

THE BANKING BILL

Speech of Duncan C. Ross, M.P., on Our Canadian System and How it Can Be Improved.

The most ominous thing as far as the people of Canada are concerned, in connection with the bank act discussion in Canada is the limited reports of the debate given by the Canadian press. The reports are especially meagre of the speeches of members who criticized the present system. No long reports went to the finance minister and to A. K. Maclean of Halifax, who spoke for the opposition.

The World has already printed the speech of W. F. Maclean of South York. Today we give the bulk of that of Mr. Duncan C. Ross (Liberal) and we will follow it with that of Major Sam Sharpe (Conservative). Later on we will print the speech of Mr. Emmerson and of Mr. Kyle.

OTTAWA, Jan. 21.—On the motion of Hon. W. F. Maclean (Minister of Finance) for the second reading of the Banking Bill:

Mr. Speaker, the object of the discussion is for the house to devise means to give to the people of Canada the best banking system that can be given. It is because of my conviction that we are not giving the best that can be given, and that our banking system works out in a grievous wrong, that I make the few remarks that I shall make.

Mr. Ross: A few days ago I clipped from The Toronto Globe a statement which shows what the banks of this country have made during the year 1912. I find that they are making as high as 20 per cent. and none, as far as I could see, less than 13 per cent. on the average. I find that in 1912 the Commerce paid a dividend of 11 per cent., the Dominion Bank 14; Hamilton, 11; Imperial, 13; Bank of Montreal, 12; Nova Scotia, 14; and four other banks, Ottawa, Royal, Standard, and Toronto, made 12 per cent. and one 13 per cent. I think no one in this house can honestly contend that the banks of this country are not making good money out of the people of Canada. For my own part, I have no objection to the banks of Canada making good money, as they render the country a great service; but I do not think we should get into our heads the idea that the banks of this country are Canada, and that they exist solely to supply dividends to their shareholders. They are given a charter by the parliament of Canada to render a public service. It is said by the admirers of the Canadian banks that we have the best banking system in the world. I think, Mr. Speaker, that in one respect their admission is correct; so far as the banks of this country are concerned, they are not the best system in the world. In any case, I consider this a very important question, and I consider that the Bank Act is more in the interest of the prosperity and greatness of Canada than some of the things we have been doing in the house for the last week or two.

A Good System
It is my belief that the Canadian banking system is a good one, but in certain certain weaknesses are evident. It would be no credit indeed, if it were not for the reflection on the ability of Canada to give the best banking system in this country. If the banking system in this country was not as nearly perfect as human ingenuity could make it, they should be anything else. They have privileges in this country which the bankers of no other country enjoy. They are not in the hands of the government; they have liabilities in circulation which yield them a large profit, and the greatest privilege of all—they enjoy the right to issue deposits of the people. It seems to me my hon. friend, the minister of finance, deals in a cavalier manner with the importance of that privilege. The Bank Act before us, company, firm, or what should be known as the "bank" in any manner, shape or form. The result is that when a bank in this country is a depository of the wealth and the savings of the people. Such is the case, and the depository being the foundation stone, as it were, of the success of the financial system in this country. It is my contention that the depositories of the banks should receive some consideration in the provisions of this bill.

Quite Different
The banking systems of the various countries are quite different. That of Canada is not the same as that of the United States, England, Scotland or Germany. In all of these countries the banks have to pay to the government a certain amount of their profits, or give certain other advantages in the way of loans. In this country they have to do nothing, so far as I can see, except make profits for their shareholders, and secure their currency. We say our system is the only perfect one. We can hardly explain how it has arisen, but it has developed from a cycle of events in Canada until it has reached its present state. Mr. Walker, the authority in whom my hon. friend would, I am sure, have confidence, made the following statement at the bankers' convention in 1897:

