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## WHAT'S THE MATTER WITH CANADA?

A Discussion of the Credit Situation in Canada, with  
Answer to Mr. Vere Brown of the Canadian  
Bank of Commerce

By JOHN W. LEEDY  
EDMONTON  
ALBERTA



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Tiberius, to some Provincial Governors urging that their provinces should be loaded down with taxes, wrote back: "It is the part of a good shepherd to shear his flock, not skin them."

—Cicero.

## FOREWORD

THE editorial from which the title of this booklet is taken appeared in the Emporia Gazette, August 15th, 1896. The heading and opening statement are as follows:

"WHAT'S THE MATTER WITH KANSAS."

"To-day the Kansas Department of Agriculture sent out a statement which indicates that Kansas has gained less than two thousand people in the past year. There are about two hundred and twenty-five thousand families in the State, and there were about ten thousand babies born in Kansas, and yet so many people have left the State that the natural increase is cut down to less than two thousand net.

"This has been going on for eight years.

"If there had been a high brick wall around the State eight years ago and not a soul been admitted or permitted to leave, Kansas would be a half million souls better off than she is to-day."

Kansas is a farming State and has no large cities in it. The condition of affairs described above was brought about because the common farmer, like the small farmer in Canada, was without credit and was at the mercy of the financial and commercial interests of the country.

The title of this booklet has been chosen from this editorial because the writer hopes to be of some service in helping to bring about the re-organization of the credit system of this country. All countries that have classified their banking systems so that small farmers receive fair consideration have found it beneficial to the farmers and profitable to the banks.

## What's the Matter with Canada?



WHEN a country with as good a climate and as great a territorial area as Canada, with people that are law-abiding and industrious, with more miles of railroad in proportion to population than any other country in the world, with natural resources equal to any other nation; that has given away more than fifty million acres of choice land to attract population, whose governments—Dominion, Provincial and Municipal—have spent millions in advertising its advantages, and who have spent millions more in immigration work and payment of travelling expenses of settlers to get them into this country, finds itself at the end of all its efforts and expense with only eight millions of people—the conclusion is inevitable that there is something radically and fundamentally wrong with the administration of it.

As the material progress of any country depends more upon its financial policy and credit facilities than any other one thing, and as agriculture is the main and basic industry in Canada, it is important to examine its banking system as it relates to the farming industry. The initial difficulty with our banking system seems to be that when we imported it from Great Britain we did not get all of it. We left an important and essential part of the machinery behind, and it has never been replaced. Practically all farmers in England and Scotland are tenants and their credit is regulated by the steward of their overlord, who goes among them and ascertains their needs and arranges for such credit as he thinks is justified. When this banking system was set up in Canada there were no overlords and no stewards to arrange the credits, so the bankers, not knowing what else to do, had Parliament pass a law that no farm products could be taken in security by a bank until the title to them had passed into the possession of a dealer. This Act of Parliament put the common

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farmer out of business so far as the banks were concerned. The farming industry under this handicap struggled along until 1912, when the Grain Growers' demand for relief grew so insistent that the law was amended so banks could loan money to farmers upon their threshed grain grown upon the farm. This last restriction is not contained in the laws of any other country, and can only be accounted for by the fact that the bankers, having acquired almost the entire control of the grain business, desire to limit the dealing in grain to as few persons as possible. The other restriction that the grain must be threshed also bears unjustly on the farmer. We had an illustration of this last June. When the frost struck the grain our farmers were in a quandary as to what they should do. They could not borrow money to harvest it by pledging it on account of the law, and a good deal was lost for that reason. Meetings were held at Edmonton between the farmers of the North and the cattlemen of the South, trying to find a way to finance the cutting of it. While these negotiations were pending a great deal of it was damaged or spoiled entirely. If we had had a small bank system with local directors, the farmer going to town the next morning would have met a director either on the road or after he arrived, who would have told him that feed was always worth the cost of putting it up in this country, and he would finance him to do it. If the man was reliable, the bank would take his note; if not, the bank would take a lien on the feed in the stack, so that in any event there would have been no loss and no delay.

Another event in 1914 was much more hurtful to the farmer because of this law. When the war broke out farmers in all countries held all the wheat they could. The State of Kansas raised that year 180,000,000 bushels of wheat, the largest crop ever raised in the State. At the outbreak of the war threshing had begun. The price in Kansas City was sixty cents per bushel, which meant fifty cents on the farms, but the crop was so large the farmers were afraid the price would go lower, and were rushing it to market as fast as they could. When war was declared the banks told the farmers to stop threshing, for if the grain was threshed they had no storage for it, and it would have to go forward to market. By stack-

ing it they could hold it and the banks would loan them what money they needed. This was done, and the January report of the State Board of Agriculture showed that fifty-five to sixty per cent. of it was still in the hands of the producers. In Canada the January estimate of the Grain Growers' Guide showed twenty-seven per cent. of the crop in the three prairie provinces still in the hands of the farmer, being practically one-half the percentage held in Kansas. There are two reasons for this difference. First, the law of Canada preventing banks from loaning money on grain in stack. Second, the practice of banks, machinery companies and practically all kinds of business men compelling farmers to settle their debts at threshing time. The farmers of Kansas were able to hold twenty-five per cent. more of their crop than they could have done had they been farming in this country. This is one of the reasons why many American farmers owning land in this country prefer to let their land lie idle and pay rent over there. Twenty-five per cent. of 180,000,000 bushels is 45,000,000 bushels. At the time the report was made in January, wheat had advanced fifty cents per bushel. This made a profit of twenty-two and a half million dollars. If the banks charged two and a half million for their services, which would have been a large sum for the service rendered, the farmers still had twenty million, which went to the bankers as grain dealers on this side of the line.

In 1912 another thing happened that has had a large bearing on the fortunes of Canada. The people of the United States that year elected a man to the Presidency with whom the bankers and manufacturers of the country did not have an understanding as to what was to be the policy of the Government in regard to finance and the tariff, and to punish the people of the United States for having the temerity to do such a thing, they brought on a stringency in financial affairs that soon ran the price of call money up to twenty per cent. interest. This was an opportunity that the Canadian bankers could not refrain from taking advantage of, regardless of the effect it would have on the affairs of this country. Tempted by this opportunity, they quickly stripped this country of available funds to such an extent that the tide of immigration into this



country turned into an exodus out of it. As the stream of people leaving the country increased, the banks kept withdrawing more and more money. At the breaking out of the War they had so much money loaned on stocks that when the door of the Stock Exchange closed, locking up these funds, they were afraid to proceed with their business for fear they could not meet the demands of their depositors, as some people would withdraw their deposits in fear, and many would want to speculate on account of the rising market. In this predicament they went in a body to the Government for assistance. Sir Edmund Walker, in a speech to the stockholders of the Canadian Bank of Commerce in the following January, after describing the general situation, had this to say about the condition of affairs in Canada, and what was done to relieve it:

**Quotation from the Speech of Sir Edmund Walker to the  
Stockholders of the Canadian Bank of Commerce**

"In Canada, while the issues were smaller, they were of the most profound importance to us, and we can never be too thankful for the high intelligence and the quickness of action of the Minister of Finance. Our gold supply is not important in amount as compared with that of the greater nations, but its preservation is vitally important to us. To convince people that the hoarding of gold was unnecessary, and in any event to make it nearly impossible, was part of the task here, as it was in England. One of the most effective means of accomplishing this was, as far as possible, to make sure that the inevitable result of war in curtailing business would not be intensified by a lack of currency with which to carry on our daily affairs. The arrangements proposed by the Minister of Finance, approved by his Government and put into operation all within twenty-four hours, were as follows:

"(1) For the first time in the history of Canada banks were empowered to pay their debts in their own notes. When these notes reached the clearing-house, however, they were redeemed in Government legal tenders or in gold. The notes were not, as many people supposed, made a legal tender as between individuals, and the main object of this arrangement was to prevent people from securing actual gold coin in order to hoard it, a process which would have been ruinous to the nation as a whole,

"although comforting to the individuals who secured the gold.

