THE FARMER'S ADVOCATE AND HOME MAGAZINE.

THE LEADING AGRICULTURAL JOURNAL IN THE DOMINION.

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1. THE FARMER'S ADVOCATE AND HOME MAGAZINE is published every Thursday.
   It is impartial and independent of all cliques and parties, handsomely illustrated with original engravings, and furnishes the most practical, reliable and profitable information for farmers, dairymen, gardeners, stockmen and home-makers, of any publication in Canada.
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and squabbling over it like a couple of schoolboys fighting for an old baseball bat that has come floating down the creek.

"I seen it first!" they are both yelling, and both are beginning to tell what they propose to do.

"Keep your eye on the ball."

Both political parties depend on the money powers for their campaign funds, and what the banks want, now that it is apparent that the people will insist on having the banking system reformed, is a reform that does not reform. Bank-controlled newspapers and bank-controlled politicians may be expected from now on to be noisier than anyone else in demanding a revision of the Bank Act, but if you investigate you will find that their schemes of reform mean a side-tracking of the real reforms and the adoption of others that will really mean increased privileges for the banks. It is an old political game—it is known as "'heads' I win, 'tails' you lose,"—and if we are not careful we shall find when "the tumult and the shouting dies" that nothing has been accomplished.

"Keep your eye on the ball."

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Now that the campaign is fairly under way, it is high time that we decided on just what we want to have done. It is too early, however, to try to say what form the changes in the banking laws should take. It will only be possible to do that after we have had a full and free discussion of the whole problem. It is one thing to know what should be done and another to know how it should be done. The banking systems of other countries must be studied so that we may learn how other people overcame such difficulties as we are contending with. Then we can adapt their remedies to our needs. In Germany they have a banking system that the authorities agree in calling scientific. We can learn much from it. In the United States they are getting ready to revise their banking laws, and much can be learned from their work. They had what was practically our present system over fifty years ago and had to get rid of it when it became [illegible]. In the meantime, here are a few things [illegible] insist on:

1. Government inspection of all banks [illegible] to protect shareholders [illegible] from reckless or incompetent bank management.

No kind of inspection but Government inspection should be allowed. Seeing that bank inspection is inevitable, some bankers are urging that the work be taken over by the Bankers' Association. This would be worse than no inspection, as it would give the strong banks that dominate the Bankers' Association too much power over the weaker banks. That august body has enough to do now in looking after the funeral arrangements of banks that are destroyed under the present system. It has been suggested also that the inspection be done by auditors appointed by the shareholders. This would be valueless, as the auditors would be appointed by the group of shareholders who elect the officers. Besides, the rights of the shareholders are not the only ones to be safeguarded. The depositors must have their rights looked after by the inspectors, and the general public must be protected. Government inspection prevails in other countries and has proven satisfactory. It works so well in the United States that only five per cent. of the American banks failed in twenty-six years. In the same period twenty-five per cent. of the Canadian banks failed. Rigid Government inspection is what is needed.

"Keep your eye on the ball."

2. A currency whose redemption will be secured without the use of the depositors' money for that purpose.

In the United States the currency issued by the banks must be secured by Government or Panama Canal bonds. In all other important countries the currency is secured without the money of the depositors being used for that purpose. In Canada it is supposed to be secured by the paid-up capital of the banks, but when a failure occurs it is the depositors' money that is used to redeem the notes. When the Bank Act comes up for revision see to it that the currency is secured without danger to the depositor. Several schemes have been suggested which will be discussed later, but the thing to keep in mind at present is that the depositor must be protected as well as the note-holder.

"Keep your eye on the ball."

3. Some form of security for the depositors.

Even in the wicked United States, whose banks we have been taught to scorn, the banks are compelled to keep on hand a cash reserve equal to twenty-five per cent. of their total deposits and circulation. Because of this the average annual loss to depositors during a period of over forty years has been only thirty-seven one-thousandths of one per cent. At least the depositors of the Farmers' Bank will agree that it is high time we had some such security for deposits in Canada. This point has not been mentioned so far in the discussion that is in progress.

"Keep your eye on the ball."

4. Some means of preventing the centralization of the capital of the country in a few hands.

This might be done by limiting the number of branches that one bank may have. If they were not allowed to have so many branches new banks would spring into existence to meet public requirements. Smaller banks would foster the smaller businesses and make the formation of Big Businesses with monopolies in their particular fields more difficult. The supporters of the present banking system are putting forth specious arguments in favor of big banks. Big banks mean big monopolies.

