Going National

"Our Progressive Ideas"

TO A MARITIMER, STEPPING OFF THE TRAIN, MONTREAL IN 1887 WAS A CITY of expanding wealth and possibilities. It was Canada's largest city: its population, just cresting 200,000 in 1887, dwarfed Halifax's, which had not even reached 40,000. From Montreal's stations, one could board the newly completed Canadian Pacific Railway and be in Vancouver in five days or – as Edson Pease and Tom Kenny would so often do – ride the Grand Trunk to Rivière-du-Loup and there connect with the Intercolonial for all points east. To varying degrees, Ottawa, Toronto, and the emerging cities of the West all seemed caught in Montreal's web. The iron tube of the Victoria Bridge, a marvel of Victorian engineering, had conquered the St. Lawrence and given the city access to its bustling American rivals to the south, Philadelphia, Boston, and New York. In their nineteenth-century passion for anatomical metaphors, economic commentators portrayed the St. Lawrence as the pulsing commercial aorta of Canadian commerce, with Montreal as its throbbing heart. If Halifax was struggling to maintain its frail hinterland, Montreal tapped its hinterland with relative ease and profit.

Nowhere was the power of Montreal more tangibly displayed than on St. James Street, the bastion of the Anglo-Scottish entrepreneurship that had for over a century propelled the city forward. The narrowness of the street as it ran through the area just to the north of the port accentuated the seeming omnipotence of its looming commercial buildings. The grandeur and solidity of the Merchants Bank of Canada, Molsons Bank, or the Montreal City and District Savings Bank were clearly evident. Only when St. James broadened out into Place d'Armes was an ampler perspective afforded. On the south side of the square stood Notre-Dame Basilica, a Gothic Revival monument to Quebec's Catholicism. Across the square stood the equally impressive head office

Montreal's Place d'Armes, 1890. The massive pillars of the Bank of Montreal dominate the north side of the square. The original wooden dome, a victim of rot in 1859, would be replaced in 1903, giving the building a basilica-like look.

of the Bank of Montreal, a columned study in Roman Revival architecture built in the mid-1840s. Even after the rigorous Montreal winter had necessitated the removal of its wooden dome in the 1850s, the Bank of Montreal building continued to project the reassuring image of Canada's first chartered bank, an institution unlikely to be swept away by financial panic or scandal. The great banking hall inside, remodelled and expanded in 1886, reinforced the impression with its magnificent coffered ceiling and marble pillars. A half-century later, Stephen Leacock would note that visitors to the city sometimes mistakenly wandered into this temple of commerce intent on prayer. "The Bank permits it, in fact is glad," he quipped. "A thing like that is a splendid Ad."[1]

