United States continued to increase and our banks continued to ship money out of the country to support a falling stock market in New York and take advantage of the high rate of interest there notwithstanding the increasing demand for money in Canada. By the first of October an additional amount of over ten millions had been sent out and the foreign loans of Canadian banks stood at $88,952,693. All this time, as every business man can testify, the legitimate business of this country was being refused the accommodation that was necessary to move and market the crops and keep the wheels of industry running. The strain was almost at the breaking point in many parts of the country but was felt most keenly in Western Canada, where the people with their crops on their hands and their creditors pressing for payment of overdue accounts saw navigation coming to a close.

Another Instance

From the West, as is generally known, the cry for help was first heard. Mr. Fielding then began to realize that something had to be done. Conditions were such in the United States that nothing could either force or induce the Canadian money that had been sent there to come back. The laws of the country limited the amount of paper money which a bank could issue to the amount of its paid up capital. Many of the banks had already reached this limit and had left but a few dollars change in their tills. The result was that our Finance Minister, in order to avert a disaster, which might cost him and his party their power, broke the laws and permitted the banks to issue more unprotected paper money.

Banks Control the Finance Minister

Just at this point the action of the banks showed how completely they had the Minister by the throat. He called this new issue "emergency currency" and offered it to the banks at a tax of 7 per cent., a rate which would have insured its immediate redemption as soon as the stringency had passed over. But the banks refused to pay so high a rate notwithstanding they would charge the people that and even higher for it, and further, notwithstanding the fact that on the coin and bullion which they had shipped out of the country they were receiving rates ranging from twenty-five to one hundred and twenty-five per cent. Furthermore, they did not feel sufficient gratitude for the fact that they were enjoying, by the will of the people, a circulation of their notes of over $84,000,000, which cost them nothing; for they bluntly refused to distribute this "emergency currency" to the suffering people without making a big profit by the transaction. The result was that the Finance Minister had to accept their own offer and permit them to circulate this additional unprotected paper money for a rate of four per cent.

Loans to Directors

As is generally known, the management of an incorporated institution is forbidden to loan the funds of the institution to its directors. Our Canadian banks, however, are the one exception to this law. They may make loans to their directors to any extent they wish. And it is a fact which throws a side-light on the machinations of these institutions that during the period last year when farmers, small manufacturers, mechanics and laborers were being refused the accommodation necessary to keep their business going and were being compelled to liquidate the accommodation which they already enjoyed, the banks' loans to their "directors and to firms in which they were partners" continued to increase until, by the end of October, they amounted to $12,318,811. The writer ventures to predict that an investigation would show that the actual amount thus loaned was more than double this. No item of the banks' returns may be so easily manipulated as this one, and the number of false statements to the Government, which the many bank failures in recent years have disclosed, show how willing bank managers are to make false returns when it is necessary to keep from the public a questionable practice.