

Politics and Pleasure in Europe

it would not be practicable to examine all of the 2,800 branches in Canada and the 77 branches and agencies abroad, the head offices and the chief branches could be placed under strict supervision. I am not sanguine that it would prevent bad banking; it would act for the most part as a remedial, rather than as a positive, preventive check. It would not control the making of bad loans or investments, nor could it prevent errors of judgment or lapses of integrity on the part of bank officials.

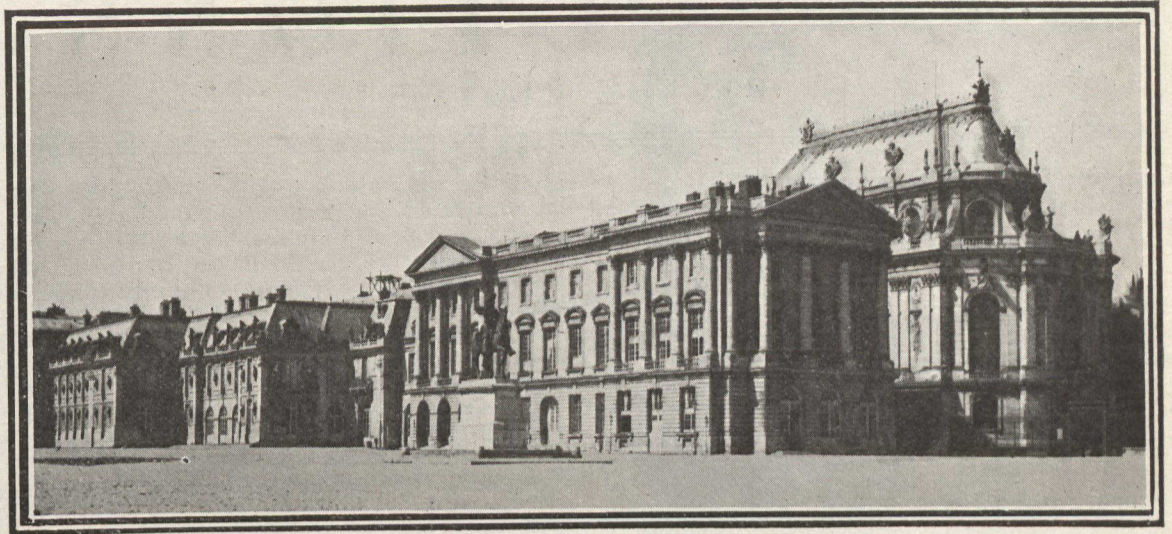
However, it would be a far better plan to impose the duty of providing a supplementary supervision of banking in this country upon the Bankers' Association, which has already been granted wide powers by the Government. Some plan, similar to that adopted by the leading clearing house associations in the United States, might be adopted. In that country the national banks, in default of proper government inspection, have established inspection agencies of their own, which have proved remarkably successful in preventing speculative banking. The object sought in appointing clearing house examiners is to detect instances of unsound banking in any direction; to prevent duplication of borrowing by the same client at different banks; and further to enable the clearing house to take preventive rather than remedial measures. Let me respectfully draw the attention of the Minister of Finance to that salient fact. Neither Government inspection nor a shareholders' audit can do much more than provide for remedial measures.

Examination through the clearing house, as has been said, has met with signal success in the United States. It is based on the idea that no one bank can be in an unsound condition without inflicting injury on the whole banking community. Moreover, it places the banks in such a position that they may feel justified in coming to the support of one of their number if need should arise. The mere mention of clearing house support would suffice to stay a panic. It also becomes practicable for the clearing house as a body to exercise such supervision of a weak bank as to amount to a virtual taking over of its management until it is again in a sound position.

Such a method of inspection would prevent much of the highly speculative "financial" banking in which nearly every big bank in Canada has engaged in recent years. Perhaps the Farmers Bank is not the only institution that has "taken a chance" on a mining venture. Speculation is one of the strongest and most constant factors in financial banking. Financial banking is, for the most part, based on securities, and not upon goods such as wheat, cattle or flour. Great mistakes can be easily made in not properly appraising convertible collateral. At the close of a boom period there is danger that banks may be choked up to an inordinate extent with syndicate borrowings representing unmarketable, and, therefore, unavailable collateral. No one knows the full extent to which this has occurred; or the extent of the financial undertakings of our banks in Canada, in Mexico, and in other places. But enormous losses may be easily made in underwriting and kindred ventures.

MOVING of commodities from producer to consumer is the predominant function of purely commercial banking. It is clear that, if conducted with discretion and care, banking ought to be a safe and sound business; for commodities are, after all, the only real wealth of a country. Nothing is more convertible, in the long run, than food; for nothing is of more universal use. What kind of collateral could be better than grain or cattle paper, from this point of view? Or what kind could be worse than paper which merely represents "the substance of things hoped for, the evidence of things unseen?" Against all this, protest should be made in no uncertain voice. The new Bank Bill simply ignores the danger of the situation.

