

The People and the Banks

By W. F. MACLEAN, M.P.
In the Toronto World

No country should make a private monopoly of its currency or money supply; Canada is the only country that has done so, and our people and our business are suffering in consequence. There is a money scarcity not altogether due to the war.

We might as well turn over the making of the tariff or the administration of justice to irresponsible private parties. We use the term irresponsible in the political sense. We insist on government being responsible to the public; members of parliament, ministers, officials, even judges. Their conduct in the discharge of the duties they assume can be reviewed at any time and explanation demanded. They may be removed or disciplined. The minister of customs and the minister of finance and all the officials under them are responsible for the working out of our tariff legislation. We do not let those who pay the customs and excise duties make the tariff law or administer it. But we let our private banks make and supply the currency, the money of the nations, of the people! And they perform this business largely from their own point of view and to their own advantage. There is no patriotism in banking—it is a very cold-blooded business.

Where does our currency come from? The state supplies the gold, the silver and the copper coinage, and the one and two-dollar bills. All the rest of the currency is supplied by the banks in the shape of bank bills. There is always from ninety to one hundred millions of dollars of these bank bills in the banks or in circulation. The banks are the sole masters of letting out and getting in this currency. They make it, and they can refuse to let it out to customers. Much of the business is done without the direct use of currency; it is done by credits lent to business men by banks, by deposits in banks, and those in business pass cheques on the banks to one another, the net result of which is to cancel one credit against another or one debit against another. Banking is largely a business of clearing or cancelling the debts as between the different members of the community. But all this is a different story as far as currency is concerned.

Our story today is about currency—and as we've said above, the banks supply our currency. They have the right to issue notes—promises to pay—up to an amount equal to their capital, for which we charge them nothing; and we gave them also the right to issue additional or excess currency substantially equal to thirty per cent. on their paid-up capital, on which they are expected to pay the government interest. The total bank-note issue thus authorized is over 130 millions of dollars, of which about 90 millions is issued. The banks are the sole masters of their money. They loan it or they hold it; they take no risks in regard to it, nor in regard to any money in their hands. There is no sentiment in banking.

It is true we have authorized the minister of finance to issue Dominion notes on the security of the Dominion of Canada, and we have paid some of these out for public debts, and we have exchanged some (twos and ones) with the banks in order to help in providing a circulating medium. But we only get these ones and twos out because the banks are prohibited from printing notes of these amounts. It is true we have printed some fives and some larger denominations, but as the banks have the same sizes, and once they get these Dominion notes in their hands they keep them in cold storage. That the banks find it highly profitable to issue bank notes is proved by their close organization to keep Dominion notes out of circulation. They'd chase out all the ones and twos if they could.

It is true parliament has authorized an increased issue of Dominion notes, but under conditions that make it difficult to get them out. Largely because the banks have had all the say in the issue of Dominion notes. They have as a matter of fact dictated the currency system of Canada, including Dominion

notes, ever since we've been a country. Every minister of finance has put himself in the hands of the banks; has done what they allowed him to do, and little else. The business men, the manufacturers, the people, have never been consulted. All the emergency legislation passed three weeks ago was the result of conferences between the minister and the master bankers. No presidents of boards of trade, of manufacturers' associations, of farmer organizations, of labor organizations, were consulted. And yet they were all vitally interested. The people in the streets and in the fields were not consulted. The matters decided on were hardly explained in the house. Anyone who raised the currency issue when the Bank Act was revised in parliament, less than two years ago, was treated as a crank.

And yet the currency question is of ten times the import of the way in which banks are to be organized and regulated. In times of stress we find out that it is a supreme issue.

With the connivance of the banks parliament three weeks ago authorized a further issue of Dominion notes in order "to conserve the financial and business interests of the country;" but we left the initiative thereof in the hands of the banks; and as they are supremely jealous of national currency, are afraid that it will injure or destroy the fat monopoly they have now of controlling the currency of the country, they are organized as a matter of fact against its use. If they have to get more currency—and they are disposed to let out more money to customers for carrying on business—they will put out more of their own notes as authorized by the provision for "excess currency," as it was called when it was first created for the purpose of moving the crops.

But inasmuch as some of the banks are seized of the idea that extreme caution is the order of the day in war times, and therefore that they have insufficient confidence in the situation, they refuse to lend out even this money; and by the rules of the clearing house in regard to redeeming one another's notes in gold or its equivalent they can effectively discipline the other banks that have sufficient confidence in the situation, or who think they owe a duty to their customers in business, and thus head off the use

of this excess issue of thirty to forty millions. When we say this, we speak of what we know, and on the authority of men directly concerned.

In a word, we are at the mercy of the banks, both as to bank-note currency, and largely at their mercy in regard to national notes. Few, if any, of them have yet borrowed Dominion notes against approved securities, also authorized for the first time at the recent session. They do not care to take the risk, because they must become endorsers of the loan.

After three weeks' experience the government have changed the rules of letting out this national money to help business, but we question whether they will succeed! Why? Because we have given our banks a monopoly of the currency issue, and we have put them between the nation and the loaning of national notes on approved securities!

But these bank managers and their organization—Bankers' Association, they call it—are absolutely without any responsibility to the public, to parliament, to government. They have to give account to no one—saving their shareholders—for what they do. They are, like the kaiser, all powerful and irresponsible. And they have in cases consolidated the office of



EATON'S

FALL & WINTER

CATALOGUES

A STORE-HOUSE

of BIG VALUES

IT DOES NOT MATTER whether you be farmer, schoolmaster, business or professional man; Or be the wife to any of these.

REALIZE, that to practice economy in buying the needs of the household, you must have Eaton's Fall and Winter Catalogue ready to hand. Recognize it as your friend, confide to it all your requirements; refer to it always.

Thus, by availing yourself of the renowned Eaton Service, you will buy goods whose quality you can implicitly rely upon at prices that spell economy in the most convincing way possible, i.e., IN DOLLARS AND CENTS SAVED TO YOU not once only but every time you order. The following is a good Eaton value:

NORTHERN CANADIAN RAT LINED COAT
WITH NATURAL CANADIAN OTTER COLLAR

We are confident that this coat is the best value at the price offered anywhere. The lining is the choicest full-furred skins, beautifully matched and strongly put together. The collar, cut deep notch style, is natural Canadian otter; the shell, which is handsomely tailored, is a smooth finished, all-wool black beaver cloth. This coat is cut full fitting, has broad, well padded shoulders, leather arm shields, vent in back, barrel buttons and loop fasteners.

1EP68. Sizes 38-48 in. chest measure, 52 in. long. Eaton Price prepaid... **72.50**

For all other lines of goods, see our General Catalogue



THE T. EATON CO. LIMITED
WINNIPEG CANADA