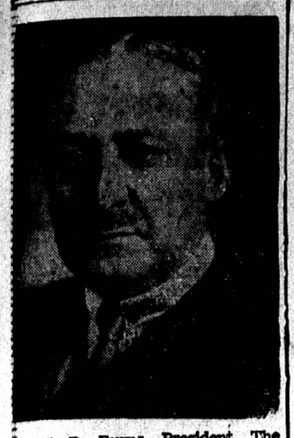

Mr. H. D. Burns President, The Bank of Nova Scotia, whose 114th Annual Meeting was held in Halifax December 5th.

CENTRAL GUARDIAN

This column is reserved for news of local interest, but advertising of a newsy nature may be inserted at five cents a word, strictly payable in advance.

CRASWELL for Photographs.

CONFEDERATION LIFE INSURANCE

COOKS for Christmas Photographs. Evenings by appointment. 11-12-tf.

THE ROGERS HARDWARE COMPANY, LIMITED, expect in a few days a carload of Black and Galvanized Sheet Iron. 12-7-2i.

GIFT SALE. — Knitted wear, novelties, St. James Hall, December 10th at 7.30 P. M. 12-4-4i.

VARIETY Sale today 3 p. m. Holman's. Zion Ladies Guild. 12-7-1i

NEW GLASGOW AND CAVENDISH.—Services Lord's day, Dec. 9th at New Glasgow at 11 and 7.30. Cavendish at 3. Hearty welcome. J. W. Hayter, Minister. 12-7-1i.

SPECIAL MEETING this evening Women's Auxiliary H M. C. S. Queen Charlotte Wardroom, 8 P.M. Important. All members urged to attend. 12-7-1i.

ORWELL—VERNON CHARGE. —Cherry Valley 11 A. M. Vernon River 2.30 P. M. Orwell 7.30 P. M. Rev. Roy E. Webster (Presbytery Supply). 12-7-1i.

POWNAL CHARGE. — United Church of Canada, Services Sunday, December 9th. 11.00 A.M. Clifton. 2.30 P. M. Mount Herbert. 7.00 P. M. Pownal. Rev. E. R. MacVicar, Minister. 12-7-1i.

CENTRAL PARISH. — Services for Sunday, December 9th. Clyde River 11 A. M. St. Catherines 3 P. M. Churchill 7 P. M. Canoe Cove S. S. 2.30 P.M. T. W. Goodwill, Minister. 12-7-1i.

WHY NOT TAKE advantage of LePage Shoe Company's Big Clearance Sale of Ladies High Grade Footwear. You will be astonished at the Quality and Price. Shoes are arranged on racks to make your shopping easier. 12-7-3i.

CHRISTMAS SHOPPING will be a pleasure to you at LePage Shoe Company's Big Clearance Sale, where you can buy two pairs of Womens High Quality Shoes for the regular price of one pair. 12-7-3i.

THE ROGERS HARDWARE COMPANY, LIMITED, expect in a few days a carload of Black and Galvanized Sheet Iron. 12-7-2i.

BAHA'I EDUCATIONAL SEMINAR. — Queen Hotel, Friday, 8.30 P. M. Subject: "Education and the New Electronic Age." 7.00 P. M. Friday "New Keys to the Bible" Conducted by Mrs. Robert Lee Moffett. 12-7-1i.

THE PRESBYTERIAN CHURCH IN CANADA. — Brookfield Charge. Services next Lord's day as follows: Brookfield 11 A. M. Hartsville 3 P. M. Hunter River 7.30 P.M. Donald Nicholson. 12-7-1i.

HAMPTON UNITED CHURCH. —Services Sunday, December 9th. Minister, Rep. Peter Jackson. Victoria 11 A. M. Hampton 3 P. M. Bonshaw 7.30 P. M. 12-7-1i.

CHURCH SERVICES. — Divine Service will be held on Sunday, December 9th at Hazelbrook at 11 A. M. Cross Roads 3 P. M. Alexandra 7.30 P. M. Rev. Sterling Stackhouse, Minister. 12-7-1i.

CHURCH NOTICE for Sunday, December 9th. Church of England Services for the Parish of Springfield and Crapaud. St. Elizabeth's Church, Springfield, Holy Communion 11.00 A. M. St. John's Church, Crapaud, Evening Prayer 7.00 P. M. Rev. B. Fream, Rector. 12-7-1i.

