

short and intermediate loans for reproductive purposes fall within the scope of banking operations. If such loans can be properly made, the effect must be to increase the yearly net income of the agriculturist and, therefore, to improve his position as a borrower on mortgage, enabling payments of interest and principal to be made with greater ease.

The provision of short and intermediate term loans to primary industries, like agriculture, entails for the ordinary bank a larger element of risk than is consonant with low charges, and a tendency to "frozen" loans. In the opinion of many these factors operate more powerfully on large centralized banks with many branch offices, such as exist in Canada, than they would do upon small "local" banks. The small bank must of necessity, it is argued, keep in close touch with local needs and be managed with more regard to individual character and opportunities.

On the other hand, greater stability and power to withstand financial vicissitudes is conferred by the system of large centralized banks, operating through local branches. In any case, the ordinary commercial bank, operating for profit, cannot cover the whole field of short-term and intermediate credit. Co-operative credit societies or co-operative people's banks alone can serve the needs of some classes in the community. That groups of people, organized co-operatively, may command credit which as individuals they cannot command is now generally recognized.

It may be, as European experience would seem to indicate, that in co-operative credit and banking lies the salvation of agricultural finance. Banking, like any other human activity, will depend for its success—its safety, combined with satisfactory service—upon the quality of management and direction it receives and the loyalty of those interested and concerned in the business. No laws and no governmental agencies can guard against the effects of incompetence and apathy though they can detect and punish the incompetent and the criminal. The condition to be avoided is that in which, through over-anxiety to protect people from the consequences of their own mis-management and lack of interest or precaution, the development of institutions suited to their peculiar genius is prevented. The application of initiative and energy in banking is just as necessary as in any other sphere and the conclusion can hardly be avoided that Canadian banking law does almost completely close the door to the development of institutions calculated to solve the problems associated with short-term and intermediate credit for farmers and other classes whose individual resources are inadequate to supply their credit needs, however sound "moral risks" they may be.

The CHAIRMAN: I do not want to interrupt you, but I think the Committee would like to know if there is much more of that, and if it would not be possible for you to eliminate any further reading—

The WITNESS: It will not take very long.

Mr. LADNER: This is the finding of a very important body, the Canadian Council of Agriculture—and I think it is highly important that the report of their conclusions be included in their report.

Sir GEORGE PERLEY: Are you reading from a pamphlet?

The WITNESS: I am reading from the substance of a memorandum adopted by the Canadian Council of Agriculture as its banking policy.

Sir GEORGE PERLEY: And printed where?

The WITNESS: Printed in Winnipeg.

Sir GEORGE PERLEY: Printed by the Council for circulation?

The WITNESS: Yes.

Sir GEORGE PERLEY: Privately or for general circulation?

[Mr. Arthur E. Darby.]