

Maclean's Bank Reform Plan

By TOM KING, Toronto

W. F. Maclean, M.P., has been urging the government to adopt drastic changes in the Bank Act for the benefit of the general public. This article sets forth Mr. Maclean's views on currency and banking in clear and simple language.

What are the views of W. F. Maclean, M.P. for South York, upon the financial question? How does he propose to help the business of the country by recasting the banking and currency laws of Canada?

A good many people who are asking these questions today were less interested two years ago when Mr. Maclean first outlined his proposals in Parliament. We are now face to face with a breakdown which, he declared, was bound to come unless in some way the business men of Canada obtained more credit and more money with which to do business. True, the war was not then in contemplation, but the war has exposed rather than caused the breakdown in our banking and currency system.

The Maclean program is not one brought forth over night to meet an emergency, it is proposed as permanent legislation. At the same time it will meet the present emergency conditions; indeed the legislation just put thru parliament amending the bank act, the Dominion notes act and authorizing a currency based upon collateral other than gold, follows closely along the lines proposed by Mr. Maclean. That this recent legislation appears to be a machine without motive power and so far has done nothing to relieve the situation may be due to the fact that it departs from the fundamental proposition upon which Mr. Maclean's proposals rest, namely that all the money of this country should be issued by the government. It leaves the banks in control of the financial situation instead of vesting that control in the Dominion government.

It may, therefore, be interesting to note what is the program which has been presented to parliament and the people by the member for South York.

1. In the first place Mr. Maclean be-

lieves that the government, and only the government, should issue money. At present we have in Canada two kinds of currency, one is issued by the state under its sovereign power to emit currency; the other is issued by the chartered banks, to whom has been delegated the power to issue money by the state. All our metallic money is issued by the government and bears the king's head, practically all of our paper money is issued by the banks.

The government, it is true, issues paper money to the amount of \$114,000,000, but only about \$20,000,000 of this, in the shape of \$1 and \$2 bills, gets into circulation. The money used by the everyday man in everyday business is the money furnished by the banks, in bills of the denominations of \$5 and multiples thereof. There is held by the receiver general at Ottawa, and by his deputies thruout the country, nearly \$100,000,000 in gold, but a child born in Canada might live in this country and die at the age of 80 without ever seeing a gold coin. This vast accumulation of gold is not intended for general circulation and is properly enough kept as a reserve for the protection of the paper money issued by the government, but the paper money issued by the government (except \$20,000,000 in \$1 and \$2 bills) never gets into circulation. It is in the shape of bills of large denominations, mainly five thousand dollar bills which are held by the banks and are legal tender only between banks. The money seen and used by the people, therefore, is the money printed by the banks. The banks are thus enabled to regulate the volume of currency and to exercise the sovereign power of issuing money.

Retiral of Bank Notes

2. If the government is to have the sole power of issuing money then the

notes of the banks now in circulation will have to be retired, and Mr. Maclean proposes to issue to the banks, at a nominal rate of interest, Dominion notes or national currency to the amount of their paid-up capital. This will compensate them for the loss of their present franchise of issuing money, but whether it fully compensates them or not it will firmly establish a national currency.

But the \$100,000,000 of bank notes now in circulation do not provide enough money for the business of the country. Mr. Maclean proposes that the government shall issue Dominion notes or national currency, say to the amount of \$500,000,000, and that this money be available for the business needs of the country.

This would necessitate the founding of a government bank. This government bank, which might do the banking business for the Dominion and provinces, would be the bank in which all the chartered banks would keep accounts, and be able to rediscount the securities offered by the public, including prime commercial paper. The business man who goes to the bank today is apt to hear that he cannot get the accommodation he needs, no matter how good may be his paper or his collateral, because the bank has no "money," that banks have only a limited circulation and that they must protect their notes and, what is more important, they must be ready to meet the demands of their depositors. Hence they are anxious to have big cash reserves or so-called "liquid assets" and are disinclined to discount paper offered in the ordinary course of business; or to assist the farmer upon the security of his grain or the manufacturer upon the security of his raw material in process of manufacture. But with a big government bank having no interest to

serve except the public interest, the chartered bank would be able to rediscount good paper and by paying reasonable interest charges obtain Dominion notes or national currency for their customers.

Call Loans on Margins

3. Mr. Maclean would also deal with the abuses in our banking system which grow out of the desire for liquid assets. The banker's pet theory is that money loaned "on call" can be collected in a few hours' notice and he has been loaning money on call to the neglect of his customers who want to borrow for sixty or ninety days, and who perhaps may have to be carried for a longer time. Just now \$133,000,000 of the Canadian bank deposits are loaned to Wall street speculators, principally upon stock margins. The stock exchanges are closed, the Wall Street gamblers cannot pay, the margins have long ago been wiped out, and the Canadian banks have no choice but to wait indefinitely for the repayment of this money which was always to be subject to "call." Another big sum of money is out on call loans in Canada, and these are in very much the same situation. Hence farmers, merchants and manufacturers cannot get the necessary accommodation from the banks, because the banks have no money. Their money is in Wall street.

