

of which the balance of exports over imports is, and for many years has been, so greatly in excess of exports, can be so frequently visited by financial disturbances. There is something rotten in the state of the banking and currency of the United States when its financial conditions oscillate between extreme depression and the excitement of a panic.

### NEW BANKS IN EMBRYO.

Years have passed since more banks were wanted, and when they came they filled a void and found business waiting for them. No such want now prevails. There is scarcely an important village, not to say town, but has its branch of a chartered bank ready for any legitimate business. Numerous small towns have three or four branch banks each sufficient for the local trade.

Any new banks will enter a field that is well occupied. They will not find good business waiting for them, but will have to displace existing interests. It will be necessary for them to offer inducements in the shape of higher interest on deposits, or lower charges for or more extended accommodation. This will reduce net profits considerably and may not have the effect of attracting business, for what one bank can offer another can also offer, or "go one better," as the saying is, for institutions with connections already established have an advantage over those which are just beginning business.

The new banks will, no doubt, find applicants for accommodation in disappointed and rejected customers of other banks. The over ambitious trader who is consumed with a desire to outdo his neighbours, who resents having been restrained in his operations, who seeks to build up a large business without adequate capital, who extends credit most imprudently, welcomes a new bank as an opportunity for developing his business.

The inexperienced manager jumps at such chances of securing a large account, like a trout rises at a fly.

Such improvident traders are apt to feel quite indignant at the restraint put upon them by a well-trained sagacious banker. Naturally enough, they have not even an elementary knowledge of banking principles and feel as irritated at being put under their bridling operation as a young colt does when put under the control of a bit and reins.

When a new bank opens they carry their "tale of woe" and imagined wrong to the new manager with a glowing account of the business they can bring him, not in their own account only, but by their influence over their neighbours. It has not been an infrequent experience for a branch bank in a country town which has provided all the facilities needed for the local mercantile community, that has done its full duty as a bank, to have

created one or more enemies who, when a new branch is opened open an active campaign against the branch already established out of revenge for its treatment of their unreasonable demands for accommodation.

A newly appointed manager who has not been well grounded in banking principles, and is without practical knowledge of the wiles and devices of customers who are bent upon taking advantage of his inexperience and undue desire to extend the business of his branch of the new bank, is very apt to create trouble for the institution he represents, trouble also for the bank, or banks, with which he is competing for business, and trouble for the whole business community of the town and district by encouraging a loose system of credit.

Promissory notes begin to be discounted which never ought to be and never are created when store and other credits are restricted to legitimate lines. Accommodation bills and endorsements begin to be customary for "raising the wind," the atmosphere and soil of competition being productive of this crop of financial weeds.

Of customers of the class whose business is inflated by unsound credits, a new bank is apt to have quite an abundance, especially in towns where three, four, or more banks are fighting for the local business which is not more than would keep one branch profitably active.

Some pushing managers when placed where competition is active plead with merchants, or manufacturers, to be granted a share of their banking business. This leads to duplications of bills, and exchange of them by two or three friends who are "cute" enough to see in the situation a chance of enlarging their business by securing accommodation from two or more of competing banks.

When the — bank was taken over by a larger institution that had a branch in the same town, it was found that two leading customers had been systematically in the habit of duplicating their discounts, and in one instance the insolvency proceedings showed that an enterprising trader had a line of discounts in three banks, all the bills being triplicates.

The tendency of banking enterprise both in Canada and England is towards concentration, as it is in other forms of business. Several leading banks have already absorbed a number of smaller ones with their branches. Other amalgamations are very likely to occur in the near future. This movement is bound to develop as the times are not favourable for institutions of small capital successfully competing with those which enjoy higher prestige from their large capital and reserve funds, their extensive connections, and the great experience and skill of their general managers which are generally known and constitute powerful influences in creating and maintaining public confidence.