THE RECENT BRITISH BANK AMALGAMATIONS AND IRELAND.

IRISH BANKS AND AMALGAMATION.

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British and with them, of course, Irish Banks are now face to face with an unprecedented and, for them, very anxious condition of things, and British and Irish Banking may in a sense be thought to be nearing a crisis. Their present, and so far successful, methods of doing business may be said to be on their trial. To provide for the changed financial situation many expedients will have to be resorted to, many new plans adopted, a different system set up, perhaps. They have in their deposits the command of vast resources which it will be the problem of the future how they can best invest with security and profit. To meet the altered situation accentuated by alarming growth of paper currency (which is one of the causes of inflated-prices), with an universally dislocated trade and crippled commerce to face, to provide themselves with increased resources to deal with increasing trade demands, particularly the calls of commerce abroad, some British Banks are resorting to the expedient of amalgamation. This new kind of amalgamation is not the one we were familiar with in the past and which was a natural process of development taking the form of the absorption of small Banking concerns by larger Banks thereby reducing the inconveniences of local competition and the complications of overlapping. This new form of combine, however, is entirely different. It is the amalgamation of already gigantic Banks with equally large concerns —the consequent consolidation and concentration in a few persons or institutions of immense financial resources upon a scale and to a degree never contemplated or thought possible some years ago. The extent to which these amalgamations have gone and the consequent vast resources put at the disposition of the amalgamated concern, placing millions under the sole control of a single Board and not infrequently under the authority of one individual on that Board, its able pushful President, constituting him alone a deciding factor in the financial world, making him a positive power in the Money Market, all this is being regarded by thoughtful men as creating and leading to a very serious state of things. Economists and writers on economic subjects are studying this new condition of things with apprehension, and some of them regard it is a positive peril, fearing that there may by these new methods of Banking under new men be created a Money Trust or Combine which could easily, if left to itself, cause serious public inconvenience and be a source of danger in the financial world. They fear a financial monster may be raised up that will become a potential peril which the State, in self-defence, would be bound to grapple with and control. This enormous growth of already big Banks into bigger Banks and its resultant possibilities, if it continues to expand and spread, will certainly lead to Government control, and from Government control to Nationalisation is but a step. The Banks in these countries so far have been left practically to themselves. Beyond restricting their note circulation under the Act of 1844, the State has not thought well of interfering with their trading.

The Dangers of Large Banking Combines.

The existence of large Banking Combines creates a new state of things in finance, and if they continue to grow so as to become a formidable financial power they must necessarily be watched, if not controlled. The cry for the nationalisation of all forms of public services, railways, shipping, mines and Banks is springing up in certain quarters. Already the railways, it is believed, will come under State control and be nationalised, and it would seem there is no other future for them, certainly no other, for the Irish railways with their inflated wages list, shorter hours, and no corresponding profits Banks, if they continue to expand in the manner indicated and seen in these recent combines, must become matters of public concern, and I believe one result of these big combinations will be to attract public attention to their existence and the perils of their enormous growth. No democracy is inclined to tolerate in any department of public life anything that savours of a Trust, and a Money Trust, or anything approaching it, will very soon be fettered.

That Government control is not unusual is seen in the case of America, Germany, France and Canada. The National Bank Act of America of 1864, as amended by the Act of March, 1900, was originally designed to force a market for United States Bonds during the time of civil war and to provide for the operations and issue of a national currency. Its National, State, Savings and Private Banks and Loan and Trust Companies constitute commercial institutions whose distinctive features are implied responsibility of the Government for the safety of their transactions. Reports are made by them five times a year to the Controller of Currency as a financial condition on the days previous to the date of his call, therefore verification of each Bank's assets and liabilities by an experienced Government Examiner is effected and a compulsory cash reserve is required to be held by each Bank. This system has justified itself and stood the test of several financial crises. The Bank of England, up to this, stood pre-eminently the premier Bank in these countries, and it held that predominant position by reason of its relatively large resources and its close relations with the Government. It regulates the rate of exchange and wisely controls the Money Market, and it is in a sense the Bankers' Bank, giving them the lead in rates and showing the way in all money matters. But if these Banking Combines continue to expand and to grow at the rate they are expanding it is quite conceivable that the Bank of England may some day find itself faced with the presence, if not with the possible rivalry, of one or two Banking Combines which will command resources equal to its own and possess the consequent equal power that comes from such a possession. This is not a very wild speculation if one just looks to the growth within recent times of the five largest British Banks. A few figures on this point are illustrative of this enormous expansion. Comparing their pre-war position with what it is to-day we find that these five Banks alone have grown to an extraordinary extent within the past five years. In 1913 they had, in current and deposit accounts, £657,930,000 and in 1918 these ran up to £1,305,000,000; in cash on hands in 1913 they had £109,800,000, and in 1918 £237,499,000; in investments in 1913 they had £94,697,000, and in 1918 £258,933,000, and in discounts, loans and advances the figures rose from £504,375,000 in 1913 to £856,038,000 in 1918. This stupendous growth is startling, serious and significant. Now, one who wishes as I do to approach this amalgamation question from a perfectly impartial, and if I may say, judicial standpoint, who wishes fairly to recognise its advantages, if any, and to point out its dangers, disadvantages and perils, having no pre-conceived ideas for or against the policy, but must find it difficult, on public grounds, to justify or to approve of this movement. As Sir A. D. Addis in the *Edinburgh Review* for July, 1918, truly says, to assert that these Combines are made in the public interest is to beg the question. The public, at any rate, do not seem to take the view that public spirited purposes inspire these operations judging by the action of the leading financial authorities as reflected ultimately in the action of Parliament in appointing a Committee, and no one can doubt the opinion who looks to the writings of experienced financiers. So far it seems to me that these Banking Combines have resulted only in a certain direct profit to the shareholders of the amalgamated Banks concerned immediately and exclusively. So far as they are concerned the temptation to take the offer made to them was so great that they cannot in reason be blamed for accepting the terms. Their sense of profit and their sense of patriotism and public spirit conflicted in the transaction and they cannot be censured for preferring the former. The shareholders of the amalgamated Bank, therefore, must be absolutely left out of the question and they cannot be treated as disinterested parties whose views should be considered. We are driven then back to consider what are the objects and purpose of these latter-day giant Banking Combines, and what are likely to be their consequences and effects on the financial world? Adam Smith long ago said that he never knew much good done by those who affected to trade for the public good, so we may fairly look on these Banking operations from other standpoints than as inspired by considerations of the public good. The public will probably consider that Banks which mind their own business best serve public interests. Those Banking Combines may be a passing fashion as Sir A. D. Addis says: "Even personal vanity may," he insinuates, "come into the matter; they may be prompted by the desire to possess larger deposits and to command larger resources than one's competitor." Some apologists affect to suggest that amalgamations are a natural growth, a kind of evolution, but that is a theory in natural science that cannot find any general support and may have dangerous tendencies in finance. The great protagonists of amalgamation, its defenders and apologists are the Chairmen of the amalgamated Banks, and the ablest advocate of these is Sir Edward Holden, whose masterly exposition of the operations he carried out so successfully we find in the addresses he so kindly provided the reading public with in the advertising columns of the newspapers. He, like another Alexander, seems even to want further conquests. According to him it is only an ordinary operation in Banking. Amalgamation in England and Scotland has been the combination of existing gigantic English Banks, but in this country it assumes a far different aspect. It means here, translated into action as it has been, not the combination between Irish Banks amongst themselves which may or may not be advisable or desirable, but the consolidation or absorption or purchase of the concerns which gives the control of Irish Banks to English Banks. To the extent to which that absorption grows, correspondingly grows an extension of that control, and with that aspect of the question I will venture to deal. The denationalisation of the Irish Banks which have by absorption or purchase now lost their independence is a matter for Irish public consideration, and is a matter of particular concern for Irishmen. If carried to the extent it has gone in Great Britain amalgamation is considered a danger, carried to any extent in this country under the conditions I mention it is particularly more serious and is likely to become a positive national peril. The authorities of the Stock Exchange and of the Chamber of Commerce in London viewed the recent amalgamation movement there with alarm and anxiety and they regarded this consolidation tendency to the extent it was going with a feeling of grave unrest and concern. The absorption movement here, however, which is, as I mentioned, entirely different in its purpose, and not as unlikely to be nationally injurious in its results, has gone on here with marvellously strange indifference and unconcern on the part of the Irish public. So far as I know the only public body that protested against this perilous policy of peaceful penetration was the Cork Chamber of Commerce. The only periodical that, to my knowledge, also dealt with the subject was *Studies*, a quarterly publication which published an article by Mr. M. J. Horgan, Solicitor, of Cork, and the only newspapers were two provincial papers (" Tuam Herald " and " Ballina Herald "), in which signed contributions from me appeared. Instead of criticism we, however, had elaborate advertisements in all the papers generously giving the very plausible views of the able Chairmen of the London Banks.

