he may easily do, a number of companies classed as unreliable. A vicious outcome of competition is thus properly condemned:—

"As one cause of the lack of confidence resulting from the general attitude of the companies, the apparent cheapening of insurance by the rebate method (which has in reality increased its cost) may be mentioned as important. It is hard to persuade a man that he is getting a valuable article when it is offered for little or nothing. The shoe merchant who is taxed with overcharging a customer of ten months ago that he might give away goods to catch new trade has not done much to increase his popularity with those who have stood by him in the past. The absurdity of the rebate proposition is so well known that it need not be longer dwelt upon."

What then is the moral of these considerations?

"As to which is to blame, the companies or agents, we should say both; but the companies most of all, and with them should begin the reform. In justice to both it should be said that good work is being done in some cases in the line of instructing the public as to the principles of life insurance, and the adaptability of its various forms to the needs of all. But much, in fact, nearly all, yet remains to be done. When the people can be brought to seek and to buy life insurance as any other necessity, and can save thereby the tremendous cost of the motive power which is now used to bring it to their doors, they will begin to have some adequate idea of its possibilities. Wide as are its benefactions to-day, its scope could be deepened and broadened tenfold in a single generation if both agent and company could be induced to work harmoniously toward this common end."

Although we are unable to give full assent to all the propositions of our contemporary, we give them generally our support and some of them hearty approval. How the claims of life insurance can become more recognized, how the expenses of providing it can be reduced, how competition and rebating with their canker-like evils can be checked, or wholly eliminated, are questions of vital moment, not to companies alone, but to the very large number of the non-insured, those best interests would be promoted by their entering the ranks of life policyholders.

EARNING POWER OF CANADIAN BANKING CAPITAL.

A bank has available for employment, first, the money paid in by its stockholders; next, the accumulation of profits withhheld by the directors, and kept in the form of reserve fund, contingent fund, profit and loss balance, and that gradually growing surplus created by "writings down," which is represented by the margin between the actual, absolute value of the assets and their value as carried on the books; lastly, it has the money entrusted to it by its creditors, some of this payable on demand, the rest payable at short notice. Not all of this money can be employed so as to earn revenue. A portion must be kept in cash to meet daily routine engagements, such as the making of new loans, the redemption of note issues, the repayment of deposits. This should be reinforced by a second line, out of which can be taken the funds to provide for the regular and accidental engagements of a larger amount. Beyond this again must lie the defences prepared against a possible day of trouble in which creditors may demand liquidation of their claims to an extent far beyond the normal. Not till all these are provided does the prudent banker venture to embark extensively on his proper business, which is the lending of money to carry on the business and stimulate the industrial progress of the country. The main revenue is derived from this class of business, and the more venturesome is the policy of a bank, the greater will be the proportion of its funds invested in loans of a purely commercial nature.

The statement which follows, containing the figures for 1903, of thirty out of the thirty-three Canadian banks, shows what we might call the "visible" earning power of Canadian banking capital to-day. All those who are familiar with the business of banking are aware that, the earnings as announced at annual meetings do not tell the whole story of the bank position. Different institutions are governed by entirely different lines of policy, both as to their investments and as to their names of valuing assets. One bank will take risks from which another would recoil. To secure deposits, one bank will offer inducements which another will sturdily refuse to give. One class of bankers will declare every dollar earned, and make the bravest possible show with the assets, while another class will lay heavy toll on profits to maintain funds available for contingencies which may never arise, and, year after year, will patiently and unobtrusively write down assets until the real value is far in excess of the amount at which they are carried on the books. Between these two extremes will be found the policy that governs the majority of the banks on the list. The figures that appear opposite each bank must be qualified by what is known of its management's policy.

In discussing a bank's earning power, it is usual to say that, it earns so much per cent. on its capital, probably, because when this is figured, it is easy to tell what is the margin of safety over the dividend. But, as one of our Montreal bankers points out in his article, "A composite Bank Statement," in the "Journal of the Canadian Bankers' Association," October, 1903, we must quote the percentage earned on capital and reserve combined, if we would get the earning power on the capital invested. If an investor buys 100 shares of bank stock at 200, the fact that the bank credits only half the payment to capital account and the other half to reserve, does