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THE BANKS AND THE COUNTRY.

Last week on this page, we put forward some considerations regarding the relations of the banks to the people of the Dominion; we propose now to take up for discussion some aspects of the relations of the banks to the business of the country. The expansion of the business of the country during recent years is well-known, and it is not here necessary to recapitulate the facts. It is certain that that business will go on expanding; occasionally there will be set-backs, possibly even contraction from time to time, but for many years to come, the growth in the country's business will, on the average, be very rapid. Expansion in the country's business will involve a corresponding extension of banking operations, not only in the aggregate but in the business of the individual bank. Of necessity it must be so; the natural development of the country ensures and involves the development of every well managed financial and commercial institution within it. Unless indeed by arbitrary laws which would constitute an indefensible invasion of the rights of the subject, special classes of those institutions were limited in size and in the extent of their operations.

The growth here contemplated of commercial and financial institutions generally and particularly of the banks is a natural growth, which is a different matter entirely from forced growth stimulated by an ambitious manager desirous of self-aggrandisement. The two phenomena need to be carefully differentiated. With regard to natural growth, it is necessary to remember at the present time that size *per se* is not a certificate of iniquity. There is a temper abroad—even among those in important places—which almost instinctively thinks of the millionaire as inevitably a scoundrel, and of the poor man, as again inevitably, a compendium of the virtues. The same temper views with distrust a large financial institution, while it gives encouraging pats on the back to a small one, oblivious of the fairly obvious fact that the small institution is usually engaged in the honorable task of building up its business so that it will eventually achieve large and important proportions.

The time will come—and that possibly at no very distant date—when the leading Canadian banks will have paid-up capitals of perhaps \$20,000,000 or \$25,000,000 each. That stage will be reached in due course, not as the result of the supposed machinations of a bogey "money trust," but merely in order to keep pace with the development and the growing business of the Dominion. To go into hysterics in the manner that is sometimes fashionable on the

platform and in the press because of an inevitable growth is about as sensible as would be a small boy's fit of weeping on the discovery that his last year's clothes were getting too small for him.

While the fundamental principles of the laws under which Canadian banking is conducted have been kept intact for many years, the system itself is always in a state of transition—of growth and development. It is only within recent years that the homogeneity, which is now perhaps the most characteristic feature of the Canadian banking system, has been achieved. The purely local one-office bank has now entirely disappeared from Canadian banking, because it could not hold its own in competition with the banks conducted upon lines which more adequately supply the needs of the country, and are the better able to safeguard its interests. The type of bank of branches to which all the Canadian banks now belong has become dominant in Canada, simply because by years of practise it has been found that this type of bank best meets the needs of the country. Beyond the similarity of type, the banks naturally differ among themselves—in the scale of their operations, in the type of business mainly transacted, and in other respects. The fact that the larger banks are growing larger, and must inevitably grow larger in order to keep pace with the requirements of the country does not mean that there will be no field in the future for the smaller institutions. There are naturally certain advantages which a large and old-established bank has in competition with a younger institution, but the demands upon the banks from the country and the use of them are growing at such a pace that there will continue to be business for all. While the large banks are growing larger the smaller ones will be extending their operations and making additions to their resources.

But if the banks are to continue to keep pace with the demands of the country for banking accommodation, there must not only be an absence of hysterics because of inevitable growth, but also a ready flow of capital to engage in banking operations. This can only be secured if that capital has the assurance of fair treatment and of reasonable returns. One of the astonishing things about recent attacks made upon the banks was the union of those who complain that the banks are not keeping pace with the country's demands with those who would hamper the banks' operations. How many of those who have lately been crying out against the banks are content in their business transactions with the modest returns which accrue to holders of Canadian bank shares? The encouragement of capital engaged in Canadian banking operations and not its discouragement is the need of the present day.