competition, more initiative, more daring, more new ideas and wider experience in the banking business in Canada. Mercantile can make a valuable contribution. For example, many members will have seen the report in the *Globe and Mail* of Friday, March 10. The caption reads "4½ Per Cent Interest is Offered by Mercantile". The report then reads:

> Mercantile is offering 4½ per cent annual interest on savings accounts that have no checking privileges. Withdrawals can be made only at the teller's window. The 4½ per cent is compounded quarterly on the minimum monthly balance...
>
> Mercantile, like Canadian owned banks, also has regular savings accounts which pay only 3 per cent yearly on the minimum quarterly balance and offer one free cheque per quarter for each $100 of minimum quarterly balance.

The 3 per cent interest rate paid on savings by the Canadian chartered banks is on the minimum quarterly balance. The Porter commission estimated that in 1961 the actual effective interest rate paid by Canadian chartered banks on savings deposits was only 2.21 per cent. With inflation at an annual rate of 3 per cent or 4 per cent, do Canadians have any incentive to save? Does it not make more sense to go out and buy goods, whether for cash or for credit, which will retain their value?

One of our great tasks in Canada is to mobilize the small savings of millions of Canadians for investment in our country, its resource development and its industrial growth. Parliament has given the chartered banks valuable special privileges and has permitted them to develop great branch networks which reach into every community in this country. The chartered banks therefore have an opportunity no one else has to mobilize the savings of Canadians for the task before us. They have a corresponding responsibility. Are they performing it? They cannot do it at an effective interest rate on savings of 2.21 per cent. Mercantile's 4½ per cent interest rate on savings is a useful import from the United States and I hope that we will have many more of them. I also hope it will stimulate Canadian chartered banks to follow their example.

There must be no question of our determination to prevent foreign take-overs of Canadian banks. But surely it is equally clear that in order to stimulate Canadian banks and get the best possible interest rates for Canadian depositors, get the best possible borrowing rates for Canadian businessmen and farmers, avoid restrictive banking practices and get the benefit of foreign experience—in brief, to have the most efficient banking system possible—we must somehow bring effective foreign competition into our banking system while at the same time maintaining effective control of the system.

Not very often in Canada do we find Canadian businessmen inviting foreign competition. It is therefore a tribute, in my opinion, to the strength and confidence of our Canadian chartered banks that they agree that foreign competition is essential to the efficiency of Canadian banking and they welcome it. Without exception they gave evidence to this effect to the finance committee. But they do not yet know the best method of providing foreign competition while still retaining Canadian control of our banking system. The finance committee has recommended that his important question be considered further. Possibly agencies of foreign banks should be permitted to operate in Canada. The Minister of Finance has indicated that this will be considered very carefully.

May I now consider for a moment, Mr. Chairman, the principle that a Canadian chartered bank should be independent and should not be dominated or controlled by any other corporation or single group, whether Canadian or non-Canadian. This is a worthwhile reform. But reforms often create new problems. If shares of a chartered bank are so widely distributed that no single group can control the election of the directors, who then will in fact control these great institutions with their billions of dollars of assets which are so important to Canada? Will it not mean that in fact the present bank managements will become self-perpetuating indefinitely—in practice responsible to no one except themselves?

Some evidence to this effect was presented to the finance committee. In theory the top bank officers, the top management, are appointed by the directors who are elected by the shareholders. In practice the position is reversed. The directors are appointed by top managment. Bank directors are elected at an annual meeting held at the bank's head office. Only a small proportion of the shareholders attend in person. There is no provision for paying the expenses of those who do attend. There are no regional meetings. There is no provision for the local appointment of delegates by shareholders. There are no polling subdivisions scattered throughout the length and breadth of the nation. Proxies or voting papers are sent out to the shareholders by top management and the persons named in the proxies to vote on behalf of the shareholders