of the down payment and other terms of mortgages and consumer credit (pp 473-77). Such measures distort markets and are unlikely to retain their effectiveness since those wanting funds and those having them available will soon find ways to circumvent these barriers (pp 473-74). The net result would thus be higher costs and lowered efficiency.

The Commission finds that the present power to vary required cash ratios from 8% to 12% is of no particular use and that the chartered banks' agreement with the Bank of Canada to observe a 15% secondary liquid asset minimum should not be retained (pp 474-75). If such controls are to be imposed on institutions by "moral suasion" or otherwise, it should only be done with the government's specific approval (p. 476).

(c) Foreign ownership and investment

Similarly, the Commission rejects the use of direct controls on international capital flows as disrupting to the efficient working of economic incentives and as having harmful long-term effects (pp 497, 528). The report contains a number of recommendations to improve Canadians' willingness to invest in equities but does not favour direct measures against foreign investment (pp 86-7, 495-7). The cost of servicing Canada's foreign indebtedness, although large, is smaller in relation to the country's total output and export earnings than it has been in the past (pp 83-4). The country will no doubt continue to draw in resources from abroad at some times but on balance the economy need not be a large net user of foreign funds if soundly managed at home (pp 88, 502-4). In this connection the report points out that much of the capital inflow from 1958 to 1961 stemmed from inappropriate domestic credit policies (pp 81-3, 489).

(d) Fiscal policy

Given the limited effectiveness of monetary policy, the sound management of the economy will depend on vigorous use of other arms of policy in concert with it. Much will depend on governments' willingness and