bank loans in Canadian currency increased from about 21 p.c. to 31 p.c. of total assets. There was, at the same time, a rapid growth in total assets, as the monetary authorities leaned to the side of relatively easy money conditions to stimulate the economy and to ward off the widely anticipated postwar recession. In the five years ended Dec. 31, 1950, total assets expanded from about $7,300,000,000 to $9,400,000,000, almost all of the increase being in Canadian assets.

It was not until the outbreak of the Korean War in June 1950 that the fear of inflation, arising from the heavy demands on Canadian resources, led to the adoption of restraining measures. Since then the banks have experienced substantial changes in their credit-granting capacity, as the country's official monetary policy was adapted to meet changes in business conditions. Alternating periods of ease and restraint have been marked by periods of rapidly rising bank assets followed by levelling-off phases.

The Korean boom of 1950-51 was followed, after only a short pause, by the investment boom of 1953-54. Recession in 1954-55 was accompanied by an easy monetary policy, during which the banks built up their liquid assets in the form of government bonds. Then a second and greater investment boom got under way in late 1955, which carried the Canadian economy and the banking system into another period when resources were strained to the limit. At this time, new measures of restraint were introduced into the Canadian banking system by the monetary authorities, including an agreed secondary reserve ratio of 7 p.c. in addition to the cash reserves of 8 p.c. already prescribed in the Bank Act revision of 1954. A further agreement with the Bank of Canada was aimed at restraining term loans for capital purposes* and in 1956 bank loans to instalment finance companies were also put under some restraint. The boom of 1955-57 was followed by a mild recession in 1957-58, moderate recovery in 1958-59, slackening in 1960 and recovery again in 1961-63. In this period the banks have not regained the liquidity that characterized earlier postwar recessions, and there has been a growing need to husband resources carefully for the various and growing alternative outlets which developed as the result of economic growth, and of the efforts of both the Federal Government and the banks themselves to provide new uses for bank credit.

One of the first government measures was the Farm Improvement Loans Act of 1944, under which the chartered banks were authorized to make loans to farmers for the purchase of equipment and livestock and for making various improvements to their farm buildings and facilities. These loans are often for sizable amounts (an average of about $1,500) and the terms have been gradually extended to a maximum sum of $7,500 outstanding to any one borrower with a maximum period of ten years (four years for implements). The banks are guaranteed against loss up to 10 p.c. of their loans made during the three-year "lending periods", up to a maximum total of loans by all banks. This total is $400,000,000 for the lending period to end in mid-1965. By the end of 1963 the total amount of loans made under this Act was approximately $1,376,000,000 (see also pp. 452-453).

The 1954 revision of the Bank Act introduced a major change in banking practice by enabling the banks to acquire mortgages issued under the National Housing Act. About 35 p.c. of all NHA mortgage loans in the years 1954-59 were made by the chartered banks, but at the end of 1959 the NHA interest rate was raised to 6¾ p.c. and the banks withdrew from this field of lending. Notwithstanding this, by Dec. 31, 1963 they held some $891,000,000 in NHA mortgages, representing about 4 p.c. of total assets. Another change affecting housing in the 1954 revision enabled the banks to make home improvement loans under a guarantee system rather similar to the one developed for farm improvement loans. By the end of 1963, home improvement loans amounting to more than $312,000,000 had been approved and the banks had about $72,000,000 of such loans on their books.

* Such loans were almost entirely a postwar innovation in Canadian lending practice, and had increased markedly during the easy-money period of 1954-55. Since 1956, term lending has been generally confined within narrower limits, although it is still practised when conditions permit.