

Mr. CAHILL: Could the money be called in 1907?

Mr. NESBITT: Yes.

Mr. CAHILL: They could not get it.

Mr. NESBITT: Not in currency. That is only one form of asset. As a matter of fact, the money is kept there principally because they can get it immediately. The conditions prevailing in 1907 were largely responsible for the organization of rediscount or reserve banks in the United States. Our banks, with their various branches all over the country, serve very much the same purpose.

Mr. F. N. McCREA (Sherbrooke): Mr. Speaker, I attempted to offer a few remarks yesterday on the banking situation and got shut off. I do not know whether this discussion will be broad enough to allow me to say what I have to say, but I will make the attempt and if I violate the rules you will call me to order. I said yesterday that the banking and money interests of this country are getting more money out of the people than the people can afford to pay. You can term that a merger or whatever you like. I think the banking interests are heading for a merger pretty strongly. I am going to try to show this House that the banking interests are getting more money out of the people than the people can afford to pay. For that purpose I wish to divide the interests of this country into four groups, namely, (1) the farmers, (2) the carrying trade by land and water, (3) manufacturers of all classes, (4) the banking interests. I am speaking now of pre-war conditions; we are not under normal conditions now, and it is hard to tell who is making too much money and who is making too little. If you take normal conditions and analyse the returns you will find that the carrying trade as a whole did not get five per cent on their invested capital. Many of them could not pay dividends out of their earnings. If you take the manufacturing interests you will find that many have had to pass dividends; that they could not even pay dividends on their preferred stock. If you take the farming interests you will find that the farmer, after getting his living out of the farm, does not get five per cent on his invested capital. On the other hand, only a few banks have failed and from the day that these banks opened their doors to do business up to the present they have never failed to pay dividends and to pay them promptly. I do not think there is a bank in Canada paying less than eight per cent, and it runs all the way up to sixteen per cent, which is the amount the Bank of Nova Scotia pays. Taking these

[Mr. Nesbitt.]

three groups as a whole, will any man tell me that the group representing the farming community can pay sixteen per cent on its invested capital? Can the manufacturing interests as a whole pay any such dividend on invested capital?

Sir THOMAS WHITE: My hon. friend says sixteen per cent?

Mr. McCREA: Yes, the Bank of Nova Scotia.

Sir THOMAS WHITE: Is my hon. friend taking into account the reserves as well as the capital?

Mr. McCREA: I am coming to that. I am glad the hon. gentleman reminded me of that because I might have skipped it. When we say to the banks that they are paying great big dividends, they say: Look at our surplus, our reserves. I agree with that, but where do those surpluses and those reserves come from? They come from the people who are doing business with the banks and the banks, after paying substantial dividends, promptly and on time, have accumulated these surpluses and reserves out of the people of the country. That is where they came from.

Sir THOMAS WHITE: Does my hon. friend know that in the case of the bank that he mentioned new shares have been issued at a premium, so that the shareholders have paid in more than the par value of the shares?

Mr. McCREA: Very true. But the original shares were not issued at a premium. It is true that they have increased their capital many times and the shares representing that increased capital have been bought by the shareholders at an increased price. Why? Let the Canadian Northern Railway or some other of the carrying interests of this country, which are not able to pay dividends, issue new stock and see whether they can sell it at a premium. The new capital stock issued by the banks sells at a premium because they have these enormous reserves back of them. It is because they are prosperous and because they have these reserves that their stock is worth more than par. Perhaps, Mr. Speaker, you will imagine that I am sore on the banks and that I wish to knock them. Not at all. I have been doing business with banks for over forty years, and I never asked for or wanted money that I could not get. I got all I asked for or wanted. Therefore, I have no complaint to make personally.