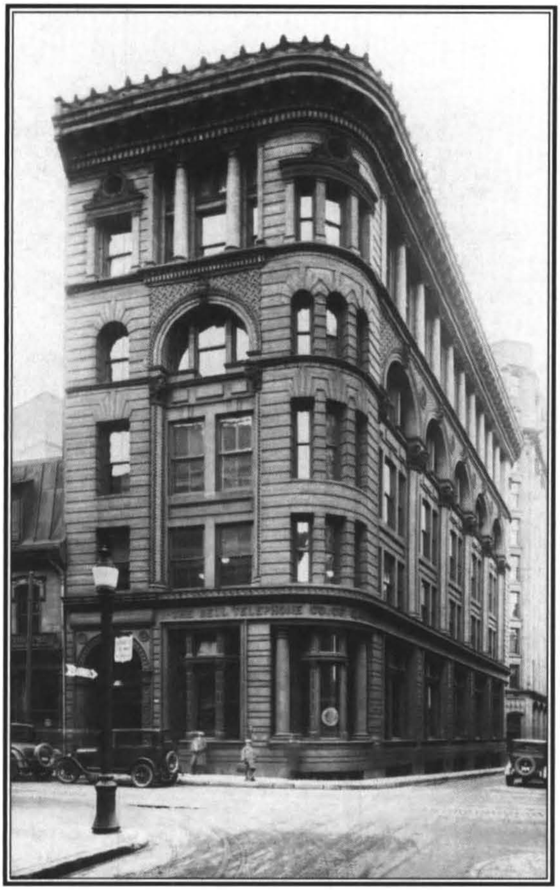
The Bank of Montreal was without dispute Canada's leading bank; many would have argued that it was *Canada's* bank. In 1880, it commanded 22.4 per cent of Canadian bank assets, as compared to the Merchants' meagre 1.5 per cent. Of the forty-five other banks in Canada, only the Bank of Commerce in Toronto in any way rivalled the Bank of Montreal. By 1890, it could claim 8.9 per cent of Canadian bank assets, less than half the Montreal bank's 18.9 per cent.[2] The Bank of Montreal enjoyed more than simple statistical pre-eminence. It acted as the federal government's fiscal agent, and its general managers had served as virtual *ex officio* finance ministers since Confederation. In a credit squeeze or when the government looked to the London bond market, it was always to the offices overlooking Place d'Armes that the finance minister directed his confidential missives. As early as 1855, the Bank of Montreal had opened an agency in New York and was soon well placed on London's Lombard Street to capture Canada's crucial overseas financial business. Its Canadian branches spread through Quebec and Ontario. With Confederation, it moved majestically into the Maritimes. No other bank could move capital about the country with the ease of the Bank of Montreal. Nowhere was this more evident than in the construction of the Canadian Pacific; the railway was by 1887 inseparably bonded to its banker in the kind of corporate account that other Canadian banks could only dream about. In 1887, Donald Smith, one of the original CPR promoters, assumed the bank's presidency, following in the footsteps of another CPR promoter, George Stephen, who had been president from 1876 to 1881.[3]

From the day Edson Pease arrived in Montreal, the Merchants' Bank of Halifax was to have an ambivalent relationship with Canada's leading bank, a relationship that mingled envy and ambition. The Bank of Montreal occupied ground that Pease quickly determined to trespass upon. If the gamble to locate a branch in Montreal was to succeed, the Merchants' would have to make substantial progress in several directions. First it would have to ensure a wider circulation for its notes; the velocity and breadth of circulation dictated a large measure of any bank's profits and commercial reputation. With its bustling trade, Montreal also offered lucrative foreign-exchange opportunities, the bank's second goal. Note circulation and exchange would both stimulate an expansion of the Merchants' network of agencies; just as it had in Halifax, agencies could be profitably grafted onto the city's trade arteries. Finally, Montreal held the prospect of a broadened loan portfolio, a chance to finance Canada's emerging industrial heartland. Surplus capital from Maritime operations might be applied to Montreal business, and new deposits won in the city could be recycled into corporate loans. Even in a growing economy, all of these goals entailed taking market share from the banks already established in the city. From the outset, Pease determined to manage his Montreal branch aggressively.

Passivity in the Montreal banking world would relegate a small Halifax bank to perpetual secondary status in the ranks of national banking. None the less, a modicum of cooperation had to be maintained with other banks; banks accepted each others' notes and drafts, and interest rates were generally set as the result of a loose consensus between the banks. Given this environment, the Bank of Montreal cast a long shadow over Pease's ambitions. As veteran employee F. T. Walker later remembered, relations with the Bank of Montreal were always "rather intricate."[4] Almost immediately, Pease found himself not on speaking terms with Vincent Meredith, accountant at the rival bank's head office. When Meredith later ascended to the presidency of the Bank of Montreal in the 1910s, it would mark the beginning of a decade of particularly icy relations with Pease's bank, which was by then challenging it for dominance. In other instances, the Halifax bank worked harmoniously, though not without a good deal of envy, with its senior rival in Montreal. After Pease's colleague William Torrance attended an Ottawa meeting of Canadian bankers hosted by the Montrealers, he grudgingly reported to Pease that: "The Bank of Montreal certainly do things up well, fancy cooking and servants from Montreal."[5]