"(2) The banks would have been able under the Bank Act to issue the usual emergency circulation for crop-moving in September, and this date was set back to August.

"(3) The Government raised somewhat the limit for that part of its legal tender issues which is not entirely based on gold.

"(4) The Government undertook to make loans to banks on approved security in order to aid them in carrying on the business.

"At that moment no machinery existed by which Canadian banks with call loans or actual cash, in either London or New York, could use such resources to pay debts in Canada."

The action of the Minister of Finance on this occasion was commendable. It gave confidence to the country and prevented any large withdrawal of funds from the banks, and if the bankers had kept faith with the Government and the public, all would have been well, but the temptation was too great for them. There were hundreds of millions of gilt-edged stocks owned by the Germans that were being sold at any price that could be obtained, and the bankers had the grain business at their mercy. In addition to this they were large stockholders in most of the manufacturing enterprises of the country, and when the bankers saw that the public generally were going to loyally support the situation and not harass the banks, their avaricious instincts overcame their moral scruples, and they used the extraordinary credit that the Government had given them for their own benefit. But in order to do this, they had to deprive some others of the credit the Government had given them to distribute.

In doing this, it was natural that the ones selected were those who were the least able to protest or strike back, namely, the retail merchants and the farmers. Three days after the Government had guaranteed the notes of the banks to an unlimited amount so that the business of the country could be kept in a normal condition, the manufacturers and



wholesale merchants of the City of Edmonton issued the following circular letter to their customers:

**"WAR: SOME OF ITS EFFECTS ALREADY  
APPARENT**

"Edmonton, August 8th, 1914.

"We, the undersigned wholesale merchants and manufacturers of Edmonton, feel that we and our customers are faced with the most serious situation which has ever prevailed in the history of Western Canada. A situation which was already full of difficulty has been rendered unprecedentedly acute by the developments of the past week and by the fear of the almost unlimited possibilities for trouble in the future.

"We do not wish to appear unduly pessimistic. We recognize encouraging features in the situation, such, for instance, as the probability of greatly enhanced prices for the products of Alberta farms. But it is also obvious that war on such a stupendous scale as the world has never before seen, is actually in progress. How long it will last, or what the ultimate result on the business situation will be, no one knows. But in the meantime these are the facts that we must face:

"Previous to the outbreak of the war there were in Edmonton and surrounding district the largest number of unemployed men ever known at this time of year. That number will grow from now on.

"No money whatever is available for any kind of development work. The world's money markets are closed up for the time being. The City of Edmonton, owing to these conditions, has had to cut off every possible form of civic expenditure. Not only will many laborers be thrown out of work, but large numbers of expert workmen and clerical staff will also be laid off. Many business concerns are compelled to adopt a similar policy of retrenchment. Staffs are being reduced wherever possible, and the wages and salaries of those that remain are being cut.

"We have information that practically every loan company doing business here is withdrawing from business until the situation clears, and their agents or branches are instructed to entertain no applications for loans. This means almost a total cessation to building activities in the

"city, and more men out of work. And there will be no loans to farmers.

"It is believed that all bank managers have received the most positive instructions from their head offices to greatly curtail their accommodations to customers and restrict lines of credit. We may all shortly find ourselves in a position which will compel us, without any choice, to practically withdraw all credits and sell for cash only.

"Possibly we are unduly nervous about the situation; perhaps the ablest financiers of this continent are not justified in the extreme caution they are displaying and the most experienced business men throughout the Dominion exaggerate the seriousness of the situation; may be, the war will not last long, or it will be found that conditions here will become normal as soon as the present nervousness wears off. Perhaps; but in the meantime it appears to us the part of wisdom for all, wholesalers and retailers alike, to prepare for the worst so far as we are able. To do otherwise is to court disaster. We believe that the degree of safety with which the business community of Edmonton and surrounding territory comes through the stormy period we are now probably entering, will depend on the extent to which we are prepared to look unpleasant facts in the face, and to put our business in order, so far as practicable.

"With this end in view, we should urge that all retail merchants, particularly those in the city, at once eliminate all credit and put their business on a strictly cash basis. This may mean curtailment in volume of business; but it means safety. It is also suggested that stocks should be reduced to the smallest volume compatible with efficient service to customers. 'Buy little and often,' is a pretty safe policy for times of trouble.

"In making these suggestions to our customers, we have no wish to appear as in any way seeming to dictate how you shall conduct your business; but we wish to extend a friendly warning as to the seriousness of the situation, that you may not be taken unawares should it become imperative to eliminate all credits.

"AMES-HOLDEN-McCREADY, LTD.

"BROWN FRUIT CO., LTD.

"CAMPBELL, WILSON & HORNE, LTD.

"CANADIAN CONSOLIDATED RUBBER CO.

"COOPER, H. H., & CO.



"EDMONTON PAINT & GLASS CO., LTD.  
 "EDMONTON PRODUCE CO., LTD.  
 "GORMAN, CLANCEY & GRINDLEY, LTD.  
 "GREAT WEST SADDLERY CO., LTD.  
 "GREAT WESTERN GARMENT CO., LTD.  
 "JOHNSTON & BOON, LTD.  
 "LAROSE CO., LTD.  
 "MARSHALL-WELLS ALBERTA CO., LTD.  
 "METALS LTD.  
 "McCLARY MANUFACTURING CO.  
 "NATIONAL DRUG & CHEMICAL CO., LTD.  
 "NORTHWEST BISCUIT CO., LTD.  
 "PLUNKETT & SAVAGE.  
 "REVILLON WHOLESALE LTD.  
 "ROYAL FRUIT CO., LTD.  
 "SCOTT FRUIT CO., LTD."

Yet Sir Edmund says that all legitimate business was taken care of. This raises the question of what is a legitimate business. Evidently in the minds of Sir Edmund and his associates retail merchandising and farming are illegitimate, and the businesses in which the bankers are interested are the legitimate ones. This makes inquiry into what business other than banking, the banking fraternity are engaged in pertinent. Referring to the Directory of Directors of April 1912 (the latest available as the publication of the book has been stopped), we find the following officers and directors of the four principal banks, interested in other lines of business as follows:

"C. R. HOSMER, 4 Hospital Street, Montreal, Que.  
 "Dir., Acadia Coal Company, Limited.  
 "Dir., Canada Paper Company, Limited.  
 "Vice-Pres., Canada Starch Company, Limited.  
 "Dir., Canadian Cottons, Limited.  
 "Dir., Canadian Pacific Railway Company.  
 "Dir., Caledonia Springs Company, Limited.  
 "Vice-Pres., Commercial Cable Company.  
 "Dir., Consolidated Mining and Smelting Company of Canada, Limited.  
 "Dir., Dominion Express Company.  
 "Dir., Dominion Textile Company, Limited.  
 "Dir., Kaministiquia Power Company, Limited.  
 "Dir., Laurentide Company, Limited."

