posits and shares, and market securities totaled just over $20 billion in the period from 1957 through 1961, but rose to more than $40 billion from 1962 through 1965. This growth in private financial asset flows was relatively larger than the increased flow of private income. Thus, in the consumer sector, the share of income allocated to financial assets totaled 5.1 per cent in the period from 1957 through 1961, but rose to 7.2 per cent from 1962 through 1965.

Some of this greater allocation of consumer income to financial assets reflected a smaller share of income used for purchasing consumer durable goods and housing. But most of it was associated with a much higher level of borrowing, especially in the mortgage market.

Thus, in the period from 1957 through 1961 average annual mortgage borrowing by consumers amounted to 61 per cent of their expenditures for new housing. From 1962 through 1965 mortgage borrowing rose to 81 per cent of consumer expenditures on housing. Generally easy conditions in the mortgage market in the later period encouraged a high turnover rate of existing houses and a withdrawal of owners' equity from the housing market. And with returns on time deposits and other liquid assets quite generous, consumers found it relatively inexpensive to retain liquid assets while borrowing to finance outlays for housing or for other goods and services.

Relative yields. The accelerated inflow of time deposits at commercial banks over the past 10 years thus appears to have reflected a complex series of shifts in the volume and structure of financial asset acquisitions by the public. In these shifts changes in relative yields on financial assets and in the availability of credit played a dominant role. Rates paid by commercial banks on time deposits rose relative to rates on other financial assets available for purchase by the public, and the public was encouraged to acquire more time deposits and less of other financial assets. At the same time, the abundant availability of mortgage credit on relatively easy terms encouraged the public to borrow more in relation to its expenditures. As a result, total financial asset acquisitions also rose relative to income and spending.

The role of changes in relative yields on financial assets as a factor in time deposit growth is illustrated in Chart 3. The top panel shows changes in the annual growth rate of time deposits. The bottom panel, plotted on a reversed scale, shows the number of basis points by which the yield on 3- to 5-year Government