upon call, so as to be immediately convertible into cash, or upon securities which can be quickly liquidated. If the banks of Canada would loan all their capital and all their deposits, especially in times of stringency, to the borrowers throughout Canada, they would become insolvent, because they would not be able to meet any unexpected run or demand upon their funds. I changed my own view in this regard a few years ago, because I happened to learn what the policy of the banks was, and why they adopted it. The banks must either hold their reserve in the vaults in the form of cash to the extent of a certain proportion of their liabilities, or they must loan that money where they can turn it into gold and make it cash over night. The only market on this continent in which that can be done is New York, just as the only market in England where it can be done is London; they are both international money markets. The interest paid upon call loans in New York is much less than that paid for call loans in Canada. Call loans in Canada pay six or seven per cent, and call loans in the United States pay two or three per cent, because there are so many bankers in the world doing practically the same thing, namely, loaning their money in New York for the purpose of keeping it in liquid form. The difference between a call loan in New York and a call loan in Canada, speaking of a time of stringency, because a call loan in Canada as a general thing is available when money conditions are not particularly stringent, is this: As the New York market is an international market, a call loan there is strictly a call loan, convertible into cash by the bank in Canada having a line of call loans and drawing low rates of interest and any bank is able to make a call for gold to-day, to-morrow or the next day in the city of Montreal or the city of Toronto. What is the advantage to the bank? The bank must either carry its reserve in the form of gold here and not loan it out, or carry it in the form of call loans in the only international money market on this continent, namely, New York, where they get for it a rate of from two to four per cent. The advantage to the banks is that they derive this comparatively small rate of interest in New York whereas, if they were to keep it in their vaults, they would derive no rate of interest at all and in neither case would they be able to loan it out to the commercial community. That is the reason why the Canadian banks loan in New York just as the British banks loan in London. They loan money in London upon bills and other securities at a lower rate of interest than the discount rates prevailing in Great Britain and just as the banks in England would not be justified in loaning all their money by way of discounts to the commercial community, so also the banks in Canada would not be justified in loaning to the commercial community to the extent of all their available resources because they would be heading straight for insolvency if they did. The banks in England make 25 to 40 per cent of their loans in London just as our banks carry about 20 to 30 per cent of their loans in New York with all the liquidity which such loans possess and which represents the reserve they would otherwise have to maintain by keeping gold in their vaults here. The point I make is that even if there were no call loans made in New York the borrowing community in Canada would not be in any better position because the banks would have to hold the specie or legal tender which they are bound to carry in order to maintain their position as strong, solvent institutions. I think I may say that the committee came to the conclusion, in view of all the evidence presented, that the loaning of money in London and New York is a practice in accordance with the best principles of sound banking and indispensible for the carrying on of the proper banking business, and that they adopt the policy of carrying their reserves in gold.

With regard to the amendment of my hon. friend from North Ontario (Mr. Sharpe), I think it is not a sound principle in banking to argue that because in a particular case evil results have followed from the making of a certain class of loans, legislation should be introduced prohibiting or restricting that class. We are apt to overlook the fact that in thousands and tens of thousands of cases these loans are made with effects that are beneficial to the entire community. We are apt, as they are in the United States, to fix our vision upon the exceptions and in favour of legislation of this kind instead of considering the general course of banking and seeing what are the facts and what is the best course to pursue in legislating, having regard to existing conditions. When this amendment was before the Committee on Banking and Commerce it was pointed out by one of the makers there that one of the very best classes of business that banks could carry on was the making of loans upon grain. There is no better security, there are no assets that are quicker in character than grain. A banker would be perfectly safe in making a loan of from $2,000,000 to $5,000,000 upon wheat to a partnership or corporation whether foreign or domestic, for the reason that the security is of an ascertainable value from day to day and very liquid in its nature. It can be instantly sold.

The result is that an enormous business is done by our banks upon the security of grain, particularly wheat from our own northwest. Some of our banks have agen-