"Dir., Bank of Montreal.  
 "Dir., Montreal Light, Heat and Power Company.  
 "Pres., Ogilvie Flour Mills Company, Limited.  
 "Pres., Ritz-Carlton Hotel Company, Limited.  
 "Dir., Royal Trust Company.  
 "Dir., Sun Life Assurance Company of Canada.  
 "Dir., West Kootenay Power and Light Company."

"LASH, Z. A., K.C., LL.D., Bank of Commerce Building,  
 Toronto, Ont.  
 "Dir., Bell Telephone Company of Canada, Limited.  
 "Dir., British America Assurance Company.  
 "Vice-Pres., Canadian Bank of Commerce.  
 "Dir., Magann Air Brake Company, Limited.  
 "Dir., Mexican Light and Power Company, Limited.  
 "Vice-Pres., Mexican Tramways Company.  
 "Dir., Monterey Railway, Light and Power Company.  
 "Vice-Pres., National Trust Company, Limited.  
 "Vice-Pres., Rio de Janeiro Tramway, Light and Power Co., Ltd.  
 "Vice-Pres., Sao Paulo Tramway, Light and Power Company, Ltd.  
 "Dir., Toronto Electric Light Company, Limited.  
 "Dir., Western Assurance Company.  
 "Dir., Western Canada Flour Mills Company, Limited."

"HOLT HERBERT S., Power Building, Montreal, Que.  
 "2nd Vice-Pres., Acadia Coal Company, Limited.  
 "Dir., Canada Paper Company, Limited.  
 "Dir., Canadian Car and Foundry Company, Limited.  
 "Dir., Canadian General Electric Company, Limited.  
 "Dir., Canadian Pacific Railway Company.  
 "Vice-Pres., Dominion Textile Company, Limited.  
 "Dir., Imperial Life Assurance Company of Canada.  
 "Pres., Kaministiquia Power Company, Limited.  
 "Dir., London Street Railway Company.  
 "Dir., Monterey Railway, Light and Power Company.  
 "Pres., Montreal Light, Heat and Power Company.  
 "Pres., Montreal Trust Company.  
 "Dir., Ogilvie Flour Mills Company, Limited.  
 "Dir., Price Brothers and Company, Limited.  
 "Pres., Royal Bank of Canada.  
 "Shawinigan Water and Power Company.  
 "Dir., Dominion Steel Company of Canada, Limited.  
 "Dir., Sun Life Assurance Company of Canada."



"ALLAN, SIR HUGH MONTAGU, C.V.O., Montreal, Que.

"Pres., Acadia Coal Company, Limited.  
"Dir., Allan Brothers and Company, U. K., Limited.  
"Deputy-Chairman, Allan Line Steamship Company, Ltd.  
"Vice-Pres., Canadian Paper Company, Limited.  
"Dir., Canadian Transfer Company, Limited.  
"Dir., Canadian Vickers, Limited.  
"Carlton Hotel Company of Montreal, Limited.  
"Dir., Dominion Iron and Steel Company, Limited.  
"Dir., Dominion Steel Corporation, Limited.  
"Dir., Labrador Company, Limited.  
"Pres., Merchants Bank of Canada.  
"Dir., Montreal Investment Trust.  
"Montreal Light, Heat and Power Company.  
"Dir., Mutual Life Assurance Company of Canada.  
"Vice-Pres., North British Development Company, Limited.  
"Dir., Ogilvie Flour Mills Company, Limited.  
"Pres., Railway Securities Company, Limited.  
"Dir., Royal Trust Company.  
"Dir., Standard Chemical Iron and Lumber Company of Canada, Ltd."

It is not strange that after these various enterprises were financed and stocked up with raw materials that there would be little credit left for the retail merchant and none at all for the farmer. This was also to the advantage of these bankers as they were in the grain business and were out to give the farmers their regular annual trimming at threshing time, which they did very effectually as was shown in the annual estimate made by the Grain Growers Guide the following January, when it was found that only twenty-seven per cent. of the crop remained in the hands of the producers. The estimate for wheat alone in 1914, in the three prairie provinces, was 140,958,000 bushels. Twenty-five per cent. of this is 35,000,000, which at fifty cents per bushel is \$17,500,000. In 1915 the estimate for the year is 360,187,000 bushels. Twenty-five per cent. of this is 90,000,000 bushels, which at fifty cents is \$45,000,000. And in 1916 the estimate was 242,314,000 bushels. Twenty-five per cent. of this is 60,000,000 bushels, which at fifty cents is \$30,000,000. At the very conservative estimate of twenty-five per cent. of the wheat for these three years at fifty cents per bushel, the

bankers, by cutting off credit and forcing payment at threshing time, appropriated \$93,000,000 that should have gone to the farmers. And yet people wonder why the farmer refuses to stay put, and how it is the milling and grain companies are enabled to declare such dividends as they do.

This additional pressure put upon the farmers in 1914 so increased the emigration out of the country that in 1915 the Dominion Government appointed a commission with Sir James Lougheed as chairman, to ascertain the cause. The report of Sir James, if he made one, has never been made public, but as he is solicitor for the four largest banks that control the Bankers' Association, it is safe to assume that if there should be a report hereafter it will not reflect upon his employers. The advance in the price of farm products caused by the War has temporarily stopped this emigration, but unless relief for the situation is found it must begin again when prices get back to what they were before the War, as the grasp of the bankers on the business of the country gets stronger with each consolidation, and the banks are in better position than ever to squeeze the farmer at threshing time as soon as the Government quits fixing the price of grain.

The profit in side lines made by the bankers in thus betraying the confidence of the Government, and using the credit to squeeze the farmers and feather their own nest, was greater than the profits of the banking business, and furnishes the reason for the banks fighting every move that is made to take from their control any part of the deposits of the country, and this control is constantly being brought into a more complete monopoly and control, by the taking over of the smaller banks by the larger ones.

Sir Montagu Allan, through the agency of his bank, did loan to the small farmers of the Province one million dollars, in order that they might be able to remain upon their lands. But as he and his associates expected to resume the practice of giving them their annual trimming at threshing time, as soon as the War was over and the Government quit fixing the price, by stopping their credit and making them settle up; and feeling this would put them in such a precarious position that the



interests of his depositors which he was safeguarding and for which he was responsible might be put in jeopardy, he required that the Province should endorse the paper and assume the risk. Whereupon the politicians and editors stood up and cried, "See the noble Montagu! Behold his generosity!" Now, Sir Montagu is a pretty flossy kind of a name, and a man bearing it ought to try to live up to it. It sounds like Sir Galahad and those other noble knights of old that joined together and rode off to Palestine to drive the infidels away from the tomb of Christ. That was a high ideal that entitled them to the fame that is theirs. Our noble knights have joined together (with no risk to their lives), to rob the helpless homesteader by squeezing his credit at threshing time until he sells to them, in their capacity of grain merchants, his grain when the price is the lowest, so they can put it in their elevators at the earliest possible moment, thus getting not only the carrying charges, but also the rise in price. This, however, is not the greatest injury that this practice puts upon the farmer. One drawback Canada has is the shortness of the season. It is made a month shorter for many thousands of farmers by their having to sell and deliver their grain during the month of October when they should be in their fields preparing their ground for the next season's crop. This would allow the delivery of grain after the ground was frozen and at a time when they have no farm work to do. This rule of payment at threshing time is not only made by the banks but by merchants, machinery men and nearly all other classes of creditors that indirectly finance farmers with bank money. Even the Provincial Government of Alberta, in accordance with the banks' desires, made the payment of the seed grain loan due November 1st.

