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BANKING AMALGAMATIONS.

While the actual announcement of the absorption of the Northern Crown Bank by the Royal Bank came as a surprise, it is not difficult to see why the Ottawa authorities should have permitted it. The Northern Crown in the last two years has made a very fair recovery from the misfortunes which involved the cutting of its capital in half two years ago. That drastic step was necessary, in brief, because of too early distribution of dividends and in too extensive investments in property for premises. Consequently, when hard times came upon the West, and profits fell away, the Bank was not only unable to continue its dividends, but also had reserves insufficient to provide for bad debts and the carrying of slow accounts. Following the reduction of capital, a sharp recovery was made, as the agricultural sections of the West, in which the Northern Crown was most strongly represented, began to feel the effects of war-time prices and demand for food-products, and dividends were again inaugurated a few months ago. But obviously, the fact that the Bank had met difficulties tended to retard progress—public confidence is a delicate subject to disturb. With regard to the proposed purchase of the Bank of British North America by the Bank of Montreal, this has no resemblance to the Royal-Northern Crown deal, but is more in line with the notable series of amalgamations of strong English banking institutions referred to below. The Bank of British North America was founded by British capital, for several generations has performed exceedingly valuable services in the development of Canadian trade and commerce, and its disappearance would undoubtedly be regarded by many with regret. Possibly the present development may be viewed as a part of the enormous changes which have taken place during the war, in the taking over by Canada of financial responsibilities from Great Britain. It seems not unlikely that considerations of this character, as well as certain handicaps, in spite of the delegation of powers to this side of the Atlantic, arising out of the slowness and uncertainties of present-day communications, had something to do with the sanction of the Ottawa authorities to the proposal.

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In view of these amalgamations, it may be interesting to consider points which have developed as a result of the notable series of banking amalgamations which have lately taken place in England. These English amalgamations have not been brought about through force majeure, the necessity imposed upon a weak or unfortunate bank of putting an end to its individual existence, neither have they taken the form of absorption by a large institution of a small one.

The largest and strongest London banks have been joining forces. The first of these amalgamations was announced early in December, when the London and Provincial and the London and South-Western Banks joined forces, this announcement being followed a few days later by a provisional agreement for the fusion of the Union of London and Smith's Bank with the National Provincial Bank of England. Early in February there was published a similar agreement for the amalgamation of the London County and Westminster and Parr's Bank. Finally, there was the amalgamation of the London City and Midland (already the largest British institution) with the London Joint Stock Bank. The number of the very large British banks has thus been reduced from eleven to seven.

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In justification of this policy of amalgamation, the claim is made that it is calculated to strengthen the position of British financial institutions for the after-war economic campaign, and to increase their lending power to British traders, and thus to provide for a very necessary increase in home production. But there is not unanimity as to the value of the policy. Some see in it a possible weakening rather than a strengthening of the British financial position, and so strong has this feeling been that a committee of bankers, financiers, and merchants has been appointed by the Government to consider the question in all its bearings. The point is, a London correspondent of the New York Evening Post points out, that, however good the banks' intentions may be, there is always the possibility of a false step, and a false step in present conditions would involve a lessened efficiency to meet peace problems, the solution of which in the most favorable of circumstances is likely to tax the best brains of the nation—indeed, of the world. Attention is being called to the fact, however, that there is one direction in which banks could strengthen themselves with advantage, and that is in the raising of fresh capital. The policy of British banking institutions in the past has always been to substantially increase reserves out of profits, but the tendency has been to restrict the actual capital employed, with consequent advantage, of course, in the matter of the possible dividends on the capital existing.

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