

reserves invested outside the business must be disregarded if we are to ascertain the real amount of active Working Capital required to carry on the business at its maximum efficiency.

It must not be lost sight of, however, that through our Banking system the Passive Capital of A. may become the Active Working Capital of B. For example, if our friends Brown, Jones, and Robinson leave their surplus fund on Deposit with their Bank, the latter may lend out such Deposit to Smith for employment in his business as Active Working Capital. It is here that our subject of the fittest assets for taxation or a Capital Levy impinges upon the great question of Credit. Just as the Banks stand behind the Trader, so in the last instance does the Government stand behind the Banks. This was proved at the outbreak of war, when but for Government action the Banks could not have met their liabilities. Behind the Government ultimately stands the Nation, and the practical solution of our economic difficulties turns on our understanding of General Credit and how to regulate it so as to promote Production of what the Nation needs and prevent waste of economic energy, such as is occasioned when labour, land, and factories stand idle.

If Brown, Jones, and Robinson were required to surrender their Reserve Capital for the purpose of Debt Redemption their business would not suffer except in some great emergency. If, in the event of that emergency, Government would afford them the necessary credit no economic damage would be done to their business or to the community of which they form a part.

The capital values of Deceased Estates leads to the conclusion that the Reserve and Passive Capital of the Nation greatly exceeds the portion employed as Active Working Capital. The bulk of the Capital Wealth of a Nation in an