

Opening-Up the West

"Now, so much for the argument that the Canada Bank Act takes no present cognizance, 'and never has taken into consideration western conditions,' and let us turn to the other statements in the same paragraph insisting that the people of the west have been 'forced to develop the country under a financial system that is entirely alien to the requirements.' We in the east may, with some honest pride, inquire, 'Whose faith in the west has been the most abiding?' 'Where was the genus westerner in 1867, when the early Confederated Provinces of Ontario, Quebec, Nova Scotia, and New Brunswick undertook to purchase the North-West Territories from the Hudson's Bay Company? Were there any roadways or guide posts to point the way for Sanford Fleming across the west in 1871 when he mapped the route for the line of the proposed Canadian Pacific Railway? And where were the resources of the west when the Dominion government, in 1882, needed more funds to carry the Canadian Pacific line onwards to the west from Winnipeg?'"*

"It was mainly eastern bankers and capitalists that financed the opening up of the west, and it was largely the savings of the people in the older provinces that supplied the funds for the development of individual agricultural and business enterprise in the west after the general movement towards settlement began with the completion of the Canadian Pacific in 1885. If our financial system has failed to supply the west with all the money that was needed all the time, it at least supplied some of the money some of the time, and the charge that this same financial system is 'entirely alien' to the requirements of the west makes an overstatement with regard to the extent of the possible deficiency. It may have been insufficient at times, but it was never totally inadequate, nor was it ever 'alien' in any sense of the term.

"For a certainty there is no evidence of any disposition to ignore the demands of the west on the part of either the people or the banks of the east. If the successively revised Bank Act of 1880, 1890, 1900 and 1910 do not specifically refer to the western provinces of Canada, any more than to the other provinces, it is because the Bank Act is not a sectional measure. As a matter of fact the Canada Bank Act and a branch of a chartered bank have always been at the rail head of development in the west. The Merchants Bank opened in Winnipeg, November, 1873.†

"However, if the Bank Act does not make particular mention to the requirements of finance in the west, the other

*Senator Frank Smith, who was President of The Home Savings and Loan Company (the present Home Bank of Canada), in 1882, is to be credited with the most signal service to the Canadian Pacific Railway, and therefore to the West, in the early days when faith in the West was faltering. These services have been acknowledged by the late Sir William Van Horne and publicly recorded in an historic sketch appearing in "The Times," September 12th, 1913. A further confirmation of the incident has come to hand in a letter addressed to the Editors of "The Home Bank Monthly" from Mr. J. J. McGee, dated from Ottawa, the eighteenth of the present month. Mr. McGee writes:—

"Sir William Van Horne's letter has reference to an interview in 1882, at which I was officially present, hence my knowledge of it. Sir Frank Smith, Lord Mount Stephen, and Sir John Macdonald were present in the financial chamber one morning at a conference lasting from half-past ten to half-past one o'clock. It was an historic meeting. Sir John Macdonald and his colleagues would not support Stephens and the promoters of the Canadian Pacific. Sir Frank Smith stood up, slammed the council table and startled the Premier with these words: 'Macdonald, if you don't get your fellows together and give Stephens what he wants (that was a loan of \$15,000,000 and guarantee of the bonds of the Canadian Pacific for another \$15,000,000) I have a million to spare, and I'll put you fellows out of power in three months.' But Sir John called a caucus and the Canadian Pacific was completed as a consequence."

Mr. McGee, who chronicles this reminiscence, was first engaged in the Government service as a Provincial Land Surveyor in the construction of the Intercolonial Railway, in 1866. After thirteen years in this branch of the service he was appointed a first-class clerk in the Department of the Interior and promoted to Clerk of the Privy Council, May 20th, 1882.