Amalgamation from an Irish Point of View.

This apparent apathy on the part of the Irish public is my apology for venturing openly and clearly to give my views in this paper before this honourable Society on the question of amalgamation in the abstract and on the tendency and drift of the movement in Ireland, so that the dangers we run from having any more of our Irish Banks become English controlled institutions may be realised in time and averted if possible. I approach the broad, and great and difficult subject from an Irish standpoint. I am alone concerned with its effects and its results as they appear to me to affect Ireland and Irish interests. I deal with it independently of Irish party politics or of party politics at all. This is a matter of economics and a question of finance of vital national importance. I cannot, in this connection, refrain from saying at the outset with what special pride every Irishman looks upon the present sound, satisfactory and strong position of our nine Joint Stock Banks—now unhappily reduced to seven. They are, all of them, of native growth, and they are a credit to Irish enterprise and to Irish business capacity. In the days of their early struggle and striving they were never looked kindly on by the English banking institutions; never with friendly eyes considered at all. Now they are eager to swallow them up. Why this new zeal? Because they have become possessed of relatively large resources got from the Irish people, which resources the English Banks seem very anxious to be allowed to be able to dispose of to their own countrymen and for their advantage. But we must watch this not entirely disinterested zeal for possession of our Banks by English Banks not necessarily with suspicion, but certainly with cautious care. Germany gained its foothold in foreign countries and its control over their trade by means of its splendid system of Banks. By and through its Banks it carried on its policy of peaceful penetration so effectually as to gain almost complete command of the industrial situation in these countries, and if they were content to abide by that policy it would have given the Germans the control of the entire European and South-American trade to-day. We are told now that the German Banking policy was defective, but it was not so found, and English Banks are paying it the compliment of imitation in Ireland.

The Peaceful Penetration Policy of the German Banks.

A brief passing reference to German Banking may therefore be interesting in this connection.

Germany was fast gaining control of European and South-American trade by its policy of "peaceful penetration." Before 1914, through its splendid system of Banks, this end was being successfully effected. As we now know the German Banks were in the sphere of commerce and industry the most effectual agents in this policy. They were the solid cogwheel in that system of national economics which looks upon the State as an association based on military and industrial power. As Mr. MacLaren showed in a masterly article on "The German Banks and Peaceful Penetration" in the *Quarterly Review* for January, "German industrial policy in its concentration. its efforts to secure markets abroad, and its attitude to the State, is the policy of the Great Banks, the term usually applied to the eight large Banking houses of Berlin, Schaafhausenscher, Bandverein, Darmstadter Bank, Diskontogesellchaft Berliner Handelsgesellschaft, Mitteldeutsche Kredit bank, Deutsche Bank, Dresdner Bank, and National Bank. They worked together and in harmony in the great and to them patriotic policy of controlling the commerce and industry of every country in which they found a footing. They systematically pursued the same consistent course of extending *Deutschtum* everywhere. They helped industries, subvented factories, and, as Herr Riesser clearly establishes in his book *Die Deuchtschen Grosskanden* (January, 1912), the great banks viewed its function as forming one unified programme—the promotion of economic, national and State interests. "This view raises its whole influence far above that of the small or mediocre institutions which pursue a mere dividend policy." Herr Obst in his work *Das Bankgeschaft* (Leipsig, 1914) proves that there is in the German banking world a sense of common aims which creates an intense feeling of joint interest *Solidaritatssgefuhl* and this contributed largely to extend German interests everywhere. The crisis of 1901 showed how closely German banks were mixed up in the promotion and formation of Companies and how vast was the number of industrial securities which they held. They succeeded in this policy by five chief means (1) establishing branches or daughter institutions for the German industrial firm; (2) founding new industries; (3) interesting themselves in existing foreign concerns; (4) using their capital and the capital of the country concerned for the monopolistic exploitation of an industry; (5) using loans to advance German industry, their system of long term credit (*langfustiger kredit*) being their most powerful lever. The characteristic feature of this great bank system (*das Grossbankenhim*) was the combining of numerous small banks, each working a particular field of operations independently of the other with a bank oligarchy centralised in Berlin but ramifying all over the world. This concentration process in German industry and finance had created conditions under which banks helped the German trader. They also carried on a very extensive system of fusion the *Diskonto* taking over five provincial banks, the Dresdner amalgamating with the Rheinisch Westfalische Diskontogesellschaft, and the Markische Bank and the Deutsche making important absorptions too. The Deutsche Bank established a branch in London and under the very noses of the British people helped German commerce " on national lines." They worked in Russia and in Italy (through the *Banca Commerciale Italiana*) and in South America. They acted as political agents and spies, supplying their Government with the most valuable information. The new policy of bank amalgamation in England we are told is prompted by a desire to meet effectually the changed conditions of English trade after the war and by concentration of effort to follow in the steps to a certain extent of the German banks in furthering English industries. This German policy of peaceful penetration is a very proper and patriotic policy from a British standpoint, and probably if thoroughly carried out it may prove a successful policy here and in other countries where English tr de has hitherto had no footing or where it wants encouragement, expansion, and extension. English credit and capital may well be devoted to that work of commercial conquest, but where do Irish industries come in ? That is Ireland's concern. The German Banking System was not only excellent and efficient in its organisation, as an effective instrument of the German policy of peaceful penetration it was also excellently well managed. Its directors were paid by percentages on the profits, receiving 7 per cent., and they were held responsible for all the defaults and defalcations of their staff, and in every sense seemed thoroughly active and live directors and experienced business men.

The Amalgamated Banks and Irish Interests.

Is it to be believed that the vast resources of the two great English Banks which have absorbed our two Irish Banks and which now control their united resources under a common policy will be used to any appreciable extent to promote the more or less relatively provincial projects that in this country may in the future offer themselves. Are international projects to be put aside for relatively provincial projects in Ireland ? I do not believe that it is reasonable to expect that the great international and Imperial policy which combined British Bankers have to carry out, the great tasks they will have to undertake and complete if they are ever to get their country profitably out of the difficulties and losses of the war and once again on its feet industrially and commercially, are going to be prejudiced, neglected or overlooked to consider relatively subsidiary and insignificant Irish industrial interests. Can it be believed that the millions which these amalgamated Banks now control will ever be available or ever used for promoting new and probably competing industries in Ireland. Some small advances may be made in Ireland to save appearances, some doles given here and there, but it is not conceivable that any large advances can in the circumstances be expected. Vast as are the resources of the English Banks to build up the wrecked commerce and to bring back the diverted trade lost during four and a half years of war to re-establish the abandoned industries and revivify and resuscitate those that were allowed to languish, to set going again mills and factories that for peaceful industry were closed down, will require all their resources of money and mind, all their directing energy and intelligence available on the English Banking Boards, splendid as they are. We cannot therefore expect that those great English Banks which for the first time since their establishment have cast envious eyes upon Ireland and Irish Banks, and taken so active a proprietory interest in them, are going to turn the golden stream of their resources for the first time over this favoured land and help her industries with their wealth. We cannot forget that all through the sad past English Banks never once thought of Ireland and never lent a single sovereign here for the promotion of any sound Irish industry, and that their new-found zeal takes the form of denationalising our Banks and annexing their resources. So far as I can see they are not now going to be zealous supporters and enthusiastic encouragers of Irish undeveloped commerce and industries. They have come to Ireland not to bring money here but to take money from Ireland. They only came when they saw our Bank resources were mounting up by millions and as a perfectly fair commercial undertaking as between nation and nation, but not let it be imagined in the interest of Ireland. They are now by a process of peaceful penetration, a policy fashioned on the lines of the so-called discredited German system, acquiring a formidable financial hold over the resources and industries of this country, now for the first time favoured by their activities and presence. The two English Banking Corporations which have, by the purchase of our two Northern Banks, acquired a foothold here have secured by these acquisitions, without any previous trouble or labour on their part, the well built-up businesses of these two Irish Banks and have control of their extensive and widely distributed branches and agencies. At one stroke of the pen they have obtained a far-reaching and well-appointed system of agencies. The Belfast Bank had before its absorption 63 branches mainly in the North, and 67 sub-agencies. The Ulster Bank had on its part four branches in Dublin, eight in Belfast, 1 in Cork, and 112 other branches and 103 sub-agencies. These are vast and wide-reaching rootlets of the parent trees in London, and although they maintain their efficient local staff and directors they must henceforth be regarded as part and parcel of the amalgamated system.

