

Edmund Platt, Vice-Governor of the Federal Reserve Board, Washington, discussing in the Trust Companies Publication, June, 1925, this great volume of failures "in our agricultural states," says:—

It seems to me that the remedy is clearly suggested by the evidence presented. We must have larger banks, banks large enough to afford good management and large enough to spread their risks over a variety of industries and over a considerable territory. The larger banks have a better chance to weather financial storms because they are able to secure, and generally do secure, good management, and also because they are not under the same temptation to put all their eggs in one basket. The large bank serves, as a rule, a greater variety of industries than a small bank and often spreads its loans so widely that it cannot be vitally affected by disaster to any one industry.

Branch Banking and Safeguard.—If we must have larger banks in order to afford good management and to give the management a fair chance for success then we must either subject many people living in small communities, or in rather thinly settled agricultural communities to great inconveniences or we must provide them with banking accommodation through branches—not necessarily on any very large scale as in Canada—but on a scale large enough to serve the people adequately and safely.

THE GOVERNMENT IN THE LENDING BUSINESS

One suggestion has been put forward—that if Canada had a central banking system, strong commercial organizations might pledge their securities directly with the Government bank and receive Dominion notes with which to carry on operations without the intervention of any bank. The Wheat Pool has been instanced as one organization with which this might be done. If this privilege were granted to the Wheat Pool, surely it could not be denied to its rivals, the non-pool grain companies, which are equally worthy organizations, and if to these, why not to every kind of organization with supposed creditable financial standing? Are the people of Canada prepared for the risks incident to such a radical departure from currency control and safety, and for a form of banking not practised in any country, I believe, in the world to-day?

Let us examine the proposal: Under the present system the Government obtains the endorsement of the bank and has a first claim upon all of the borrowing bank's assets, in addition to the particular assets pledged. That makes the Government fully secure. The bank to-day takes the risk of lending. While the Wheat Pool has been prosperous in the few years it has been operating, agricultural pools on this continent have not had an unbroken record of financial success. It is believed that the people of this country are not willing to have the currency of the country involved in the risks and hazards attending the conduct and operation of any commercial or trading organization, or combination of these.

CONTROL OF CREDIT

Emphasis has been laid upon the supposed control of credit by bankers. In a limited sense bankers control credit. That is to say, the banker can and does grant or withhold credit according as the enterprise seeking credit in his opinion will be successful from the standpoint

[Mr. Albert E. Phipps.]