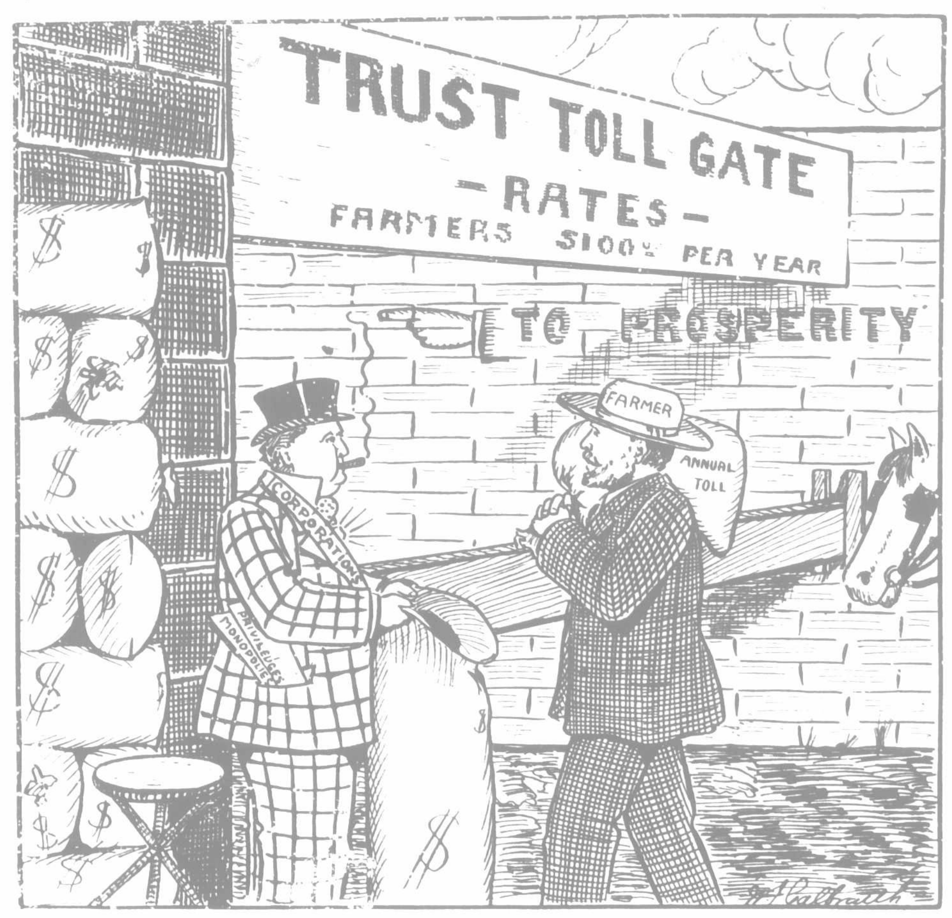
"Keep your eye on the ball."

5. Bank presidents and bank directors must be made more personally responsible than they now are for the use made of the money entrusted to their care.

To show what can be done in this way, I am going to quote a passage from a recent article by Gov. Stubbs, of Kansas:

"Every bank officer, president, cashier and director in Kansas holds his job practically upon a civil service basis. Certain blanks have to be executed under oath, and if these and the past history of the signer do not come up to the desired standard, he must resign. The whole board of directors of a bank must be present twice a year, when an examination that actually examines is made. Every note, bond or asset of each bank must be listed and reported to the banking department twice a year, with a sworn statement by the officers and directors of the bank to the effect that each note and asset so listed is worth one hundred cents on the dollar."

It is a matter of record, however, that before the people of Kansas secured this reform, they "started in to raise a row, and had an over-production." It might be well for us to study the Kansas system of crop rotation before our Bank Act comes up for revision.



Heavy Toll.

Farmer—"A pretty steep tax, and it seems to me that you are not making the road a great deal easier to travel, either."

These demands are all reasonable and vital. Moreover, they will serve as a touchstone by which we can tell whether a man or editor discussing the proposed revision of the Bank Act is working in the interests of the people or of the banks. Attempts are already being made to becloud these issues, but we must not let ourselves be fooled. No matter how loudly a politician or editor takes part in the campaign for the revision of the Bank Act, unless a clear stand is taken on these points, he is not a true friend of the cause. Other men may have other methods of attaining these ends, and perhaps better ones than we have suggested, but the ends must be the same. The reforms that are asked for above are already in force in every other important country in the world, and there is no reason why they should not be enforced here.

The only point raised that is still open to honest difference of opinion is the fourth. It might be advisable to centralize capital in one bank, but only with the Government as the dominant partner in the monopoly.

Now that all the papers are taking up the discussion, it is to be hoped that the enquiry into the banking system will be full and searching. Many people will doubtless have excellent suggestions to make—and many more will have suggestions to make that will merely tend to mislead the public. Reforms are already being advocated that will not reform anything.

"Keep your eye on the ball."

Personally, I am not only willing but anxious to listen to every scheme that is suggested as a remedy for existing conditions, but when I suspect that I am being bluffed I talk back in this strain:

"Quite so! Quite so! There may be a whole lot in what you are saying, but I have already made up my mind about a few things that we want. Give us a new system of currency, if you like, but you will have to show us that it is secured in such a way that in case of failure it will not be redeemed by the money of the depositors. If capital is to be centralized let it be in such a way that the monopoly will be completely under the control of the Government, with a system of Government inspection that will really inspect. It sounds fine, and you seem real gifted when you try to explain matters to me in the abra cadabra terms of banking, but when you have spoken your little piece I want you to tell me in simple words how the banks are going to be prevented from gouging the people with the people's own money