

cent. It is only fair to the committee to say that according to the McHugh decision they have the right to a higher rate if taken in advance.

Mr. KYTE: We must not forget that we are legislating for the whole of Canada. While it may be said that conditions as regards banking, and the value of money, were unusual in the Yukon some years ago, those conditions do not prevail to the same extent at the present time. If this section passes, it will not only enable a bank manager in the Yukon to charge a rate of interest according to the necessities of the borrower, but it will result in increasing the rate of interest all over Canada. The advantage of the section that exists under the present law at all events is that it indicates that it was in the mind of Parliament that banks should have no right to exact a larger rate of interest than seven per cent. That circumstance had the effect of operating upon the consciences of some bank managers in eastern Canada.

Mr. OLIVER: Upon what?

Mr. KYTE: Some bank managers have consciences.

Mr. WHITE (Minister of Finance): I have handed in an amendment under which clause 65 will be restored.

Mr. KYTE: I would prefer the former clause.

The CHAIRMAN: Mr. White moves:

That clause 91 be struck out, and that the following be substituted therefor: 'The bank may stipulate for, take, reserve or exact any rate of interest not exceeding seven per centum per annum and may receive and take in advance any such rate, but no higher rate of interest shall be recoverable by the bank.'

Mr. McCURDY: The hon. member for Edmonton (Mr. Oliver) was not, I think, present at the sittings of the Banking and Commerce Committee. The evidence produced there was to the effect that the operating cost of a branch in western Canada was some two per cent on the total volume of business in excess of the cost of operating a branch in eastern Canada. I think it was Mr. Henderson who produced those figures, and he explained that his bank therefore charged on an average two per cent more interest for similar business in a large centre in the East. In other words, the reason given by that banker for the higher rates was the higher operating cost. We all know that there is a very large demand from the West for money. The West is prosperous, and we all rejoice in that. But the fact remains that, under our banking system to-day—and it is particularly true at the present moment—the West can only be supplied with the

Mr. WHITE (Leeds).

money it needs by draining the East dry. Some three or four years ago, in 1909, the National Monetary Commission of the United States was investigating the banking systems of different countries with the idea of making a report to Congress. They sent to this country Mr. Joseph French Johnson who, in April, 1910, reported to the National Monetary Commission. I have here in his published reports his conclusions regarding the Canadian banking system, and with your permission, Mr. Chairman, I would like to read one bearing on the point raised by my hon. friend from Edmonton.

Mr. Johnston makes the statement that when making his investigation of the Canadian system in 1909, he had access to information of the most reliable kind. On page 92 of his report he says:

This transference of funds from sluggish to active communities is the inevitable result of a system of branch banking, and is the cause of the tendency of the rate of interest toward uniformity in all parts of Canada. Whatever may be said against a system of branch banks, there can be no question that it does bring about a more even distribution of capital in a country than is possible under a system of independent local banks. Canadian bank managers are anxious to put out their money where it is most wanted, for there they get the best possible rate of interest and obtain paper of the best quality. No matter where a manager's headquarters may be he is most deeply concerned in three questions: (1) Where is idle money accumulating? (2) How can he best draw it into his bank? (3) In what parts of the Dominion is money most needed? In localities of both kinds he establishes branches; in the one the branches accumulate deposits often much in excess of their loans, in the others the loans exceed the deposits.

Thus it happens that the savings of the eastern provinces, where the growth of industry and trade is slow and the demand for new capital is not increasing, are sent westward and loaned out to merchants and manufacturers and farmers of the new territories. The people of the East supply the capital for the development of the West, though many of them perhaps are entirely ignorant of the useful purpose their savings are made to perform. In the western cities of Canada one hears no talk among business men about the scarcity of capital.

That was written in 1909. There are complaints at the present time, but the present money stringency is world wide.

Mr. OLIVER: If my hon. friend will take a trip out there now, he will hear something different.

Mr. McCURDY: I do not have to go so far as that for complaints regarding money scarcity to-day; but that will pass. (Reading):

A merchant or manufacturer in Manitoba gets the money he needs as easily as does a