In 1916 the United Farmers, at their annual convention, passed a resolution demanding that Section 88 of the Banking Act, which provided that no product of the farm except "threshed grain grown upon the farm" could be taken by a bank as security until the title to it had passed into the hands of a dealer, should be repealed, and this was done, and afforded a small measure of relief, but the credit was made to apply

mainly to cattle in carlots, under what was called the Dominion Carlot Policy, by which the Government paid the travelling expenses of the buyer to the market and the bank financed the deal. But the restrictions thrown around these transactions were so many that no general use could be made of this arrangement. About this time Mr. Vere Brown, who does the talking for the bankers in this country, published a pamphlet which was given a wide circulation, in which he set out the bankers' side of the case. One statement was that the bankers were at that time loaning the farmers in the three prairie provinces seventy-five millions of dollars. This seems a considerable sum until we compare it with the total amount of bank deposits in Canada at this time, which were in round numbers one billion and a half dollars. If we estimate that they were loaning in other provinces an equal sum, which would be a very liberal estimate, it would only be ten per cent. of the total. I submit that the agricultural industry is entitled to a much larger proportion than that, especially as the bankers' reports for 1916 shows that they had call loans of one hundred and seventy-four millions (\$174,000,000) in Wall Street—more money than they had loaned to the entire farming industry in Canada. Mr. Brown said also that "a farmer with a homestead that was exempt from execution had little claim to credit, and a farmer with an unproven claim had nothing upon which credit could be based." Small banks in the States make a business of financing tenant farmers, who constitute four-tenths of the farming population of the United States, and find it safe and profitable, and I contend that a farmer that has the prospect of owning his own farm, to urge and encourage him, is a better prospect for a banker than a tenant who has nothing to hope for in that regard. Mr. Brown also takes the position that before a farmer has a right to ask for credit he must establish a reputation for honesty and integrity. A reputation for honesty and integrity is a very valuable asset, and should always be considered in making a loan, but it is not essential where adequate security can be obtained, and I know of no better way of encouraging men to make a living honestly than to enable them to earn it in an honest way, and this banks can do better than anyone else. They are



allowed to take pledges of property that do not have to be recorded, and yet take precedence over the claims of an ordinary creditor. They also have, through their association, control of all the credit there is in Canada. This greatly reduces the moral risk, as any man offending them would have nowhere else to go and would be practically blacklisted throughout Canada. It is a rule that is not enforced against other classes of bank customers. I take it that Sir William Mackenzie is the largest, most valued and desirable customer that the Bank of Commerce has. During the eleven years that I have lived in Canada, his name has been oftener in the newspapers, and more in the mouths of the public generally, than any other private citizen, and I never heard of him being accused of being honest. I think it is a matter of common belief that he is the most versatile manipulator there is in Canada. That is about as far as a common man like me is entitled to go in describing him. But Sir Adam Beck, who is his peer in rank, goes much further in describing his moral obliquity, and offers at any time when called on to go into Court and prove it. Did this kind of reputation injure the credit of Sir William with the Bank of Commerce? It is a matter of common report that three or four years ago, when Sir William was building the Canadian Northern railroad, he had literally borrowed the Bank of Commerce dry. Did he do that on his reputation for honesty? He did it because the directors had the most profound confidence in his ability to unload on somebody at a profit. And did he? He handed it to us at a higher valuation than the appraisers said it was worth, and then touched us for ten million and eight hundred thousand dollars more. I believe that the best way to make honest farmers out of dishonest ones is to give them an opportunity to be honest. Dishonesty is not incurable, and there is a moral obligation resting upon the banks, as well as upon other citizens, to do their bit towards effecting a cure, and this opportunity can be given by the right kind of a bank with profit to itself and at no risk.

Let me cite to you the banking system about which Mr. Brown has considerable to say. Twenty-five years ago, because

of the extortion and robbery practised upon the farmers of Kansas by the banking and financial interests, the farmers of Kansas were forced to take a stand against their further exploitation. and when they did the newspaper press, almost without exception, denounced them as dissipated, indolent, inefficient and dishonest people, who were trying to beat their creditors and repudiate their debts. The outcome of the matter was that a system of banks was established that not only financed these dishonest farmers, but also gave intelligent direction to the investment of the money. This so encouraged these farmers, who were dissipated because they were discouraged and idle and because they were without means to carry on, that they went to work with hope in their hearts, and with a determination to justify the efforts that were made to set them on their feet. The outcome of all this is, that while twenty-five years ago Kansas was the poorest State in the Union in its per capita wealth, it is now the richest in point of wealth, and these same farmers have become so honest that they pay dividends on watered stock without protest, and this is such a joy to the newspapers that formerly denounced them that they now say they are the finest people on earth and a pattern for the rest of the people of the United States to copy. Dishonesty is a curable disease. Let me cite you further. From 1788, when 1030 persons, mostly convicts, were landed at Botany Bay, to 1868, Australia was a penal colony. I think, to put it as delicately as possible, that it will be conceded that the colonists were not the cream of British society. They were, in the main, people who were made dishonest by the extortion of the British landlords. When they arrived in Australia, where economic pressure was less, temptations were fewer and opportunities were greater, they began to improve morally, and to-day, measured by church statistics, court records, or the conduct of their army in war, they have become in fifty years the equals in morality and honesty of any other English-speaking people.

I once delivered, with my own hand, a pardon to a convict in whom I took a personal interest. He was also given, by the Prison Reform Association, a tract admonishing him to be



honest, truthful, moral and temperate. With these two documents he undertook to face life practising these precepts. Two weeks afterwards he came to my office and stated that his savings as a convict (the State paid him three and one-fourth cents per day), were gone; that when he went to the city the police who knew him warned him to leave. When he went into the country the farmers asked him what he had been doing. He told them the truth and showed them his pardon. They told him at once to get off the place and out of the neighborhood. I asked a friend of mine who was in the implement business to give him a trial. Two years afterwards he wrote me that he would trust him with the combination of the safe.

The truth of the matter is that the banks do not refuse credit to anyone on account of dishonesty, and should not if they can find a way to secure themselves. They put this plea up in the case of the farmer to cover up the fact that they have not the necessary equipment to do business with small farmers and cannot set it up without losing their monopoly of the moneys and credit of the country. To give credit to small farmers, three things are essential. First, small capital owned locally, so that they can be established in small communities, and the funds will not be withdrawn when interest is high in Wall Street, or there are opportunities to speculate elsewhere. Second, the directors must live at the place where the bank is located, so they will understand the methods of farming that will be most successful at that particular place, and have personal acquaintance with the patrons of the bank, so they can supervise the loaning and investment of the money intelligently; and, Third, unlimited lending powers so they can take any kind of security that a customer can offer.

Mr. Brown, in his speech before the Convention of the United Farmers of Alberta, contended that they had the necessary equipment, but in his article in the Grain Growers' Guide of March 26th, he asks the farmers to form local committees to consider questions of credit along with the bank managers. In doing this he admits two things: First, that the banks have not the organization to carry on their business properly; and, Second, that they can suggest no way to provide it unless

the farmers themselves set it up. But why should the farmers do this. It means that the best class of farmers, without profit to themselves, will be made morally responsible for the debts of the poorer ones, while the banks will make the profit. That is exactly the trick played upon the Province of Alberta by The Merchants Bank, when it loaned the small farmers one million dollars upon the endorsement of the Province. The banks take all the profit and the Province has all the trouble and risk. With proper organization all this can be avoided, and the banker and the small farmer can carry on their own business without any outside agency.

