Monetary Times

Trade Review and Insurance Chronicle

of Canada

Address: Corner Church and Court Streets, Toronto, Ontario, Canada.
Telephone: Main 7404, Branch Exchange connecting all departments.
Cable Address: "Montimes, Toronto."
Montreal Office: 628 Transportation Building. Telephone Main 8436. T. C. Allum, Editorial Representative.
Winnipeg Office: 1008 McArthur Building. Telephone Main 2914. G. W. Goodall, Western Manager.
Vancouver Office: 403-4 Bank of Ottawa Building. Telephone Seymour 9101.

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BANK MERGERS

Whenever one chartered bank absorbs another, there arises in Canada criticism as to the centralization of banking, the elimination of competition, and the creation of monopoly. As a result of the amalgamation of the Bank of Nova Scotia and the Metropolitan Bank, such suggestions have been made again. The critics have not been as strong in their denunciation as on some previous occasions. This may be because so much else there is to examine just now regarding Canada's economic position generally. After all, the banks have not caused Canada a tenth of the worry that has been caused by those who are worrying unnecessarily about the banks. They have acted as a brake upon the would-be crisis.

If a man has been doing business at a certain point in Ontario with the Metropolitan Bank his position will not be different necessarily because he is now the customer of the Bank of Nova Scotia. He will probably deal with the same manager. He will not get more money than that to which his basis of credit and general financial conditions entitle him. He will not get less. He had a credit basis, and he must always have one if he desires accommodation from the bank. From overlooking that little fact arises much of the criticism of the banks. When banker and prospective customer disagree as to what is a proper basis of credit, sulky criticism often comes.

From the shareholders' point of view, the amalgamation is good. The terms under which the Metropolitan becomes a part of the Nova Scotia are $200 in cash and one share of the Bank of Nova Scotia stock for each two shares of the Metropolitan Bank. To these terms the shareholders of the Metropolitan Bank will be asked to agree early in September.

From the viewpoint of the clients of the banks generally, there is little room for complaint of merit. The number of chartered banks in Canada is reduced by this latest merger to 23. Twenty-five years ago, Canada had 41 chartered banks. The country has not suffered as a result of the smaller number of banking institutions except as a direct result of the failures of small, provincial or local banks. To-day, Canada has in its cities one bank to every 3,100 people. This compares with one bank to every 9,700 people in the United States. The experience in this country and in all countries is entirely in favor of large banks as against small banks in the matter of their usefulness to the people and in the matter of the cost of the particular service they render the people. This is on the authority of Sir Edmund Walker, and a glance at banking history confirms his statement. Amalgamations help to make large banks. The strongest banks in the Dominion have been assisted to that position by means of the absorption of other institutions from time to time. Strong banks not only perform their duties properly, but they have great ability to maintain and protect the credit of the Dominion at home and abroad. That is a service for which they receive no direct remuneration and which benefits every citizen of the country.

The question of competition and centralization of banking power came up before the banking and commerce committee at Ottawa last year when the bank act was being revised. Sir Edmund Walker, in answer to questions by various members, stated his belief that a certain amount of banking combination was good. "I do not know how," he added, "under the condition of extreme competition that exists between Canadian banks, it could be brought about unless we do the very thing that the public has such a bitter feeling against, that is by combination."

In these days, the London underwriters have to get right under. Only about 3 per cent. of the last Canadian loan overseas slipped off their shoulders on to the public.

A man once dreamed of an eight-course banquet, awaking to find only eggs and bacon for breakfast. The moral is, especially in times of trade depression, that the simple breakfast is better than dry bread or none.

INDUSTRIAL COMMISSIONERS

Whenever a municipality in these days wishes to economize—and they all should so desire—the powers that be look around for a head. The most impressive usually is that of the industrial or publicity commissioner. Off it comes. A salary cheque is saved, and the ratepayers are expected to acknowledge with much gratefulness the civic fathers' streak of economy. But it is a question as to whether their efforts are not directed to the wrong channels. There are scores of municipal extravagances that need pruning and weeding. There is need for the industrial commissioner. The good results of the office have been seen particularly at Winnipeg, where Charles F. Roland holds the reins, and at Hamilton, where H. M. Marsh brings in industries by the dozen per annum, and at many other points. To have success in this department, there must be a good city and the right man as industrial commissioner. If a city can boast of the two, it should hang on to them. Hard times are the wrong times to dispense with the services of such a commissioner. He should not be expected either to raise new industries as fast as a bed of cress.

China has approached the United States State Department regarding two loans, one for $30,000,000 to establish a bank, and the other for $40,000,000 to pay off outstanding indebtedness. That is a sort of Mederic Martin proposition.