What happened in that year? The banks simply demanded that borrowers pay up, and because they could not pay up, they increased the interest one per cent and made them pay the interest once a month. If a man could pay, they made him pay the money, and then sent it off to New York, ostensibly to create a liquid fund which they could call upon in case of trouble, but really to make some money out of it.

Mr. AMES: I think the hon. gentleman will find that the shrinkage in call loans in New York at that time was very much greater than the shrinkage in Canadian call loans.

Mr. CARVELL: At any rate, in 1907 in the maritime provinces it was practically impossible to get money, and every man who could possibly pay his liabilities to the bank was called upon to do so. That money was taken somewhere; according to the argument of my hon. friend, it was taken to New York; according to his assertion it was not taken to New York, and I shall leave it to the committee to judge which is right, his argument or his statement. But it is not necessary to go back as far as 1907; take the months of November, December and January last. At that time it was almost impossible to get $100 in the maritime provinces, let alone $1,000 or $10,000. I do not say that firms carrying on a manufacturing business and who had a line of credit were unable to make use of that credit, but the ordinary borrower, the man in the country who is really the backbone of the banking business; the man without whom the banks of Canada could not exist—for we know that three-quarters of the capital which is being loaned by the banks in Canada to-day comes from the small depositors—could not get even $100. I think that in times of stringency the ordinary small borrower in the country who wants $100 should have a right to get it. But in times of stringency the banks say: We must have liquid assets in the form of call loans; therefore not only can we not make advances to you, but we must make you pay what we have already advanced. During the months of November, December and January, many cases of real hardship came under my own personal observation. I myself was compelled to loan money which I really could not afford to let out, simply because the borrowers would go to the wall if they could not get it, and they could not get it from the banks. In the months of December and January, not on my own account, but on behalf of a friend, I went to a bank, with absolutely gilt-edged security, for the loan of a small sum of money, but I was told that their instructions were that no money should be loaned, and we could not get it. In order to keep the man from going to the wall, I had to advance the money, which I could ill afford to do. It is probable that these local managers were carrying out their instructions, but I think that banks ought not to be allowed to loan their capital outside of Canada. They get their capital from the people of Canada, by the legislation of this Parliament, and I may add that if this Parliament did not choose to grant them a charter for the carrying on of business and the making of loans, they could not do it, because the people would not deposit their savings with private banks as freely as they do in chartered banks. I do not find any fault with the chartered banks; I always advise my clients to deposit with them rather than with the savings banks. I would rather encourage the three banking institutions in my county, the Bank of Montreal, the Bank of Nova Scotia and the Royal Bank, than the Government Savings Banks, because they are absolutely safe and sound, and are fully as reliable as the government post office savings bank. When the people put their money in those banks, I think that that money should be kept in Canada for the benefit of the people, and not be sent out of the country just at the time when it is most needed. At ordinary times, it makes no difference where the banks send the money, but when a time of stringency comes; when the banks are closing down on everybody, contending that they must have liquid assets, something should be done to remedy the conditions. I think my hon. friend should be willing to amend his amendment to some extent to meet the conditions under which the banks are doing business in the West Indies, and if he would do so, I feel like voting for it, because I think it involves the proper principle.

Mr. WHITE: The argument of the hon. member for Carleton proceeds upon a misconception which is widely prevalent in Canada. His idea appears to be that the money which the banks loan in New York and in Canada should be loaned out to relieve the stringency which has existed now for many months. I might say to my hon. friend that if money were not carried on call in New York, it would be lying in the vaults of the banks, and would not be loaned out in Canada. In other words, if a bank loaned out all its money, the institution would be heading straight for insolvency. A bank must either keep gold, or other legal tender on hand to meet its demand liabilities, or it must be in a position to obtain the money over night. The result is that banks do not loan all their money to commercial concerns, farmers and merchants in Canada; they keep from thirty to forty per cent in a liquid condition. What is that liquid condition? It must be either in the form of cash, or