

The Chronicle

Banking, Insurance and Finance

ESTABLISHED 1881. PUBLISHED EVERY FRIDAY

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GUARDIAN BUILDING, MONTREAL.

Annual Subscription, \$2.00. Single Copy, 10 cents.

MONTREAL, FRIDAY, FEBRUARY 19, 1909.

A BANKING STORY WITH A MORAL.

A recent magazine story tells how that entertaining rascal, "Get-Rich-Quick" Wallingford, bought for \$1,000 a bog adjacent to a "bankless" village; represented it as being composed of a rare black mud (obtainable nowhere else in America) suited to the manufacture of Etruscan art pottery; made a start at the erection of studio and works; inveigled the local magnates into forming a national bank on the strength of the village's new industry; and later "borrowed" a cool thirty-five thousand from the bank, turning over for security therefor a holding on his aforesaid "forty acres of genuine Etruscan black mud." Preposterous as this bald outline makes the scheme appear, in its detailed telling the story follows closely a line of procedure not too improbable under United States banking conditions. The story of bank establishments and failures during more than one mining or real estate boom shows how precarious a banking business may prove to be that depends upon purely local business organization and backing.

And yet, according to a recent article by the Deputy-Comptroller of the Currency, his department considers it desirable that the stock of small banks should, if possible, be distributed solely among local business men who are in a position to bring it profitable accounts—the reason stated being that when the stock of a bank gets into the hands of investors pure and simple there is "an almost insurmountable obstacle" to the upbuilding of the business of the institution. This interlocking of commercial and banking interests is characteristic of United States banking, whether in Plumville or Gotham. Small wonder that the editor of *The Economist* of London, in summing up the impressions of a recent tour of observation in the United States, commented upon the heads of America's great banking institutions as being men of infinite energy and resource, but "working under conditions quite different from those of Great Britain"—and, we can generally add, of Can-

ada. "They have less opportunities than a London banker has of combining moderate profits with safety, but they seek prosperity, and generally find it in a diversity of speculative enterprises which would hardly come within English notions of banking. Far be it from me to pass hasty judgments on those cool and wary manufacturers of credit. Though they are the victims of a bad system, they could teach us a good deal. I will merely say that the question, 'What is a bank?' would take even more answering in America than in England."

That the system which of all systems makes easiest the forming of the smallest banks, should prove particularly conducive to the upgrowth of extremely large institutions seems at first sight strange. Nowhere, perhaps, is the tendency to the absorbing of lesser by larger banks so pronounced as in United States cities. Even staid Boston has now only about one-third as many individual banks in its clearing-house association as it had a decade ago. In Great Britain, or in Canada, when amalgamation occurs, the public does not suffer thereby from an arbitrary cutting-off of banking facilities. The branch system assures the maintaining of an adequate number of local banking offices by competing institutions. But, in the United States, the absorption of banks has meant the actual closing of banking wickets, on account of non-allowance under the national system (and narrow limitation under state systems) of branch offices. Partly as offsetting the tendency to absorption, bankers the country over are more and more favouring the drawing together of individual banks through voluntary district and state clearing-house associations, not merely for the convenience of cheque exchanges, but for purposes of united action, greater security, and better safeguards against objectionable banking practices. The movement is an effort to secure as many of the advantages of a branch system as are compatible with the "local" idea that permeates American banking. As remarked by *The Saturday Evening Post*, of Philadelphia, the Canadian banking system is much admired in the United States by theorists and by certain metropolitan financiers; but, whenever its adoption is urged, some ten thousand country banks rise to protest.

"The country bank is decidedly a local institution; local men own and operate it with an eye single to local conditions; it is chock full of the town's spirit. A branch bank, on the other hand, would belong to New York or Chicago."

That the independent country bank is, on the whole, the more useful institution seems to the *Post* incontrovertible—despite the moral of George Randolph Chester's story, above referred to, which appeared in its columns a short time since