

The CHAIRMAN: Are there any questions that you desire to ask?

Hon. Mr. HANSON: Should we not have the text of this statement before we examine on it?

The CHAIRMAN: Shall we go on with the statement of Mr. Towers?

Hon. Mr. HANSON: That is just my suggestion. I do not want to force my will on the committee.

GRAHAM TOWERS, Governor of the Bank of Canada, called:—

The WITNESS: I have very little to add to what Dr. Clark has said. I think I should like only to endorse the remarks which he has made in regard to the existence of a gap in our present credit facilities. I think that might bring to people's minds the question, "Did this gap always exist; is it greater now than it used to be or not?" I think the answer is that the lack of facilities under modern conditions presents a more serious impediment to the small enterprise than was the case twenty-five or more years ago. Some considerable time ago if a small but progressive business concern found that the type of credit facilities which it needed were of such a term they could not properly be obtained from a commercial banking institution, were of a size and character which did not lend themselves to be supplied through the form of a bond issue or preferred or common stock issue in the general market, that small enterprise turned to individuals to try and obtain additional capital. It is still open for the small enterpriser to do so, but I think the difficulty which he would experience nowadays in interesting individuals in putting additional capital in a minority position in a small enterprise is much greater than it was twenty-five or thirty-five or more years ago.

By Hon. Mr. Hanson:

Q. Why do you say that?—I think you are perhaps correct, but why do you say that?—A. I say that first of all because the increase in savings of the type of person who had accumulated sufficient to put it into a small enterprise is, of course, greatly effected by modern income taxes. Furthermore, that individual has to think twice before he puts \$25,000, \$50,000, or whatever it may be, into a minority position in a small concern because some day or another in the natural course of events death will overtake him. His estate will then be in possession of a minority interest in a small enterprise with which they might find considerable difficulty in turning it into cash, in finding a market, in other words.

By Mr. Breithaupt:

Q. Because the stock at that time may not be listed and there is no market?—A. In all probability it will not. His estate faces the problem of raising cash for succession duties and yet having in this particular stock an asset which it is very difficult to realize on except perhaps at considerable sacrifice.

By Mr. Kinley:

Q. You are assuming he will buy stock and not lend the money?—A. In the ordinary course of events I would think he would buy stock.

Q. Be a minority shareholder to a large extent?—A. Yes, possibly, although that has never been easy in itself.

Q. It is not very attractive.—A. He may come in in some form of partnership participating in the business. There are all kinds of permutations and combinations. What you suggest has never been easy, and I agree with that, but I would simply suggest that for the reasons I have mentioned it is a good deal harder nowadays to interest individuals in putting in capital in a small enterprise unless they are ones which they are managing and trying to build up themselves.