CHURCH OF SCOTLAND. — Services 11 A. M. and 7.30 P. M. Milo 3 P.M Tuesday, Dec. 11th. Murray River, 12th, Charlottetown Boyne (Orange) Lodge Rooms, Richmond Street, Thursday, December 13th. Birch Hill 7.30 P. M. Rev. J. H. Bishop. 12-7-1i.

CENTRAL BEDEQUE BAPTIST CHURCH. — Services Sunday, December 9th. There will be morning services this winter. The afternoon service will be at 3 P. M. Sunday School 2.15 P. M. Evensong 7.45 P.M. 12-7-1i.

THE PRESBYTERIAN CHURCH IN CANADA.—Services on Sunday, December 9th will be as follows: Wood Islands 11.00 A. M. Wood Islands East hall 2.00 P. M. Iris 3.30 P. M. Caledonia 7.30 P. M. (The afternoon services will be held only if there are car roads.) Rev. T. A. A. Duke, Minister. 12-17-1i.

ENGAGEMENT. — Mr. and Mrs. Beecher Graham, Thistle and Shamrock, announce the engagement of their daughter, Helen Christina Isabell to Vernon Duncan son of Mrs. Gillis and the late Malcolm Gillis, Glen Valley. Marriage to take place in the near future. 12-7-1i.

SUGAR CASE ADJOURNED — At City Police Court yesterday the case of Albert Farrah, charged with possession of counterfeit sugar coupons was again adjourned for one week. A drunk and disorderly was fined $10 and costs or 30 days. Another man accused of theft was remanded for one week.

TRYON — BONSHAW BAPTIST CHURCHES. — Sunday, December 9th. Bonshaw 11 A. M. Tryon 7.30 P. M. Rev. C. A. Hicks, Minister. 12-7-1i.

ANNOUNCEMENT of Church Services. Presbyterian Church in Canada. Sunday, December 9th. Cardigan 11 A. M. Dundas 3 P. M. Montague 7 P. M. R. D. McLean, Minister. 12-7-1i.

CORNWALL PASTORAL CHARGE. — Services Sunday Dec. 9th are as follows: Kingston 11 A. M. New Dominion 2.30 P. M. Cornwall 7 P. M. S School 11 A M. Rev. J. R. Skinner, Minister. 12-7-1i.

23 ACRES OF CRANBERRIES— Mr. J. W. Daly of Beach Point was in the City yesterday returning from a business trip to Halifax. Mr. Daly who is an extensive cranberry grower and shipper, having 23 acres under cultivation, has had a wonderful crop this season with good prices. Owing to lack of help, etc., Mr. Daly is planning to retire from business in the near future.

LEPAGE SHOE COMPANY'S Big Clearance Sale of Women's Footwear has proven a wonderful success. Why not be one of the satisfied customers while the sale lasts. You will be astonished at the values. 12-7-3i.

FIRE AT WESTMORELAND — A disastrous fire occurred at Westmoreland about two miles from Crapaud around 11 o'clock Wednesday night when a dwelling and barns owned by Mr. Harold Harvey, were burned to the ground. Stored in the barns were the season's crop of hay and grain and some machinery, also furniture in the house. As the blaze started at a late hour, it was not noticed until the fire was well underway. Nothing was saved. No one has been living on the premises for some months as the owner Mr. Harold Harvey is at present working in Moncton. There was a small amount of insurance.

ISLAND LADY PASSES. — A telegram received by her sister, Miss Nina Keenan on Wednesday night announced the death of a former Charlottetown resident, Mrs. Roy F. Hunter the former Edith Keenan, which occurred at her home in Massillon, Ohio, on that day. Mrs. Hunter, who was a daughter of the late Mr and Mrs. James Keenan, Upper Queen Street, received her early education in this city before making her home in the United States. She is very kindly remembered by her school friends. Deepest sympathy will go out to her three sons Harris J., Robert and Donald, who have lost a christian mother, and to her sisters Emma, Mrs, Burton V. Case, Spokane, Washington; Florence Mrs. Joseph Curley, West Royalty; Miss Nina and Miss Gwen Keenan of the Guardian staff and one brother Mr. Percy Keenan also of this city Loving thoughts will always linger in the hearts of those who loved her although distance has separated them for many years.

HUNTER RIVER RED CROSS SOCIETY — The regular monthly meeting of the Hunter River Red Cross Society will be held on Tuesday, 4th at the home of Mrs. Frank Bagnall with ten members present. Mrs. J.R. Murchison, the President, presided. Minutes of the last meeting were read and approved. Bills were presented for chickens for the returned men's supper and for cigarettes for the men still overseas, as well as sundry items, which, on motion, were voted paid. The evening was spent in piecing a quilt. In the report of the annual meeting mention by the vice president of the work of Mrs. William MacDougall was regrettably omitted. Mrs. MacDougall has made an outstanding contribution to the work of the Red Cross having knit 163 pairs of socks. Collection amounted to $1.00 The meeting closed in the usual way to meet again on January 8th at the home of Mrs. L.W. Ripley.

