

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 chequeing 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.

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.

Government deposits are given different treatment in different countries as far as volume-of-money statistics are concerned. In general the commonly used figure of bank deposits excludes Government deposits and, on the whole, it appears preferable to exclude Government of Canada deposits from the Canadian active money figures.

