

companion to a low rate of interest. The general idea of Lord Keynes is to provide funds at a low cost to industry, so that industry may expand and provide full employment.

This all appears reasonable enough and while we do not profess to know much about these matters, it does seem to be equally reasonable to also make some provision for supplying funds at comparable rates to the people, so that they might be able to buy some of the goods which we hope industry may produce in such great quantities. This would apply especially to those semi-durable consumers' goods, which cost more than most Canadian citizens appear to have in cash at any particular point of time. There is an undoubted need for many such goods now, and the need will increase with the passage of time. While a shortage of replacement goods may exist for some years, it will be necessary to clear the market of these goods as rapidly as they are produced, or the economic system will again break down. To prevent such a collapse, it may be necessary to provide consumers with short term loans at reasonable interest rates. To many people, such items as a new watch, a suit of clothes, a radio or a new tire for an old car are all big items which require planning and sacrifice if their purchase is to be financed. If the terms and conditions of financing are such that the great mass of people in the lower levels of income are unable to purchase those goods in steady volume, then it does seem possible that loaning money to industry and to investors at the lowest conceivable rates of interest would not solve the problem.

As a matter of economic policy, as well as social policy and social equity, an equality in the maximum rates of interest for all classes of society could be accepted as an essential principle in the Banking Act.

It is not possible to make a complete survey of the costs of the Chartered Banks of Canada, but some general indications may be gathered from their published statements and from the fact that they pay regular dividends.

It may be accepted that the banks are well established across Canada with generally adequate staffs and facilities for doing business. A little more or a little less business will not materially affect their total cost of operation.

The Chartered Banks secure the major portion of their funds from deposits. This constitutes their outstanding advantage over all other lending institutions.

On February, 1944, the banks reported deposits of \$4,973,500,000. On the \$2,123,800,000 of time deposits (savings accounts) they pay interest twice a year at the rate of $1\frac{1}{2}$ per cent per annum. On the balance of \$2,849,700,000, including current accounts, they either pay no interest at all, or very little. It is fairly safe to assume that the banks pay less than $\frac{3}{4}$ of 1 per cent on the (approximately) five billion dollars which they borrow from the public by way of deposits. Of this sum, the banks have recently been content to loan nearly three billion dollars by purchasing the securities of various governments (mostly in Canada) and which generally yield less than 3 per cent. It is probable that the banks find these loans or advances profitable, or they would not have expanded this part of their business so rapidly during the past year. The next largest item consists of current loans of all types amounting to about a billion dollars and which in the main, probably yield from 3 per cent to 5 per cent. Loans at call are also made, usually at low rates of interest.

On the aggregate of this lending the banks are able to make substantial profits. Owing to the very low cost of money to the banks, through deposits, it would appear that the maximum rates of 6 per cent interest, or 6 per cent discount, proposed in section 91, subsection I, should provide the banks with a sufficiently high rate of profit on any loan. It is very possible that the banks of Canada could operate quite profitably if they secured an average return of 3 per cent on their five billion dollars of funds.

In section 91 of the Banking Act, two main points require attention.