Pease not only had the Montreal competition on his mind. He was also acutely aware that his position was tenuous in the eyes of many of the bank's Halifax directors. Kenny was behind him, but others thought Montreal a costly and dangerous departure from familiar Maritime turf. In 1891, for instance, Pease and Kenny urged the board to buy mortgage bonds of the new Montreal Board of Trade building, on the grounds that "it would be advisable to identify ourselves with the undertaking." The board minutes uncharacteristically recorded that the directors were "not quite unanimous" in supporting the initiative.[6] To counter this scepticism, Pease immediately began to agitate for a measure of independence from head office in Halifax. Montreal was deliberately styled a branch, not an agency. Soon he exercised autonomy over foreign exchange and credit approvals up to $10,000 (he had asked for $15,000), and he grew increasingly annoyed by the frequent necessity of returning to Halifax to coax the directors into supporting his central-Canadian initiatives. He shrewdly fell into the practice of waylaying President Kenny as he changed trains in Montreal on his journeys between the House of Commons and his constituency. Kenny was usually a quick convert. Less winnable was the bank's cashier, David Duncan. While Duncan saw the possibilities of Montreal, he was unwavering in reminding the directors of the importance of building up the bank's reserves and of exacting credit reviews. "I have to request," he lectured Pease in 1888, "that you will continue your cautious policy and not be anxious to do too much."[7] His advice more and more fell on deaf ears. A dynamic tension thus ran through the bank's affairs in the years down to the turn of the century, the creative conflict between the Montreal manager's eager ambitions and the caution of head office. In the end, Pease usually won out; the bank's president increasingly endorsed his agressive ways. Sydney Dobson, a young clerk in Cape Breton who would rise to the bank's presidency in the 1940s, later captured the essence of the relationship: "Mr. Pease had the vision and Mr. Kenny was the balance wheel. The two made a wonderful team."[8]

The des Seigneurs branch, opened in 1890, was the bank's first attempt to "reach out" into the Montreal market, to tap the potential of the city's industrial district. The building pictured here was built in 1894 at a cost of $58,000, and represented the bank's first real-estate investment in Montreal.



The Bell Telephone Building on Notre Dame Street West. From 1895 to 1908, the Merchants' Bank of Halifax rented space on the ground floor of this prestigious building.

In banking, location is everything and, in Montreal, Place d'Armes was *the* location. Pease initially secured rented premises for the Merchants' at 55 St. François-Xavier Street, just off the square. He installed electric light, a wire to the telegraph office, and a modern vault. For Pease, however, there was always a better location, and within a year he was angling for a spot on Place d'Armes. In 1889, he found it when the Banque d'Hochelaga vacated its premises at the corner of François-Xavier and Notre Dame. Having just visited the airy offices of several New York banks, Pease determined to make the new office "distinctly original": "I noticed in New York bank fittings in oak and plate glass, which certainly looked very striking."[9] The Merchants' would try to diminish the Stygian gloom of most bank interiors; the accountant's desk would be open to public view. To draw customers into the branch, safety-deposit boxes were offered, and, in a move that hinted at the growing importance of urban retail banking, a savings department was begun. Five years later, Pease was complaining that the office was "becoming too small" and convinced the board to rent the ground floor of the prestigious Bell Telephone Building on Notre Dame.

Pease was alive to the banking possibilities inherent in Montreal's urban growth. Noticing that the Bank of Montreal had opened a branch near the industrial plants of the Lachine Canal, Pease told the directors in Halifax they must do the same.[10] For the first time outside the Maritimes, the Merchants' bought a lot and built its own premises. The West End branch would principally collect deposits from companies and their workers; to ensure this, Pease hired the bank's first French-Canadian employee, François-Xavier Leduc, as teller. A francophone, he told Halifax, was "absolutely necessary." In 1894, Pease drew the board's attention to Côte St. Antoine, "a progressive suburb of Montreal," where members of the affluent Anglo middle class were building homes. When the Montreal manager reported that he had secured the municipal account for the district, a sub-branch was opened in what was soon to become the Town of Westmount.

