

reading if you want something relaxing. I would also suggest that we be supplied in advance with copies of the present Bank Act as passed.

Dr. W. C. CLARK, Deputy Minister of Finance, called.

The WITNESS: Mr. Chairman and gentlemen: I should like to speak about three or four points in connection with this bill which I think have been of interest to various members of the committee and of parliament. In what I say I shall try to reflect, as far as I can, what I believe to be the minister's understanding and approach to the bill, and to the particular problems I shall speak about.

First, I should like to say a little bit about why this bank has been proposed, what are the reasons for proposing it at the present time? In that connection I should like to make two main points. One is that I think there has always been a gap in our existing financial structure, a gap which has not been filled by the various types of private financial institutions which have developed in this country, and which this bill is intended to fill. It is intended definitely to supplement existing institutions rather than to supplant or compete with them.

Let us see just what I mean by reference to a gap in our financial fabric. I might take the case of a new small or medium sized industry. I think Mr. Abbott in one of his speeches in the house perhaps made sufficient reference to the new type of enterprise, using that as an illustration of the kind of thing that the government had in mind.

By Hon. Mr. Hanson:

Q. Was that in his first speech?—A. I think it was in his closing speech. He used the illustration of a new enterprise. I think also you are all familiar with the difficulties which small new enterprises having in getting started in this and in other countries as well. As an illustration of what I have to say about the gap I should like to take an existing enterprise, one that is short of capital, needs more permanent capital either because of rapid expansion in business or for some other reason.

Let us take a little company that may have been started fifty or seventy-five years ago by a man who built it up to proportions adequate to that day. Perhaps it has passed down now to two or three of his sons or one of his sons and they have provided good management, are making a good product and the demand is increasing rapidly. They have only \$10,000 or \$15,000 or \$25,000 or \$30,000 in the business, perhaps a little more, perhaps a little less, but under current conditions they may need a substantial amount of additional working capital. It may be \$100,000, \$200,000 or \$300,000 which they may need to build an extension to the plant or put in new machinery and tooling. Let us say for the sake of illustration that they need a couple of hundred thousand dollars.

Q. Dr. Clark, did you use the expression "current conditions"?—A. Yes. I am speaking about the level of activity and income.

Q. Did you mean war conditions?—A. I am not thinking especially of war conditions; it is really post-war conditions. They go to a chartered bank and make a request for a line of credit or advance of a couple of hundred thousand dollars. They have only this small amount of capital in their business and the bank says to them, naturally and rightly, "Are you going to be able to pay this off at the end of a year or in a year or two"? Chartered banks normally like to see loans cleaned up each year, and provide the surplus working capital that is necessary to carry on industry and commerce. The answer has to be, "No, we cannot pay this off; we are not likely to be able to pay it off in a year or two." What the banker says is, "What you ought to have is more permanent capital in your business, more stock or more funds raised by a stock issue or by a bond or debenture issue."

I want to say that the bank is perfectly right. There is no criticism that can be made of the bank for taking that point of view because that is not the purpose for which chartered banks have been set up.