In his article of March 26th in the Grain Growers' Guide, Mr. Brown says, "An advocate of the United States system of local banks has arisen in Alberta in the person of J. W. Leedy." Why not tell the truth? In the report of the official stenographer of the convention of the United Farmers of Alberta, on page twenty-nine, I am reported as saying: "I am not contending for the small bank system they have in the States, not at all. You can take the German system, the Scandinavian system, or the Italian system, and, I mention last of all because it is the most important, the New Zealand system. Whilst all the countries that I mention are a generation ahead of us, New Zealand is a generation ahead of them." Mr. Brown sat on the platform and heard me make this statement, and he has a copy of the stenographer's report.

The banking system of New Zealand is almost ideal for that country, and would be entirely so, if the New Zealand Government had not been compelled to make some concessions at the time of taking over the bank of issue. As it is, the Government is saved a large amount of interest that we pay to our banks who issue our currency for us. The Government of New Zealand loans money to farmers for one-half of what we pay in this country. This is because our bankers fix the rate of interest at "all the traffic will bear," while New Zealand fixes it at the lowest rate for which the service can be rendered, and this policy has not driven the private bankers out of business. At that they prefer the banking business to any other.



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The Canadian system is also ideal. Ideal from the standpoint of the banker. Practically free from Government regulation or inspection, with the Government Treasury in their possession, with exclusive authority to issue currency and receive deposits, what more could be desired? It is not surprising that the financial critic quoted by Mr. Brown describes it as "one of the best banking systems in the world." It not only enables the bankers to declare good dividends and store up large reserve funds, which also yield a profit, but the facility with which profitable side lines can be operated along with it, makes it increasingly valuable; so much so that the struggle for possession continually reduces the number of banks and brings control of the money and credit of the country under the control of a smaller group of financiers.

Mr. Brown quotes from the National Bank Statistics to show credit conditions in the United States, and then says: "The showing of State banks, which institutions Mr. Leedy specially endorses, would undoubtedly be worse." Why not quote from the statistics of the State banks? They all make reports, and their statistics are just as accessible to Mr. Brown as the statistics of the National Banks. We are trying to arrive at the facts, and Mr. Brown should not let consideration for an amateur critic stand in the way. High rates of interest are a bad thing for the farmer, but there are other things that are worse. Whether the rates of interest are higher or lower in the States than here, is a question that is hard to determine. But the fact remains that the service of the small banks, including the interest charge, leaves the small farmer on the land, while the service of the Canadian banks drives him off. Mr. Brown, in his first pamphlet, says: "A homesteader with an unproven claim has nothing upon which credit can be based." If that is so, how about tenant farmers that are increasing in numbers in this country? The attitude of the banks was well described by Mr. Pike, of The Merchants Bank, in an address to the Edmonton Board of Trade, in which he said: "That there was a class of small farmers that the banks could not finance." I contend that this class of small farmers is not a small class of farmers, but the majority of them. Mr. Ryley,

of the Union Bank, speaking before the same body some time previously, said: "That it was not a part of a bank's business to finance the struggling farmer." I contend that if the idle lands of this country are to be made productive, so that our progress may be able to keep pace with our debts, the struggling farmer must be financed and from the start. The policy of the banks in letting the struggling farmer get on the best he may until he "has arrived" and built up a reputation for honesty before they grant him any credit, is "What's the Matter with Canada?" and until that policy is changed we will have to continue borrowing money to pay interest on our national debt.

When Mr. Brown comes to discuss the failures of small banks in the States, he almost finds himself in tears out of sympathy for the depositors. He states that in the State of North Dakota since 1893 losses to depositors had been \$301,000, and in a string of fourteen banks that failed in Minnesota \$910,000 had been loaned to doubtful enterprises of the promoters who had got control of the banks. This shows that the law of Minnesota is weak, or that the inspection is not sufficiently rigid. Minnesota did not establish their banking system until 1910, and it is still in the experimental stage, and these things can be corrected. Mr. Brown's comparison of these failures with what has taken place in Canada is very much in our favor, but does he tell the whole story. He says: "Only two banks of any size have failed in Canada since 1893, The Ontario Bank and the Sovereign Bank of Canada, both of which paid out in full." At this point, he seems to suffer from loss of memory. The Farmers' Bank of Canada suspended December 19th, 1910, with twenty-nine branches and deposits amounting to \$1,281,774.91. It is still in process of liquidation, but has proceeded far enough to show how the depositors will fare. Mr. Thomas King, the financial writer in an article in the Grain Growers' Guide of March 26th, has this to say of it: "The depositors in the Farmers' Bank will not receive one penny. The liquidator, by enforcing the double liability of the stockholders, many of them depositors, will probably collect, or has collected, several hundred thousand



dollars. Every cent he has collected, however, will go to redeem circulation. A depositor in one of our banks must always remember that, in case of failure, he does not share in the assets until all the bank notes are paid off."

If the Government of this country issued the currency as it should, the depositors might have fared better. Now, if we count the \$910,000 of doubtful paper in the Minnesota banks a total loss (though there may be some salvage), and add to it the \$301,000 from North Dakota, we have \$1,211,000. Comparing this with the losses of the twenty-nine branches, \$1,281,744.91 scattered through that many towns, we find that the "honors are easy." This showing is as fair against the branch bank as against the string bank.

Now, let us examine some banks that suspended that were neither branch banks nor string banks, but joined together in unison to carry the agricultural industry of Kansas over one of the most disastrous crop failures the State ever had. The following letter is largely self-explanatory:

"Topeka, Kan., September 1st, 1914.

"Hon. George H. Hodges, Governor of Kansas, Topeka:

"Dear Sir,—As required by section 515 of the General Statutes of Kansas of 1909, I herewith transmit this report, which is the twelfth biennial report of the State banking department.

"In submitting this report I desire to call your particular attention to the fact that the conditions during the past year have been most unusual and trying. The principal crop—corn—was practically a total failure, and the forage crops very short. The banks were called upon to finance the purchase of twenty million dollars' worth of grain and feeds. Coming, as it did, at a time of worldwide monetary stringency, following a period of widespread expansion in business, made the situation doubly difficult. The way the banks have met this real need without forcing undue sacrifice upon their patrons, is a splendid tribute to the solidity and good management of the banks. During the period covered by this report, the department has been compelled to take over seven banks. Under the abnormal conditions prevailing, it is a matter for congratulation that there were so few unable to meet their obligations promptly.

"Realizing that a bank failure, followed by a receivership and the long-drawn-out litigation which always results, is most demoralizing to the business affairs of the community where the failure occurs, and undermines confidence and has a disturbing influence much beyond the territory directly affected by the failure, I proposed an amendment to the banking law at the last session of the legislature, giving the banking department authority to retain charge of a closed bank for six months before appointing a receiver. It was felt that if a receivership could be avoided and the bank restored to solvency it would result in great benefit to the depositors, shareholders and the people generally of the community, and that six months would give ample time to determine whether or not it could be done. The amendment was adopted and the results have been gratifying. The affairs of all of the seven banks referred to have been adjusted without the loss of a single dollar to depositors, and the cost of handling these propositions was insignificant as compared to the cost of a receivership. Information in some detail with regard to the seven banks referred to follows:

"Courtland.—The Farmers and Merchants Bank. This bank was closed February 25, 1913, by Deputy Commissioner George Young. The failure was caused primarily by the failure of the Tucker-Elliott Mercantile Company, which was indebted to the bank to a considerable amount, and in which concern some of the officers of the bank were heavily interested. A new bank was organized, which bank assumed the liabilities of the closed bank, taking over the assets of the closed bank as security. The deposits of the bank at the time it closed were \$82,647; cost of administration, \$83.17.

