In addition to changes in the relative activity in different fields of investment, there may be changes in the relative importance of the different channels by which savings are invested. An obvious case is the extent to which corporations can accumulate savings in the form of undistributed profits for re-investment in the same business, as against raising money from others by selling stock or bonds or borrowing from banks or other institutions. There may also be variations in the extent to which individual savers make investments themselves by way of mortgage loans or the purchase of securities, as against allowing their savings to accumulate on deposit in banks and other institutions which will then invest the relative funds. Again, a business may change the proportions in which it raises money from security issues relative to its reliance on bank loans even for working capital. As these factors change, both the total volume and the make-up of bank credit will change. There is no fixed relationship between the amount of bank credit, or the volume of money, or the level of interest rates, or any other monetary index, on the one hand, and the size of the gross national product, or the rate of growth, or the amount of investment, on the other.

Under our system the job of channelling savings into capital investment is performed by the capital market. What one wants, presumably, is as many different channels as possible, so that both lenders and borrowers may have freedom of choice and not be dependent on any single outlet or source of funds.

One of the largest pools of savings gathered up in the capital market is that which accumulates in savings bank accounts of individuals, and the savings banks for that reason are important instrumentalities in making funds available for long term investment, that is, for the provision of fixed capital. Commercial banks provide funds primarily for working capital, for the financing of inventories, of work in process, and of sales on credit. In Canada, unlike most other countries, the commercial banks also carry on the greater part of the savings bank business. As such they provide one important source of funds for the capital requirements of governments, business, all sections of the community. Savings deposits increase year by year so that banks have funds available from this source for new investment each year, in addition to the re-investment of funds accruing from previous investments which are repaid out of the current savings of the former borrowers. The principal means by which all these savings are made available by the banks to finance the creation of new fixed capital is through the purchase in the securities market of the securities of governments and businesses and, more recently, through acquiring insured residential mortgages.

I believe all would agree that we need to make the best possible use of whatever amount of saving our people are doing, that we need to find ways and means of making it flow into the kind of capital development which we value most highly. While we have an active and relatively well developed capital market in Canada, and a strong and effective financial system generally, there is no doubt that here as in any other country changes and improvements may appear desirable from time to time, especially if some important sphere of investment seems to be having undue difficulty in gaining access on competitive terms to the various sources of savings.