

\$4,075,000,000 in 1943. By far the greater part of this advance was recorded by notice deposits, which rose from \$1,864,200,000 in 1943 to \$2,272,600,000 in 1944, an increase far greater than any previously listed; notice deposits were 65 p.c. greater than in 1932, the low point of the last important depression. Demand deposits, which advanced year by year after the outbreak of hostilities, showed an increase in 1944 of 15 p.c. over the preceding year. Deposits held by the Dominion Government amounted to \$464,500,000 in 1944 an increase of \$38,900,000 over 1943; in 1938, the last full year of peace, such deposits were \$49,000,000.

Significance is attached to the relation between the cash and cheque payments and the money supply. The latter, as stated above, is made up of the sum of the deposits held by the chartered banks and the total amount of notes and coin in the hands of the public. The figure for "cash and cheque payments" denotes the total volume of all financial transactions in Canada, either by cash or cheque, during a given year.

By dividing the total volume of cash and cheque transactions for a certain year by the money supply in that year, it can be determined how many times the supply changed hands or was 'turned over'. This number is spoken of as the "velocity of money" during the period in question.

During 1944, cash and cheque payments rose substantially over the total for 1943, standing at \$85,790,800,000 as compared with \$76,066,200,000 in the preceding year. This total was the highest recorded for cash and cheque payments. The total money supply advanced from \$4,837,000,000 in 1943 to \$5,688,000,000 in 1944—a historical record. The percentage gain over 1943, however, was less for cash and cheque transactions than for money supply.

The velocity of money in 1944 was, therefore, lower than in the previous year, dropping from 15.73 to 15.08, and the turnover was not as great as in most other years since 1921.

The volume of commodities and services multiplied by the prices at which they are purchased should conform to the trend of cheque and cash payments. The index of national income shown at p. 905 is regarded as the best measure of the former.

The emphasis in recent years, consequently, has been placed on credit instruments rather than upon purely monetary factors. The development of deposit currency and of central banking permits a high degree of variation between the volume of the means of payment and the supply of cash. Fluctuations in total money income are more fundamental than the variation in the amount of deposits and circulating media or in the velocity of turnover. The means of payment are normally adjusted to the ebb and flow of economic conditions.

### Subsection 3.—Statistics of Individual Chartered Banks

**Assets and Liabilities.**—The statistics in column 2 of Table 14 represent, for the years 1935 (when the Bank of Canada was established) and 1941 to 1944, the total of Bank of Canada notes in the possession of the chartered banks together with their deposits at the Bank of Canada. For 1929 (before the establishment of the Bank of Canada) they represent the totals of the banks' holdings of gold and coin in Canada, Dominion notes, and that part of their deposits in the Central Gold Reserves not required against their note issues.