"Fostoria.—The State Bank of Fostoria. This bank was closed by the department on July 12, 1913. It was found that the cashier was short in his accounts \$13,754.63. Mr. Jones, the cashier, made a confession, and the matter was turned over to the county attorney of Pottawatomie county. The greater part of the stock of this bank was transferred to responsible parties, and the bank reopened for business under new management on August 14, 1913. The deposits at the time of closing were \$19,230; cost of administration, \$215.80.

"Severy.—The Severy State Bank. This bank was closed by the department on December 15, 1913, with Deputy Commissioner Mitchner in charge. On December 31, 1913, Mr. M. A. Thompson was appointed special deputy. It



"was found that the president of the bank had juggled the bank's affairs and mixed his personal business with that of the bank in such a way that it required a vast amount of work to straighten out the entanglements. Special Deputy M. A. Thompson handled this proposition in a masterly way, and succeeded in getting the affairs of the bank in such condition that by the payment of the stockholders of an assessment of 100 per cent. the bank's affairs were in a condition to justify resumption of business. On February 24, 1914, the bank resumed business. Deposits at the time of closing were \$81,522; cost of administration to the bank, \$548.84.

"Ellinwood.—The Citizens State Bank. This bank was closed by order of the department on December 20, 1913. The management of the bank had been far too liberal in the extension of credit and had been negligent in getting proper security for loans made, so that the paper was not collectible at that time. Deputy Harry Warren was placed in charge of the bank, and on December 29, 1913, Mr. J. B. Flint was appointed special deputy to handle its affairs. The capital was increased from \$15,000 to \$25,000, and the bank resumed business on March 2, 1914. Amount of deposits at the time the bank was closed was \$116,472; cost of administration to the bank, \$575.02.

"Beattie.—The Bank of Beattie. During the latter part of December, 1913, the Bank of Beattie, a private institution, became embarrassed and it was apparent that it would be unable to meet its obligations. After a conference with the officers of the Beattie State Bank, a plan for the consolidation of the two institutions was agreed upon, and on December 31, 1913, Deputy Commissioner Bradlee was sent to Beattie to arrange the consolidation. A short time afterward it developed that there was a shortage in the books of the Bank of Beattie, and the officers of the Beattie State Bank insisted upon abrogating the contract of consolidation. Under the direction of Assistant Attorney-general Hawkes, however, the department refused to abrogate the contract, but appointed a special deputy commissioner, Mr. R. F. Foley, to take charge of the affairs of the Bank of Beattie. Mr. Foley assumed his duties on January 18, 1914. The department succeeded in arranging for sufficient funds to pay the liabilities of the bank through contributions made by relatives of the owner of the bank, Mr. Joseph Baer, who in the meantime had died. There were certain complications, and the department desired court approval of its acts in liquidating the liabilities,

so that upon March 13, 1914, Mr. Foley was formally appointed receiver, and paid the liabilities, upon order of court, in full on May 5, 1914. Mr. Foley was then discharged as receiver and Mr. Patrick Reilly was then appointed to handle the remaining assets. The total liabilities paid by Receiver Foley were \$48,882.26; expense of administration by the department, \$925.33.

"Cedar Point.—The Farmers State Bank. This bank did not open for business on January 10, 1914. The loans of the bank had been unduly expanded, and the crop failure had rendered the paper slow and uncollectible at that time, in addition to which the cashier of the bank had a very large overdraft as the result of speculation on cattle. Deputy Commissioner George Young was placed in charge. A new bank was organized, which assumed all the liabilities of the closed institution upon the security of its assets. The deposits at the date of closing were \$83,247, and the bills payable and re-discounts, \$21,662; cost of administration to the bank, \$45.

"Kansas City.—The Minnesota Avenue State Bank. As a result of examination of this bank on May 4, 1914, the bank was closed on May 9, 1914. It developed in this examination that the stock of the bank had recently been transferred from C. G. Safford and others to a combination headed by one F. R. Henderson, who was supposed to be the cashier. After the transfer, worthless notes and drafts of very questionable value to a considerable amount were put into the bank by the new owners, and money withdrawn therefor, and it was a fair presumption that they had paid for the stock secured from Mr. Safford from the bank itself, through the substitution of these notes and drafts. All of these parties were immediately called before the department, and the demand was made that the bank be put back in the same condition it was in before this transfer was made. This was done so far as possible, and the stock was then sold to a syndicate of local business men and the bank reopened for business on May 13, 1914.

"There are 925 state banks, 3 private banks and 8 trust companies in the state. The law provides that these must be examined twice each year. Many extra examinations of some banks are necessary, and it is a physical impossibility to make the number of examinations required and to do the work as thoroughly as it should be done with the force of eight examiners. Two more examiners should be provided, with salaries of not less than \$2500 per annum each. A man who can prove the correctness of the assets



"and liabilities of a bank, note infractions of the law, if any, and inspect the records of the proceedings of the board of directors, has only part of the qualifications of an efficient examiner. He should be shrewd, able, painstaking, of mature judgment, have a thorough knowledge of the banking business, and should have demonstrated by actual experience that he has these qualifications before receiving his appointment. It is not often possible to get such a man for \$1800 per year, the salary now paid examiners. No branch of the state government has a greater bearing upon the business healthfulness of the state than the proper supervision of the banks, and the efficiency of this supervision must rest largely upon the ability and fidelity of the force of examiners. The addition to the force of two examiners at large with a salary large enough to secure the services of high-class men, and the adoption of an amendment to prohibit officers of banks from borrowing from the institutions of which they are officers, would not only improve the efficiency of the department but would greatly strengthen the guaranty of deposits law. There are now 499 banks participating in this fund, an increase of 42 since the last biennial report, and the number is constantly increasing. The fund now amounts to \$117,537.27, in cash and \$410,301.76 in bonds. There has been but one loss paid out of this fund since it was created in 1909. This loss was on account of the Abilene State Bank, which was placed in the hands of a receiver on September 5, 1910. The final payment to creditors was made on November 22, 1913, and the receiver discharged. It required \$28,701.76 of the guaranty fund to make this final payment.

"In conclusion I will say that it is a gratifying fact that no depositor of a Kansas state bank has lost a single dollar through the failure of a bank for the past six years.

"Respectfully submitted,

"CHAS. M. SAWYER, Bank Commissioner."

I submit that it was better for the stockholders of these banks, and the country and even the depositors themselves, to be temporarily embarrassed in carrying the country successfully through this trying time, even if seven of them did have to suspend, than to have played "cinch" and safety as the banks do here. And I may be pardoned for having a preference for this sort of banking, where the depositors did not lose

a penny, to one where a bank with twenty-nine branches failed for \$1,281,774.91, in which the depositors will not receive one cent.

The resolution adopted by the convention of the United Farmers of Alberta is as follows:

"Be it resolved, that the convention recommends in the interest of agricultural development, that the present banking system be supplemented by a system of banks created by the provincial government, which government shall have plenary power to create, regulate and control, with minimum requirements of \$10,000 paid-up capital and with power to take deposits."