Irish Banking and Irish Banks.

Irish Banking is regulated chiefly by four Acts of Parliament, that of 15 Geo. II. (1741) authorising partnerships for the purpose of trade and manufacture, not to exceed nine in number, nor was the capital stock to exceed £10,000 ; the 21-22 Geo. III. (1780-1) limited liability not to exceed £50,000, but business of Banking and discounting excluded, and 33 Geo. II. (1759) dealing with settlements. Then came the Sir Robert Peel Act of 1844 which regulates their note issue as of all British Banks, and gives powers as such to six of the nine Irish Banks, which they still retain. As was stated by a writer in the last edition of the *Encyclopedia Britannica*, "Irish Banking business has since 1845 been carried on with equally extraordinary steadiness and success, and at the present time is on a footing fully equal to that of any part of the United Kingdom." This is well deserved praise and it reflects just credit on the management and direction of our Irish Banks. Before 1845 there were some disastrous failures, due to the chronic unrest, the distracted and famine tortured condition of the country, but in the case of Sadlier's Bank, its failure was due to rank dishonesty. In 1804 a report was issued showing that fifty registered Banks in Ireland had failed, and one in the West, French's Bank, with head offices in Tuam, which failed then, not for lack of resources but from defective machinery to meet a crisis. Since 1845 only two Banks failed, Sadlier's and the Munster, but the latter has been reorganised and re-established on a firmer basis than ever. So that the Irish Banks although they had to face periodical political and agricultural and economic crises and great social unrest, did one and all magnificently well and better than in like trying circumstances perhaps the English Banks could have done.

North or South or East the nine Irish Banks grew and spread, popular, well directed useful systems which for steady success and unquestioned stability can vie with the Banking institutions of any other country of equal size in the world. Catholic or Protestant, Unionist or Nationalist, all

Irishmen are proud of the Irish Banks and with reason so. It is therefore with a certain feeling of apprehension and uneasiness that the thoughtful among the Irish people saw this latest invasion from England. They cannot but experience a certain foreboding of dissatisfaction and uneasiness, a certain feeling that there is behind this movement some sinister design that is not yet apparent. For two English Banks at one fell swoop to have acquired such a vast foothold in this country introduces a new factor into the problem of the future of industrial Ireland. A time must come sooner or later when these two institutions will have to face the question how far they are prepared to foster and develop Irish industries and Irish enterprise, even when that development means possible rivalry and opposition to existing industries in their country in which they are interested. Adam Smith attributed the prosperity of his native country to the Scotch Banks and not to the English connection as English writers think, and he was of opinion that the credit system adopted by them considerably advanced the trade of that country and "was the principal cause both of the great trade of these companies and of the benefit which the country has received from it." (Ch. 2, p. 282.) I have little hesitation in saying that whatever prosperity, commercial and agricultural, Ireland enjoys to-day is due largely to its Banks. English capital never really found its way into this country to foster our industries or to develop our trade. It took the objectionable form of loans at high rates of interest and on mortgage to thriftless landlords, and it was for English capitalists a profitable investment, for the only two parties that suffered in the transaction were the unfortunate mortgagees and their rack-rented tenantry. Irish Banks are managed on safe sound lines, and again I find in Adam Smith a perfect description of their system as I see it working. He says: "It is not by augmenting the capital of the country but by rendering a greater part of the capital active and productive than would otherwise be so that the most judicious operations of Banking can increase the industry of the country. That part of his capital which a dealer is obliged to keep by him unemployed and in ready money for answering occasional demands is so much dead stock which so long as it remains in the situation produces nothing to him or his country. The judicious operations of Banking enable him to convert the dead stock into active and productive stock, into materials to work upon, into tools to work with and into provisions and subsistence to work for into stock which produces something both to himself and his country."

This seemed generally the ideal of Irish Banks in the main, *The Existing Irish Banks.*

(From the "Banking Almanac and Directory" for 1918).

(1) The Bank of Ireland (founded in 1783) has 108 branches. Its subscribed capital is £2,769,230; Reserve, £600,000; average note circulation, £14,044,475, and authorised circulation, £3,738,428.

(2) The Belfast Banking Company (founded in 1827) has 84 branches. Its subscribed capital was £2,500,000; Reserve, £450,000; average note circulation, £2,314,425, and authorised circulation, £281,611.

(3) The Hibernian Bank (1825) has 87 branches and a subscribed capital of £2,000,000; Reserve, £125,000.

(4) The Munster and Leinster (1885) has 110 branches. Its subscribed capital is £500,000; Reserve fund, £315,000.

(5) The National Bank (1835) has 161 branches. Its subscribed capital is £7,500,000, and its Reserve £660,000. Its average note circulation is £3,152,129, and authorised circulation, £852,269.

(6) The Northern Banking Co. (1824) has 157 branches. Its subscribed capital, £2,500,000. Its Reserve, £260,000. Its average note circulation, £2,076,800, and authorised circulation, £243,440.

(7) The Provincial Bank (1825) has 93 branches. Its subscribed capital is £4,080,000, and reserve, £350,000. Its average note circulation is £1,924,921, and £927,667 authorised circulation.

(8) Royal Bank (1836) has 13 branches. Its subscribed capital is £1,500,000, and its Reserve, £112,500.

(9) Ulster Bank (1836) has 170 branches, and its subscribed capital is £3,000,000, with a Reserve fund of £700,000. Its average note circulation is £4,528,681, and its authorised circulation is £311,079.

The Irish Banks have 983 branches with a subscribed capital of £26,349,230, and a paid-up capital of £7,309,230. This Reserve fund is £3,572,500. The average note in circulation was £28,041,431, and its authorised circulation, £6,354,944.

The average amount of Bank Notes in circulation and of coin held by the six Banks of issue in Ireland in the four weeks ending June, 1918, show that the Bank of Ireland on June 15 had £14,044,475 in notes and £10,516,945 in coin; the Provincial Bank, £1,924,921 and £1,099,610; the Belfast Bank, £2,314,425 and £2,146,148; the Northern Bank, £2,076,800 and £1,939,412; Ulster Bank, £4,528,681 and £4,296,399, and National Bank, £3,152,129 and £2,524,696.

The average number of depositors in the Savings Banks in Ireland has varied little since 1905, when the numbers stood at 53,670 and the amount £2,488,740, and 1916 when the number of depositors was 55,894, and the amount £2,563,356, showing clearly that the Joint Stock Banks are largely availed of by the Irish Public as depositing media. The deposits in the Irish Joint Stock Banks have increased from £12,966,731 in 1863 to £75,991,000 in 1917—a marvellous record of steady prosperity. Since 1913 they rose from £60,144,000. The total average note circulation rose from £6,470,920 in 1906 to £20,798,965 in 1917, or by £14,444,471. The gold in reserve in 1903 was £2,824,287, and in 1917, £14,802,975, the silver from £398,420 in 1906 to £511,795 in 1917, and the total coin held by the Irish Banks increased from £3,222,687 in 1906 to £15,314,770 in 1917.

