to avail themselves of such extended credit, but that the member banks in times of business depression could ease off the severity of their demands on the farming, commercial and industrial community, thus avoiding unnecessary panics and liquidations, while on the other hand those loanable credits would exist in time of business expansion for legitimate loans to the farming, commercial and industrial community, particularly when the banks lacked the capital or had too many of their assets in a frozen condition.

Banking Capital Insufficient.

In 1904 the banking capital was approximately $80,000,000. The year 1904 being taken because it was a normal business year; commerce, industry and finance could not be said to have been unduly expanded or deflated.

As at December, 1923, the total paid-up banking capital was $125,000,000, the total reserve amounting to $130,000,000. Approximately there was an increase of 50 per cent in the capital. During the time the bank clearings increased from $1,625,000,000 to over $20,000,000,000, while the total assets of the banks increased from $694,000,000 to over $2,500,000,000, as at 28th of February, 1923. Of the total paid-up capital of $125,000,000 approximately $72,000,000 at the end of 1922 was invested in bank premises while another $5,000,000 was tied up in real estate, other than bank premises; so that of the liquid capital there remained as a base to all these financial operations about $48,000,000. The reserve, of course, is an important item, too.

Conclusion.

Our banking system to-day is not on a gold basis. The increase in deposits (about four times), loans and clearing between 1904 and 1922 is enormous while the increase in capital is small and when you consider that there was only about $10,000,000 invested in bank premises in 1904, it will be seen that the available capital for this super-structure of credit is less to-day than in 1904. The idea of a Federal Reserve Bank is to give greater stability to all the financial operations in Canada, to strengthen the banks, to provide elasticity of credit better facilities for our export trade, Canada to-day being the greater per capita than any other country, except New Zealand, to protect the public against undue pressure and bankruptcy in times of financial depression and to assist the public with financial credits in times of business expansion. It is not an institution forcing any expansion or depression, but allows the same business considerations, skill and judgment to be exercised on the part of the member banks as now exist.

Canada is probably near the commencement of an era of increased immigration population, expansion of business and prosperity. Are the banks with such little capital and with comparatively little cash reserve and without the usual gold basis able to provide properly for the business demands of the people of Canada? A Federal Reserve Bank can do much good, it cannot possibly do any harm. It takes the Government out of the banking business with certain reservations in the interests of the public by way of inspection and disciplinary powers through its directors on the financial operations of all banks.

The history of the Canadian banking system shows regular periods of about every ten years, with the exception of the war period, of expansion and depression, each depression bringing about panic, bankruptcy, low prices, distress, poverty and hardships. Our history is full of lessons which would teach anyone the wisdom of providing in the future against some of the misfortunes of the past. Every important country of the world has a Federal Reserve Bank, financed as a world operation and Canada must sooner or later have such an institution.