NEXT YEAR SHOULD SEE LONG STEP FORWARD TOWARDS A HEALTHY PEACE-TIME ECONOMY IN CANADA

Canada's future holds great opportunities for improved conditions and better ways of living, says H. D. Burns, President, at the 114th Annual Meeting of The Bank of Nova Scotia

General Manager, H. L. Enman, emphasizes widening scope of Bank Loans to businesses large and small

Danger of Inflation still imminent

The address of the President, Mr. H. D. Burns, to the shareholders, was, in part, as follows:

"In addressing you for the first time as President of our institution, I am deeply conscious of the responsibility and traditions of this office and particularly of the distinction with which it was filled by my immediate predecessor, Mr. J. A. McLeod, and before him Mr. S. J. Moore. Each of these men brought into the conduct of the Bank's activities a quality of judgment and a breadth of experience which have been invaluable. In these rapidly changing times their leadership has been a constant source of encouragement and inspiration to the Bank's officers. Happily, we shall continue to have the benefit of their advice and counsel, Mr. McLeod as Chairman of the Board of Directors and Mr. Moore as a continuing Director—and, if I may say so, as an elder statesman on the Board.

"I take this opportunity of welcoming on behalf of the Directors and Shareholders our new General Manager, Mr. H. L. Enman. The responsibilities attached to the office of General Manager in these critical times are great and varied; Mr. Enman brings to his new task a wide experience in banking and a broad and active interest in Canadian economic affairs. I need not emphasize here, where he is so well known, his special knowledge of and interest in the Maritime Provinces in which our institution was born and experienced its early development."

Good Progress in Reconversion

"Thus far the transition from war to peace-time activities has proceeded reasonably well. It is true that there has been friction—continuing shortages, bottlenecks, and strikes have impeded reconversion. But when one considers the vast scale of the readjustment and the abruptness and rapidity with which war activities are necessarily curtailed, the record to date is distinctly encouraging. At October 1st, 1944—only a little more than a year ago—there were about one million men and women in war industry and about three-quarters of a million men in the armed services. While no up-to-date figures are available, it is quite clear that the numbers engaged in war industry today are comparatively small and that demobilization of the armed forces has gone a long way. I think it would be safe to say that about a million of the million and three-quarters persons who were engaged in war industry and the armed services last year have now been released. And yet widespread unemployment has not developed thus far, nor has there been any recession in the heavy demand for civilian goods and services."

Expansion in Civilian Employment

"The most encouraging feature of the economic picure is the rapid expansion in civilian employment. Generally, the civilian-type industries have added to their staffs. The textile and footwear industries, despite curtailed war contracts, had more workers on their payrolls in September than was the case a year earlier. Substantially more people were employed in building construction and in the building materials industries. Employment in logging was much in excess of a year ago and the pulp and paper and printing industries had shown material expansion. The working force in retail and wholesale trade was notably higher and the service industries and transportation were employing more workers.

"In the war-type industries, of course, employment has been declining, in some cases very sharply. Nevertheless, reconversion is making substantial progress—in part offsetting the effects of war contract curtailment. Employment in the farm implement and railway equipment industries has been particularly well sustained, while up to September the declines in the steel mills and in the machinery and automobile factories had been comparatively small."

Some Temporary Unemployment

"Though a good beginning has been made, it would be unrealistic to imagine that Canada could get through the transition without friction and without temporary unemployment. Despite the fact that the war ended in two stages, the scale and rapidity of the changeover are very great: indeed, during 1945 and 1946 there will be more changes in jobs and production than at any other time in Canadian history. While civilian activities are expanding rapidly, reconversion and plant expansion take time, shortages of needed materials and supplies have to be overcome, and until next Spring seasonal influences will severely restrict expansion in some important activities such for instance as construction.

"There are today pockets of unemployment in particular localities where large war industries were located and where peace-time opportunities are limited. In addition, it is now the case that the supply of labour has caught up with or passed the demand in most areas though in some industries and in particular occupations the demand still exceeds the supply. Because a good many persons laid off from war industry and released from the armed forces did not immediately seek new employment and because demobilization is still far from completed, the full impact of the contraction in war activity on the supply of labour has not yet become apparent."

