

they will take prompt steps to remedy the difficulty whatever it may be. How would a government inspector act? Would one government inspector have the time to go to every branch bank, count all the money, look at every note, inquire into the circumstances of every customer, look at the endorser as well as at the maker of the note and perform all the other duties that would be connected with his office? If the government inspector were to go to the bank to inquire into its capital what is to prevent funds being telegraphed ahead from some branch bank and thus make the money go around the whole circle? You would have, to make it absolutely secure without the possibility of loss, to have a simultaneous inspection of every agency of each bank. Then there would be no possibility of funds being transferred; then there would be no possibility of assets not being there and there would be no possibility of money not being on hand when required. Unless that were to be accomplished by the appointment of government inspectors the whole thing would be as great a farce as the importation of two Scotch terriers to be put in every bank. What does this involve? It involves the appointment of twenty government inspectors, if not forty, at high salaries, and the work would possibly not be as well accomplished by these gentlemen as by trained experts brought up in the bank with the welfare of the bank at heart and working with the full knowledge and co-operation of those in authority to ferret out any transaction that called for investigation in any branch of the bank.

In the government return which is published, the hon. gentleman said, that there was shown an excess of money sent by the banks to the United States and other foreign countries. In the bank returns are included all the bills of exchange forwarded by the banks to foreign countries. Therefore the belief that a large amount of money is annually sent out of the country to the United States and elsewhere is a fallacy. From the gross amount has to be deducted all foreign bills of exchange which are forwarded by the banks.

The second topic upon which my hon. friend remarked was that of loans to directors. In a well regulated bank—I do not know what they do in Toronto and other centres—there is a regulation that there shall be no more money loaned to any director than to any other customer of the bank and that it shall be loaned in the very same way. Banks are very anxious to get men with large business interests in because they bring business with them. If a director had \$100,000 worth of notes, if he were doing business through the bank, he might appear to have loans to that amount when as a matter of fact he would not have one dollar. In the business which a

man brings into the bank you have the wealth and status of the individual himself, and the money which is notable in the return of loans to bank directors is, in all likelihood, customers' paper brought from all over the country, so that the amount of money loaned to bank directors is infinitesimal in proportion to their wealth and resources. Again, there may be a limitation upon the loans to directors, but if you have a board of capable, honest men they will limit the amount of loans to themselves. You could not fix any definite amount. A large bank with \$12,000,000 of capital might be able to loan ten per cent to a director or to one concern or enterprise. Ten per cent in a small bank would be an insignificant amount and no accommodation at all. The reason why small banks are declining is that they are not adequate to the business enterprises of the country. The expansion of business and the large amounts which are invested in undertakings require banks with large capital. The small banks are not adequate to such business. That has had a tendency towards amalgamation. If the amalgamation is carried out properly, if the original design, intention and methods of business are adhered to, if the larger banks afford accommodation to the community which the smaller banks serve such an amalgamation is desirable. For that reason bankers are approving of such amalgamations even though the number of banks may be less than the number of smaller banks that were crippled in their resources and operations from the fact that they had not enough capital to sustain the operations when they were once embarked upon. When there is a prospect of loss there is considerable difficulty in maintaining the enterprise and nothing is more fatal to a bank, or to the commercial community, or the public at large, than banks with inadequate resources to meet the demands of business. The difficulty with those banks that have been mentioned, the cause of their overthrow, their loss or misfortune, has been that their managers speculated. The managers took the funds. When the manager gets to such dimension that his head outruns the proportion of his body and when he thinks he owns the bank and the public there is grave trouble not far off. Another step is that the manager gets so big that he appoints creatures of his own as directors; he gets them under his control; he dictates to them his policy and they hardly know that their lives are there own. We know how offensive it is to have a magnate who relies simply upon his purse power, who thinks that he is the bank to whom all must bow down and who, when he is supposed to put his watch dogs on as directors, simply puts on those who really are his puppets whom he is able to elect and to control, and when a bank gets into that condition it is on the rocks. The On-