

engaged in that business. In a considerable number of cases the contractor will put his own funds into the work and then he will call upon his bankers for advances on the security of the contract. Then, when the railway company makes its payments on audited vouchers for work done by the contractor, its monies go in the first instance to repay the bank for the advances made by it to the contractor. In the aggregate the loans made to contractors by the banks reach large proportions when railway building is actively going on. And besides, the banks increase their advances to the manufacturers and merchants who are actively engaged in supplying the principal articles required by the contractors and the railways.

Some increase in the demands from the brokers for bank credits was occasioned this week by the activity in Dominion Steel stock on the rumors of renewal of the bounties formerly paid by the Government on pig iron produced in Canada. But other sections of the securities market have been dull. The recent pressure on the mining stocks has left them at a comparatively low level.



#### THE BANK AMALGAMATIONS.

At the annual meeting of the Royal Bank of Canada in Montreal, on January 18th, the President, Mr. H. S. Holt, announced that the proposed absorption of the Colonial Bank by the Royal would not at present be carried into effect. Although the directors of the two institutions had succeeded in arriving at an agreement, which was to be submitted to the respective bodies of stockholders for ratification, when it came to the point of arranging the details of the purchase, the differences of opinion proved to be serious enough to cause the abandonment of the project. So one banking amalgamation which the public confidently expected, will not materialize, for the present at any rate. It has been remarked in several quarters that this proposed Royal-Colonial deal would not result in lessening the banking competition in the Dominion; and that, therefore, it would not represent a further step towards the concentration of banking power in Canada. The transaction had another favorable feature. As it would naturally cause an increase in the capital stock of the Royal Bank it would have had a tendency to increase the issue-power of the Canadian banks.

In his address to the shareholders, Mr. Holt also mentioned the fact that the absorption of the Union Bank of Halifax by the Royal a year ago had operated to accentuate the strain on the bank's note circulation, inasmuch as the Union's own issue power had not been large enough to provide for its currency needs while it was independent.

In reference to the Commerce-Eastern Townships deal it has been remarked that, like the Royal-Union

of Halifax deal, it constitutes a step in the direction of concentrating the banking power in the hands of a few large institutions; in other words, it is a step towards banking monopoly. Also it is to be noticed that as the Eastern Townships circulation has been practically up to the limit since the end of May last year, the amalgamation will not apparently operate to increase the issue-power of the banks.

It is now evident that another serious objection may be urged against this amalgamation. The transaction has something of the appearance of a challenge issued to the Bank of Montreal, by the Bank of Commerce. At any rate it seems to be taken that way by some of the officials of the former institution. And a financial journal in Toronto has openly stated that the time is arriving in which the supremacy of the Montreal institution may be questioned. The other day, an official of a country branch of the Bank of Montreal, after referring to the Commerce's close approach, said to the writer, "The Bank of Montreal *must* maintain its position and prestige it is absolutely necessary that it should." Probably this idea is held also by members of the Bank of Montreal board and by high officials of the bank. Whether this is so or not Montreal has heard plenty of rumours of further amalgamations, in nearly all of which the Bank of Montreal figures conspicuously. One daily newspaper asserts confidently that before the year is out the Bank of Montreal will have secured control of a big bank and that its capital will be well over \$20,000,000. Some mention the Royal as the other bank, and others, the names of several other of the large banks.

All of the banks mentioned are vigorous and sound concerns, and it would be a matter of profound regret if any one of them were to be swallowed up. The Commerce-Eastern Townships merger does not increase the usefulness of the banks immediately concerned; it is doubtful if it strengthens them, as both banks were strong enough in the independent state. And an amalgamation between the Bank of Montreal and another big bank would not increase the usefulness of the Canadian banks and it would probably not increase their strength. Why then should the bankers give play to their ambition in this way? Most outsiders will consider that the Bank of Commerce was growing and developing rapidly enough to satisfy the most exacting. Why then should it precipitate this struggle, which may before it is ended result indirectly in depriving the banks of some valuable privileges now enjoyed by them?

It has been suggested that certain of the banks have found that the cheapest and most satisfactory way to develop a good business in a given territory is through purchasing or absorbing a bank that is well established in that territory. But if that policy of absorption is followed much further it may prove