"In common with other social developments, modern banking is mainly the result of heredity and environment, and not of arbitrary legislation or the general admission in any degree of settled principles in the practice of banking."
I am quoting this to meet, to some extent, the argument made by my hon. friend this afternoon in regard to the system followed in connection with deposits in the State of Oklahoma. From what I can ascertain of the system followed in Oklahoma, it is evident that the state banks are required each year to place a certain percentage of their deposits in charge of a board consisting of the treasurer and other officers of the government. This is done yearly until a certain maximum is reached, and the banks are constantly responsible for the failure of any one bank; but the trouble is, that the system is not compulsory. There are national banks as well as state banks, and as Sir Edmund Walker very wisely says, what we are in danger of in the banking of one country might be a success in another country, and what might be a failure in one country might be a success in another. My argument, of my hon. friend did not prove that that system had not been successful in Oklahoma. Even if it had been successful, it is not the judgment of Sir Edmund

Walker, that that would be no evidence with regard to the success or failure of that system in another country where the finance department is so well managed as it is in Canada. Let me quote further what Sir Edmund Walker says:

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"The student endeavoring to understand the science of banking, seeks to discover some body of principles underlying the practice of banking throughout the world, is confused by the radical differences between the systems of the various nations, and the complicated nature of the conditions surrounding each of these systems. The most cherished principle of one country is rank heresy in another. The principles suitable to an economy, with its changes of trade, a highly developed railroad and telegraph organization for the distribution of commodities and information, and wealth enough to be lenders to other nations, are not applicable to a new country with a scattered population, imperfect means of distribution, and little wealth apart from fixed property—a country, indeed, requiring to borrow largely from older and wealthier communities."

My argument is, and the suggestion I have to make with regard to the amending of the Bank Act, is that the system may have been tried and may be proved a failure in any one country—and he has not proved that it was in the State of Oklahoma—it does not follow that it tried in this country it would be a failure. Now, as far as I am concerned, this question is non-contentious. I think the banks in Canada should not be ungenerous, but should have regard to those who I say make their property possible. The statement issued by the finance department on November 30, 1912, we find that the paid-up capital of the banks of Canada amounts to \$174,000,000, and that the reserve amounts to \$106,000,000. That means, as I take it, that during the year 1912 the banks have been in existence they have made out of the people of Canada \$174,000,000 in addition to the dividends paid to shareholders, or in other words a large proportion of it. That shows that the people of Canada have not been ungenerous to the banks, and it is the duty of the banks at this time to do as they have done in the past, and concede some little protection to the people who make their institutions successful.

Let us go a little further and see what the relation is between the shareholders and the depositories, for these are the two classes of people who go to make the success of the banks possible. In the first place the people who invest their money in the banks with the view of getting a good profit, and he has got a good profit in Canada, and secondly there are the depositories who put his money in the bank because it is an institution chartered by the people of Canada, and he thinks it safe. He does so not because he expects to get, but because he thinks that his money will be safe, and he will be able to get a profit in which to invest it. The two parties most interested in the banking system, and what are the relative positions of the two? The capital of the banks is, I understand, \$174,000,000. The deposits of the people of Canada amount to \$1,100,000,000. So here we have the shareholders putting into the common fund of the banks \$174,000,000, and the depositories put into it \$1,100,000,000, and receive 2 1/2 per cent. in the aggregate for what they put in. I find that the banks give the depositories 2 1/2 per cent. They pay it out on a minimum monthly basis, and consequently it is not 3 per cent. But on the other hand, the depositories know that they pay on \$860,000,000 no interest whatever.

Such being the case, what should be done to protect those people who have contributed not one-half but seven or eight times the amount of money that the shareholders contribute to the banks? Even if you take into consideration the double liability which applies to shareholders, the depositories have contributed to the funds of the bank four times the amount that the shareholders contribute. It is true that the shareholders are under a double liability, but it has not often been put into operation, and even if they are called upon to meet it, they know what is expected of them. Their money is placed in the banks purely as an investment and they have to take the fortunes of war and make the chances that apply to investments. The depository is only placing his money in a depository marked by the parliament of Canada as a safe depository.

