

From all indications, the supply of funds in the capital market in 1956 will be at a higher level than in any previous year. The demand for such funds may be even greater, to judge from the figures of 1956 capital investment intentions which were published last week, but demand for capital, and credit, can change relatively quickly. What kind of economic conditions we shall actually face in the future I do not pretend to know. The margin between under-employment on the one hand and inflation on the other is a relatively narrow one. Economic equilibrium at the desired level is almost bound to be upset from time to time, from one side or the other, by a variety of changing factors, mainly psychological: a swing in public attitudes to consumption versus saving, or a change in the outlook for new business investment or in the demand for new houses; even changes in timing, such as are involved in decisions whether to build up or reduce inventories. And in Canada we are always subject to major dislocations as a result of external events entirely beyond our control, such as a slump in the demand for an physical volume of our exports, or increases or decreases in world prices affecting either our exports or our imports, on both of which the Canadian economy is heavily dependent.

In our circumstances, readiness to adapt policy to changes as they occur, flexibility in action rather than adherence to preconceived plans, will be as important in the field of money and credit, as in all activities affecting the financing of economic growth in Canada.

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It is possible, therefore, that even when the total supply of money and credit goes on increasing - as is happening today, as bank loans are doing month after month - nevertheless the demand for credit, for access to funds giving the right to use the savings of others, may at times increase even faster, and part of that demand may have to go unsatisfied. The fact that there might be some unsatisfied demand in such circumstances should not be allowed to obscure the more important fact that the total amount of investment was continuing to grow at the highest feasible rate, that savings were continuing to grow, and that larger totals of money and credit were in fact available than ever before.