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## Are Local Banks Wanted?

There are at the present time various indications which go to show that an effort is to be made during the current revision of the Bank Act to secure authority for the establishment of small independent banks without branches. In the West, where a considerable proportion of the population has been accustomed, until recent years, to the banking system of the United States, there is said to be a strong demand for banks of this kind, and various references made in the course of the second reading debate this week show that there are also those in the East who are sympathetic to the idea.

The establishment of such banks would mean a vital alteration in the banking policy of this country. It is a matter of history that forty years ago definite proposals were put forward, which, if adopted, would have had the effect of securing the development of Canadian banking along American lines. Those proposals were rejected and their rejection involved the resignation of a Cabinet Minister. Since that time the Canadian banking system has developed uninterruptedly as a system of banks of branches, mainly of large banks of branches. Has the time now come for the reversal of that policy? Is a supplementary line of small, independent banks required? Is it desirable that in the present circumstances of Canadian development banks of this kind should be established? The answer to each and all of these questions is in our view, No.

In the decision of Canadian banking policy, national considerations must be paramount and local considerations take a secondary place. It may be argued with some force and reason, that in particular districts local banks would be an advantage. But if it can be shown that their establishment is not desirable from a broad, national standpoint, then the supposed requirements of a district must give way before the necessities of national policy. From the local point of view entirely, however, are these small independent banks wanted? Probably no. The favorite argument put forward for their establishment is dangerously double-edged. It is said that these small independent banks would lend more freely locally than the big banks are inclined to do. Exactly, they would; and that is a very excellent reason why they should not be established. There is ample foundation for the generous optimism and confidence

with which Canadians at the present time regard the future, but in the case of particular communities, that optimism is apt to run wild. Judging from the whoops of their boosters (and every citizen is a booster), there are some scores of towns and villages in the West, which believe themselves destined to be, at no distant date, second Winnipegs, not to say Chicagos. Sooner or later, all of them, except the few which really have a great destiny, will wake up to realisation of the disappointing facts; meantime they are in a condition of ecstatic faith. A small independent bank is established at one of these points; its directors are filled with fervent faith in their own district; they lend freely locally. Given these conditions, an unhealthy state of affairs could easily be created, and a local crop failure might precipitate a crisis in the bank's affairs. It is not to be supposed that there would not be some of these banks which would pursue a useful and honorable course, but we do say that in the present circumstances of the Canadian West, the establishment of these small independent banks would be quite likely to lead to the creation of an unhealthy condition of affairs which ought to be avoided.

It is just as well to remember in these days of great prosperity that we have not yet seen the last financial panic. When the days of stress come, as come they must sooner or later, these small independent banks would probably be a distinct source of weakness and danger to Canada's financial position. No one claims for the Canadian bankers infallibility in either theory or practice, but it can at least be said that they have a technical knowledge, a broad outlook, and a conservative disposition, which applied to the system under which they have hitherto been working, have been of the greatest value to the country as a whole in times of stress. On broad, national grounds, it would be in our judgment a dangerous innovation to introduce into the banking system these small, independent banks, lacking cohesion, possibly lacking in skilled management and with local affiliations that might very easily become harmful. Outside the Dominion, such an innovation would be considered a retrograde step by financial authorities on whose continued good-will we are considerably dependent for our progress and might affect our credit in the foreign markets unfavorably. It is to be hoped that the proposal, if definitely put forward, will be strongly resisted.