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**CLARENCE KROLL**

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## Credit Restraint Designed Curb Inflationary Trend

The present policy of credit restraint, applied by the chartered banks as a result of the monetary actions and suggestions of the Bank of Canada, was designed "to sustain and prolong prosperity by not allowing an inflationary spree to take over," it was stated by F. W. Nicks, president of the Canadian Bankers Association, at Montebello, Quebec.

Speaking at the Association's annual meeting, Mr. Nicks said the pressure for additional credit during the past 12 months had been unusually strong, so much so there had been increasing restraint applied by the Bank of Canada.

"This means," said Mr. Nicks, "loans have become less easy to obtain, increases have become difficult to arrange, and for some purposes, quite out of the question."

"It may seem strange to talk of credit restrictions while there is abundant evidence of continuing prosperity for the country at large," he said. "But we are living in an age of economic management, not only in Canada but in all leading nations, and one of the prime objectives of such management is to see that booms do not get out of hand and lay the groundwork for depressions."

### Bank of Canada Role

Mr. Nicks said the Bank of Canada, in regulating credit and currency, generally used recognized monetary powers to increase or diminish the chartered banks' aggregate capacity to supply credit in the form of loans or investments. In addition, sometimes the central bank sought informal arrangements with the chartered banks to deal with special situations. During the past year, there has been extensive use of both methods.

"If," he added, "the special arrangements which have been made in the past year have helped, along with more orthodox methods, to moderate a too rapid expansion of credit, this is of course all to the good. Experience is showing that it takes a good deal of determination and rather strong medicine to bring a surging business expansion under reasonably effective control. The credit restrictions no doubt are a burden on many businesses and individuals which would like to have greater access to lending facilities. It is unpleasant to be told by one's banker that there is simply not enough money to go around. The banker, too, finds it unpleasant and difficult to have to apply restraining measures against his customers."

### TCA'S TWIN STEWARDESSES



Identical twins Margaret Jane Ransier, left, and Mary Bell Ransier graduated recently as Trans-Canada Air Lines stewardesses. Based in Toronto, the girls are TCA's only twin flight attendants. They were born and educated in Collingwood, Ontario and graduated as registered nurses from the General and Marine Hospital.

ments of its customers both old and new, helped to bring about a substantial growth in these 'term loans' and holdings of corporate securities." When the Bank of Canada asked the chartered banks to refrain from making new commitments for term loans, Mr. Nicks said, the chartered banks readily agreed.

### The Alternatives

"When we come to think about it, however," Mr. Nicks continued, "it is pretty clear that it is better to put up with a certain amount of restraint now and to work out our financial problems in a spirit of co-operation and concern for the general interest, than to accept the alternatives. For the alternatives might be either another bout of inflation, with the attendant danger of a serious subsequent shakeout, or else a return to the apparatus of direct control over business and individual activities which most of us are happy to have put behind us."

### Policies have taken Hold

"Though such policies have not prevented a further significant increase in bank loans," Mr. Nicks said, "there is no doubt that they have held the supply of credit below what it would otherwise have been. Because of the continued strength of the business upsurge, and also because of commitments undertaken when credit was more generally available, the momentum of the expansion in loans has been very great and has carried right through the winter and spring. Nevertheless, the effects of tighter money have taken hold, and are certainly limiting the size of the expansion in loans."

### Tighter Monetary Policy

The tightening of the monetary situation became noticeable in the autumn, when the Bank of Canada acted to keep down the banks' cash reserves and signalled the tighter position by several increases in the bank rate. The banks, to provide for loan commitments, had to sell securities.

As these sales increased, prices declined and interest rates moved upward. This pressure spilled over into other interest rates as well, and "more recently, in the light of the pronounced increases elsewhere, the various banks made upward adjustments in lending charges."

Mr. Nicks said one of the special requests made of the chartered banks by the Bank of Canada concerned "term loans" to corporations and direct purchases of corporate securities by the banks. The whole field of capital investment had been one of extraordinarily high activity and "the highly competitive atmosphere of Canadian banking, with each bank striving to meet the legitimate require-

One further measure proposed by the Bank of Canada in November was that the chartered banks should adopt a practice of maintaining a 15 per cent minimum ratio of liquid assets (cash, day-to-day loans and treasury bills) to deposits. The banks agreed to work to achieve by May 31, 1956, a 15 per cent ratio, of which 8 per cent would be the already-established legal minimum cash reserve, and the other 7 per cent would be treasury bills and day-to-day loans—mainly, of course, bills.

The purpose of the minimum ratio, in the view of the Bank of Canada, was to increase the effectiveness of a restraining monetary policy by limiting the ability of the banks to dispose of such liquid assets in order to expand loans. It was felt by the Bank of Canada that the adoption of a practice of keeping a secondary reserve of liquid assets in addition to cash would assist in bringing the influence of monetary restraint to bear earlier, more gradually and with greater certainty than would otherwise be the case.

