capital funds is greater than the supply. A more rapid expansion of the supply of credit could be stimulated by the central bank, but in some circumstances this would create too much credit and give rise to excessive competition for the available supply of goods and services, with inflationary results. At times, too, even though the total supply of credit might not be excessive, it would be possible for excesses to develop in one or another particular field of credit, such as consumer credit, or credit for stock market trading on margin, or for accumulation of inventories beyond reasonable requirements, or for speculation in real estate, and so on.

I shall not discuss any particular fields of credit today, but I think I should say a word about the kind of situation that arises when the overall demand for credit appears to be excessive. There is clearly a limit to the total amount of new capital development that is physically possible at any particular time, just as there is to the production of consumption goods, for population and the size of the labour force will be limiting factors even if materials and credit were available in unlimited quantities. Under certain conditions, when investment opportunities for the development of new business enterprises and expansion of old seem particularly favourable, the total number of apparently sound and desirable projects may add up to more physical requirements than the economy with all its resources can accommodate. At such a time, unless the monetary authorities are ignorant of the conditions or fail to take account of them, you will have a situation of so-called credit stringency, with not enough credit to satisfy all demands and usually with interest rates showing some rise in one sector or another of the market as would-be borrowers compete with each other for the available supply of funds.

I am not speaking of a condition of actual restriction or contraction of credit, which might arise when the total supply of money and credit had clearly become excessive and must actually be reduced. What I am speaking of, the condition of so-called credit stringency, would arise not because the supply of credit had been excessive and had to be reduced, but simply because demand was expanding too rapidly, more rapidly than the supply of savings available to provide the real basis for growing investment. If more people wanted to do more things by way of investment in new plant and expansion of existing facilities than was in total physically possible or was financeable out of new domestic saving plus borrowing from abroad, it would serve no useful purpose, but on the contrary do much harm, to have the total supply of credit expand so fast as to equal the excessive demand.

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 continually growing, and that larger totals of money and credit were in fact available than ever before.