It may here be noted, touching the matter of the sympathy of Eastern bankers with the conditions and interests of the West, that the present President of The Home Bank of Canada carried through the contract work on section 15 of Canadian Pacific construction, the Cross Lake section, in 1881, and also supervised construction work in British Columbia. He was contractor for building the Red River Valley Railway and superintended construction of the Crow's Nest Pass Line. Mr. Haney was also one of the principal contractors of the great Canadian locks at Sault Ste. Marie.

†Winnipeg was incorporated as a city, November 8th, 1873. The first train over the Canadian Pacific from Montreal to Winnipeg left the Eastern point November 2nd, 1885. The first through passenger train to the coast left Montreal June 28th, 1886. The following banks had established branches in Winnipeg prior to the completion of the main line of the Canadian Pacific: Merchants, 1873; Montreal, 1873; Imperial, 1881; Union and Ottawa, 1882.

literature pertaining to banking in Canada does extend very full and particular references to the subject. At no period in its development have those intelligently interested in the working out of our financial system proposed any measures that did not make provision for the requirements of the west. 'As early as December, 1888,' writes the American, Breckenridge in his 'History of Banking in Canada,' 'Measures were contrived to insure the circulation of bank notes at par in all parts of the country (Canada). Notes ordinarily were subject to a discount equal at least to the domestic exchange at the place where they were payable, when offered in places remote from that of issue. In order to prevent discount for geographical reasons the Canadian bankers proposed that they maintain branches at a number of centres sufficient to insure circulation at par throughout the country.‡'

"Here was a need of the west that had developed in the early eighties, promptly remedied by an amendment to the Bank Act in 1900, but was actually put into practice by the banks before it became, at their own suggestion, a measure of requirement.

The Canadian System

"In 1890 the Bank Act had undergone its second revision and had been three years in operation when Sir Edmund Walker, now president of the Canadian Bank of Commerce, read a paper on 'Banking in Canada' before the World's Congress of Bankers and Financiers, assembled at Chicago. The portion dealing with western conditions is under the sub-caption, 'The Borrower and the Branch Systems.'

"In discussing the banking system in older countries, the borrower is not often considered. In America the debtor class is apt to make itself heard, and I wish to show what our branch system does for the worthy borrower as compared with the United States' National Banking System. In a country where the money accumulated each year by the people's savings does not exceed the money required for new business ventures, it is plain that the system of banking which most completely gathers up those savings and places them at the disposal of the borrower, is the best. It is to be remembered that this involves the savings of one slow-going community being applied to another community where the enterprise is out of proportion to the money at command in that locality. Now, in Canada, with its banks with forty and fifty branches (in the year 1893), we see the deposits of the saving community applied directly to the country's new enterprises in a manner nearly perfect.'

"The Bank of Montreal borrows from depositors at Halifax and many points in the maritime provinces, where the savings largely exceed the new enterprises, and it lends money to Vancouver or the north-west, where the new enterprises far exceed the people's savings. My own bank in the same manner gathers deposits in the quiet, unenterprising parts of Ontario, and lends the money in the enterprising localities, the whole result being that forty or fifty business centres, in no case having an exact equilibrium of deposits and loans, are able to balance the excess or deficiency of capital, economizing every dollar, the depositor obtaining a fair rate of interest and the borrower obtaining the money at a lower rate than borrowers in any of the colonies of Great Britain, and a lower rate than the United States, except in the very great cities in the east. So perfectly is this distribution of capital made, that as between the high class borrower in Montreal or Toronto, and the ordinary merchant in the north-west, the difference in interest paid is not more than one to two per cent.

"The banks in Canada, with interests which it is no exaggeration to describe as national, cannot be idle or indifferent in time of trouble, cannot turn a deaf ear to the legitimate wants of the farmer in the prairie provinces, any more than to the wealthy merchant or manufacturer in the east. Their business is to gather up the wealth of the nation, not a town or a city, and supply the borrowing wants of a nation.'

‡"The History of Banking in Canada," by Roeliff Morton Breckenridge, printed by National Monetary Commission of the United States Government Printing Office, Washington, 1910.