Some Sympathy.
I have some sympathy with the substantive part of the address of the hon. member for South York because I believe it would be a healthy thing for the banks of this country, and a proposition to this parliament, and a thorough investigation of the banking system before the charter is renewed at the end of each decade. There have been rumors and more than rumors circulated through this country in recent years that one of the strongest banks in Canada had invested in a Mexican venture 7,000,000. I do not know whether it is true or not, in the Alberta legislature it was stated that the manager of a bank in the west had secured to himself a large amount of money on account of certain loans which he had made to certain companies. These are grave charges, and if such transactions have taken place, or if there is any suggestion that they have taken place, the system followed in connection with deposits in the State of Oklahoma, from what I can ascertain of the system followed in Oklahoma, it is evident that the state banks are required each year to place a certain percentage of their deposits in charge of a board consisting of the treasurer and other officers of the government. This is done yearly until a certain maximum is reached, and the banks are constantly responsible for the failure of any one bank; but the trouble is, that the system is not compulsory. There are national banks as well as state banks, and as Sir Edmund Walker very wisely says, what we are in danger of in the banking of one country might be a success in another country, and what might be a failure in one country might be a success in another. My argument, of my hon. friend did not prove that that system had not been successful in Oklahoma. Even if it had been successful, it is not the judgment of Sir Edmund

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working of it, once in ten years. In the interval we are almost free from attempts by demagogues or ambitious but ill-informed legislators to interfere with the success of our system. During the session of parliament proceeding the date of the expiry of the charters we have to defend our system from the demands of the bank-hater, the honest but inexperienced citizen who writes letters to the press, sometimes the press itself, and from all the sources of attack which institutions possessing a franchise granted by the people experience when they come before the public to answer for their stewardship.

Sorry for Bankers.
I feel very sorry for the bankers. I do not intend to place money in any of these classes; I am far from being a bank-hater, also I may be an honest, inexperienced citizen. I would rather be a bank-lover than a bank-hater. I think it would be a nice thing to have a bank such as Sir Edmund Walker lays down four prerequisites of a successful banking system, and I am going to quote a little further from his speech:

"It should create a currency free from doubt as to value, readily convertible into specie, and answering in value to the value of the goods and services it is used for. In saying this I do not wish to be understood as asserting that banks should necessarily enjoy the right to issue notes in their own name, and should not issue notes must always, I presume, end in a discussion as to expediency in the particular country or bank."

I think I should say frankly to the minister of finance that he has taken a right step in advance, also my hon. friend has not been ungenerous to the banks, and it is the duty of the banks at this time to do as they have done in the past, and concede some little protection to the people who make their institutions successful.

Let us go a little further and see what the relation is between the shareholders and the depositories, for these are the two classes of people who go to make the success of the banks possible. In the first place the people who invest their money in the banks with the view of getting a good profit, and he has got a good profit in Canada, and secondly there are the depositories who put his money in the bank because it is an institution chartered by the people of Canada, and he thinks it safe. He does so not because he expects to get, but because he thinks that his money will be safe, and he will be able to get a profit in which to invest it. The two parties most interested in the banking system, and what are the relative positions of the two? The capital of the banks is, I understand, \$174,000,000. The deposits of the people of Canada amount to \$1,100,000,000. So here we have the shareholders putting into the common fund of the banks \$174,000,000, and the depositories put into it \$1,100,000,000, and receive 2 1/2 per cent. in the aggregate for what they put in. I find that the banks give the depositories 2 1/2 per cent. They pay it out on a minimum monthly basis, and consequently it is not 3 per cent. But on the other hand, the depositories know that they pay on \$860,000,000 no interest whatever.