By the latest return in the *Dublin Gazette* of March 11, 1919, the total currency note issue for the United Kingdom reaches the enormous figure of £333,078,272.

The Parliamentary Amalgamation Committee of 1918.

English commercial and financial opinion became nervously anxious about the Banking amalgamation movement, and in the very heat of the war so insistent was the demand for inquiry that in May, 1918, a Treasury Committee was appointed by Parliament "to consider and report to what extent if at all, amalgamations between Banks may affect prejudicially the interests of the industrial and mercantile community, and whether it is desirable that legislation should be introduced to prohibit such amalgamations and provide safeguards under which they might continue to be permitted." These were the exact terms of reference to this Committee, which was composed of the leading financiers of London connected with finance and Banking. Lord Colwyn was Chairman, and Sir John Purcell, K.C.B., Chairman of the National Bank, represented Irish Banking interests. The result of their inquiry and investigations was embodied in a report dated 1st May, and signed by the 12 members appointed. They examined the Chairmen of the principal Banks, the recognised leaders of the financial and Banking world such as Sir Edward Holden, Chairman and Managing Director of the London City and Midland Bank ; Mr. Tredeth, Chairman of the Stock Exchange Committee ; Mr. Gaspard Farrar of Baring Bros. ; Lord Inchcape, Director of the National Provincial and Union Bank ; Mr. Walter Leaf, Chairman of the London County and Westminster Bank, and several other equally representative men, in all 22 witnesses. The outcome of their inquiries is not very conclusive, definite, or satisfactory. My friend, the experienced Editor of *The Statist*, regards the report as inconclusive and a milk-and-water affair. But while it is not very emphatic it does contain a good deal of matter for serious reflection. They refer to the old type of amalgamation, the absorption of smaller by larger, of weaker by stronger Banks, a natural and normal state of evolution in the Banking world. Private Banks had fallen from 37 to 6 since 1891, and the number of English Joint Stock Banks from 104 to 34 in the same period. But where the amalgamations were not of this character but were absorptions they excited interest and provided criticism. The new type is the really serious problem to deal with—the new form which has from its growth become a really formidable financial question, the creation of a few mammoth institutions commanding vast wealth. Two pregnant passages from the report may be quoted in this connection. "There must (it says) come a point where the policy of instituting one large Bank for two will usually mean a very small extension of area, if any, and some reduction of competition. That point has already been reached in London, and is being approached in a few of the largest towns where most of the important competing Banks are already established. It should be added that if both of the amalgamating units have before amalgamation lent up to their full resources home trade as a whole cannot gain any increase in accommodation as a result of amalgamation. Except at the expense of smaller traders large trade combines could not obtain larger advances in all from the combined resources of the amalgamation than they obtained from the separate Banks before." The Committee admit that they received representations from certain municipal corporations to the effect that Banks vary very much in their willingness to allow reasonable overdraft facilities to corporations and that sufficient money and cheap money has only hitherto been obtained by resorting to different Banks, the number of which is falling steadily. This shows the utility of competition and the consequent drawbacks of a monopoly. The Committee received a number of resolutions protesting against further amalgamations and suggesting that it is not in the national interests that large funds belonging to the public should be in the hands of a few companies, they might have said in the hands of one or two individuals, for that is what it comes to in the ultimate analysis. They state that strong representations were made against the amalgamation by the Stock Exchange and the Money Markets authorities—opinions which should have carried greater weight than they seemed to have attached to them. It was claimed that the world-wide fame of the London Markets before the war was due to the freedom with which London bills could be negotiated owing to the ease with which the Discount Houses obtained ample funds from a wide number of Banks and the fewer they added the leading constituents in the Discount Market the less flexible is the market and the less fine the rates. It was pointed out, the Committee said, that a reduction in the number of important Banks means a reduction in the number of first-class acceptors of bills and that it was a question whether if this reduction proceeded very far the Bank of England would not have to place a limit on the amount of acceptances which they would take from any particular Bank doing a large accepting business, and whether continental buyers would not limit the number of bills taken by them. They admit the possibility of a Money Trust and a condition of things brought about which would give rise to a demand for nationalisation. Such a combine they admit would mean that the financial safety of the country and the interest of industrial deposition would be placed in the hands of a few individuals who would naturally operate in the interests of the shareholders. The position they allow of the Bank of England would be seriously undermined, and its position as a regulator of the money market imperilled. And such results they regard "as a grave menace to the public interest." Despite such arguments and axiomatic economic truths they were inconclusive in their findings, but one significant passage of condemnation stands forcibly out: "But on a careful review of all the above considerations we are (they say) forced to the conclusion that the possible dangers resulting from further large amalgamations are material enough to outweigh the arguments against Government interference and that in view of the exceptional extent to which the interests of the whole community depend on Banking arrangements some measure of Government control is essential." They made certain recommendations and suggested that a statutory committee should be appointed by the Treasury and the Board of Trade to deal with all future amalgamations, and that a Government department or departments should be charged with the responsibility of approving or disapproving amalgamation schemes and that the approval of both the Treasury and Board of Trade should be obtained and that legislation should be passed requiring the two departments to set up a Special Statutory Committee to advise them. The main arguments they adduce against amalgamation were unanswered and unanswerable, and yet hardly had the reports suggesting corrective measures of State control been issued when some further extensive absorptions such as Barclay's, Martin's and others took place rendering the situation still more difficult and the need of repressive measures still more urgent.

Sir Edward Holden on Amalgamation.

The ablest protagonist of amalgamation, Sir Edward Holden, attempted to answer the main arguments against amalgamation. He views the question from his standpoint, and I cannot see that he effectively answers any of the objections raised against his policy. He asserts that there can be no money trust because the Bank he so ably controls invested forty millions in Government Bonds, lending 50 millions through the Bank of England, forgetting that this is not a third of his resources, which he admitted amounts to £314,000,000. He assures us that there will be no reduction of Banking facilities by reason of amalgamation, but that again remains to be seen. Speaking of the Belfast Bank amalgamation, he said that when they entered into that transaction the capital of the Belfast Bank was £500,000 and the reserve was £450,000 ; at the present time (he added) the capital is £500,000 and the reserve is also £500,000, and the balance to the profit and loss account is £86,255, so that altogether these three sums amount to £1,086,255. And he significantly added : " We purchased that institution for the sum of £1,237,500, and we have written down the shares in our books by £477,810. The shares of the Belfast Banking Company therefore stand in our books at £759,690 or £326,565 less than the sum of the capital reserve and balance to the credit of the profit and loss account. As the Bank is doing remarkably well the profits last year being £104,000, the dividend paid £44,000, and the surplus profit £60,000, the purchase must be held, I think, to have been a good transaction and one which in my judgment has been vindicated. " This is a very plain blunt statement of a purely purchase transaction, and from the Chairman's point of view it is satisfactory. From an Irish standpoint it cannot be so regarded. What satisfies the requirements and expectations of Sir Edward Holden must necessarily be the reverse for the country that suffered the loss of that institution and its cessation as an independent self-controlled Irish concern.

Sir Edward asserts—indeed, we may almost say challenges contradiction—that amalgamation is necessary to so strengthen the individual Banks that, more or less combined, they may be in a position to give the assistance to trade which will be absolutely essential. "We," says *The Statist*, "shall have a mountain of debt upon our shoulders. We shall have a large part of the world impoverished by the occupation of either the whole or of parts of their territories. Nobody can dispute the truth of that picture, nor the formidable nature of the danger which it indicates. We have already said that, amalgamation having been permitted, it is useless now to inquire whether the course adopted is wise or unwise. We ourselves are by no means assured of its wisdom. What we should like to see is a clear, definite, unmistakable declaration of the measures which ought to be adopted to ensure that Banks disposing of from 150 to 300 millions of deposits shall not abuse the immense powers they are acquiring."