Canada Should Move Forward Towards Healthy Peace-time Economy

"In saying this, I am simply pointing out what must be obvious to any serious student of the facts and what is largely unavoidable in such a drastic change in our economic activities. But while there will be many difficulties, there is no cause for pessimism. On the contrary, it seems to me that the outlook for the coming year is reasonably good and that the general level of expenditure and income should be such as to allow us to move forward a long step toward a healthy peace-time economy. Though the cutback in war activity has led to some decline in incomes, the level of income is being supported by rising civilian employment, by soldiers' gratuities and credits, by social security payments, and by Government credits designed to maintain necessary exports.

"A further important factor sustaining the level of expenditure and employment is the accumulation of savings in the hands of individuals and corporations. These savings are a major element in the heavy demand for durable goods and housing and, as the transition progresses, should be of great assistance in sustaining the level of expenditureand employment. Finally, there are the recent reductions in taxation which will assist business expansion on the one hand and increase the net incomes of individuals on the other. All in all, though the coming year will be one of great change, it should also be one of high activity—not so high as the peak war-time years, but very much higher than any former peace-time year."

Inflation Still a Danger

"We are in the curious position today of being apprehensive of both deflation and inflation. The scope and speed of the changeover are likely to produce transitional unemployment. At the same time, widespread shortages and the continued high rate of spending provide the natural background for inflationary price increases. We have just concluded a Victory Loan one fundamental purpose of which was to siphon off excess purchasing power—purchasing power which today could not be matched by additional supplies of civilian goods and services. For the time being and perhaps for a good many months to come, we shall continue to be faced with a variety of shortages.

"Public demand for goods and services, as I have already suggested, is likely to be sustained at a fairly high level. Supplies cannot be increased overnight. The job of reconverting plants, formerly on war work, takes time. Some supplies and parts cannot yet be obtained in sufficient volume. Some industries require new plant facilities if they are to meet the prospective demands upon them. Some shortages, such as those of certain clothing articles, may be overcome fairly soon. Others, such as that of food, await the next harvest and the supply available for the domestic market is closely related to the urgent needs of our customers and former allies. Yet others, like that of housing, will in the very nature of things be with us for quite a long time."

Price Control Still Necessary

"In these circumstances it follows that complete removal of war-time controls would mean sharply higher prices, and a repetition of what occurred after the first world war. Controls should certainly be removed just as promptly as the conditions of shortage which led to their imposition are overcome, and the Government by its actions and statements has made it evident that this is its policy. But this is not to say that we should invite the trouble and disturbance which a sudden and unthinking removal of all controls would surely involve.

"Price control, for example, does restrict the businessman's freedom of action, and in particular instances it may restrict new activities. But there is no question that the consequences of removing price control would be far more restrictive. It is difficult to imagine a more disruptive combination of circumstances than sharply rising prices for necessities side by side with transitional unemployment. Mounting living costs would undoubtedly lead to industrial strife on an unparalleled scale. More than that, a sharp upswing in the price level would not provide a lasting stimulus to new investment and enterprise: indeed, its effects might shortly become restrictive because of the fear that prices would decline and because of the simple fact that high prices diminish market opportunities both at home and abroad.

"Finally, the declins in prices which would inevitably follow would restrict production and employment, upsettng and indefinitely postponing our hopes and plans for a better peace-time society. While the emergency stabilization controls should not be used with a view to insulating the Canadian price level permanently from higher prices in other countries, the conditions abroad where scarcity and inflation prevail are conclusive evidence that the present is no time for a sudden upward adjustment in the whole structure of Canadian prices."

Must Avert Economic Disorder

"During the war, Canadians managed to order their affairs in an efficient and common sense manner. Through collective action on the part of the whole community and through public understanding and co-operation, our economy has come through the most severe test in history in better order than that of almost any other country.

"The facts of the present day—the continued shortages and pressures which are the immediate and direct consequences of the war—and the record of what happened after the first world war speak for themselves. Collective action through government is still needed to avert major economic disorder and to provide an atmosphere in which we can move forward toward a high and sustained level of peace-time production and employment. Such action need not threaten our democratic traditions and rights. To suggest that it does is to intimate that we are incapable of acting as a people to protect ourselves against conditions which threaten the welfare of all; and that is certainly not the case."

