

7.—General Public Holdings of Certain Liquid Assets, as at Dec. 31, 1938-51

(Millions of dollars)

As at Dec. 31—	Currency and Active Bank Deposits	Chartered Bank Notice Deposits ¹	Government of Canada Securities ²	Total
1938.....	1,131	1,472	3,228	5,831
1939.....	1,370	1,544	3,279	6,193
1940.....	1,563	1,438	3,670	6,671
1941.....	1,901	1,433	4,162	7,496
1942.....	2,349	1,436	5,344	9,129
1943.....	2,726	1,654	7,184	11,564
1944.....	3,153	2,060	9,131	14,344
1945.....	3,514	2,391	11,310	17,215
1946.....	3,996	2,856	11,175	18,027
1947.....	3,944	3,143	10,763	17,850
1948.....	4,335	3,408	10,249	17,992
1949.....	4,422	3,751	9,902	18,075
1950.....	4,851	3,861	10,066	18,778
1951.....	4,843	3,894	9,388	18,125

¹ Estimated aggregate minimum quarterly balances in chartered bank personal savings deposits in Canada plus non-personal notice deposits in Canada. ² Holdings of all investors, other than the Bank of Canada, chartered banks and Government of Canada accounts. Includes direct and guaranteed securities (including refundable taxes) at par. Direct debt includes both matured and unmatured issues outstanding, exclusive of sinking fund holdings; guaranteed debt is included on the basis of total unmatured issues outstanding; Newfoundland debt assumed by the Government of Canada has been included since June 1949. Foreign pay securities have been valued at official mid-rates of exchange to Sept. 30, 1950, and at market rates thereafter.

In measuring currency and active bank deposits, it is necessary to decide which categories of bank deposits should be classed as active and which, by their nature, should be regarded more appropriately as part of the public's other liquid asset holdings. Generally, it has been satisfactory to classify bank deposits as active if cheques may be drawn against them. In other countries this criterion has seemed to work fairly well because cheques may not be drawn against savings deposits. In Canada, however, cheques are, in practice, drawn freely against savings deposits and this poses an awkward problem. To omit all savings deposits of chartered banks would ignore the obvious fact that, for many people, a savings account is an active chequing account which is very similar to a current deposit. On the other hand it is known from available information that, of the total amount on deposit in savings accounts in Canada, much the larger part is, in practice, inactive. Chartered banks pay interest on the minimum quarterly balances in personal savings accounts, i.e., on the sum that has been left undisturbed for the quarterly period; from the amount of interest that is actually paid on this basis as compared with the nominal rate of interest, it is apparent that the aggregate minimum quarterly balances in personal savings accounts are about five-sixths of the total of such deposits at the present time.

It is felt, therefore, that a more realistic account of monetary developments in Canada—and one more comparable with the usual presentation of similar statistics in other countries—is obtained by omitting the minimum quarterly balances in personal savings deposits and non-personal notice deposits from active money statistics. It has seemed preferable to exclude these deposits on the basis that they are inactive in practice rather than to include them on the grounds that they are potentially active because cheques may be issued against them.

The published returns of Canadian chartered banks include among assets "Cheques on Other Banks" which represents the amount of cheques that have been credited to the deposit account of the payee but not yet cleared against the deposit