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CONCENTRATION OF BANKING CONTROL.

Generally speaking, the concentration of banking control which has been gradually, and in some periods almost rapidly, taking place in recent years in Canada, has been due to either one of two causes. In the first place, weaker institutions have been taken over by the stronger ones, in some instances when financial trouble threatened, and in the second place there have been arrangements between strong institutions for an amalgamation of forces whereby the larger of two banks secured an adequate plant in a part of the Dominion where it had not been previously or only weakly represented and in this way, was able to gain an accession of business, financial importance and prestige, which under other circumstances it would have been unable to secure. When the latest amalgamation, that of the Metropolitan Bank with the Bank of Nova Scotia comes into force, the number of the Canadian banks will have been reduced to twenty-three. In view of that fact, and of the outburst of public hostility which has been evoked by some of the recent amalgamations, particularly at the time of the revision of the Bank Act last year, it may be assumed that in future amalgamations will take place but rarely, unless necessary for the purpose of maintaining financial tranquility. To proceed otherwise would be almost to invite an outburst of public sentiment, which however ill-informed it might be, might easily result in legislation of a character which would be hostile to the banks' interests, and in any case would make them less popular. It must be remembered that the public generally does not understand that the rights and privileges of the banks are of as much value to the public as they are to the banks. The public has got it firmly into its head that the banks' privileges are valuable to those institutions alone and it would be undiplomatic to take action which would stir up this prejudice into action, even though the taking-away of the banks' privileges would react on the country at large.

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It is in times like the present that the wisdom of the Canadian banking system with its encouragement of strong and sound financial institutions can be best seen. To appreciate the comparative ease with which a great world crisis is being surmounted, it is necessary to imagine what would have been the

condition of things in Canada, say, during the last year or two, if there had been in existence a large number of small local banks, weak in liquid resources as they most probably would have been, and with heavy local commitments. Under such circumstances there could have hardly failed to develop a first-class panic and disastrous consequences which it would have taken years to retrieve. Local sympathies in dealing with borrowers, frequently urged by the advocates of small banks as one of the strongest points in their favour, constitute, in fact, a potential financial danger, which may be fatal to these institutions. In the case of small local institutions, the customers are apt to prove too strong for the management and are able to obtain concessions and privileges which on grounds of sound finance are indefensible. Time and again this kind of thing has proved fatal to small banks.

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The complaint which is sometimes heard that the local trader does not obtain the same consideration and accommodation from the large banks that he could formerly obtain from a small one may frequently be traced back to a somewhat similar originating cause. It is *prima facie* unlikely that the banks would turn down good business. Competition between them is exceedingly keen; expenses show a distinctly upward tendency, and dividends have to be earned. But in addition to the fact that there may quite easily be a considerable difference of opinion between the borrower and the bank, as to what constitutes good business, it can hardly be expected that the needs of the individual, or his supposed needs, can be allowed to run counter, particularly in times of financial difficulty to grave considerations of general banking policy. That policy must have as its general aim the good of the community as a whole, and the requirements of the individual, however important he may consider them to be, must be subordinated to the general good of the community. There certainly is a difference in the way in which a large bank with many branches and a small local bank supports its customers. The former treats those matters more scientifically than the latter; and the difference in treatment means in the aggregate of banking business conducted upon a large scale, all the difference when unfavorable circumstances arise, between difficulties that can be surmounted with discretion and care and a financial cataclysm.