Tax Reductions are Constructive

"The problems inherent in the sudden changeover to peace and the difficulties of timing the removal of war-time measures are also reflected in the first post-war budget. Here a balance had to be struck between the continuing risk of inflation and the risk of restricting reconversion and economic expansion. Thus, on the one hand, taxes directly restricting incentive and initiative were considerably reduced and a moderate cut was made in the extremely high rates on personal income. On the other hand, tax concessions were limited, because of the continuing danger of inflation and of the prospective high rate of government outlays.

"The Minister of Finance emphasized the clear restrictive effect of the excess profits tax on business expansion and as an interim step toward the ultimate abolition of the excess profits tax' proposed a reduction in the rate to 60% and made provision for raising the standard profits of small businesses. These changes are constructive and should do much to stimulate employment-creating activities, more especially since they are combined with the assurance that the excess profits tax will ultimately be removed."

Dominion-Provincial Settlement Urgent

"It should be noted, however, that the question of Dominion-Provincial relations and responsibilities still beclouds the taxation outlook and indeed affects Canadian economic prospects in a number of important ways. A Dominion-Provincial settlement is, in my opinion, one of our most urgent post-war tasks. It is perfectly true that difficult political questions are involved. But it is also true that failure to arrive at a settlement, conceived with imagination and appropriate to the local and economic conditions of the times in which we live, would restrain our economic progress and inevitably delay the realization of a balanced program of social security. Whether or not we agree with the proposals made by the Dominion Government for a settlement, these do represent a sincere and vigorous effort to deal realistically with problems that can now be evaded only at great cost and with much friction.

"Let us remember that failure to reach a settlement could seriously impede our progress in the immediate transition and affect adversely our welfare in years to come. Continued uncertainty in regard to taxation is a present serious barrier to enterprise and to high employment. The difficulty of arriving at financing arrangements between governments for needed public works, which is inherent in the present state of doubt as to the division of responsibilities and jurisdiction, is also a matter for grave concern. It might mean that for lack of planning and preparation necessary public works could not be commenced when and where they might be required to sustain economic activity."

Necessity for Export Credits

"The President of the Bank has usually had something to say about the prospects for export trade. I make no apology for again returning to this subject, for its importance to Canadian business cannot readily be over-emphasized. At the present time, the prospects for our civilian-type exports—our war-type exports are of course rapidly vanishing—are good and, in some cases, so good as to be embarrassing. For example, such is the case in regard to meat and lumber. The fact is that a war-ravaged world desperately needs the food, the wood and the paper, and the variety of reconstruction supplies which we can produce beyond our own needs.

"It is also a fact, however, that many of our customers are unable for the present to finance their requirements of Canadian goods. Mutual aid no longer bridges the gap and in these circumstances the Government has embarked upon a policy of providing export credits as a transitional means of sustaining exports and of helping our friends and former allies. Few will quarrel with this policy. Quite apart from our moral responsibility to help these countries in their dire need, we also have a vital interest in sustaining income in our export industries during the transition and in aiding reconstruction abroad so that we may have lasting markets for Canadian goods."

Canada Needs 25% Increase in Export Trade

"It is well to remember that Canada needs larger export markets than prior to the war as one of the foundations for a high level of employment and production. In a recent *Monthly Review* of this Bank it was suggested that an increase in the physical volume of exports of around 25% over the immediate pre-war level was a necessary objective for post-war years. The attainment of this objective depends in large measure upon economic and physical reconstruction in Britain and Continental Europe, which are natural and traditional markets for much of our primary production, and above all for farm products."

Solution to Sterling Problem Vital

"The provision of export credits as a transitional measure is thus an essential step toward the re-establishment of our trade on a peace-time basis. It is an earnest of Canada's intention to play her part in repairing the destruction and dislocation of war and in re-establishing an orderly world economy. Canadian action, however, is obviously incapable in itself of restoring the sort of multilateral trading conditions which are so much in Canada's interest. Solution of the foreign exchange problem, particularly with regard to Great Britain, depends so largely upon action by the United States.

"The cost of victory to Britain has been very heavy—out of all proportion to the cost to North America. The war restricted her export trade, apart from munitions, to less than one-third of its pre-war volume. The war greatly diminished her foreign investments and produced an enormous sterling debt, particularly to such countries as India and Egypt. The termination of Lend-Lease and Mutual Aid has brought Britain's exchange problem into clear relief as a matter of major concern to the future of international trade and to the welfare of this Continent.

"If North America does not see to it that conditions are established in which Great Britain can engage in multilateral trade and provide for free convertibility of exchange, Britain will have no alternative but to make the best of her bargaining position in bilateral deals with the countries which are dependent on her market and which can accept in payment sterling and the things sterling will buy. Such a policy would inevitably tend to divide the world into separate economic spheres and would place Canada in a most difficult position—torn between her close relationships with Britain and with the United States and unable to divorce herself from either."

