adian banking in recent years and to the history of banking in the United States, we shall come to the conclusion that the system of government inspection in the republic fails to bring about the great benefit that my hon. friend is of opinion would follow the adoption of that system by us.

My hon. friend has opened a very large question when he proposes that we abandon the system of Canadian branch banks and adopted the American system of local banks. Undoubtedly there is a local advantage in having a local bank; undoubtedly you may get a local interest. The bank receives the capital of the community, and the bank will be likely to associate itself with the development of that particular locality. We will grant that, but there is another side of the question. My hon. friend has referred particularly to the west. I venture to think that if we had no branch banking system the accommodation in the west during the past few months, insufficient and unsatisfactory as it has been, would have been very much less. In many of the towns of the west to-day where there is a very small population, they have one, or two, even three in some instances, bank branches. They do give in their way as much accommodation as possible. I am not here to apologize for the banks as to whether they gave as much as they ought to have given during the recent period. However, it is possible there is a good reason for the banks not giving accommodation. If they did not have the money they could not give the accommodation. At a time when there was a financial conflagration across the line, it was the part of wisdom in our banks to set their house in order, to look over their accounts, and be ready for emergencies. That means that the banks had to strengthen their reserves, even though they had to deny their customers accommodation which they would gladly have given them. It would be more profitable to the bank to lend its money to customers out west, even at more modest rates than those mentioned, than to keep it locked up in their vaults. They had to keep it locked up thus increasing their reserves, in the interest of safety. It is better by all means that some local interest should suffer, that some good customer, some grain buyer or honest farmer, should be denied a temporary accommodation than that the bank should run beyond reasonable limits; for then, in case of financial storm, our banks would be wrecked as were those across the line. There is something to be said for the course of the banks in that respect. The value of the branch system is that it gathers up money in communities where the demand for money is not great and transfers money to communities where the need is great. The older portions of Canada, probably in ordinary times, have more money than they need. Under the local bank system that money would be largely kept there and would seek employment where perhaps there was no employment for it. Under the branch bank system that money is taken from the community which does not need it, and is transferred to other new and growing communities where the activity is greater and money is more in demand. I think that this system has helped to develop our new lands in the west. The east may possibly have reason to complain that the deposits gathered from the older settlements have been taken out west, but I think that, from that point of view, the west has been the gainer and not the loser. While the branch bank system is not free from defects, I think it has resulted in giving to our new settlements the banking accommodation which they could not possibly have received under any other system.

I have said that inspection has not been a great success in the United States. Yet it might be a success in the United States and not adapted to our conditions in Canada. The branch bank system which we have creates conditions which seem to me to make inspection practically impossible. There are 1,884 branch banks in the Dominion of Canada. One bank, not the largest in its capital, but the largest in the diversity and distribution of its business, has not less than 162 branches. Now, I should be glad if somebody can explain to me how that bank could be inspected by any officer, government or otherwise, under any method which would guarantee the accounts, the resources, the assets of that bank. If we go on the assumption that some bank manager, who wishes to be dishonest, is using the money of the bank for his own ends, gambling in the stock market or anywhere else, it would be easy for him to have the bank inspected in Montreal or Toronto on a given day and the cash and securities counted, and, ten days later, the same cash and securities could be counted again in the bank's office in Winnipeg or Vancouver. Where a bank's business is widely distributed, as in a case of this kind—and while that is a notable case, nearly all our banks have many branches—it seems to me practically impossible to carry out any system of inspection to bring about the results which my hon. friend desires. Realizing that that criticism could be offered, the hon. gentleman says that at least the head office could be inspected. What value would there be in that? If the manager at the head office were desirous of playing pranks with the funds of the bank, and if he knew that the head office was going to be inspected, you may be sure that shady transactions would take place, not at the head office which could be inspected, but at the branch offices which could not be inspected. It seems to me, for these reasons, that bank inspection by the govern-