with it represent the most important and significant policy document placed before the public. Here one may discover the philosophy and policies of Government and may gauge the impact of such policies upon the general level of employment, income and investment - an influence which is felt in every form of activity throughout the whole country. On the financial side, the absolute level of taxes and borrowing decided upon by Government to finance its needs has a significant effect upon the general level of economic activity. But, in addition to the absolute level of taxes, the kind of taxes, that is direct or indirect, business or personal income taxes, have a direct influence upon production, depending upon whether they tend to stimulate incentive or discourage it. Other results also follow - it may be that heavy corporate profits tax will discourage equity financing in favour of