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THE WEST AND THE BANKS.

Some Western folk are still hankering after the establishment of small local banks in that country. One influential Western daily acknowledges that the present banking system has met the needs of the farming community "to some extent," but contends that what is now wanted are local banks to supplement the service which is being rendered by the large banking organisations:—"These small institutions will be controlled and managed by men who have made a little money in the community where the bank is located and from exact local knowledge will be able to do business which the larger institutions will always be unable to undertake. They will get closer to the common people and enter into more intimate relations with small borrowers. They may charge a higher rate, but they will deal with the humblest enterprises and will render a service in years to come which is essential to the complete development of this great country."

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The admission that the banks to be created under the scheme which is here so neatly sketched out might charge a higher rate of interest than is at present charged by the large banks, is interesting, seeing that for years past the main ground of the West's grievances against the banks and all other financial institutions which contributed to the development of the Western country by loaning money there, was that the rates charged were so high that the farmer could not pay them and make a profit. If recollection serves the good offices of one of the provincial governments were actively invoked in order to remedy this condition of affairs, by a scheme whereby the farmer would obtain cheap funds, and the necessary legislation for this purpose was duly passed. Little is now heard of this particular grievance. Instead the complaint is made that the facilities for borrowing are insufficient. Whether the West has really learned that the price of capital is in proportion to the demand for it and that in a new country still in the first stages of its development, interest rates cannot be expected to be on the same level as in an old country with an ancient civilisation and immense accumulated wealth, or whether, as is possible, the West is so hard up for

cash that it would be mighty glad to be able to borrow at any price, does not appear. This, however, apart, it is pretty obvious that the scheme mentioned has little to recommend it as a serious contribution to the problem of providing the Western agriculturalist with funds.

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Admitting infallibility on the part of those in charge of these institutions (an infallibility which the ordinary banker does not dare to claim), and that they would never make mistakes in lending to someone who was not industrious, temperate and thrifty, and knew his business, the point occurs as to what sort of a position one of these little local banks would be in, if the district in which it operated had a series of poor crop years. Such things are known. Unfortunately Dame Nature cannot be relied upon always to provide so bountifully as in the present year of grace, and schemes of this kind which look beautiful in such a year as this, may easily wear quite a different appearance in a year when she is not kind. The resources of such institutions would obviously be very limited and it may well be doubted whether conditions are such in the West as to permit the indefinite locking-up of funds which institutions of this kind would have to be prepared for. A few bad debts, due to errors of judgment in lending, might easily mean serious trouble. If in a number of localities, scattered throughout the prairie provinces, institutions of this kind did get into trouble, a condition of affairs might easily supervene that would have far-reaching prejudicial effects upon the economic situation throughout Canada.

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In making these criticisms, we have no desire to treat unsympathetically any well-devised scheme having as its ultimate objective the financial well-being of the West. The prosperity of the whole of Canada will be vitally affected for years to come by Western developments. A steady growth in production and wealth-accumulation in the West means a similar growth in the East; conversely, poor conditions in the West are reflected in poor trade in the East. But Westerners can hardly be surprised if Easterners do not view with enthusiasm

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