In 1954, there was evidence that builders and house owners needing to borrow money, and thus to convert the savings of others into useful investment in this particular field, were being confined to too limited an area of the financial market. The amendment to the Bank Act which made insured mortgage loans a permissible outlet for savings in the banks, was a valuable development. It provided an additional outlet for the investment of savings deposits, and an additional source from which funds for house building could be sought. One reason why this development has worked so well in its first two years is that the chartered banks with their wide-spread network of branches have unrivalled facilities for originating and servicing insured mortgages in all parts of the country. Under the established system for insuring mortgages, other investors who do not have these facilities for originating mortgage loans have the opportunity of buying mortgages from the banks or other authorized lenders, who will usually continue to service such mortgages for a fee. I think we may expect to see develop a broader secondary market in insured mortgages, and a new channel opened up thereby for the flow of private savings into the finance of home building.

In addition to the savings of individuals and corporations re-invested in their own businesses, and the savings deposits in banks, there are a number of other channels through which savings flow to those who make the physical investment. Some individuals themselves participate in the capital market through the purchase of government bonds, corporate stocks and bonds, and mortgage loans. For the most part, however, the process is carried on by intermediaries, such as life insurance companies which accumulate large aggregates of savings arising from the income of their policy holders, and others such as trust and loan companies, credit unions, pension funds, and so on. While circumstances vary from one institution to another, it is generally the case that savings institutions can invest all or the greater part of their funds in long-term investments. For example, a strong case can be made that life insurance companies and pension funds can expect that the aggregate funds in their hands will never decrease significantly, and will probably go on increasing. It follows that such institutions can, if they choose, and if regulatory bodies permit, keep their funds for long periods in investments of a kind that most individuals cannot buy, not because such investments are unsafe over the long run but because an individual wants to be able to get his money out again at short notice in case of personal emergencies. In fact, however, our institutions have not followed such a course to any great extent. In Canada, almost all the investible funds coming into their hands tend to flow into fixed interest obligations, with relatively little going into common stocks and other forms of equity investment. If it is true, as has been stated in a number of quarters, that there is not a sufficient flow of Canadian savings into equity investment, and that too much of the ownership and control, and profits, of the most venturesome and profitable sectors of Canadian industry are going by default into the hands of non-residents, this is an aspect of the capital market which would seem to merit consideration and discussion.

To revert to the overall picture, whatever the particular channels by which domestic or foreign funds reach the capital market, there may be times when the demand for