

tendency, with the great increase of liabilities to the public, reaching now to \$3,217,000,000, the increase in the capital, which the bank uses, has been relatively very small during the course of the last forty years, and the number of banks has decreased. Now, supposing our country prospers and goes ahead during the next twenty years, as it has done in the last twenty years, and you see how phenomenal that increase is—there is an increase in liabilities to the public from \$800,000,000 to \$3,200,000,000, or four times—in your judgment as an experienced man, do you think the existing machinery of the banks, without such an institution as a Federal Reserve Bank, is sufficient to take care of that business in the future?—A. If you will leave the assistance of the Federal Reserve system out of that question, I will be better able to answer it.

Q. Leave that out, then?—A. I think the banking capital would prove sufficient, or it would necessarily be expanded. I understand that the capital of the English banks at the present time has a much lower ratio to their liabilities to the public than the Canadian has. I would not say that we will not have to increase our capital if the business increases four-fold, but the fact is that in the last four-fold increase, it has not been necessary.

Q. Do you not think that in the event of a further increase in business, such as I have indicated here, it is desirable that the capital should be increased?—A. I won't say that.

Q. Do you think the Finance Act, with the advantages which it now provides to the banks could or would be used more extensively in the future with an increase of business?—A. Well, as I said before, you can judge the future as well as I can, Mr. Ladner, but personally, I do not think it would be used very much more.

Q. Basing our prognostication of the development in the future, upon the actuality of the past, that is the only indication you have?—A. I was just thinking for the moment that although the business of the United States is expanding very greatly, the use that the banks are making of the Federal Reserve Bank as a means of rediscount, is getting less.

Q. But that is due to the accumulation of wealth and capital is it not?—A. I do not know what it is due to. If the situation is the same as you appear to be describing to me, yet the use of the Federal Reserve Bank is getting less.

Hon. Mr. STEVENS: They have got used to the toy.

WITNESS: They have got used to the toy, and they do not need it so much.

*By Mr. Ladner:*

Q. So far as that is concerned, you would not say that the Federal Reserve Bank of the United States has not been of enormous assistance to the citizens of the country?—A. I submit that the conditions are entirely different.

Q. It has been of use?—A. It has, undoubtedly.

Q. And the necessity in the United States is the same now as before?—A. So far as their system is concerned, yes.

*By Mr. Woodsworth:*

Q. So far as the United States is concerned, it is no toy over there, is it?—A. No, the use of it for rediscounting purposes is more or less of a toy, perhaps.

*By Mr. Ladner:*

Q. The banks in Canada do use the Government, by virtue of the Finance Act, as a bank of rediscount, do they not?—A. Yes.

[Mr. Albert E. Phipps.]