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Just let us see the record. Since 1857, twenty-three chartered banks have failed. In all cases but two the note-holders were paid in full. In the case of the Mechanics' Bank of Montreal, the note-holders were only paid 67 1/2 per cent. and in that of the Prince Edward Island Bank, 59 1/2 per cent. Let us see how the note-holders got along. In eleven cases out of the twenty-three they did not get paid in full. The note-holders got the following amounts: 50 per cent., 57 1/2 per cent., 58 per cent., 66 1/2 per cent., 106 1/2 per cent., 89 1/2 per cent., 89 per cent., 75 1/2 per cent., 1 1/2 per cent. From the time of Confederation down, twenty-three banks have failed and depositors about twelve or thirteen of them have received less than the full amount of their deposits. The minister of finance states that the suggestion he has made to him is not a feasible one. I cannot understand what the minister of finance means when he says it is not a feasible one. There are \$65,000,000 of deposits in the savings branches of our banks. This amount should be protected. The banks should be required to pay out of these deposits what they have already done in connection with the note redemption fund. I do not say that you should do it in one year, but you should do it in two years, and you should do it in the case of the note redemption fund. You should lay aside one per cent. this year, one per cent. next year, or three per cent. or whatever you think is necessary, to protect the depositors who have money in our banks. That would be a hardship, but what else would you do? I would even go so far as to say that when this money is paid into the exchequer, the bank should receive the same amount of interest which they would pay to depositors had it remained in the banks. If this money were to be used for the note redemption fund, the bank should receive the same amount of interest which they would pay to depositors had it remained in the banks. If this money were to be used for the note redemption fund, the bank should receive the same amount of interest which they would pay to depositors had it remained in the banks.

Arguments Against.
What are the arguments advanced against this proposition? One argument is that the big banks would be compelled to do something for the little banks which would be unfair to them, because we are compelling them to do something for their competitors. My reply to that is, that it is in the interest of the people of Canada that the big banks should do this, it is their duty to do it, and it is our duty to compel them to do it. The big banks of this country, and particularly the largest bank, has received enough care and protection and stimulus from the government and the people of Canada to entitle us to demand from it any action that is in the interest of the people of this country. As a matter of public spirit, as a small return for the advantages they have received in times past and are now receiving from the people of Canada, they should be willing to make some sacrifice to place the banking and currency system of this country on a stronger and firmer ground. The present argument against it, that by its adoption you are creating a false security, that can be possible. The government is in no way guaranteeing depositors; it is the banks themselves who are guaranteeing depositors. There can be no impression more deeply rooted in the public mind than that which at present exists and which was to some extent dispelled by the failure of the Farmers' Bank, that the Government of Canada, at the present time, does absolutely guarantee depositors. What are the facts about the Farmers' Bank? The members know well the deplorable and lamentable results which followed from the failure of that bank. The people of my district suffered by hundreds. I have a statement from the liquidator in which he says that there are \$100,000 of deposits and he has only got in some \$20,000 of double liability. In my opinion, from the facts that he has given, not one depositor in that bank will receive one cent. One of the members of the relief committee of the Farmers' Bank has written to me that the Farmers' Bank shareholders of depositors think it was a depository—meant in the province of Ontario the absolute disaster which has befallen the note-holders, men who had left the farm, or the shop, or the office, and who were dependent on the little that they had put in the bank for their livelihood, were absolutely deprived of their means of livelihood. I know some in my own part of the country who had to go west and take up homesteads which the banks had given them. While I am on the Farmers' Bank question, there is another point I should like to refer to. All the money that is put into the bank, and the pressure was put upon quite a lot of people to promise that when they got back they would see that the Farmers' Bank would be absolutely reimbursed for their losses.

Can Be Improved.
I am afraid that I respect our banking system can be improved. But I am not going to deal with that, I am going to deal with the question of what Sir Edmund Walker says in regard to the four prerequisites of a properly constituted banking system: "It should create a currency free from doubt as to value, readily convertible into specie, and answering in value to the value of the goods and services it is used for. In saying this I do not wish to be understood as asserting that banks should necessarily enjoy the right to issue notes in their own name, and should not issue notes must always, I presume, end in a discussion as to expediency in the particular country or bank."

