

nected with the Keewatin Power Company, the Dominion Bridge Company, the Players' Canadian Corporation, the Fort William Paper Company, and so on, as well as the Ogilvie Flour Mills—we will say, if the Ogilvie Power Mills Company were in competition with the Lake of the Woods Milling Company, or some other flour mill, Sir Herbert Holt would be almost superhuman if he would prefer to give credit to the Lake of the Woods Milling Company instead of to the Ogilvie Flour Mills Company. We are not crediting Sir Herbert Holt with being below the average in business morality; on the other hand, we do not think he is above the average in business morality, and the inevitable tendency would be that a man so connected would be interested in these various corporations. Several members of the Royal Bank, for example, have in fact taken hold of Besco, and inevitably the Royal Bank has a very deep interest in Besco. Now, there are several points I would like to ask about, and I have to have a background for my questions. The first is whether under these conditions there would not be a tendency for the bank director to be prejudiced in favour of those corporations with which he is directly or indirectly connected?—A. Is that question to me?

Q. Yes, Mr. Ross?—A. I can only make the reply made by one much more experienced than myself, the present President of the Association, Mr. A. E. Phipps, General Manager of the Imperial Bank, who has had an experience of over forty years in banking, and in a large way in the last fifteen years, we will say. He said he never knew of an instance in his experience of any Board of Directors withholding credit from a legitimate industry simply because a Company that some of its directors were interested in was a rival; he never knew of any such instance, and he said there would be no trouble in the world for a company in the position you mentioned there. There are two companies in the Royal; you mentioned Besco. The Royal has several directors on the Canada Steel Company. I do not know, but very likely if the Canada Steel Corporation desired to borrow money it borrows from the Royal, some of its money at least. I think its president is a Bank of Montreal man and certainly it has two or three directors of the Royal Bank. These corporations can get money anywhere. This interlocking directorate, so far as lending or the power to borrow money is concerned, is a theory only and has no practical effect, in the judgment of Mr. Phipps.

Mr. IRVINE: Would your contention be, Mr. Woodsworth, that a banker having these other connections might cause credit to be let out when there was no really good basis for letting out the credit? Otherwise I cannot see that you have any point, because credit is not limited. If there was a limited amount of credit, and if these companies got it, there would not be any left. But there is still credit, because the banker is anxious to lend on approved securities; and unless they give credit to their favorites when there is no real basis for it, I do not think you made a point.

Mr. WOODSWORTH: I do not think he will say that there is no limit to credit.

*By Mr. Irvine:*

Q. You would not say that the granting of credit to a subsidiary company in which a banker was interested would affect me?—A. I do not think so, because there is enough credit to meet all legitimate demands.

*By Mr. Spencer:*

Q. Let me interpose a question. Do you call credit in that case an equal amount with the deposits, or, to put it in another way, is credit limited to the amount of deposits on hand?—A. Substantially. It is limited, on the assets of the institution.

[Mr. Henry T. Ross.]