

the total of the earnings larger, both positively, and relatively to the total capital and rest.

The principle mentioned by the "Statist" and that by which the best banks, in Canada and everywhere, guide their policy, is that an institution which religiously sets aside a part of its gains in deposits in order to maintain strong cash reserves has a greater power to lend and discount than another institution which puts out in loans and discounts the whole of its gains in deposits, allowing its cash reserves to remain practically stationary. The theory will be better understood if we imagine two banks, whose conditions are practically the same, starting out, each to follow one of the two different lines of policy. It is necessary to imagine, too, that their deposits have been increasing at the same rate.

At first it would appear that the one that put everything out in loans had the greater power, for it would be able to take up new discount accounts and extend its loans generally to an extent at least 25 p.c. greater than its rival. But this state of affairs would hold only for a time. By and by it would begin to get top-heavy. In the affairs of every bank there is an ebb and flow. Certain seasons of the year are known as flush seasons; others as tight seasons. In the flush seasons funds run in faster than they run out; but in the tight seasons the demand for discounts, and the withdrawal of deposits for use in trade, are together greater than the inflow. The venturesome bank would find, after it had gone on for a certain time loaning all its new deposits, that while it was comfortably enough off when funds were on the flow, it would be decidedly hard up when the ebb set in. Then it might be necessary either to decline to accommodate its customers or to apply to other banks, more conservatively operated, for temporary loans in order to enable it to go on performing the function for which it was established. Right here another consideration would likely enter—there would be a strong probability that the ratio of increase in its deposits, which was equal to that of its rival at the beginning, would now fall under the ratio of the rival. For, the most intelligent and watchful ones among its depositors would be apt to become a trifle uneasy about its position, and some of them would transfer their balances to the care of banks whose conditions were more satisfactory.

On the other hand the rival institution, which loaned only a part of its gain in resources, would find itself getting stronger and stronger. In the case of nearly all such banks the cash reserve is large enough to permit them to take care of all the demands of their customers, even in the tight seasons, and still to have a substantial surplus left over. As their reserve grew larger and larger this

surplus would get more and more important, and would permit them to consider propositions for new undertakings and for financing enterprises requiring large sums—things which the other kind of bank would not dare to think of. The conservative policy gives a bank a great reserve power, and enables it frequently to secure lucrative business which is altogether beyond the reach of competitors governed by the opposite policy.

LAKE SUPERIOR CORPORATION.

The Annual Report of the Lake Superior Corporation for the year ending June 30, 1906, has just been published. The total assets, including investments and securities of the subsidiary companies are given at \$54,395,262.50.

The Capital stock of the company is.....	\$40,000,000
First Mortgage Bonds.....	10,000,000
Income Bonds.....	3,000,000

The net income for the year amounted to \$1,138,744.11; out of which was paid the interest on first mortgage bonds, and after writing off the sum of \$91,080.64 on account of reorganization expenses, the net amount at the credit of profit and loss for the year is given as \$556,880.14, which exceeds that of the preceding year by \$522,077.06.

The amount standing at the credit of profit and loss at the 30th June, was \$591,682.62, which includes the balance brought forward from the previous year of \$34,802.48.

The report states that for the two years ending June 30, 1906, no less than \$527,883.09 were expended for betterments and extensions to property and plants.

Out of the profits for the year, interest on the income bonds at the rate of 5 p.c., which amounts to \$150,000, was declared payable on October 1.

The total of the inventories of materials and supplies and outstanding accounts receivable by the company amounted to \$4,129,671.06.

This statement is of a gratifying character, and the directors and officials are to be congratulated upon such an excellent showing, under many adverse circumstances.

The future prospects of the Lake Superior Corporation are very bright. It has in one homogeneous whole all the elements which should tend towards the success of a great group of industries, including valuable lands—the wealth of which is unknown. Timber limits, mines, railways, five miles of lake frontage, electric power, some 14 vessels on Lake Superior, iron and steel works, street railways, pulp and paper mills, saw mills, ferries, etc., added to a situation, which for centralization and shipping facilities, is unexcelled in the Dominion.