Most Commendable.
The action of the banks in this respect is the most commendable but it is their action in the respect was commendable and if they changed their system because a small chartered bank with a capital of \$120,000 failed, they should look at it and consider how many banks have failed, how many depositors have lost, and how many have failed since the last renewal of the charter. Since 1857, if I read the record right, nine banks have failed in Canada. Since the last renewal five banks have failed. Let us take the whole country since Confederation, 1867, in regard to the failures of banks and see how the depositors have been treated as a result of those failures. My hon. friend, the minister of finance made a point this afternoon that only one-half of one per cent. had been lost by depositors. That seems very small but

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GEO. W. BARKLEY.
In all the world there is no other remedy that has cured so many cases of so-called "incurable" kidney disease as "Fruit-a-tives." This famous fruit medicine acts directly on the kidneys—beating and strengthening them—and ridding the system of the waste matter that poisons the blood. Price, 50c. per box, 25c. per bottle. At dealers, or sent on receipt of price by Fruit-a-tives, Limited, Toronto.

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The action of the banks in this respect is the most commendable but it is their action in the respect was commendable and if they changed their system because a small chartered bank with a capital of \$120,000 failed, they should look at it and consider how many banks have failed, how many depositors have lost, and how many have failed since the last renewal of the charter. Since 1857, if I read the record right, nine banks have failed in Canada. Since the last renewal five banks have failed. Let us take the whole country since Confederation, 1867, in regard to the failures of banks and see how the depositors have been treated as a result of those failures. My hon. friend, the minister of finance made a point this afternoon that only one-half of one per cent. had been lost by depositors. That seems very small but

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MARKET GARDENS

We have several blocks of three acres each, clay loam on good road, near Yonge St., four miles from city limits, each block about 200 by 650 feet.

VERY EASY TERMS

A. C. MENNINGS & CO.

1137 Yonge Street

Receipts of Yards were cattle, 1674 calves and pigs. There were choice cattle of the com unfinished which tended good. In trade at last in the after and prior with 1865 only fair to over came them not.

A few low and quality sold at from \$7.00 to \$7.20. Choice of loads of good to \$8.00 and \$8.75 to \$9.00. Steers, 1 to \$8.50. Prices ranged from two sold a.

Sheep when when \$4.75; last. Hogs were and water at C. Zeeu, \$8.80; red \$12.25; each, at \$ follows: 10, 12, 14, 16, 18, 20, 22, 24, 26, 28, 30, 32, 34, 36, 38, 40, 42, 44, 46, 48, 50, 52, 54, 56, 58, 60, 62, 64, 66, 68, 70, 72, 74, 76, 78, 80, 82, 84, 86, 88, 90, 92, 94, 96, 98, 100.

Don't Say "You Can't Eat"
If it was right for the country to reimburse the depositors and shareholders, surely it cannot be wrong for the government to reimburse the depositors and shareholders. I will provide a fund out of the bank's loan fund to see that what they thought was right in the case of the Farmers' Bank, will be right in all cases. That is as far as I will go tonight in regard to this matter. I will take some questions relating to it later on.

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Can't See It.
In regard to the sufficiency which the hon. minister has suggested in his bill, I cannot see how it is going to produce the results he expects. We all know the meetings of bank shareholders occur, and it is difficult to place in them; we all know who attend and who hold the proxies; and it seems to me the only thing that can be done is to mean in regard to this, he should brush it aside with such an argument, because there has been no experiment here.

Rheumatism Crippled Arms
So stiffened up by rheumatism that he could not dress himself without help was the condition of Mr. Clarke, directly cured by Dr. Chase's Kidney Pills. The kidneys must be got right before rheumatism can be really cured, hence the success of this great medicine. Mr. James Clarke, Maidstone, Sask., writes: "I can honestly say that Dr. Chase's Kidney Pills have done for me a world of good, and cured me of rheumatism. For two years I suffered from rheumatism in the shoulders, and could not raise my arms above my head. I was in great pain, and was obliged to hire help to do my work. No medicine that I could find did me any good. A friend wrote from England and begged me to try Dr. Chase's Kidney Pills. This treatment soon brought relief, and in six months I was entirely free of rheumatism. I am now 60 years of age, and can do a day's work with any man."

CATTLE

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