Washington Meeting of Special Concern

"That is why the talks between the British and the Americans now in progress in Washington are of very special concern to Canada. If tentative agreement is arrived at—and there seems to be good reason for hope—then we shall be intimately concerned in working out our part of the settlement, both in terms of financing and in terms of the tariff adjustments which may be required.

"This is a time of great decision. If a forward-looking course is not taken, the world will unavoidably slip backward toward economic nationalism, which in no small measure contributed to the war and which would undoubtedly produce again an atmosphere of friction and tension. It is to be hoped that the imagination and co-operation, of which there has already been evidence in the Bretton Woods Agreements and in the Food and Agriculture Organization, will prevail and continue in this the most thorny and most urgent of the world's economic problems."

Future Holds Great Opportunities

"These remarks have largely consisted of discussing economic problems both at home and in the sphere of international relations. It is self-evident that the future is studded with problems, some the direct result of the war and others the familiar though no less difficult ones that plagued us before the war. But I think it is also evident that the future holds great opportunities for improved conditions and better ways of living together. The war has brought our problems into sharp relief. It has brought a growing realization that we cannot avoid or overlook our responsibilities to our neighbours. War has brought home to us the value of co-operation and self-discipline. It has removed many of our inhibitions and thrown us into an atmosphere in which great constructive advances are possible, or in which with the discovery of atomic power the last chapter in the history of mankind could be written.

"Temporizing and palliating will no longer suffice. The choice lies between bold and courageous measure on the one hand and disaster on the other. This is true politically and economically, for political and economic decisions are inseparably intertwined. It is clearly the case in the sphere of international relations where nations must be prepared to relinquish some of their rights of unrestricted action in favour of an international authority. We must meet the challenge of our times. If we succeed, we look forward to a future beyond the highest hopes of the world as we knew it in 1939."

General Manager's Address

After reviewing the Bank's Annual Statement, Mr. H. L. Enman, General Manager, spoke to the Meeting, in part, as follows:

The Wartime Expansion in Bank Deposits and Currency

"Bank deposits have expanded again during the past fiscal year to levels greatly above those prior to the war. The total of private Canadian deposits with the Chartered Banks has increased by 90% during the war, rising from an average of about $2400 millions in the twelve months ended September 1939 to one of $4570 millions in the twelve months ended September last. If to these totals are added the notes of the Bank of Canada and of the Chartered Banks in the hands of the public, we find that the total cash means of payment at the disposal of the Canadian public have increased from around $2600 millions immediately prior to the war to an average of over $5500 millions in the twelve months ended September, 1945—an increase during the war period of no less than 110%.

"This is a very notable expansion in the means of payment. It is the direct result of huge war outlays and of the national wartime policy of financing the largest war effort that it was feasible to achieve out of our resources of manpower and materials. It is fairly well in line with the great increase in production and the more moderate advance in the general level of prices; in other words, the increase in bank deposits and currency has been proportionately quite similar to the rise in the national income. It is less marked than the increase which has occurred in the United States, a development which is in accordance with Canada's greater success in keeping her price level in hand."

Deposits Likely to Remain High

"The fact remains, however, that the increase in the means of payment in Canada has been very pronounced. A higher level of bank deposits and currency has undoubtedly been established. Indeed, there is every prospect that the total means of payment in the hands of the public will be sustained close to the current level for some time, or may even increase further. Though the amount of currency in the hands of the public may well decline somewhat from its extraordinary wartime peak, it is not likely that bank deposits will decrease very much. As a general rule the volume of bank deposits varies in accordance with changes in the investments and loans made by the banks. Or to put it another way bank deposits can decline only if the aggregate of bank investments and loans falls off.

"So far as loans are concerned, an adequate volume of business borrowing is clearly essential to stimulate and support the needed expansion in peacetime activity. In regard to investments, there is little if any prospect of reduction in the bank's holdings for some time to come. The Government's deficit is still a very large one, and may remain substantial for several years. This means that the quantity of government obligations outstanding will go on increasing.

Now if the public were to continue its recent high rate of savings, such further expansion in the national debt might be absorbed without an additional purchasing of securities by the banks. But that is not likely to be the case and as civilian production expands a higher rate of expenditure by the public will be needed to sustain production and employment. In addition, wartime savings in the form of Victory Bonds and War Savings Certificates will be drawn upon to a considerable extent to pay for houses, automobiles, new farm equipment and industrial improvements and expansion, and again this will be a most desirable development at the appropriate time. This course of events, however, does mean that the banks are likely to be net buyers of securities for the time being."