Dealing with the argument that under amalgamation the small man as naturally expected does not receive due consideration from big Banks, Sir Edward Holden replies, that they have a large number of small customers and are willing to increase the number. That remains to be seen. He gives significant figures of the enormous growth of the resources of five English Banks which are truly remarkable as compared with the German Banks as follows :—

GERMANY.

Bank.	Deposits.
	£
Deutsche	450,000,000
Disconto-Gesellschaft	300,000,000
Dresdner	220,000,000
Bank für Handel und Industrie	90,000,000
Commerz und Disconto	80,000,000
	£1,140,000,000

UNITED KINGDOM.

Bank.	Deposits.
	£
London Joint City and Midland	314,000,000
Lloyd's	300,000,000
London County Westminster and Parr's ...	250,000,000
Barclay's	220,000,000
National Provincial and Union of England ...	180,000,000
	£1,264,000,000

Drifting towards Government Control.

At the meeting in September, 1918, of the shareholders of the London City and Midland Bank the able Chairman announced another amalgamation, that with the London Joint Stock Bank. And then followed Barclay's Bank and several others, such as the Bank of Liverpool with Martin's. These alarming amalgamations induced *The Statist* to say of them that "handing over all the spare capital of the country to a small number of Boards of Directors is out of the question unless the public is prepared to face disaster." There is no doubt that if they continue to increase the State must, in self defence, intervene and exercise a control over its operations. America had to take action after its war and put its Banking institutions on a firm basis under a certain State control which have enabled them to weather several severe financial crises since 1864.

When the United States Government decided upon establishing Reserve Banks, which are to exercise control over the National Banks, it came to the conclusion that the Reserve Banks should not be endowed with absolute power. The whole of the United States was divided into 12 districts. In each district a Reserve Bank was founded. And each of those Banks was endowed with Boards of Directors. But the United States Government and Congress did not stop there. They called into being a Council, whose function is to watch carefully over the action of the Reserve Banks, to restrain them when going wrong, and to support them when going right. In citing this case *The Statist* says that it does so not for the purpose of suggesting that the American system should be repeated in all its details, but rather to invite the public to see how the system, which is working apparently admirably at the present time in the United States, can be so improved that it will give the British public full assurance that the national and Imperial interests will always be safeguarded.

The Possible Effects of Amalgamation in Ireland.

The reference made by Sir Edward Holden to the purchase of the Belfast Bank showed that it was at the time in not only a sound but in a very prosperous condition. So also was the Ulster Bank later on, "purchased" also by another London Bank—the London County and Westminster Bank. Both Irish Banks were sound, stable, safe, progressive and prosperous Banks, and why, being so, they consented to commit the happy despatch is due to the purely sordid and commercial consideration that the inducements held out to the shareholders in these concerns tempted them. In one sense the shareholders are not to be blamed or censured for doing what in the circumstances any shareholder would do, that is, dispose of their interests at a premium. Banks, however, enjoy certain privileges from the State, and it should not be possible for them to surrender their rights of independent control to other institutions without the authority of the State. It is evident that if amalgamation be a danger to the State in England, as the Parliamentary Committee admitted it was, that in and for Ireland the purchase (as Sir Edward Holden called the arrangement and honestly called it) of its Banks established for Irish purposes and uses by English Banks, having necessarily diverse and opposed interests, must be a greater danger to this country and a more serious peril to its national interests. It is obvious that if this country possessed any legislative machinery for regulating these matters of such supreme national interest and importance that the voice of United Ireland from Belfast to Co. Cork, would be against the "alien appropriation." Let us calmly view the matter in the light of those commonplace economic truths even as expressed in the Committee's Report—the danger that amalgamation narrows credit and restricts its operations and those other obvious commonplace truths, especially the well-known axiom that big concerns only interest themselves in big transactions, and we see how the relatively smaller interests of the traders of this country must suffer, when brought in competition with relatively bigger commercial interests in England. Sir Edward Holden says—(and I deal with his remarks chiefly as he really is the ablest advocate of the scheme, the principal protagonist, perhaps the inspirer of the first move in Ireland in the direction of absorption)—that the wasted opportunities during the past 4½ years of British trade, the terrible strain that reconstruction must entail will demand and require all their available resources, and it will also certainly demand and require all available expert judgment and experience. In view of that pressing demand upon the resources and time of the English great financial Banking houses and the vast magnitude of the problems, relatively little time or less money will be available for the relatively smaller matters of investment likely to offer themselves in this country. It is not conceivable that if ever an Irish existing industry or a newly created industry offers the remotest possibility of competition with an English industry in which these great Banks are concerned or interested, that under the circumstances much or any encouragement could be reasonably expected to be given to the Irish enterprise. Whether it is shipbuilding, woollen factories, or any possible enterprise likely to compete with an existing English industry in which their Banks are concerned, it cannot in reason be expected that they will lend any money to set up or strengthen a rivalry in Ireland that may interfere with the business of their customers in England. Then, if the Banking resources of the English and Irish Banks are first to be preferentially used for English commercial and Banking demands, these are so extensive and so vast that little if any margin will be left for investment in Ireland. Whatever chance outside Government aid, never very liberal and never well chosen, any industrial project has in Ireland of expansion and establishment, it is by means of Irish Banks and through Irish money. Again, if the needed work of Irish industrial reconstruction is to be seriously attempted here on a really sound basis there will be little enough money in our Irish Banks upon which native enterprise and native industry can depend and has properly the first claim. Every existing industry in Ireland, and we have many that can claim comparison with similar industries across the Channel, owes its establishment and its expansion originally and all along to the well chosen and generous aid of the Irish Banks. Every industry of the future in Ireland must depend upon the same aid. To restrict or divert any Irish resources to English channels is not to our advantage. We may in the future have English expert knowledge, as we have had in the past, to float a Company or English or Scotch expert skill to start the work, but it will be Irish money that will be its mainstay. Our railways have some fifty millions of Irish money invested in them, our fast declining shipping companies were dependant originally on Irish money, and now, like our Banks, English rivalry is looking askance at their progress, and we have but one solitary Irish shipping company left in Dublin. If Ireland waited for English capital to start its industries or to establish any works, to build its railway or its ship, it would never be able to attempt the enterprise. English capital is coy of investment in Ireland, and the chief form it took was in loans on land by insurance companies at high rates of interest. Yet, despite the fall in the value of the land, English capitalists got better out of the investment than they did for the millions they lent Russia, South America and Mexico. on practically no greater security than an elusive prospectus. As I remarked, our Irish Banks are now prosperous and flourishing institutions, and being such they are being looked at with envious eye by the English Banking Companies who, by absorbing their resources, want an opportunity of swelling their own resources and of investing Irish resources amongst their own customers. The Belfast Banking Company was the first Bank to surrender, and it was soon followed by the Ulster Banking Company. This also has been amalgamated, or as Sir Edward Holden says, purchased. In October last the London County and Westminster purchased its shares. The authorised and issued capital is £3,000,000 in £15 shares, of which 500 or £2 10s. per share has been paid up, leaving a further liability per share of £2 10s. callable and £10 reserved. The offer of the London County and Westminster Bank was to give two-thirds of a London County and Westminster share £5 paid and £2 10s. in cash for each Ulster Bank share, thus involving the issue to Ulster Bank shareholders of 133,333⅓ new London County and Westminster shares each together with a cash payment of £500,000. Under this tempting offer this Northern Bank succumbed to the stranger, and has denationalised itself. In his scheme of amalgamation with the London Joint Stock Bank Sir Edward Holden retained on the amalgamated Board some of the Directors of the London Joint Stock Bank, and generally in all English amalgamations such a course of co-operation was carried out. In none of the two schemes of so-called amalgamation but what really and substantially is purchase, as Sir Edward Holden calls the transaction, are any Irish directors on the new amalgamated Board, plainly indicating that it is a complete and absolute transfer of the property, so far as having a voice in the consolidated concern goes. As *The Statist* says, referring to the scheme, and I prefer giving its words to using my own: "The policy adopted, it will be noted, is similar to that followed in May last by the London City and Midland in connection with the Belfast Banking Company. Under the scheme the Ulster Bank retained its name and its staff, while the advantage of local administration and acquired knowledge of local needs was so far recognised as to maintain the present head offices and directorate in control of Ireland, leaving, of course, primary control and the question of policy vested in London. Moreover, by reason of the terms of arrangement the Ulster's power to issue notes was retained."

