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EDITORIAL.

Oh for a ditching machine!

Have you put in your garden yet?

It is safer to test the corn in a small box than to wait for the entire seeding to prove its germinating power or lack of it.

Nine months of almost continual saturation have left the ground in a sodden condition, which emphasizes the contrast between tiled and undrained areas.

We can follow every tile without a moment's hesitation through our alfalfa field this spring. On most of the undrained area the roots were heaved and broken beneath the surface, and the tops show it.

Make Canada's agriculture permanent by building it on the solid foundation, live stock, and make the foundation everlasting and indestructible by constructing it upon the hard pan of pure-bred sires of the best type of their breeds.

We are deeply grateful for the very appreciative letter from a fellow journalist, who, though an entire stranger to us, has the courage to come forward over his own name and discuss frankly the grave risks a publishing company incurs in attacking the money interest. As he humorously observes, we fully realize that we are likely to strike "more hornets than oil," and if we were moved by no other principle than money-getting, we would not touch the subject with a sixteen-foot pole. Financially, we stand to lose far more than we gain. The loss can be partially compensated, and the cause promoted by just such action as our sympathetic friend suggests. In this matter the cause of the people has a champion. Will they back it up? Response has already been encouraging, but we can stand more of it, and so could your member of parliament.

The Department of Marine is to educate the Canadian public to eat more fish. The dairy authorities are continually urging the wholesomeness and economy of cheese; vegetarians claim we should eat more apples, lettuce and nuts; poultrymen think that the consumption of eggs might be increased with much advantage to stomach and pocket book; apiarists tell us honey ought to find a more regular place on our tables; while owners of sugar groves believe the maple product is a notch or two ahead of honey. Stockmen, on the other hand, maintain that Anglo-Saxons are preeminently meat eaters and that the percentage of meat consumed naturally increases as people acquire the means to pay for it. Now, if we are to eat more of all these good things where is the economy to come in and what is to become of our over-loaded stomachs? This multiplicity of good things we are to eat more of reminds us of the darky's exclamation when he fell into a hogshead of molasses: "Oh for a hundred tongues and a thousand years to live!"

Where Bank Profits Go.

Necessity has been called the mother of invention. She is also the mother of frugality. Privilege, on the other hand, is the parent of waste. Farming is the most frugally conducted industry in Canada because it has to be so. The thriftless farmer soon goes to the wall, or is obliged to curtail his operations to the scope of mere self employment at a very low wage. Most other businesses, bonused with subventions and nurtured by privilege, do not have to figure so closely to make ends meet, and are, therefore, continually subjected to the temptations of extravagance and waste. Banking is by no means the only one of these privileged businesses—perhaps not the most conspicuous example—but it happens to be the one under present discussion by our federal legislators, hence the application of these remarks.

Let us emphasize again that the profits of banking are not the main point of our current discussion. The main point is the need for efficient inspection and regulation to protect shareholders, secure depositors and check abuses. Another point more important than the profits of the banks is the profits made possible for the leading bankers through the opportunity they possess of loaning the country's capital largely to industries and mergers in which they are individually interested, favoring these, if need be, in times of stress on the ground that they are large concerns whose collapse would be disastrous to the country.

But while the direct profits of banking are not the most important point under discussion, nor yet the second most important point, they are worthy of examination. On page 761 of our issue of April 24th., was an editorial discussing the franchise of our Canadian banks. Among various privileges we pointed out that the authorized power of note issue enabled our banks to duplicate their capital, earning interest on the value of plant and equipment besides the margin on turnover, i. e., deposits, on which latter, by the way, it was indicated that the average rate of interest paid amounted to, perhaps, 1½ per cent.

How does it work out for the banks? It means that our stronger and better established banks, after putting large sums into buildings and piling up reserves about equal to their capital, are able to pay dividends on their stock amounting to from 8 to 14 per cent. per annum. If the annual expenditure on buildings and the annual accession to the reserves were added to the dividends paid out, these would amount to something nearer 20 per cent. on every hundred dollars worth of stock in the leading banks. It will be seen, then, that, having regard to the power of note issue, which enables the banks to duplicate their capital, and having regard to the opportunities of handling deposits eight or ten times greater than the amount of their own capital, the established banks have rather handsome margins to come and go on.

This explains how it is that banks can afford to acquire central street corners and tear down substantial buildings to erect new classic edifices in keeping with their own general style of architecture. It explains how they can afford to demolish solid buildings and erect others on the same sites with lower foundations, so as to let depositors in on the level. It explains how the banks can afford, in competition for business, to

outbid all rivals for favorite sites in booming Western towns. It explains the statement made in the Banking and Commerce Committee that one leading bank had put five million dollars in premises which were written down on their books at six hundred thousand, until one year, when, for some reason, they suddenly jumped into the millions. It explains, moreover, how the various banks can afford to multiply branches in towns and cities already well served. They are all scrambling for deposits, and the margins of the business make this extravagant duplication of facilities possible. If the margins were as close as in farming and other productive enterprises, such wasteful extravagance and superfluous competition would be out of the question. We see, therefore, how the great value of our banking franchise has tended to extravagance and waste. Even after this has occurred, and, after our banks have invested immense sums to establish themselves in a growing country, thereby greatly strengthening their position for years to come, they have still been able to pay dividends which, in conjunction with the reserves back of the stock have held the value of bank stock up to about two hundred per cent. Of the fifteen banks whose stocks are listed on the Toronto Stock Exchange, only three rule below 200 per cent.

Now, if we were to double the value of the franchise of our Canadian banks, what would happen? First of all we would enlarge the inducement to extravagance and wasteful competition. Then the balance of earnings would be capitalized in the form of augmented values of bank stock. Instead of selling at 200 per cent. it would command, probably, between three and four hundred per cent. of face value.

Is it necessary to grant the banks a monopoly of such valuable privileges without requiring something in return beyond security of note issue, chiefly at the depositor's risk? Is there not a strong case for insisting upon a statutory minimum of cash reserves, a reasonable percentage limitation of loans, a limitation of loans to any one firm or individual, and especially a limitation of loans to directors? And beyond these stipulations, is there not still a fair case for taxation of note issue or for some other form of profit sharing? If the privileges for profit are in no wise curtailed, where will extravagance end, and who will soon own the country? It is time to reflect.

Why a Bank Commission is Needed.

That certain phases of the Bank Act have been habitually violated by our Canadian banks, the law in regard to falsification of returns being practically a dead letter;

That it has been possible for a knavish general manager to go on for twenty-five years, as the Ontario bank did, using the funds of an unsound bank to enrich himself while doing great mischief to the country;

That Canadian banks have habitually over-loaned, considerably beyond the limits of safety, as determined by world experience in banking;

That cases have arisen where a single bank has controlled the policy of the Canadian Bankers' Association by influence;

That at the present rate of progression we are destined by 1923 to have only seventeen banks with an average capitalization of over ten million