Strong Factor in Reconstruction

"So it is probable that bank deposits will be sustained at a high level. There are great advantages in this position. It means that reconversion is unlikely to be delayed or obstructed by any serious general contraction in the means of payment—that the stimulating effects of deferred expenditures are unlikely to be counteracted by restrictive monetary developments. There are also some risks. As the President has stressed, there is an immediate and pressing danger of inflation, resulting from domestic and world-wide shortages induced by the diversion of production and the destruction caused by the war. Given time, we have the capacity and ability to make good these shortages and to catch up with the present high potential level of spending. The immediate danger of inflation is therefore being treated as a temporary problem, and temporary emergency measures are properly being used to combat it."

Stock Market Boom?

"In addition, there is a risk of a speculative boom in the stock market—a boom financed out of idle cash rather than credit expansion which could have unfortunate consequences, not only to the participants but to our progress in reconversion. But here again, particular measures would, if needed, be more appropriate than a general contraction of credit which would threaten our progress toward a high level of peacetime employment and increase the risk of a post-war slump. Thus while there are risks in the great expansion that has occurred in the means of payment, it is quite clear that any sharp contraction would produce far greater dangers and difficulties."

Changing Character of Bank Assets

"Now let me say something of a more specific character as to the effect of these broad changes on the business of banking. It is well known that the main increase in bank assets, which lies behind the expansion in bank deposits, has been in government securities. Though as a matter of policy the Government's borrowing from the banks has been kept as low as possible—and it is worth noting that the Canadian record compares favourably with that of most other countries—the cumulative increase in the security holdings of the banks over six years of war has been large. In the last statement of the Chartered Banks—that for September 30th—holdings of Dominion and Provincial Government securities were $3,530 millions which compares with $1,180 millions in the same month six years earlier.

"Meanwhile loans in Canada have shown only a small increase: they were $1,110 millions in the last statement as against $1,080 millions in September, 1939. Directly or indirectly, the Government largely financed the huge expansion in munitions output while at the same time Government policies necessarily and deliberately restricted expansion in civilian lines of activity. Moreover, the combination of high demand for goods and of shortages of labour and materials produced a condition of increasing liquidity in many lines of business and led to curtailment in inventories. In these circumstances, it was not surprising that bank loans showed no great expansion.

"The effect of these changes on the composition of bank assets has been quite striking. Security holdings now represent more than 55% of the total assets of the banking system while loans in Canada are less than 20% of the total. Just before the war, securities accounted for slightly more than a % of bank assets while loans were in the neighbourhood of 30%. If we go back to the late 'twenties, we find that loans comprised a much larger proportion of bank assets than did securities, and if we look back before the First World War, we see that over 60% of bank assets were in the form of loans and that securities were comparatively unimportant. The truth is that the war accentuated a trend which had already been in evidence for a generation not only in Canada but in the United States and Great Britain."

Bank Loans Have Vital Function

"I do not propose to go into the reasons for this long term trend. Suffice it to say that this radical change reflects fundamental alterations in the business structure, in the role of government in economic life, and in international relations and conditions. It is unlikely that loans will regain their former preponderance over securities in banking assets.

"But in saying this, I do not wish to minimize the importance of the banks' lending functions. It remains a fact that bank loans have a vital function to perform in our economic society. They are still a major form of credit which is necessary to every type of business and of special significance in an economy which depends for its vitality upon competition, upon the growth of medium-sized and small businesses which must have readily available credit facilities to assist their expansion. Bank loans have a very important part to play in the transition to a peacetime economy. Inventories in many lines are depleted. More working capital is required by many businesses which plan expansion in their facilities and production. So the immediate outlook for bank lending is reasonably good."

Bank Loans Readily Available for Many Purposes

"Furthermore, the scope of bank lending has been steadily widening, not in the sense of taking undue risks but in the sense of making medium-term as well as short-term loans and of developing spheres of credit which were formerly unimportant or barred by legislation. Perhaps the most important reason for this widening in the scope of bank lending is the increasing liquidity of the banks. With the enormous expansion in security holdings, many of them short-date, it is no longer necessary for the banks to confine their lending entirely to short-term credits. They can extend and have been extending business loans of a medium-term character and this process will undoubtedly continue.

