

of the Capital assets on the basis of the market value of the day, the Committee cannot but regard it as somewhat misleading. In 1897, when Consols stood at 113, a similar valuation showed a surplus to the Trustees Savings Bank Fund of £4,453,000 and to the Post Office Savings Bank Fund of £12,780,000. In 1901, when Consols stood at 91 $\frac{7}{8}$ on 20th November, these figures were turned into a deficiency on the Trustee Savings Bank Fund of £2,680,000 and on the Post Office Savings Bank Fund of £5,000,000. These deficiencies have since been largely reduced by the rise in securities, but no valuation on this basis gives a correct view of the real position, for the securities belonging to these funds are practically held as permanent investments."

Although the circumstances and conditions above narrated are not strictly on "all fours" with the ordinary ones of an insurance company, yet, as regards the essential point they are so, for the securities of an insurance company are also "practically held as permanent investments." This being the case, it may be reasonably asked, why should a company write down the value of its securities to the level of low prices quoted on a certain day, which low prices have been caused by a sudden wave of depression passing over the market that will probably pass away as quickly as it came? The valuation of a security held as a permanent investment should certainly be based on some more stable principle than the market price on some day which has been arbitrarily fixed. Mr. Hughes states his ideas as follows:

"The retention of the purchase price of this class of securities in the balance sheet, together with a suitable Investment Fluctuation Fund, is probably the best practical mode of dealing with the question, but other ways of meeting the difficulty have been suggested which are not undeserving of some attention. One of these, which bases the value upon a capitalization of the income, appears to me to be worthy of consideration, and I think it might very well be more closely examined."

BANK DEPOSITS—A FALSE THEORY EXPOSED.

The Halifax "Herald" recently said:

"It is not possible to say exactly how much Halifax money lies on deposit in our banks at an interest of not more than 3 $\frac{1}{2}$ per cent., but it is estimated that the amount is more than \$10,000,000, an average of more than \$200 for every man, woman and child in the city. Then there is not an inconsiderable sum besides in government bonds and in other low-priced securities.

"The \$10,000,000 in Halifax is duplicated throughout the province, showing a total in Nova

Scotia, lying on deposit receipts at an interest of 3 $\frac{1}{2}$ per cent. or less, of twenty millions of dollars.

"What a difference it would make if this vast sum of money, especially that part of it held in this city, were being utilized here by the owners of it in the development of our industries. The day will ably soon come when money held in this way utilized more actively than it is at present. o that day soon come."

The theory that money placed on deposit with banks would be better utilized in developing industries is a favourite idea of some writers. One of our city dailies went so far a short time ago as to affirm that the growth of bank deposits was rather a sign of business stagnation than otherwise. The argument was to this effect that, money so deposited would be invested in industrial enterprises were manufacturing not handicapped by a protective tariff. The Halifax "Herald" does not say this but it remarks, "Money held in this way," that is, money placed on deposit in banks "will probably soon come when it will be utilized *more actively* than it is at present."

This anticipation is based on an entire misapprehension in regard to bank deposits as it assumes that they are very imperfectly utilized, when, as a matter of fact, they are used as the saying is, "for all they are worth," or to their full extent. Bankers do not lock up their deposits in a safe, as some writers thereon seem to imagine, but do their utmost to utilize them in the most active way possible. Deposits have to earn money, their owners cannot afford to let them be idle, and, in these days, deposits have to work every day all the year round, without any holidays, or they become unprofitable servants. In what work are they engaged? Were it possible to follow these funds and trace out their daily avocations it would be found that they are helping to the full extent of their powers in "developing our industries" and mercantile enterprises. Were deposits withdrawn from banks, which is declared by some to be desirable, the whole business of the country would be stricken with paralysis, the wheels of industry would cease to revolve, the productive activities of the country would be stopped, a deadly blight would fall upon trade in all its branches.

The banks have now \$322,597,900 invested in current loans and discounts in Canada, which loans and discounts are giving an impetus and maintenance to all manner of industries and trade enterprises. Every dollar of this large amount is provided by deposits. What, then, becomes of the cry that deposits would be better utilized in the development of our industries when *that* is their exclusive use and occupation? Take an illustration from another sphere. At one time the supply of water for each house was its own "deposit" of rainwater in a barrel. Then