

way. When the banks commenced to aid them they were far from being rich men or millionaires. The assistance given by the banks through granting credits and in other ways enabled them to put their productive or money-making qualifications to the fullest possible use; in other words, it gave them the opportunity to become rich. Without the banks they would, perhaps, have accumulated capital in the course of time; but their accumulations could not have amounted to more than a small fraction of what they were able to accumulate under present conditions, and their usefulness to the community and to the country would have been much less.

The Rich and the Poor.

It must necessarily be the case that relatively only a few of the parties or customers using the facilities supplied by the banks will become rich. Something more than the mere ability to get loans and discounts is required in order to create great wealth. In some cases there must be extraordinary business ability; and usually what may be called the business opportunity must lie there ready to be grasped. When the business opportunity, extraordinary ability, and a full supply of banking facilities or credits are found in combination, in the majority of instances wealth is rapidly created. Often the extraordinary ability is not fitted to or mated with the business opportunity necessary to display itself to best advantage.

Sometimes an excellent business opportunity is partially wasted because the man to whom it presents itself cannot lay claim to more than ordinary or average ability. Doubtless there have been cases where exceptional ability and the business opportunity existed in combination, but for one reason or another the banking accommodation necessary for the creation of wealth on a large scale has not been forthcoming.

Bankers may have declined to grant credits because they had not the funds to spare; or, having the funds, because they had not been fully convinced as to the intending borrower's prospects of success. A very large number of would-be borrowers present their claims in the most confident way and describe their prospects as being bright beyond words to explain, but the banker must be skeptical if he would be safe. Even with all his skepticism he is induced time and again to risk his money in ventures which turn out badly and involve him in loss and his customer perhaps in financial destruction.

Assistance of Banks.

Although the banking institutions of the country have, in the ordinary course of their business, enabled many men of small capital to become millionaires, and although they have enabled men who came to them wealthy to build up their capital rapidly to larger figures, it should be remembered that the bulk of their loan transactions are with customers who, while doubtless making headway, are not exactly in the way of becoming millionaires. The cities, towns and villages in the East and in the West contain thousands of men who are living in comfort and adding steadily to their store of capital as a result of the assistance and facilities supplied to them by the banks.

Without the bank loans and credits many of these people could not make anything like the profits now made. All classes derive benefit—farmers, storekeepers, manufacturers' agents, dealers of all kinds. In some cases the loans and discounts made by the bank have the effect of trebling or quadrupling the power of the borrower's own capital. This is notably the case with grain loans, loans on stocks and bonds, and other loans

where the banks are accustomed to lend 80 per cent. or more of the market value of the collateral lodged. Thus the grain dealer with a cash capital of \$10,000 and a good reputation has no difficulty in securing loans of five times or six times his own capital in order to enlarge his volume of business; the stock broker with cash capital of \$80,000 can borrow \$400,000 on securities with his own capital as margin.

All this is important to the development of the country. Some critics believe that the bank loans to stock brokers serve no purpose other than to encourage speculation in stocks and to enable the experienced financiers in the great cities to despoil the lambs of their fleece; but that is a mistaken notion. The bank loans to Canadian brokers on stock and bond collateral represent the means by which a considerable number of important industrial concerns are enabled to continue in operation. But for the support thus occasioned to the floating supply of securities issued by these companies (that proportion of their security issues which have not found lodgment with permanent investors) the quotations would probably fall to such a point as to discredit other senior issues of the same companies.

Retailer and Discounting Facilities.

The small retailer who does not himself make an extensive use of the discounting facilities of the local bank, sometimes cherishes the notion that he derives no benefit from the operations of the bank. He may get a few farmers' notes discounted from time to time; but if one asks him the question he may declare that he owes nothing whatever to the banks as his customers' paper under discount never exceeds two or three hundred dollars, and that his liabilities are practically all carried by wholesale and manufacturing creditors in Toronto, Montreal, Winnipeg or Vancouver.

A little reflection shows, perhaps, that notwithstanding his belief to the contrary he is in large measure indebted to the banks indirectly for his ability to carry on his business in the existing volume. For the one thing that enables his trade creditors to sell goods to him on credit and carry his account is the fact that their bankers stand ready to discount his paper when endorsed by his creditors. If the creditors had not the power to liquify his debt immediately, or turn it into cash, they would not be ready to extend credit to him so freely; in fact, some of them would not be able to sell him goods on credit at all. So in this indirect way he depends on the banks for the credit which permits him to transact his business. If the banks did not extend credit as explained, the country merchant would have to cut down his stock of goods, curtail the volume of business transacted, and perhaps in numerous instances he would have to close his shop.

Banking and the Farmer.

The farmer is affected in much the same manner. In the Western Provinces he borrows directly from the local bank for various purposes. Usually the farmer borrows from the bank to increase his earning power. With the proceeds of the bank loans he purchases implements, horses, labor, or something else which increases his productive capacity and presumably his net profits. Even when the farmer does not himself borrow directly from the banks he may nevertheless benefit extensively from the loan and discount business of those institutions. For the storekeeper, the implement dealer, the lumber dealer, and others give him credit through the summer and early fall, because they know they can discount his note at the bank or get a loan on lodging it as collateral security.