

mean nothing. The truth is that no part of North America ever had at the same stage of its development as good banking facilities as our western provinces.

Let me add that twenty years ago there were in the province of Ontario 161 private country banks, occupying a position analagous to that of the local banks in the smaller towns in the United States. Today there remain only 19. Of those that have ceased to exist a large number failed with heavy losses to depositors, while the others sold out to chartered banks or went out of business because they could not live on the rates of interest at which the banks were lending.

If during the boom period we had had free banking laws under which any adventurers with a little capital could have started up local banks and taken deposits from people unable to distinguish between the security afforded by such organizations and that afforded by old established banks, it is certain that the results would have been disastrous to the public in many western districts.

Large Centres vs. Small Ones

Another common and glaring fallacy is the belief that business interests at the large centres are favored by banks at the expense of those in small places and of the farming community. The truth is the reverse.

In large cities the public do not know and do not care with which of the banks its leading business houses keep their accounts, and banks are in a position to consider applications for commercial credit purely on their merits. But at small country points it is common knowledge that the leading merchant is a customer of a certain bank. Consequently, if this bank will not give him all the credit he asks for and another will, and he therefore transfers his account, his new banker is incidentally advertised as the more liberal dispenser of credit.

It is much the same in the farming community. If a farmer well thought of by his neighbors is refused credit by his banker, he will naturally think he has been badly treated, and usually he will not fail to tell his side of the story to his neighbors. The bank thereby loses one influential friend and its reputation for considerate dealing comes under suspicion in the minds of numbers of others.

The goodwill and success of a bank in a community depends upon the number of its friends and the fewness of its enemies. Consequently in small communities where the relative merits of the local banks is a common subject of gossip, and where the total volume of business offering is scarcely sufficient to pay the operating expenses of a branch, the conditions described above result in greater stretches of banking principles than is the case in the big cities.

Moreover, a shrewd banker would rather have 100 customers borrowing \$1,000 each than one customer borrowing \$100,000—100 friends for his bank instead of one.

Better Bankers

There is nothing wrong with our banking system. On the contrary, it is admirably designed to provide for the credit require-