

interest should be left entirely in the hands of the banks, and that if they allow a higher rate of interest on deposits they must charge a larger rate on loans. Section 91 of the old Act sought to fix a maximum rate of interest which may be charged on loans and discounts.

With the bankers, I am opposed to government interference with either the rate of interest paid on deposits or the rates charged on loans. The bankers should, I submit, agree with me that if the rates are not fixed by the Government, they should not be fixed by any body with more limited jurisdiction than the Government. My idea is that they should be fixed by the natural law of supply and demand.

As is well known, money is dearer in Canada to-day than it was twenty years ago. It is worth more to borrowers to-day than it was then. It can be used with profit by borrowers to-day, on account of our great industrial activity, and I fear also our real estate speculations, at higher rates, than it could, say, in 1890 or 1892, and higher rates for loans are being charged all round.

The banks are to-day doing an immeasurably larger volume of business than they were then, and the natural conclusion would be that a large volume of business would be conducted on a smaller 'spread' between the deposit rate and the discount rate. But, what is the fact? The fact is, and I am speaking with local but accurate knowledge, that small but perfectly safe and solvent local banks some twenty years ago, issued deposit receipts bearing four per cent interest and were glad to receive the deposits at that rate and turned them over at satisfactory profits, as was indicated by the balance sheets of banks at that time and the fact that bank stocks were then largely sought for as investments.

To-day we have very large banks doing a tremendous volume of business, but our thrifty population, who have for generations regarded nothing 'so safe as a bank,' and therefore in their timidity leave their funds in a bank, are able to receive not the same rate of interest on their deposits, but twenty-five per cent less. Is that due to the natural free play of the laws of supply and demand? If it is, everyone will be content, but I for one, cannot believe that it is.

The explanation given by bankers is that present banking profits will not admit a narrowing of the 'spread' between the deposit rate and the rate of interest. We are told that 'the Canadian banking system is to-day a model system—that improvements have been made with the lapse of time until it is to-day the best in the world.' This is the bankers' opinion, it is true, and it is doubtless the opinion of a large

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number of bankers' clients and those doing business in large centres of population.

We look at the system also, from the viewpoint of the citizen who is frugal, and who, on account of his thriftiness, performs a most valuable service in accumulating savings, and in accordance with the early teachings of his youth that nothing is 'so safe as a bank,' his inclination and habits compel him to place his money in these institutions, where it is immediately available for the requirements of commerce.

We also look at it from the viewpoint of the ambitious and promising young man, wishing to engage in business and who should be afforded the same facilities as are accorded to his existing competitor in business, who may be a bank director or a favoured client of the bank. The young man calls for a 'square deal' to enable him to gratify his very laudable ambition of rising, through his industry, to a position of prominence and influence in affairs of business and state.

The explanation re profits afforded by the bankers is to my mind not conclusive. I cannot clear my mind of the impression that a sinister influence exists, as between the deposit rate, at any rate, and the free play of the law of supply and demand. But let us consider the matter from the standpoint of the explanation offered by the banks themselves. It seems to me that their explanation invites further investigation into the operations of these institutions, and particularly into the provisions of section 79. As already pointed out, some twenty years ago perfectly solvent and prosperous banks, in some sections of this Dominion where capital was not much in demand, were willing and glad to pay four per cent interest on deposits, but with the growth of a system, and the absorption by big international and financial banks of these smaller institutions, which ministered so well to the then needs of the local communities, has come the necessity for a bigger 'spread' between the interest and deposit rate, and I fear an arbitrary fixing of the rate as regards the more helpless of these classes.

And what is the reason? It must be internal with the banks, and we seek the reason because we desire to legislate for the benefit of the country as a whole, as opposed to the interest of a small part of the community. In examining the bank returns of the not remote date of 1900, we find that the total investment in bank premises at that time was under \$6,500,000. According to the Government bank statement for December, 1912, the total investment in bank premises exceeds \$37,000,000. Some of the largest banks carry bank premises in their balance sheets at fifty per cent of their cost, and I assume that some such system is in a greater or less degree adopted by all the banks, and