It does not favor any kind of bank, but declares in favor of giving each province the power to establish any kind of bank it wishes to. If Ontario and other Eastern Provinces are satisfied with what they have, they need not change, and it is not at all probable that the different provinces would choose the same kind of bank. We would have all the world to choose from, and each province could suit itself. If any province should choose the system used in the States, they would find States where the regulations are such as to make what happened in Minnesota impossible.

Mr. Brown says that the earnings of the bank are only a reasonable profit on their capital. I have not criticized the rates of interest the banks in this country charge. Considering that the money loaned in the Western Provinces is controlled by men living in Montreal and Toronto, and these being private banks, we must expect to pay a rate that will give as much profit as could be made elsewhere, and the overhead charges, of which Mr. Brown's salary is one, are necessarily heavy in carrying on business at such long range. It is the service, or the lack of it, that I complain of, and the fact that they make use of the funds in financing the various businesses and manufacturing enterprises in which they are interested, leaving the farmer to get along the best he can. It is this arbitrary and sudden diversion of funds that caused a recent writer in The Farmers' Advocate to describe the credit given farmers as "spasmodic, capricious and undependable."



The only index to the profits made by the bankers in other lines of business in which they are engaged, is shown in the few whose stocks are listed on the exchange, and for that reason must make reports, but if the profits of the Ogilvie Milling Company and similar institutions are any index to the rest of them, banking is a mere side line so far as profits go.

Mr. Brown contends that a comparison of Alberta with Kansas is not fair. That is true. But a comparison of what Alberta is now with what Kansas was twenty-five years ago is fair. Kansas was settled by the giving of homesteads in the same manner as this province. The exemption of homesteads and certain chattels from execution is practically identical with our law. The National Banks had control of the money and credit of the country, and like our banks, were without machinery and equipment to carry on business with the small farmer, and, like our bankers, confined their business to the "carlot" man, and financed him so that he could buy the forage and feed that one small farmer raised, and the stock that another small farmer raised, and by finishing the stock for market, make the profit which should have gone to the small farmers; in which profit the banker shared by getting a high rate of interest for his money—from ten to twelve per cent. The small farmers stood this kind of trimming as long as they could, and then began to move.

What drove a half million people out of Kansas was exactly what drove many thousands of small farmers out of the three prairie provinces in the years 1913, 1914 and 1915—the exploitation of the small farmer. In fact, so many left that the commission, previously mentioned, was appointed with Sir James Longheed as chairman, to ascertain the cause and find a way, if possible, to put a stop to it. The rise in prices caused by the war has temporarily stopped this outflow, but the added burden of the war debt which is so adjusted as to bear most unfairly upon agriculture, will cause it to begin again as soon as prices get back to normal conditions, unless some way is found to put a curb to the rapacity of the bankers. This is written in the hope that this may be done. Kansas has accom-

plished it by establishing a system of small banks that undertook to give credit to the small farmers, so that they would not have to submit to the annual trimming that absorbed their yearly profits and left them poorer every year. These banks are not perfect, and might be made better than they are, but they were good enough to turn the tide of emigration so the State again began to increase in population. They encouraged the booze-fighting farmer to straighten up and go to work, by placing credit within his reach. They induced the slovenly farmer to do better work by giving him credit so that he could, and, having an overseer in the shape of a bank director on the ground to see that the farmer made good on his promises, the banks were not losers.

Every farm in Kansas is a demonstration farm run under the eye of a bank director, who is a successful man in that community, and who has learned that it is more profitable for him to assist these poor farmers to be good farmers by giving them credit, together with intelligent advice and oversight, and dividing the profits with them, than it is to let them drift along the best they can, watch his opportunity to trim them of what they have and run them out of the country. Our bank directors might do the same thing, but there is not one in the province, and this is one of the fatal defects of our system. When the present Bank Law was enacted in Kansas there were three hundred and eighty-one banks with fifteen millions of deposits. Now, there are one thousand and twenty banks with two hundred and twenty-six millions (\$226,000,000) of deposits.

Mr. Brown thinks local directors would not serve a good purpose, and says they considered having a local committee to advise their managers, but abandoned the project because it was found that people did not want their affairs discussed by a body of that kind. This does not agree with the fact that the banks are urging the passing by the Provincial Parliaments of various kinds of co-operative loan laws, by which every signer would be responsible for the debts of every one signing with him and would have the right to know the condition of affairs of those for whose debts he was responsible.



Mr. Brown cited the fact that practically all of the banks in the United States suspended payment in the panic of 1907. This is true. That was a bankers' panic, caused by bankers and by all standing together and refusing to pay out money, everybody except themselves got scorched. They came through all right. But he failed to say that this caused the establishment of the Federal Reserve Banks, which makes it impossible for the like to ever happen again. It done another thing, and this is the reason he did not wish to discuss it. It took the control of credit out of the hands of the large banks of the United States, and that is the thing the bankers of this country have seized, and they do not want any Government interference. Let us examine and see what kind of an air-tight combination they have, and how they have even the Government at their mercy. The Banking Law provides that five members of the Bankers' Association shall be a quorum to do business. Three constitute a majority. There are four banks, The Bank of Montreal, The Canadian Bank of Commerce, The Royal Bank and The Merchants Bank, who have in their possession more than one-half of all the deposits in the country. It is a fair assumption that these four banks will have three members on the Board who will control the policy of all the banks, so far as they have interests in common. Longheed, Bennett & Co., prior to this year, advertised themselves as solicitors of these four banks, whose business policy is such that there is no need of divided counsel, and whose interests in common are such that one firm of solicitors can serve them all. The effect of this concentration of credit is observable on the legislation of the country. Neither the Dominion nor any Province has any law compelling corporations chartered by the Dominion to file a list of their officers or stockholders, so that the public may be advised as to their identity or financial holdings. Last year the convention of the United Farmers of Alberta passed a resolution asking the Provincial Government to pass a law compelling foreign corporations to register a list of their officers and directors with the Provincial Secretary, and at a conference of the Executive of the United Farmers of Alberta and Premier Stewart and part of the Cabinet, the Government officials agreed to this, and it was

agreed that the penalty for failure to file such list would be that the offending corporation was to be denied the use of the Provincial courts. Two sessions have been held since, but the law was not passed, and no explanation made. When our Legislature was in session we found, prior to the last convention of the United Farmers of Alberta, Mr. Bennett frequently on the scene. There is no thought that Mr. Bennett either bribes or bullies the members of the Government or the Legislature. That ceased to be necessary long ago. He was simply in evidence, which reminded the members that he represented the only source of credit there is in Canada, and that it was not wise to propose any law that might not meet with his approval. The view that there is a walking delegate of this kind in every province is strengthened by the fact that no kind of legislation has been brought forward in Parliament, or any legislative body, that would take any part of the deposits out of the grasp of the banking combine.

When the Norris Government came into power in Manitoba, they published a programme of legislation they intended to pass that included small local banks. However, between that time and the assembling of Parliament, this item in their programme was quietly dropped out of sight, and they, as well as the other prairie provinces, have since been working on various farm loan schemes that would give credit to the farmers without taking any part of the public deposits out of the hands of the existing combine.

When the present Finance Minister first came into office, he raised objections to the consolidations of banks as being against the public interest, but in some way his objections were removed, and now these amalgamations go forward without hindrance. Are we to believe that they have power to cause his removal if he stands in their way? If not, what other hypothesis is tenable? It is also worthy of note that the Canadian Council of Agriculture made no mention of the subject of credit in their reconstruction platform. All these things give color to the belief that through their credit monopoly, they are able to not only dominate the financial affairs of the country, but are able to control the political situation



also, and that they are fast gaining control of the grain, lumber and coal business, and the principal manufacturing interests as well; also the financial and commercial agencies by which the farmers are being fleeced.