Irish Banks and Ireland's Interests.

This being mainly an agricultural country the chief customers of our Joint Stock Banks must necessarily be the farmers, who being mostly the owners of their land now can offer good security for the advance. The main feature of that sort of credit is decentralisation, and to put all or most of the available native capital into large overseas concerns with larger trading interests to look to is not economically a sound or patriotic policy and is a condition of things a self-governing community would legislatively prevent or handicap by restrictions. This policy of cross-channel amalgamation is calculated therefore to remove capital raised locally from being productively employed locally. In France where a similar condition of things exists as regards land tenure, the Bank of France goes further than any other Joint Stock institution in providing credits in rural areas, and there are over six thousand agricultural Societies through which it gets in touch with the small proprietors and helps them to make industry what it is and be the mainstay of heir country. Agriculture therefore in Ireland must correspondingly suffer to the extent, that their Irish capital is by amalgamation with English Banks diverted from being profitably used in the country of its origin.

Irish Banks are a product of the Irish soil—and they grew to their present creditable position of strength and stability under native conditions and by means of native brains. Their establishment at various times was due to the peculiar necessities of the situation. The growth of Dublin in pre-Union days led to the establishment of the Bank of Ireland in 1783. It practically under the native Parliament took the place of the Bank of England under the English Parliament. The expansion of trade and agriculture and the opening up of the country led to the other Banks being set up. The creditable enormous expansion of Belfast brought about the foundation of the Belfast Bank, the Northern Belfast and the Ulster Banks, and it is a sad commentary on events to find two of those fine Banks, although Belfast was never so sound and prosperous, surrendering to the blandishments of the stranger.

The Old Banking Institutions of Ireland.

There were Private Banks, such as the celebrated one of La Touche, whose original partners were David, Robert Wm. and William Digges la Touche. Their office was in Castle Street. Then there were Ball's Bank in Henry Street, and Boyle's Bank in College Green ; but these ultimately were amalgamated with the Joint Stock Banks. Before 1783, when the Bank of Ireland was established, the existence of private Banks, ill-managed and frequently failing, led to its establishment In 1797 the Bank of England having suspended its payments the privileges extended to it were extended to the Bank of Ireland, and its note issue was fixed at £621,917, and raised to £2,936,999 in 1814. In 1804 there were 50 private Banks in Ireland, but all but three disappeared down to recent times. The silver currency was in the early times frequently debased, but in the form of bullion it became more valuable and was melted down. The place of the coins in Dublin and many other parts was taken by counterfeits, and in several places by a paper currency issued from sums decreasing from 6s. to 3d. and even less. It is estimated that in 1804 there were 295 issuers of this paper money, chiefly merchants, shopkeepers and petty dealers. The abuse of this privilege led to its abolition by law and the wants of the trade were supplied by stamped dollars rated at 6s. silver tokens at 10d. and 5d. issued by the Bank of Ireland. There were also copper tokens issued by merchants, with their names stamped on them and generally of the value of a penny. In 1821 the Bank of Ireland Charter was renewed for 17 years and Joint Stock Banks were allowed to be established beyond 50 miles from Dublin, but the arrangements were defective, and in 1824 there was a new and improved Act introduced which gave facilities for establishing Joint Stock Banks, and as a consequence of which the Hibernian, National and Northern and other Banks were established, establishing branches in the country towns as did the Bank of Ireland. In 1838 the Bank's Charter was continued by Act of Parliament giving it other special powers. Irish Banks generally are affected by the Act of 1828, and some are allowed on certain terms to issue notes on receiving a certificate from the Stamp Office. The Act of 1844-5, called the Peel Act, after its author, Sir Robert Peel, regulates the note issue of Scottish and Irish Banks, which they can do on holding specie to the amount of the excess, and no restrictions were placed on their amalgamating in these countries. In Scotland and in Ireland notes of less than £5 continue to be issued, and 10 Scotch Banks and 6 Irish Banks are Banks of issue. Up to 1844 the provincial Banks in England could issue notes, and in that year there were only 49 Banks in London and 26 connected with the Clearing House. In 1901 to these were added 19, but by amalgamation these numbers were reduced considerably. In 1826 there were 554 private Banks in England and these were reduced to 111 in 1842 and in 1827 there were only 6 Joint Stock Banks which in 1842 rose to 142—the result of the panic in 1826 was that 100 private Banks ceased to exist. In 1901 there were 22 private and 103 Joint Stock Banks in England—the offices increased from 2,008 in 1858 in United Kingdom to 6,521, of which 678 were in Ireland. Private Banks have practically ceased to exist. The Union Bank of Ireland was established in May, 1862, and the English and Irish Bank in March, 1863. The former had 7 and the latter 1 branch. The Union Bank was managed by a Board of Directors in London and it had a capital of a million divided up into 10,000 shares of £100 each. It had branches in Bray, Cork and Limerick. The English and Irish Bank was managed by a Directorate in London. It had a capital of £2,000,000 held in shares of £100. It opened a branch in College Green, having taken over the amalgamated Banking establishment of Robert Gray and Co., making Mr. Robert Gray a resident Dublin Director. Both these Banks have ceased to exist. The oldest Banks in England were Childs', Hoare's and Smith's of Nottingham, and the Bank of England was founded in 1688. The Bank of Scotland was founded in 1695. In 1845 there was the London and Dublin Bank with offices in Austin Friars, London, and 32 Dame Street, and it had as Honorary Directors the Marquis of Headford, the Earl of Mountcashel, Earl Kingston, Viscount Lorton, Lord Dunally, Lord Carberry, Lord Crofton and 10 Directors. It was a Bank of Issue and was established under a Deed of Settlement. It had branches at Dundalk, Wicklow, Mullingar, Parsonstown, Kells and Carrick-on-Shannon. It was merged in the existing Banks. The Tipperary Joint Stock Bank, with head office at Clonmel, and James Scully, M.P., as Chairman, and James Sadlier as Managing Director, had in 1845 six branches in Carrick-on-Suir, Nenagh, Roscrea, Thomastown, Thurles, and Tipperary. It was afterwards expanded and developed under the Chairmanship of James Sadlier, M.P., Junior Lord of the Treasury, and having been recklessly and fraudulently managed, it collapsed on his suicide on Hampstead Heath causing infinite trouble and disaster. The Bank of Ireland's charter in 1821 was renewed for seventeen years, and Joint Stock Banks were allowed to be established 50 miles from Dublin, but these vexatious restrictions were repealed in 1824 and the relief led to the establishment of the Hibernian, Provincial, Northern, National and other Banks. In 1828 the Bank of Ireland's Charter was continued by Act of Parliament from year to year to 1845, since which it was regulated by the new Banking Act 8 & 9 Vic., c. 37, according to certain principles. It was to continue the Banker of the Government, which paid 3½ per cent. on the debt it owed. It was like other Banks, bound to make weekly returns.

The Munster and Leinster Bank was in 1885 incorporated to take over the business of the Munster Bank, then in liquidation, and it commenced business as such on 1st October, 1885.

The amount of Government Stock held in Ireland in 1898 was £25,260,000, and in 1917 this rose to £70,317,000. In 1818, with an estimated population of 6,530,000, the amount of Government Stock on which dividends were paid at the Bank of Ireland was £21,004,000, or £3 per head of the population; in 1891, with a population of 4,704,750, the amount of stock was £25,784,000, or £5 10s. per head; in 1901, with a population of 4,458,775, it was £31,988,000, or £7 3s. 6d. per head, and in 1911, with a population of 4,390,219, it was £41,363,000, or £9 8s. 5d. per head.

In 1804 there were 50 private Banks in Ireland and this year there are only two—Boyle, Low Murray & Co., and Guinness Mahon, which has opened an office in London.

The Terms of the Belfast Bank Amalgamation.

