If the mobilization of savings tends towards accumulation in corporations which have no immediate need for cash in their own businesses or through life insurance companies and similar institutions, the investment of such savings is likely to take the form of purchases of bonds rather than of equity financing. This, of course, may mean that the financing of new enterprises and those not having within themselves substantial savings power will be more difficult and, conversely, it would encourage the expansion of established and profitable companies.

At this point I should like to impose upon you a brief digression of a somewhat theoretical character but which is of central importance in understanding the role of investment and its effect on the level of employment. I have mentioned that investment is financed through savings drawn from a variety of sources. What happens is that consumers and businesses choose not to consume (i.e. choose to save) a part of their income. These savings are spent on investment goods by the businesses to whom consumers and business savers have transferred their savings. So long as business invests in capital goods on a scale equal to the amount of savings which people endeavour to make under conditions of full employment, prices and incomes (and employment) will tend to remain stable. If business endeavours to make investment expenditures in excess of the amount of saving that is being done, at a time of under-employment of labour and productive facilities, the effect will be beneficial, for the excessive investment demand will call into employment the available additional resources. But if the tendency towards greater investment expenditure develops at a time of full employment of labour and plant, then the effect cannot be to create additional employment or to produce more goods and services, -- it will merely force higher prices for the existing supply of goods and services. Conversely, if at any time business endeavours to make investment expenditures on a scale less than the amount of saving which would normally be done at the existing level of employment and income, there will be a deficiency of total purchasing power, goods will accumulate unsold, production will be reduced, and a typical depression, accompanied by falling prices and unemployment, will result.

But to return to my outline of various types of demand for our national product - Export demand, as I mentioned at the outset, absorbs about 20% of our output and looked at transaction by transaction is financed in a great variety of ways. At the moment some of our customers are assisted by funds provided through the European Recovery Program; from time to time we have assisted our overseas customers by loans, grants and export credits. These and other factors tend to complicate a picture which is fundamentally that in the long run our exports are financed by our imports. We buy from foreigners and foreigners use the proceeds of their sales to us to buy from us.

Next on my list is Government demand, and that, of course, is determined by what responsibilities the public feels the government should undertake. The financing of government demand, as we all have good reason to know, comes out of taxes or savings mobilized through the sale of securities. In using the expression 'Government demand' I am, of course, referring to all forms of Government - Federal, Provincial, Municipal, etc.

I would like to turn now to some remarks on the character and effects of the demand for each classification of goods and services into which I have grouped demands upon our national output.

The demand for consumer goods is subject to fluctuations, not only those fluctuations which I have mentioned which occur in times of war as a result of the absence of consumer commodities, but also those which develop from time to time in peace. The per capita consumption of consumer goods in quantity terms declined perhaps 25% between 1929 and 1933 and is now possibly 80% above the depression low point. This looks like a violent swing and one might be justified in assuming that fluctuations of this magnitude must have a

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