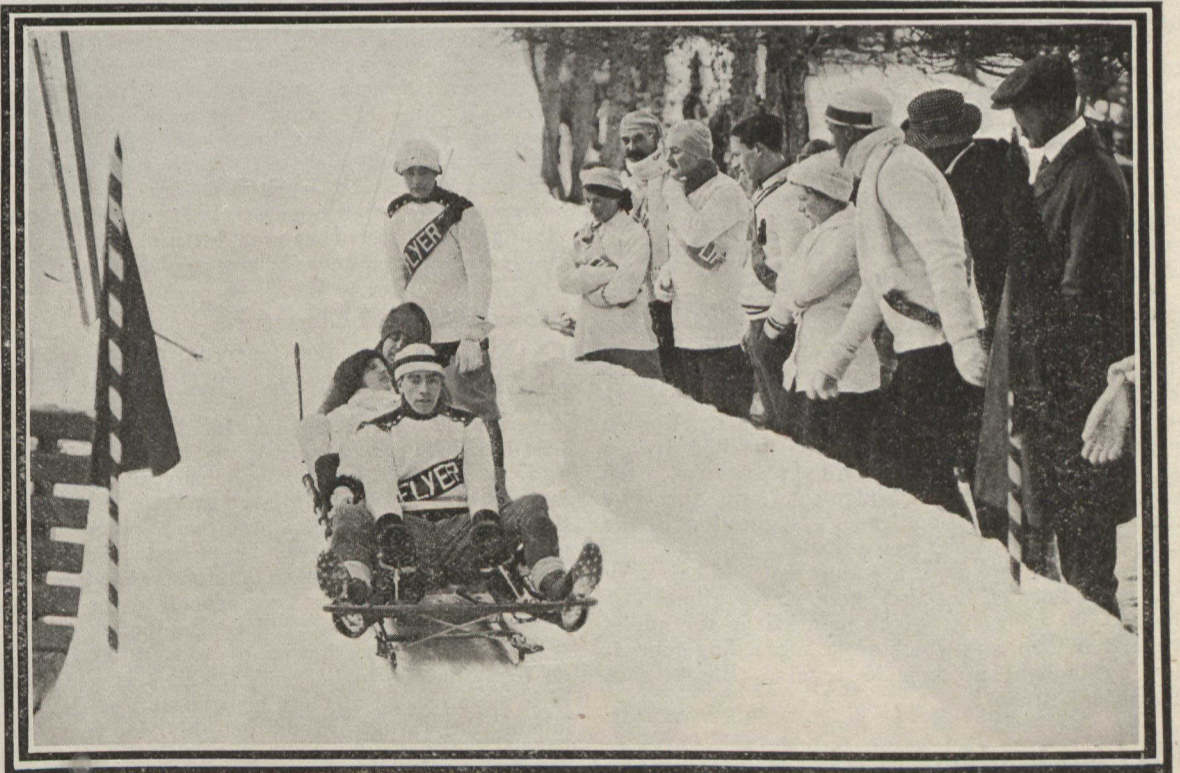
One thing that begins to stand out prominently in the Canadian banking world is the danger of concentrating banking power in the hands of a few great interests. There are certain clearly defined tendencies at present, the ultimate effect of which will be the creation of a number of powerful groups of banks. In the powerful Canadian banks the connection between them and the great speculative interests is very close; and it is quite within the realms of possibility that we shall yet have serious banking trouble from that fact. It is for that reason that the Government should insist that the purely commercial, as distinct from the purely financial, element shall be the prominent feature of the business of our great banks. Human nature is weak; and human nature is fallible. At the best, financial banking is attended with more dangers than commercial banking. So far the history of Canadian banking, though tarnished in places, has been in the main creditable. We may hope that it will al-



The Greatest Event of the Past Month, Other Than the Balkan War, Was the Election of a New French President. This is a Picture of Versailles Palace Where the Election Took Place.



This Interesting Picture Shows the Guards Drawn Across the Square in Front of the Palace of Versailles While the Election Was Proceeding. Premier Poincaré Became President Poincaré.



To Change the Tune—Here is Mr. Grahame-White, the Aviator (in Front), Competing in the St. Moritz Bobsledding Races. Switzerland Has Plenty of Ice and Snow, While Eastern Canada Has Had Practically None so Far.

ways be so; but our hopes need not blind us to the dangers that threaten.

The provisions in the Bill in regard to note-issues are good so far as they go; and an advance has been made over the present Act. As is well known, at present no bank can issue notes beyond its unimpaired paid-up capital, except during the usual season of moving the crops, when it may issue an additional amount not exceeding fifteen per cent.

of its unimpaired paid-up capital and rest fund. Upon this excess issue the banks must pay interest not exceeding five per cent. per annum. It is now provided, however, that banks may issue additional notes on depositing either gold coin or Dominion legals in certain gold reserves to be created; and upon this issue there will be no taxation.

In one important respect the move is in the right
(Concluded on page 24.)