Mr. Maclean proposes to restrict the lending by the banks on stock as collateral and also to put an end to stock watering and exploitation. He would place all stock and bond issues of federal corporations under the control and supervision of a public utilities commission to be appointed by the Federal government.

Need of National Currency

4. It is not proposed to issue national

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The Co-operative Fruit Growers of Nova Scotia

By A. E. ADAMS, Berwick, N.S.

Nova Scotia boasts of a co-operative organization that in a few years has accomplished wonderful work along truly co-operative lines. The home of this movement is in the beautiful Annapolis Valley, immortalized by Longfellow in "Evangeline." No more beautiful spot is to be found in all our fair Dominion than this delightful valley, bordered on the north by a range of hills overlooking the turbulent waters of the Bay of Fundy and on the south by mountains covered with mighty forests. Such is the home of the Co-operative Fruit Growers of Nova Scotia. While possibly not as powerful as the mighty Grain Growers' movement of the West, yet this organization is as perfect as human ingenuity can make it, and above all it is co-operative in the truest sense of the word; its leaders are ardent co-operators, and to maintain the great and good principles of co-operation is its one aim.

Fought For Life

This organization has not been completed without a long and serious fight, for special privilege will never give up its hold on the people without a hard struggle. I have been asked to write a brief history of this movement for The Guide, it being thought that the Co-operative Grain Growers of the West would be interested in the efforts and accomplishments of the Co-operative Fruit Growers of the East. The movement started in 1907, and was the direct outcome of the most unsatisfactory manner in which the products of the valley's orchards were handled. The

apple growers had the choice of two methods of disposing of their produce. They could sell to the speculators or ship on consignment and take the risk of the markets. Selling to speculators was unsatisfactory. The speculator simply buys apples to make money. That is his business, and a perfectly legitimate business, too. But in fixing the price he will pay for apples he carefully reviews the situation, and having estimated that certain varieties will possibly realize a certain sum, he names a price that will allow him a good stiff margin to cover all contingencies. That is perfectly right, as a good business man he must protect himself, and I have no quarrel with him. Men who reason things out for themselves, however, will immediately understand that under this system the grower never gets the full value of his product. The difference between the amount paid the grower and that ultimately realized for his fruit is too great a toll for the grower to pay. I know of a lieutenant of one of our speculators who cleared up \$10,000 in one year. If the lieutenant made this, what did his principal make?

Speculators Never Lose

I can imagine, however, that some may say that the speculator does not always make a big profit, there are times when the market collapses and the speculator loses very heavily. But does he lose? The experience of the valley fruit growers demonstrated clearly that in such circumstances the speculators do not lose. I will explain just

what happened only a year or so ago. The season opened with indications of short crops and speculators bought large parcels of apples in all directions. After a while the markets collapsed for a few weeks and immediately the speculators commenced to repudiate their purchases and the growers were left with their fruit on their hands. A few weeks after, when the market righted itself, these gentry rushed around to the grower who, being in ignorance as to the better conditions prevailing on the markets, were glad to sell their fruit over again at a lower price than before. At other times when markets have declined below what the speculators expected they have refused to pay for fruit they had taken and, as the principal speculators generally worked thru agents, who were men of straw, they had no difficulty in avoiding payment. Thousands of dollars are owing to our fruit growers that never will be paid. You will see, therefore, that selling to speculators was a game that could best be described as "Heads I win, tails you lose."

Let me here explain that I do not include all speculators. Many are honest, straightforward men, doing business in a straightforward way, men to be respected.

Old System Costly

Now the farmers' only alternative was to ship on consignment, and to do this the farmer had plenty of men to assist (?) him. Various English commission firms employed resident agents in Nova Scotia who received anything

from 12 cents to 20 cents per barrel for all apples they could induce the growers to ship to them. These men in turn employed local agents at most stations, who also received a commission on all they could secure. The general agent secured space on the steamships for such apples, and when making out the bills of lading the agents had a certain amount, varying from 7 cents to 15 cents per barrel, added to the legitimate charge, which they termed "advance charges." This additional charge would be collected by the steamship company on the other side, and they would rebate it to the general agent. There was no limit to what this advance charge might be, and it could only be called a direct steal, as all charges on the bill of lading were deducted from the amount realized for the apples when sold. Other charges were also deducted under such headings as wharfage, cartage, portage and innumerable other "ages," the charges being sufficient to cover the toll of the general and sub-agents in Nova Scotia and numerous other expenses, many of them purely imaginary.

Born of Necessity

It is not to be wondered at, therefore, that frequently these charges amounted to more than the apples produced, in which case the growers had to send money after their fruit so that the parasites referred to should be satisfied. Truly these conditions were unsatisfactory, and it is not surprising that the growers looked for means of remedying

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