

if I refrained from criticising the banks or any other corporations of the country when I thought they did wrong or that the laws should control them to a greater extent than they do at present.

Mr. ALFRED THOMPSON (Yukon). I would like to make a few observations on the question which has been brought up by my hon. friend from Cornwall and Stormont (Mr. Pringle). In common with the other speakers, I have great faith in the banking system of Canada, born of the fact that it has stood the test, first in 1893, when we had a universal panic, and again last year, when we had even a greater panic. But recent happenings in our banking world have shown that banks are very human organizations, after all, and are liable to go wrong as in the Sovereign Bank failure and the Ontario Bank failure. In the case of the Sovereign Bank, I am informed that the shareholders will be called upon to pay a portion at least of the double liability. The history of the Ontario Bank's failure is so recent that it is hardly necessary to go into it; but it was, to say the least, not creditable to ourselves nor to our system. I have every belief that if we had had an independent audit system during these years, some of these failures might have been averted. I do not see why any legitimate banking institution should reasonably object to an independent audit made by a government officer. As my hon. friend from Cornwall has told us, Mr. H. C. McLeod, the general manager of the Bank of Nova Scotia, advocates such a system. We have it for institutions which manage great trust funds, and I think we should have it for our banks. With regard to the investment of funds, I think it is a pretty well accepted canon in banking that a bank to be successful must keep its funds in as nearly a liquid state as possible. The recent failures of some very large banking houses and trust companies in the United States have been due to the fact that they did not discriminate between a mortgage and a bill of exchange. The nearest to a liquid state a bank's assets are kept, the more stable it will be—and the more useful, as my hon. friend from Hamilton suggests. That being the case, I do not think it wise for us to limit the field of investment. If you take up the stock list of the New York stock market, you will observe that there is not a very large list of Canadian stocks listed on the New York stock exchange. That being the case, money advanced on these stocks is not easily realizable in Canada. New York is the nearest place where money can be loaned in large quantities on call loans at a fairly large rate of interest, and that is why our banks send so much of their money there. But in the case of the Sovereign Bank of Canada, they violated that rule by investing a large portion of their funds in a railway in Alaska—a railway

I never heard of until I came to Ottawa. No doubt it existed, no doubt a certain portion was built, and no doubt it had an ocean terminus, but what its Yukon inland terminus was, I have not the faintest idea. It would have to cross a mountain range and several long stretches of barren country before it could get into the town of Fairbanks, some 400 or 500 miles, and even when it arrived there, would not have enough freight to support it. I give that as a sample of a bank investing its money in assets, to say the least, not of a liquid nature. In fact they were rather congealed. They were liquid until the railway reached Alaska and suddenly became congealed.

Mr. DUNCAN ROSS. It went into liquidation, did it not?

Mr. THOMPSON. Yes. My hon. friend from Cornwall (Mr. Pringle) has pointed out that in 1880 we had forty-one banks in Canada. According to the returns published by the government, up to December 31, 1907, we had thirty-five. Since then the Sovereign Bank has failed, and there are six new banks applying for incorporation. But according to this statement, there were thirty-five, and one has failed since, leaving thirty-four. So that there were forty-one in 1880 and thirty-four to-day. My hon. friend referred to the fact that in forty-three years, 17½ per cent of the state banks in the United States have failed as against 5 per cent of the inspected banks, which I must say, is a good argument. He also pointed out that 25 per cent of our banks failed. That, I think, is due to the fact that we have encouraged the branch system to such a large extent. There are to-day thirty-four banks in Canada, but they have an enormous number of branches from the Atlantic to the Pacific. The largest of our banks are following out an amalgamation policy which, I do not consider, is for the future welfare of this country. My hon. friend from Cornwall (Mr. Pringle) mentioned the Canadian Bank of Commerce. Let me give you three instances of that bank buying out other banks. It went down to British Columbia and bought the British Columbia Bank; it went to Prince Edward Island and bought out the Merchants Bank, and it went to Halifax and purchased the Halifax Banking Company. What is the accommodation to-day in these three centres? Formerly the people there had their local banks, and the merchants could go to their local banks, where their standing and character were well known, and get loans. But now that is changed. The managers in Prince Edward Island, Halifax and British Columbia are sent from the east. They do not know as much of the local business as did the staff of the old banks, and before they will advance a loan to any local man, they have to telegraph to Toronto and ask the head of the Bank of Commerce there whether they shall advance the money or not.