accident. The terms of the policy are:—"If at any time during the said policy or during the continuance of this policy after renewal the assured sustains any bodily injury caused by violent, accidental, external, and visible means while in South Africa and so forth," £500 shall be payable at death. If a man were drowned there can be no doubt that the amount of the policy was payable. The judgment of the court in this case also must be for the plaintiff with costs.

Leave was given to appeal to the Privy Council.

WILL THE INCREASED AMOUNT OF BANK CAPITAL EARN THE CUSTOMARY AVERAGE PROFITS.

The question has been raised whether the additional capital acquired by a number of Canadian banks will have any adverse effect upon the profits, and therefore tend to lower the dividend? It is obvious that, if the capital of a bank has earned sufficient for a certain average rate of dividend to be paid, and leaving a surplus of profits to be added to reserve fund, when the business was of a certain volume, then, if the capital is enlarged without a proportionate increase in the volume of business there is likely to follow a lower capacity to earn the average rate of net profits, and that the margin of excess for transferance to the reserve fund will be decreased.

The amount of net profit required to pay a dividend of 8 or of 10 per cent., on, say, $2,000,000 capital paid up, will only provide sufficient for a dividend of 6.40 or of 8 per cent. if the capital is raised to $2,500,000. When then the capital is increased to the extent of a certain percentage, the amount of the annual net profits must be raised by the same percentage in order to provide for the dividend being maintained and paid out of profits at the same rate.

In years long past, when the trade of Canada, both domestic and foreign, and the yield of her products natural and manufactured, were each much below what they are now and have been for several years past, there were evidences of some of our banks having more capital paid up than was needed. The conditions have so materially changed within the last ten years, as to render futile all arbitrary comparisons between those existing in earlier years and these now prevailing.

Comparisons must be broadened out so as to embrace such factors as are relevant to the main issue. The paid-up capital of a bank differs essentially in its relation to the dividend earning powers to that of all other joint stock companies. One source of profit to a bank is its note issues, commonly called the "circulation." These note issues are only limited in extent by the amount of the banks' paid-up capital. Each one of these notes is a credit instrument, which, while in circulation, is earning a certain percentage. The whole of this earning is profit, less the expenses of engraving the notes, of preparing them for issue, and of the book-keeping required for registering the movements of the circulation. The greater the paid-up capital, the larger the power of issuing notes. If therefore, the increase of capital results in an equal, or approximate increase in the note issues, the earning power of that new capital has been assured to the extent of the profit on the enlarged circulation, which is based on that new capital. In this respect then the increase of capital brings a direct advantage.

The enlargement of paid-up capital has a tendency to produce an indirect but highly beneficial effect by deepening public confidence, which brings more deposits with increased demand for loans, consequently enlarged profits. The public are now generally aware that, the assets of a bank, in case of need, may be enlarged to the extent of the paid-up capital by the stockholders being required to pay up the amount of their shares as a contribution towards the assets available for the bank's creditors. This "double liability" applies to new capital called up, so the position of the bank is strengthened to that extent. The new capital also provides directly, of itself, for enlargements of the business. Thus, 1. by allowing of an increase in circulation, 2. by tending indirectly to deepen public confidence and so bringing more deposits and other forms of business, and 3. by directly providing more funds for loans, the increasing a bank's capital, when judiciously made, can hardly fail to proportionately enlarge its earning powers from which results an increase in net profits that will be equal in percentage to those realized before the capital was enlarged.

A qualification needs, however, to be made in regard to the enlargement of capital deepening public confidence by increasing its strength. It would be erroneous to regard this as affirming that the strength of a bank is proportionate to the size of its paid-up capital. This is not so save in a general sense and as regards the impression produced on the public mind by a large capital. A bank may be weak, in an absolute sense, though its capital is large; it may be very strong though its capital is comparatively small. The inherent strength of a bank is to be judged by the absolute, the real value of its total assets as compared with its total liabilities, combined with such a proportion of its immediately available, its "liquid" assets, as render its position impregnable against such contingencies as are calculated, when they arise, to shake a bank's credit, unless it is strongly fortified.

The following shows the amounts added severally to the paid-up capital, the circulation, the deposits and the current loans and discounts of the 22 banks which increased their paid-up capital between the end of December, 1900, and the end of December, 1903, with the percentage of increase:—