How far the altered constitution of the two Banks in ques tion will affect their future methods of business remains to be seen in practice as time goes on. So far, beyond ceasing to be Irish institutions and coming under English control. no change appears apparent in their operations. In order to understand the nature, extent and character of the purchase negotiations, I give a detailed account of the arrangements in the case of both the Belfast and Ulster Banking Companies so that they may be thoroughly understood. I take the figures from the interesting Bankers' number of *The Statist* of July, 1918.

As the Belfast Banking Co. was founded in that city in 1827 it had consequently reached its ninetieth year of steady progress when it was absorbed in the London City and Midland Co. The preliminary negotiations for amalgamation commenced with its proposed taking of offices and opening of branches in Belfast and Dublin in order to protect what it considered its interests in important accounts it had in the Northern capital. Negotiations then commenced at close quarters, and ultimately the London Bank purchased the business of the Belfast Banking Co. It bought the 200,000 shares, and at the end of December, 1917, it was seen that 197,892 of the shares had been transferred, for which the sum of £1,225,908 had been ratified by the issue of 169,219 London City and Midland Bank shares, £2 10s. paid at a price of £7 10s. per share—the market price of the London City and Midland shares at time of purchase—and the payment of £1,765 in cash. By means of these transactions the separate corporate existence and the local name of the Belfast Bank are maintained, and the further note issue of £281,611 is retained (*Statist.* June 1, 1918).

Speaking of this event *The Statist* says that "The advent of so powerful an institution as the London City and Midland Bank into Ireland is likely to increase very materially Banking accommodation in that country, and those acquainted with the controlling Bank will be surprised if as the results of the transaction the Belfast Bank does not display greater enterprise and energy than hitherto to the ultimate advantage of the locality served. In place of a liability of £2 10s. callable and £7 10s. reserved in the case of the Belfast shares the former holders of these securities, through their present holdings of London City and Midland shares have now a liability of £2 10s. callable and £7 reserved."

Liabilities to the public at the end of 1917 amounted to £12,052,000, against which assets were held in the following proportions:—Cash in hand and at call, investments and bills of exchange, 63·8%; advances on current accounts 34·5%; advances for War Loan, 8·9%.

For the 23 years to July, 1914, dividends were, says *The Statist*, unchanged at 20% on the old shares and at 8% on the new shares, tax free in both cases. From 1914-15 onwards dividends have been 21⅓% and 8⅔% respectively, subject to tax. The sum distributed in dividend in the past three years was equal to 13·4% per annum upon the paid-up capital. The net profit earned for 1916-17 was quite unprecedented, having amounted to £91,265. In previous years, owing to depreciation in the value of investments, it had been necessary to transfer from surplus profits in excess of dividend various sums to investment account, and also to draw upon the undivided balance. No such appropriation was necessary last year, and the balance forward was restored to the pre-war level. The reserve fund for many years has remained unchanged at £450,000. The shown net profit for the year 1916-17 was equal to 18·25% on the paid-up capital, to 9·6% upon the combined capital and reserve, and to ·7% upon the total working resources.

The Terms of the Ulster Bank Amalgamation.

The Ulster Bank was the second Irish Bank to submit to amalgamation and succumb to absorption. In October of 1917 the London County and Westminster *purchased* all its shares. The authorised and issued capital of the Ulster was £3,000,000 in £15 shares, of which £500,000 or £2 10s. per share has been paid up, leaving a further liability per share of £2 10s. callable and £10 reserved. The offer of the London County and Westminster was to give two-thirds of a London County and Westminster share £5 paid and £2 10s. in cash

The following table taken from *The Statist* of June 1, 1918, will show how sound the Belfast Bank was when it was purchased by the London County and Midland and how unnecessary, on financial grounds, seemed such a proceeding :—

LIABILITIES AND ASSETS OF THE BELFAST BANKING COMPANY, LIMITED.

LIABILITIES.

—	Capital paid up	Total Capital and Reserve.		Notes in Circulation.		Deposits, &c.		Total Liabilities.
July 31	£	£	%*	£	%*	£	%*	£
1917 (Dec. 31)	500,000	950,000	—	1,866,000	—	10,186,000	—	—
1917 ...	500,000	950,000	**7·8**	1,664,591	**13·6**	9,486,449	**77·8**	12,198,467
1916 ...	500,000	950,000	**8·7**	1,378,990	**12·6**	8,530,823	**78·0**	10,932,893
1915 ...	500,000	950,000	**10·6**	986,368	**11·0**	6,976,950	**77·5**	8,994,790
1914 ...	500,000	950,000	**11·3**	656,288	**7·8**	6,663,635	**79·7**	8,364,431
1913 ...	500,000	950,000	**11·7**	631,257	**7·7**	6,463,596	**79·4**	8,138,547
1910 ...	500,000	950,000	**13·9**	543,104	**8·0**	5,251,167	**76·9**	6,825,932

ASSETS.

—	Cash in Hand, &c.		Investments.		Advances, Bills Discounted, &c.		Total Assets.
July 31 ...	£	%*	£	%*	£	%*	£
1917 ...	2,946,393	**24·1**	2,850,984	**23·4**	6,326,980	**51·9**	12,198,467
1916 ...	3,199,605	**29·3**	2,855,735	**26·1**	4,802,897	**44·0**	10,932,893
1915 ...	1,617,206	**18·0**	2,817,235	**31·3**	4,485,378	**49·9**	8,994,790
1914 ...	2,028,097	**24·2**	1,485,606	**17·8**	4,782,061	**57·2**	8,364,431
1913 ...	1,720,494	**21·1**	1,536,957	**18·9**	4,811,034	**59·1**	8,138,547
1910 ...	732,992	**10·7**	1,400,993	**20·5**	4,620,659	**67·7**	6,825,932

* Per cent. of Total Liabilities or Assets.

for each Ulster Bank share, thus involving the issue to Ulster Bank shareholders of 133,333⅓ new London County and Westminster shares of £20 each, £5 paid together with a cash payment of £500,000. Up to December of 1917 194,666 Ulster Bank shares had been exchanged under its scheme, and since then the remainder came in. The arrangement was a tempting one for the Ulster Bank shareholders, for not only did they receive a premium in respect of each share based upon the respective market value, but also participation in larger dividends, apart from such interest as might be earned on a cash bonus. The policy was the same as regards the Belfast Bank. The Ulster was to retain its name and its staff and its head office, and to retain its local directorate in Ireland, but the real guiding control was of course transferred to London. The Bank retains its power to issue notes, and in December, 1917, it had in circulation £3,569,380 or 18·1%, while in 1910 this stood at £1,042,394 or 9·8%. Its deposits rose from £8,318,552 in 1910 or 78·5% to £14,914,652 or 75·6% in 1917—its liabilities from £10,598,037 in 1910, to £19,720,594 in 1917. In its reference to the event *The Statist* of June, 1918, says. "From the point of view of the Ulster Bank and its customers the benefit of the arrangement is considerable, for in the past the directors have found their business handicapped by having foreign representatives who took only a mild interest in the Bank's affairs. In their confidence of the commercial expansion of Ireland after the war the directors allied themselves with a Bank that has powerful connections abroad, and that will enable trade between Ireland and other countries to be financed and generally facilitated." That is the best that can be said of the affair, but it is of rather doubtful value from an Irish standpoint, as it may mean that our money goes to start industries in foreign countries to the evident neglect of our own industries. But as in the case of the Belfast Bank the Ulster Bank had no reason for taking this suicidal step—suicidal in the sense of depriving itself of its power of self-management and ridding itself of its independence. It was prospering, it was well managed, it was extending its branches all over the West. In 1917 the Ulster Bank had 170 offices and by the end of 1917 the total had risen to 217. In recommending the scheme to their shareholders, the Directors of the London County and Westminster stated that they had satisfied themselves that the Ulster Bank had been managed with conspicuous prudence and ability, and occupied a position of exceptional strength throughout Ireland. "After meeting all liabilities which could be foreseen, there was ample reserves in hand, and

LIABILITIES AND ASSETS OF THE ULSTER BANK, LIMITED.

LIABILITIES.

