

the offices are still earning 4 per cent. on the average, and private investors would be hard put to it to deal as successfully with any large funds under their control. Some of the more enterprising companies that enjoy wide powers of investment have earned considerably more than this rate. Mr. Spencer C. Thomson, the manager of the Standard Life Office, in his recent presidential address to the Actuarial Society of Edinburgh, expressed his belief that offices with such powers, and exercising them with skill and judgment, will succeed in maintaining an average rate of nearly 4 per cent. for several years to come, without undue risk, if proper precautions in selecting and watching the investments are observed. During the ten years a large number of assurance companies have taken the necessary steps to extend their powers, and the more conservative institutions, one after another, will probably be compelled, by the inevitable necessities of the case, to follow suit.

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One direction in which a good many companies have of late years sought to invest their funds is in mortgages on property beyond the limits of the United Kingdom. In the returns published in 1872, only £730,000 was shown to be invested in this way, while in those of 1882, £1,217,000 was reported as so invested. In the returns printed in 1890 the figures for these mortgages reached £6,000,000, or about one-thirteenth of the total mortgages reported; and in the statements published in 1898 they approximated to thirteen millions, or to nearly one-seventh of the total amount invested on mortgages.

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Looking at the various classes of Stock Exchange securities, we find that the amount invested in those of the British Government shows a considerable diminution over the period. Our national securities have long since become unsuitable for life offices, unless for small amounts, which it is desired to keep in an easily realisable form. A fair amount of Indian and Colonial Government securities was purchased from 1891 to 1894, but the high prices at which they have stood since has prevented any considerable outlay in this direction. Foreign Government securities show a marked increase in the latter portion of the years under observation, for which the necessities of foreign business, and the somewhat attractive loans issued on behalf of China and Japan, are probably to some extent responsible. The amount of eligible investments of this character must always be limited. The securities of old and well-ordered foreign states yield a low rate of interest, while to describe the loans of young and unsettled foreign countries as securities at all is, perhaps, less correct than complimentary.

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On the whole, the present prospect would seem to indicate a decrease in the rate of interest of a more serious nature than has lately prevailed. One advantage which may be derived from the Stock Exchange investments may be, that by carefully watching the markets frequent changes ensuring profits on realisation and re-investment may be made. Many companies are still carrying forward in their books at cost price a large proportion of assets which have greatly appreciated in market value. The effect of re-valuation would be to add the book profit to the funds, but to diminish the apparent interest yield. But realisation and re-investment might prove to be excellent finance. If a company that has a million of 4 per cent. securities bought at par could realise at 140 per cent.,

and could invest the £1,400,000 of proceeds in sound securities realizing 3 3/4 per cent.—which should still be practicable for a company possessing wide powers—the gain to its income would be £12,500 per annum, the future annual income being £52,500, as against £40,000. Or, of the £1,400,000 realized, £333,333 might be set aside and invested as a reserve against declining interest on the company's funds, and the £1,066,667 remaining in the life fund, if written down to £1,000,000, would still show an interest yield at 4 per cent.

While the problem of the future rate of interest is so perplexing, it is satisfactory to know that the chief majority of life offices are in a strong position, and were never better prepared to meet the threatened acceleration of decline. As we have seen, offices are still on the average earning practically 4 per cent. on their life funds; and it may be noted that two-thirds of existing companies of any importance are assuming 3 per cent. or a less rate for valuation purpose; and the great majority of the remainder assume 3 1/2 per cent. and under.

THE PROPOSED INTERNATIONAL AMERICAN BANK.

(The Bill Defeated at Washington.)

Bankers and financial houses in the United States and elsewhere have been waiting with much interest for the outcome of the effort to establish a powerful bank in New York, with branches in the principal cities of the Union, and also in foreign countries. The following special telegram from Washington to the New York *Commercial Bulletin* indicates that, although the projectors of such a bank have suffered a temporary defeat, they do not intend to abandon the scheme. The *Bulletin* says:—

The bill to establish the International American Bank was defeated in the House. The measure was skillfully handled by Mr. Hill of Connecticut and Mr. Brosius of Pennsylvania, members of the Banking Committee, but a feeling appeared to develop that the Bank might prove a dangerous competitor of the existing National Banks because of the power conferred to establish branches. Representatives Barrett of Massachusetts, Tawney of Minnesota and other Republican members criticised this provision, and offered amendments abolishing the branch privilege or extending it to all National Banks. None of the amendments were adopted, but upon the final roll call on the passage of the bill a few Republicans joined the silver opposition and many others were absent from the House without pairs.

Several of these who voted against the bill will not be members of the next House, where another effort is likely to be made to secure its passage. Representative Hill laid stress upon the importance of establishing a means of conducting exchanges between the United States and their dependencies if American merchants were to compete successfully with their British, German and French competitors. The fact has been recognized by Secretary Gage and Comptroller Dawes as well as in Congress that some provision for inter-Colonial banking must be made in the near future.