

that the costs of the war should be covered by taxation to the maximum extent the public would bear and that everything possible would be done to encourage savings. Financing directly or indirectly through the banks had to be looked on as a last resort, but to the extent that it was inevitable central bank policy had to adapt itself to this situation.

So much for the pre-war and the war years; let me turn now to certain developments of the years since the war ended. In respect of monetary policy the post-war period has been a much more difficult one. I do not propose, however, to take up your time today by a description of our policies in recent years for this was ground which I covered at considerable length in giving evidence before the Banking and Commerce Committee of the House of Commons on March 18 of this year. Perhaps it will suffice to say that the struggle to minimize inflationary pressures came to an end a little over a year ago. Since then a very much easier credit situation has developed and this has had a distinct effect on interest rates in the market.

One matter which has been of particular interest to us in the Bank of Canada in recent years is the experience of the Industrial Development Bank. The Industrial Development Bank is a wholly-owned subsidiary of the Bank of Canada incorporated by Act of Parliament and it commenced operations towards the end of 1944. The Government held the view that it was too difficult, if not in fact impossible, for smaller industrial firms to obtain money to finance plant and equipment that they needed either to commence or to expand their operations. The loans required tended to be too long in term to make it appropriate for the chartered banks to provide them, and too small in amount to make it feasible for the borrower to go to the market with a public security issue. This was the problem and the Industrial Development Bank was offered as a solution. The IDB has now been in operation for almost exactly ten years. What are we to say of the results?

You will get no uncertain answer from me to that question for I am unashamedly enthusiastic. I think that the Industrial Development Bank experiment has been a great success. In the ten years, the Bank has authorized loans of something like one hundred million dollars to over thirteen hundred different borrowers. The vast majority of these borrowers were relatively small industrial concerns and they are spread widely over the whole range of industry. I think perhaps that I should add that the Bank has earned a moderate return on the investment made in it and I add this because I sense a tendency for some people to suppose that because the Industrial Development Bank is publicly-owned it is safe to assume that it operates at the expense of the taxpayers.

It is not, however, through the accounting records of the Industrial Development Bank, satisfactory as they may be, that what I take to be the important contribution of the IDB is best shown. That contribution is most clearly revealed in the stories of the Bank's clients; I find them fascinating reading and I wish the circumstances permitted me to tell you a number of them. There are literally hundreds of cases where somebody who has been working in some field or other and has acquired