The tier of States abutting on the Canadian line, namely, Maine, New Hampshire, Vermont, New York, Ohio, Michigan, Wisconsin, Minnesota, North Dakota, Montana, Idaho and Washington, contain 703,000 square miles of territory, and, by the census of 1910, had 25,050,068 population, and now have near 30,000,000. All Canada, with 3,000,000 square miles of arable land abutting on the same line, had at the time 7,026,000 inhabitants, and now has not more than 8,000,000 of people. This difference in the settlement of two adjoining territories can only be explained by admitting that the farmer on this side of the line does not get a square deal, for every inducement has been offered him in the way of free land to settle on this side, but on account of lack of credit and the facilities for trimming him that have been set up, hard as it is, he prefers to remain on the other side and pay rent. So long as the public debts of this country were measurably small, it may have been good policy to keep the public lands and undeveloped resources of the country for the use of future generations, but now that the public debts of various kinds have come to the limit of our ability to care for, we, if we ever expect to pay them, will have to develop our latent resources, and the place to begin is with the basic industry, Agriculture.

Heretofore, on the theory that the settler should build up a reputation for honesty, tens of thousands of them were left for years to struggle along with an inferior team, when they had the ability to handle a four or six-horse outfit, and had the land to work it on. If the farmer could have secured the horsepower he could have doubled or trebled his production without increasing his expenses. The economic loss this was to the settler and also to the country is beyond estimate and is not even comprehended by the gentlemen who operate the banks of Alberta while living in the East. When the farmer got to the place where the banks would loan him money at all, it was done in very meagre quantities and under

great restrictions. As an example of this, I will quote from a letter to a farmer that was published in the Grain Growers' Guide:

"This is to advise you that my Head Office have granted  
"a line of credit to you to the extent of \$700, which  
"amount is to be used for the purchase of two-year-old  
"steers. The loan is to be on your note, further secured  
"by hypothecation of the patent to your homestead, and  
"chattel mortgage on all the live stock, horses and cattle,  
"and is to be repaid not later than October 15th, 1917.  
"Rate, 10 per cent. per annum."

It is very probable that this man needed \$700 worth of horses more than he needed the cattle, but the banks do not look upon loaning upon horses with much favor. Again, it would in all probability have been more profitable to the farmer to have had cows so they would increase or be profitable as dairy stock. But again the restriction. Then look at the security demanded. A farmer will seldom get more than ten per cent. of the amount his statement shows he is worth. This niggardly policy will have to be abandoned if the farmer is to carry the burden of the war debt, the bulk of which has been placed upon his shoulders. To do this he will have to be placed in such position as regards credit that he cannot be both fleeced and skinned by this coterie of financiers in their various guises of bankers, grain merchants, coal dealers, manufacturers, etc. This may be done without making any abrupt changes that would dislocate the business of the country in any way, or injure the business of the banks. They are going concerns, and in any effort that is made to improve credit conditions of the country this should be taken into consideration, and care should be taken to disturb them as little as possible. The resolution passed by the convention of the United Farmers of Alberta in January last, had that end in view. This resolution asks that the Provinces shall be given, each for itself, power to create any kind of banks they see fit. This would naturally prevent them all acting at once, and would probably result in several different kinds of banks, or none at all, as each province might elect. Quebec already has more than one hundred and fifty co-operative loan associations, which



only need the right to receive deposits to put them in position to give effective service. These people are mainly of one race and one religion, and their habits of life and their business methods are such that the moral risk involved in co-operative banking is almost entirely removed. But it is doubtful if banks of this kind would succeed in a province like Alberta, where these bonds of unity and fellowship are lacking.

I have mentioned some of the benefits that small banks, of whatever kind, are to rural communities through the advisory and supervisory activities of local directors. Other benefits are that the profits made by these banks would be re-invested where they were made, instead of being taken out of the country, as is now done. The greatest benefit, however, that comes from the local bank, even greater than the giving of credit is that it furnishes a nucleus around which and through which community aspirations and interests are furthered and benefited. A local bank engages the attention and interest of every citizen in the community, and will create a bond of union and fellowship between the town and country that is sadly needed. It will make for better schools and better churches. It will place the small merchant in such position as regards credit that he can compete with mail order houses. This would keep business and the profits of business at home, which would soon be apparent by putting a coat of paint upon many hundreds of these dingy and dilapidated towns, that now look like sores on the face of the earth. This would benefit the farmers as well as the town, by attracting to it the better class of settlers coming into the country. It makes for business friendships that beget social relations, which in time bring about marital alliances. The amalgamation of the various races and nationalities in Canada is the greatest problem this country has to solve. We have not yet begun to have any national coalescence. Political domination is secured by creating as many racial and religious divisions as possible, so that it would seem that there is no assistance to be hoped for from that source, and we must seek other means to bring the various elements of our population into touch with each other, and I know of no other institution that will go so far in that

direction as a community bank, with which every citizen will have more or less business relations, which must awaken a community spirit and interest in other ways.

There recently appeared in Maclean's Magazine an article on this subject by Sir George Bury, that ought to be given a larger circulation than can be given it in a magazine, and ought to be read by every thinking Canadian. I quote from it as follows:

"In national affairs I believe we have got to get down to justice and a square deal for our citizens, high and low, intelligent and less intelligent. The State that allows its weaker people to be maltreated or exploited by the stronger cannot develop a real, lasting and indigenous morale.

"To build up and maintain the morale of our Canadian people we must have equitable treatment for all citizens. We should be quit of the exploiter of low-class labor and the speculator in the necessities of life. We should see that working conditions and living conditions for our people are right. Sooner or later we shall thus be enabled to create a national consciousness capable of formulating plans for our future as a nation."

Coming from the source it does, it ought to commend itself to those eminent gentlemen who, through their financial control, so largely dominate our national activities, but whose vision of national life does not seem to rise above the contemplation of dividends. What Canada needs is industrial expansion that will enable her to meet the added obligations occasioned by the War. The place to begin is with the basic industry, Agriculture. Given the requisite credit, Agriculture will expand and carry with it the expansion of every other activity in our national life. This will give us growing pains, other than those caused by the growth of debts and taxes, and will soon put us in such a position that we may expect and receive such recognition and consideration from the nations of the world as our territorial area and natural resources entitle us to. This can be done without hurt to our present banking system, and will diffuse the money and credit of the country in such a way that it cannot be controlled by any combine, and the farming industry will be assured of adequate



credit, and watered by it, will spring into life, and the immigration we need will come to us without solicitation or expense. This, in turn, will so increase the commercial and manufacturing business, which our present banking system was established to finance, and which they have the equipment and organization to take care of, that they will be better off and more prosperous than they can ever hope to be pursuing their present policy, and would give Canada the place in the vanguard of progressive nations to which we are entitled.

The rural population of Canada has not kept pace with the extension of railroads and the building of cities and towns. This is because the bankers of Canada, who are our overlords lacking the wisdom of Tiberius, have skinned the farmer instead of shearing him. Money and its substitute, credit, are the life-blood of Agriculture as well as of Commerce. And until the fair proportion of public deposits to which Agriculture is entitled, is taken out of the hands of the bankers combine, and so placed that it will give to the farmer reasonable security against the rapacity of the controllers of money and credit, the proper balance between rural and urban population can not be established.