"Then there are the government-sponsored schemes designed to stimulate the use of bank credit in particular fields. The Farm Loan Improvement Plan is in operation and a new Home Improvement Plan is provided for in the National Housing Act and will presumably be brought into effect at an appropriate time. In addition, the terms as to security relating particularly to bank loans to farmers and fishermen were substantially widened in the revision of The Bank Act and these changes should be of distinct advantage to potential borrowers.

"Finally, the banks *want* to maintain the highest feasible level of loans. It is clearly in their own interests since loans are a more profitable source of earnings than government securities. It is equally their responsibility to the public to provide the widest access to bank credit consistent with good judgment and common sense."

Need for Improved Tax Administration

"The President has already said something about certain of the broad aspects of taxation. I should like to add a few words about the necessity of improving the administration of the corporate income taxes, for in the day-to-day conduct of the Bank's affairs we naturally see and learn a good deal about the tax problems of Canadian business. The complicated tax structure and the degree of latitude in administrative decision, combined with the wartime shortage of trained staff, has resulted in delays in the settlement of taxes and in decisions on particular tax questions, which have become a very serious matter. So long as the war continued, these delays, often running for a matter of years, were understandable. But a continuation of these unsatisfactory conditions in the post-war period would have the unfortunate consequence of restricting business expansion. There are quite enough unavoidable uncertainties in the business outlook today without adding one which can be corrected by improved tax regulations and administration, and it is to be hoped that early action will be taken to speed up tax settlements."

Re-establishment of Bank's Returned Men

"We are looking forward to the return of those 600 members of our staff who are still in the Armed Services. As you know, the status of the male members of our staff on active service is that of officers on leave of absence without salary. Their position in the Pension Fund is not affected by their military service and the Bank pays to the Fund the amount of accumulated contributions for those officers who rejoin the staff. In addition, the Bank pays their group insurance premiums during the period of their military service.

"We have given a great deal of thought to the matter of re-establishing in our organization men returning from military service. Our policy is to arrange for a temporary period of readjustment to give these men an opportunity to reabsorb the atmosphere of the Bank and to familiarize themselves with present-day routines and procedures. During this period they are attached temporarily to suitable Branches. After an appropriate period of readjustment, appointments will be made to those posts for which the individuals concerned seem best fitted. I might add that the salaries of returning men are being adjusted upward to take account of the increases which they would have received in the ordinary course had they been continuously in the employment of the Bank."

Gallant Overseas Record

"Since the last Annual Meeting further honours have been won by members of our staff. It is with pride that I give you the record of decorations won by members of the Bank's staff during the war:

Distinguished Service Order and Distinguished Flying Cross	1
Distinguished Service Order	1
Member of the Order of the British Empire	1
Military Cross	1
Distinguished Flying Cross and Bar	1
Distinguished Flying Cross	11
Distinguished Flying Medal	1
United States Army Bronze Star Medal	1

"Unfortunately, some of our young men will not return. I regret to inform you that the Bank's casualty list now shows 75 men killed in action 4 died in Canada, and 2 still reported missing. To the bereaved families of these men who have given their lives for their country we offer our sincere sympathy."

Tribute to Staff

"There are now 3,306 on our staff. This represents an increase of 189 for the past year, which is made up very largely by men returned from military duty and by the admission of new junior clerks. There are now 1,836 women on our staff as compared with 1,867 a year ago and 437 at the outbreak of war.

"The past year has been a particularly busy and in many ways a trying one for the staff. The turnover in personnel has again been very high. This has placed a considerable burden on the experienced members of the staff, both men and women, and the Bank has indeed been fortunate in the high degree of loyalty and co-operation shown by its staff during a difficult period. They have maintained a high standard of service and we offer them our sincere congratulations and appreciation."

Establish Home For B. C. Women

VANCOUVER, Nov. 5—(CP)—Formation two years ago of the New Vista Society has brought happiness to 24 women in British Columbia. Former mental hospital patients, their release was effected through the efforts of the society.

The women had been unable to obtain their release because there was no one to sign them out, or because their relatives could not provide them with suitable homes during the period of readjustment.

The New Vista Society was formed by Miss Kay Lowden herself once a patient at the provincial mental hospital and some of B. C.'s far-sighted citizens It was prepared to take responsibility for these people from mental institutions until they had time to adjust themselves to the world.

Here women come to live for a few weeks or months till they find jobs, make friends, build a place for themselves in the world that is without walls and locked doors. From this home they have graduated as teachers, waitresses, housekeepers. One graduate is a woman of 70, a mental hospital patient for 20 years, now working as a housekeeper, with nearly $1,000 put away already for her "old age."