—	Capital paid up.	Total Capital and Reserves.		Notes in Circulation.		Deposits, &c.		Total Liabilities.
	£	£	%*	£	%*	£	%*	£
1917, Dec. 31	500,000	1,200,000	**6·1**	3,569,380	**18·1**	14,914,652	**75·6**	19,720,594
1917, Aug. 31	500,000	1,200,000	**7·0**	2,883,831	**16·8**	13,052,572	**76·0**	17,172,965
1916 „	500,000	1,200,000	**7·7**	2,417,188	**15·7**	11,738,971	**76·4**	15,379,187
1915 „	500,000	1,200,000	**8·8**	1,709,803	**12·6**	10,702,063	**78·5**	13,627,302
1914 „	500,000	1,200,000	**9·5**	1,426,489	**11·3**	9,970,823	**79·1**	12,612,853
1913 „	500,000	1,200,000	**9·9**	1,221,042	**10·1**	9,684,098	**79·8**	12,131,290
1910 „	500,000	1,200,000	**11·3**	1,042,394	**9·8**	8,318,552	**78·5**	10,598,037

ASSETS.

—	Cash in Hand, &c.		Investments.		Bills, Loans and Advances.		Total Assets.
	£	%*	£	%*	£	%*	£
1917, Dec. 31	5,097,060	**25·8**	4,399,459	**22·3**	10,224,075	**51·9**	19,720,594
1917, Aug. 31	4,173,029	**24·3**	4,424,383	**25·7**	8,575,553	**50·0**	17,172,965
1916 „	3,706,924	**24·1**	4,484,752	**29·2**	7,187,511	**46·7**	15,379,187
1915 „	2,758,126	**20·2**	4,897,598	**36·0**	5,971,578	**43·8**	13,627,302
1914 „	2,563,904	**20·3**	2,883,892	**22·9**	7,165,057	**56·8**	12,612,853
1913 „	1,919,257	**15·8**	2,892,534	**23·9**	7,319,499	**60·3**	12,131,290
1910 „	1,617,327	**15·3**	2,797,132	**26·4**	6,183,578	**58·3**	10,598,037

* Per cent. of Total Liabilities or Assets.

attention may be called to the fact that in the balance sheet the Bank premises, which cost considerably over £350,000 have been written down out of profits to nil." The only other British Bank which does not include Bank premises among its shown assets, we may mention is the Bank of England.

General Remarks.

I have gone very fully into these figures to show that, as they stood, the two Banks were under no financial stress and strain to induce them to commit the happy dispatch, but that on the contrary both Banks were in a sound position capable as self-worked, independent concerns of further expansion and development. The temptation offered to the shareholders, however, was irresistible, and induced them to sacrifice any feeling of independence to profit. We, so far, have not seen any of the direct beneficial results of the amalgamation. Until matters in the commercial world and money market resume the pre-war normal conditions it is difficult to determine how amalgamation may work, but on general principles the control of the Belfast and Ulster Banks by English Banks deprives them of that useful power of independent action they possessed and subordinates necessarily their policy and action to the interests of the predominant partners. If ever, as I remarked, it comes to pass that an Irish industry happens to get into competition with an English rival in which the stronger partner is interested, the Irish industry must, according to the ordinary laws of business, suffer. How far the amalgamated Irish concerns will continue their previous separate lives as self-controlled institutions will depend on circumstances over which they will not have the least control. Some apologists of amalgamation assume that it means increased capital and credit advantages for this country, but that I must be allowed to doubt. In this connection, as I pointed out, it must never be lost sight of that it was only when the resources of the Irish Banks ran into millions, being according to the latest returns in *Thom's* Directory for 1919, in 1917 £75,991,000 on deposit, that the English Banks dreamt of coming over here. In the literally lean and hungry years from 1800 down when their presence might be useful they never crossed the Channel. English Banks, as a rule, never invested money on Irish enterprise and are not likely to do so now. No Irish industry that I know owes its inception and creation to English capital, and our industries, such as they are, are the produce of Irish enterprise and are mainly built up by the judicious enterprise of the Irish Banks and those almost uniformly well-managed institutions had succeeded in their work and had resuscitated Irish agriculture and built up trade, such as it is, despite every alien restriction. Then only when comparative prosperity comes to the Irish Banks and to Ireland we are met with English amalgamation. English mammoth Banks come over dangling their enormous resources in the eyes of the shareholders of our Irish Banks and tempting them to commit the happy despatch and submit to be swallowed up. Two of our Banks, well-managed and prosperous concerns, which intrinsically had no reason to do so, two stable institutions were induced to amalgamate with larger English Banks and cease to be Irish and independent. Let us hope the example will not spread and that our Irish Banks, so stable, sound, and popular as they are, will continue, as they commenced, Irish institutions. In saying this I am not objecting to the presence and activities of English Banks in Ireland, if they care to come here and carry on business in the ordinary way and under ordinary competitive conditions, as say, the National Bank does its business in London and elsewhere in England. That is fair trading to which no one objects, but what I object to and try in this paper to point out the dangers of, is the absorption of our Irish Banks by English Banks of relatively enormous resources.

That our Irish Banks are stable, sound, and prosperous institutions the following latest official table of their present condition and circumstances (taken from the *Dublin Gazette* of March 7th, 1919) will show :—

[TABLE

Name of Bank.	Circulation authorised by Certificate.	Average note circulation during 4 weeks ended 22nd Feb., 1919.	Average amount of Coin held during 4 weeks ended 22nd Feb., 1919.		
			GOLD.	SILVER.	TOTAL.
Bank of Ireland	3,738,428	15,647,978	12,087,606	107,136	12,194,742
The Provincial Bank of Ireland (Ltd.)	927,667	2,153,614	1,240,211	126,776	1,366,987
The Belfast Banking Co. (Ltd.) ...	281,611	2,346,231	2,098,152	124,684	2,222,836
The Northern Banking Co.(Ltd.) ...	243,440	2,388,352	2,152,093	144,973	2,297,066
The Ulster Bank (Ltd.)	311,079	4,603,729	4,275,187	160,645	4,435,832
The National Bank (Ltd.) ...	852,269	3,250,121	2,416,690	299,661	2,716,351

Currency notes deposited at the Bank of England by virtue of a Treasury minute made under The Authority of Act 4 & 5 Geo. 5, c. 14, are treated as coin held by the Bank at the head office or principal place of issue.

It is to be regretted that there is no authority in this country that, regarding this important question of amalgamation from a purely Irish standpoint, and as it affects Ireland and Irish interests, to control, will regulate and check this tendency to amalgamation with English Banks if necessary. It is one of the misfortunes of our present dependant political position that it is the interest and advantage of the predominant partner that will only be considered by the authority that tries to control the destinies of the two countries. It is evident and obvious that if such important Banking amalgamations as excite apprehension even in England, occurred in any other country circumstanced as ours is, that they would be legislatively safeguarded and watched closely. The amalgamation movement in Great Britain, resulting in immense financial combines as we have seen, is viewed with grave concern and apprehension. Our neighbours in England and Scotland naturally are getting uneasy at this consolidation of financial power, this enormous concentration of money power in one or two Boards or under one or two commanding personalities—Napoleons of Finance. The English people will unquestionably soon seek to control these mammoth monetary movements, for Democracies distrust Trusts and look with jealous eyes upon them. America successfully grappled with its Trusts, and Great Britain will not refrain from limiting their operations and restricting their powers. And if this Banking amalgamation scheme ever assume larger proportions and becomes suspiciously like a Trust it will and must be so dealt with. These giant combines having giant resources and giant power must be in the public interest kept from abusing that giant power and controlling or affecting the public credit or public interests.

As C. A. Pugsley shows in his work *Practical Politics* in America they are bound to try to prevent gigantic trusts so that no person or corporation can get money except on terms dictated by powerful magnates. "We do not want (says he) a great money power that might become a vast political power in this mighty republic." A big Money Combine acting through one or two Banks would be a serious danger in England, and *a priori* a greater peril in Ireland—the effects and consequences of which it is the object and purpose of this paper to attempt fairly and impartially to explain.