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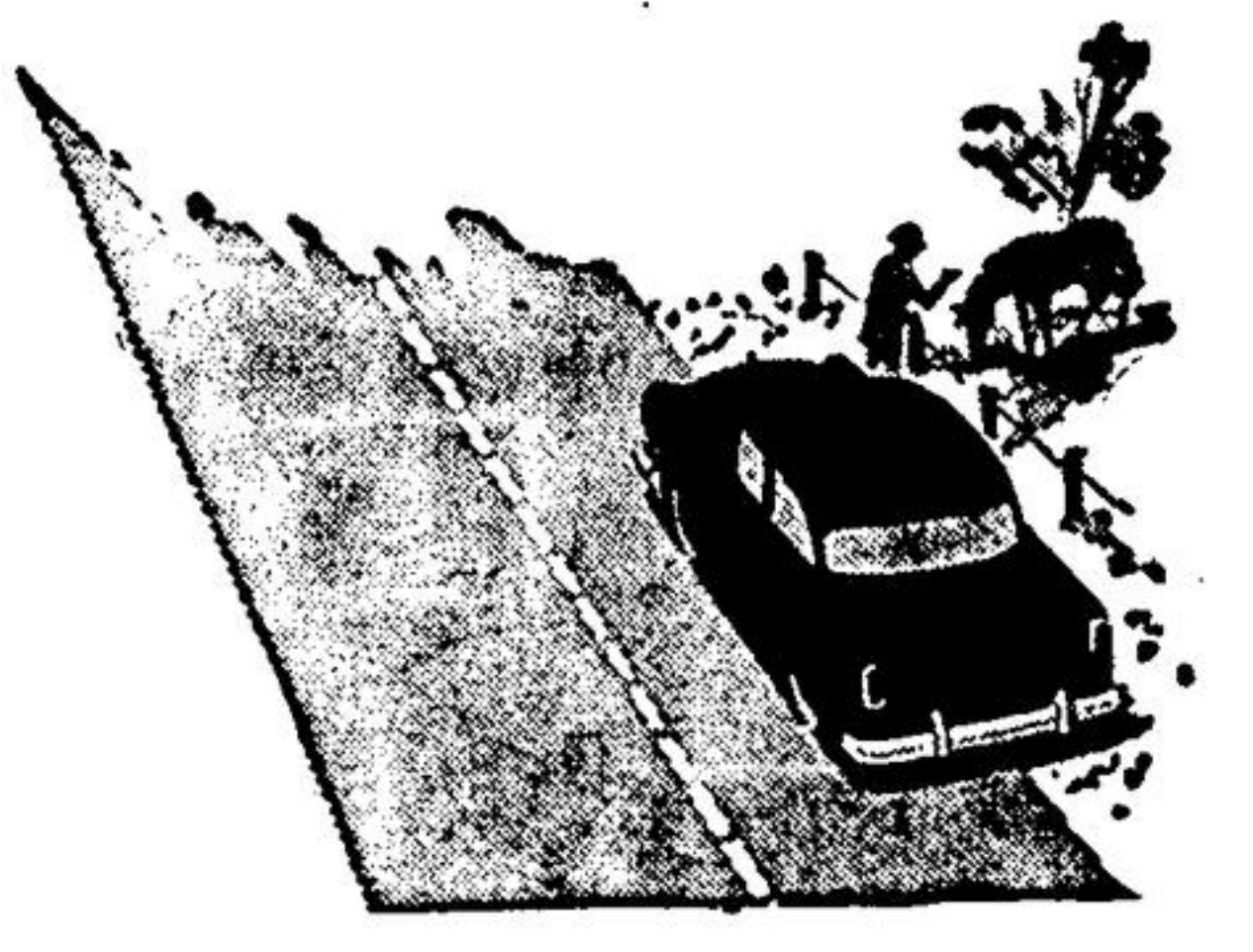
## Let's Finish the Job Give Towards the Pool Now!

**"Blessed Event" at North Halton Golf Club**

Some months ago the Herald "Chatting" columnist reported a sad affair at North Halton Golf Club, when a storm wrecked the swans' nest and scattered a number of hatching eggs, leaving them broken.

Last week, the swans had better luck and a family of seven young ones can now be seen on the upper pond near Maple Ave. Young swans are relatively rare, and their presence at the golf club has drawn many curious sightseers to view them.

Prev. acknowledged	\$ 36,309.08
Georgetown Fire Brigade	300.00
Proceeds Pop Sale "Swimming Pool Open House"	13.20
David P. Williams	25.00
Mrs. H. M. Stewart	1.00
Clarke Gibson	5.00
Roy A. Bradley	10.00
Jack Bailey, Jr.	10.00
C. Wellington Wilson	5.00
Mrs. C. J. Buck	25.00
Harold F. Gilmer	25.00
Gerald A. McCrea	25.00
Girls Pipe Band	25.00
Lions Bingo and Peanut Day Proceeds	1300.00
<b>Total to date</b>	<b>\$ 38,078.28</b>



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