

**THE BANK ACT IN COMMITTEE.**

**Evidence by Sir Edmund Walker, Mr. E. L. Pease, Mr. H. B. Mackenzie and others—Western Ideas of Interest Rates—Banks' Small Profits—Inspection would not Preclude Failures.**

A goodly portion of the time of the Banking and Commerce Committee this week has been devoted to the hearing of western witnesses, who submitted their views regarding the lines on which the Bank Act should be amended. The first of these was Mr. George F. Chipman, editor of the *Grain Growers' Guide*, who, asked as to the needs of the West in regard to smaller banks, expressed the opinion that the present system is more economical than the system across the line. However, he thought that the statement of the banks should include fuller information in regard to the loans, and also in regard to the local branches. The publicity would be valuable.

Mr. Ames pointed out there are 800 branches in the West, and asked if witness would favor each branch making a statement. Mr. Chipman said he would. This would only be on the basis of what was done by the local banks in the West. People could then tell whether any part or class of the country was being discriminated against.

**RATES OF INTEREST.**

A good deal of Mr. Chipman's evidence was concerned with the question of rates of interest charged by the banks. In reply to a question as to whether a limitation of the rate of interest to 7 per cent. would not stop the banks establishing new branches, Mr. Chipman said that it might have that effect in outlying districts. But, he said, farmers could not understand why there should be such a spread between eastern and western rates, and if the rate of interest for the banks were lowered, it would tend to force other companies to lower their rates.

The next witness, Mr. E. J. Fream, honorary secretary of the United Farmers of Alberta, welcomed the new clause permitting the banks to loan on grain or cattle. Mr. Fream said the big trouble in the West lay in the fact that the farmer was compelled to close his financial year on the first of November of each year. The West had been a big borrowing country, and had been dependent to a large extent upon the agricultural implement companies for credit. These companies made it a practice to have their notes fall due on the 1st of November, the result being that the farmers were compelled to throw their produce on the market in the months of September and October if they were to meet their debts. If they did not do that, as had been evidenced in the last few months, they were simply hounded to death by these companies. The result was a grain blockade every year and shortage in money. The farmers had felt that some steps should be taken whereby they would be able to carry their grain over a term, so that it could be gradually absorbed on the market.

Mr. Fream stated that he was not in favor of the American system of banking, though he thought it might be an advantage to have provincial banks with headquarters in the capital, and he was also in favor of co-operative agricultural credit banks.

**WESTERN BANKER'S EVIDENCE.**

Mr. H. O. Powell, general manager of the Weyburn Securities Bank, gave the committee evidence touching banking conditions in the West. The bank,

which started three years ago with a total capital of \$315,000, has ten branches, and is now paying a dividend of five per cent. Mr. Powell spoke from the knowledge of one having practical experience on both sides of the line, of two banking systems. The average rate of interest charged by his bank was about nine per cent. In cases it ran as high as twelve per cent. where the customer's business was not really desired. The principle adopted by the bank in making loans was that they should always be liquid, and in no case should a bank adopt the principle of practically going into partnership with its customers.

In the western Provinces, he declared, the borrowers got practically double what they could get under similar conditions in the United States. Where a farmer in Saskatchewan got a loan of two thousand dollars at nine per cent., a farmer under similar conditions across the line would consider himself lucky if he got one thousand dollars at twelve per cent. He believed that Canadian banks had done the West an injury by loaning too much money. Borrowers got more than the necessities of the case warranted, and were encouraged in extravagance.

**A "GOLD BRICK" TO FARMERS.**

In regard to the proposal to fix the legal rate which banks could charge for loans at seven per cent., he declared that the result would be to drive his bank out of existence. There was ample competition in banking in Canada, and the only safe rule to go on was that of supply and demand in fixing interest rates. Money would always find its level in regard to either deposits or loan rates.

He did not approve of the idea of loaning money by banks on secret liens as proposed. The banks would still be guided by the principle of looking to the character of the borrower, and the principle of secret liens was not fair to other creditors. He believed that the proposed amendment would prove a gold brick to the western farmers.

**AGRICULTURAL BANKS PROPOSED.**

At Tuesday's meeting of the committee, Mr. Roderick Mackenzie, secretary of the Manitoba Grain Growers, suggested that the Act should be so amended as to place terminal elevator receipts on the same basis as call loans. This would help to finance the crop movement. He favored the clause permitting farmers to secure loans on grain. The present conditions, he said, contributed to create an annual blockade and the farmers should be encouraged to hold his wheat rather than sacrifice it.

Mr. Mackenzie also expressed the opinion that the agricultural credit banks as they exist in Europe, would be of benefit if applied to Canada.

Mr. F. W. Green, secretary of the Saskatchewan Grain Growers, also spoke in favor of the creation of agricultural banks and advocated the provision of interior terminal elevators to relieve the grain blockade. He urged that the Dominion Government should legislate so as to help the farmer at this time when the presence of so much grain in the elevators involved stringency of money. In conclusion, Mr. Green said that he did not expect the Minister of Finance to make a running jump this session towards establishing agricultural banks at once but the farmers of the West did hope that they had got him sufficiently enthused on the question to take action next session.