

The WITNESS: For its own members, yes.

Mr. McLEAN (Melfort): Perhaps Mr. Darby could hand this in for the records, and the Committee could read it at its leisure; I do not think it is necessary to wait for him to read it now but he might deal with the salient features of it.

The WITNESS: My fear is that the proposal put forward by the Council cannot be understood without the introductory matter; this is clearing the ground in order to understand what the Council is driving at. I think if I read only the concrete suggestions, the Committee would not understand what was in the minds of the Council, and perhaps might misjudge them.

The CHAIRMAN: Go ahead.

The WITNESS: Existing legislation confers a virtual monopoly on the large chartered banks and the state itself aids them in their operation. The protection of bank shareholders and depositors by laws regulating banks has, it is true, become essential. The individual shareholder or depositor finds it impossible to exercise supervision over, or to obtain sufficient knowledge of, the banks' operations and is, therefore, unable to protect his own interests. The state has been compelled to place the banks under legal necessity to supply certain information, to maintain certain reserve funds and to comply with regulations calculated to protect their shareholders and depositors.

Confidence in the existing banks—and confidence is the basis of all banking operations—has been maintained by this legislation. But the ability of the people at large to establish banks as and when their interest dictates has been almost completely sacrificed. Regulation by the state bids fair to develop a monopoly in banking which may ultimately compel state ownership and operation of banks. If private initiative is to be invoked in the solution of the credit and banking needs of agriculturists and other classes similarly placed, those engaging in the enterprise must be prepared to accept its risks along with its benefits and legislative regulation must be relaxed sufficiently to enable private enterprise to be applied under favourable conditions. The state must either provide banking institutions adequate to the needs of the people, or it must so frame its regulatory legislation as to enable the people to provide them for themselves. To place in the possession of a few large corporations existing for private profit a quasi-monopoly which fails to satisfy the whole requirements of the people, or which has the power to refuse satisfaction except at undue cost, is an abuse of legislative power. If the State, on the other hand, places it in the power of its people to establish institutions suitable to their needs, or to set up banking facilities in competition with those already in existence, if they fail to render service or render it at undue cost, a valuable corrective is supplied even though the powers in question may never be exercised. No monopoly exists when individuals or groups are at liberty to provide their own banking services; but this liberty is not enjoyed when legislative restrictions are onerous or in practice prevent new institutions from being developed. To restore a lost liberty, or power for self-service, is not to compel action to be taken or the power to be made use of.

In the gradual evolution of the laws governing Canadian currency and banking some anomalies have inevitably arisen. Thus our metallic coinage is still provided by a royal mint belonging to the British government. Some regulatory functions in relation to banks are exercised by the Canadian Bankers' Association, some by the Treasury Board and some by the Department of Finance. In existing conditions these anomalies produce no very undesirable results; but conditions are constantly changing and legislation should be as far as possible drawn to permit of legitimate changes and developments freely taking place.

[Mr. Arthur E. Darby.]