

The percentage increase in the money supply in Canada was twice as great as that in the United States. It must be admitted that this rate of monetary expansion did contribute to Canada's success in arresting the process of recession and to the stimulation of the Canadian economy in 1958.

With the Conversion Loan and the Canada Savings loan of 1958 now behind us, however, it would be undesirable to encourage or permit a substantial degree of monetary expansion in the near future. Thus we can look for a lessening of upward pressure from that source on price levels.

Indeed, in the last four months of 1958, the total volume of money in Canada increased by less than one per cent. In this same period holdings of government securities by the general public increased by over \$1 billion. The Canada Savings Bond campaign in this period was the most successful in all our history. There was a net increase in the public holdings of Canada Savings Bonds in this period of \$519 million. The public added \$150 million to their holdings of Treasury Bills and \$400 million to their holdings of marketable government bonds. On the other hand, holdings of government securities by the banking system declined by \$450 million. Thus the earlier liquidation of government securities by the general public has in recent months been halted and indeed reversed. These facts should have a reassuring effect upon those who have been concerned over the expansion of money supply during the twelve-month period ended last September 30.

There is no evidence in these recent events of themselves to justify anxiety over inflation. I am aware, however, of concern over the long-term trend. Since 1946 the Canadian dollar, as measured by the Consumer Price Index, has lost forty cents of its purchasing power. Nearly all of that loss occurred prior to 1952; relatively little of it occurred in the last two years. The present problem of inflation arises in its creeping form.

I think I have been as outspoken as anyone in warning the Canadian public of the dangers of inflation. It is a stealthy thief, reducing the value of savings, fixed incomes, insurance policies, bonds, pensions, mortgages. I hope the Canadian people will always be on their guard against inflation. It is well to remind ourselves, however, that there is little value in deploring inflation while at the same time seeking the illusory, will-of-the-wisp advantages it appears to offer.

It is also well for us to realize precisely where responsibility lies in this regard. It is temptingly easy for individuals to place the full blame and responsibility on the government or governments. The fact is that in a free economy