Branches planted the flag; accounts made the profits. To put Merchants' notes into Montreal circulation, Pease negotiated agreements with the Merchants Bank of Canada and Molsons Bank for the reciprocal acceptance of each other's notes at par. Without such agreements, other banks would charge a commission on all "sundry" notes presented to them, and customers would consequently spurn such notes. In 1889, a similar deal was struck with the Bank of British Columbia, providing an early intimation of Pease's continental aspirations. Parallel to these arrangements, Pease moved to invigorate the Merchants' offshore reciprocal agreements. He negotiated a comprehensive pact with the Chase National Bank in New York and entrusted the bank's affairs in London to the redoubtable Bank of Scotland. To ensure that the Merchants' new-found respectability was broadly appreciated, Pease began cultivating the press. Tombstone advertisements were placed in the *Monetary Times* and the *Journal of Commerce*, and Pease sought out personal interviews with their editors. Not by coincidence did the Merchants' quickly acquire the account of Hugh Graham, the aggressive proprietor of the mass-circulation Montreal *Star*, whom Pease had assiduously cultivated. All this struck Halifax head office as unbankerly; the press were scoundrels, and it was unseemly for banks to advertise. "The board are anxious to know," Duncan wrote tongue-in-cheek, after one Montreal paper disparaged the young Halifax bank, "if when you interviewed the Editor, a revolver was within reach and open to his view."[11] Pease persisted.

At the fulcrum of Pease's assault on Montreal was his concerted attempt to win corporate clients. Since the 1840s, Montreal had been the seat of Canada's "industrial revolution." Ease of transportation and British North America's most concentrated market had fostered industrial growth along the banks of the Lachine Canal, growth now accelerating under the impetus of the protectionist National Policy. Within weeks of arriving in the city, Pease had subscribed to the Bradstreet credit-rating service and was soon knocking on business doors. He could not hope to dominate any one company's financial needs, but he could aim for a portion. Two early conquests were Lyman Sons & Co., a wholesale chemical and drug producer, and the Pillow Hersey Manufacturing Co., a metal-working enterprise. On August 22, 1887, for instance, the board approved a $25,000 loan at 5½ per cent to cover part of Pillow Hersey's payroll. Other accounts followed: St. Lawrence Sugar Refining, Montreal Blanket, Frothingham & Workman, Drummond McCall, Dominion Cotton, Bell Telephone, and Belding Paul & Co. Pease was seldom content to let an account sleep. By 1895, for instance, he had convinced Pillow Hersey, a long-time Commerce client, to bring its entire account to the Merchants' in return for a $225,000 line of credit. Operating loans to industry led naturally to industrial promotion, and Pease was soon providing call loans to such prominent Montreal stockbrokers as L. J. Forget and the Hanson Brothers, both principally interested in utilities investment. As if to

The bustle of St. James Street, 1896. Again, the columns of the Bank of Montreal dominate the view. If Canada had a bankers' row, this was it. In 1908, the Royal would situate its new Montreal Head Office at 147 St. James (just to the left of the streetcar).

complement these, Pease arranged the listing of Merchants' shares on the Montreal Stock Exchange in 1893. Pease found another urban lending frontier in the retail industry, making loans to the proprietors of emerging department stores such as Henry Morgan & Co. and Robert Simpson & Co.

Pease could not do it all alone. Such heated expansion required experienced bankers. Cashier Duncan in Halifax was competent but unadventurous; Pease valued his friendship, but realized new blood was needed to sustain his Montreal effort. Just as he poached accounts from other banks, Pease recruited "his" men from competitors. Over the years, more than any other bank, the Toronto-based Commerce was to lend men and ideas to the Merchants'. It had trained Pease himself, and from it emerged William Torrance in 1887 as Pease's replacement as accountant in Halifax. In the same year, the Merchants' also snapped up William Botsford, an accountant from the bankrupt Maritime Bank, and A. E. Brock from the Eastern Townships Bank. Appointed accountant in Montreal, Brock quickly became Pease's trusted lieutenant. Pease also invigorated the all-important inspectors' position, hiring W. F. Brock and an aggressive, young Bankers' Association prize-winner, D. M. Stewart, away from the Commerce in the 1890s to head the Merchants' inspectorate. With such talent at his disposal, Pease revamped bank procedures along systematic lines. For instance, a standardized credit-approval letter – later dubbed Form 199 – was developed to hasten the granting of loans.[12] Pumped through the bank by a growing tide of circular letters, standardized methods meant that the bank was now dispensing the same standard of service in its Sydney branch as it was in West End Montreal. The level of managerial discretion might be lifted or lowered, but the net effect was that the bank was building a system in which both methods and men were interchangeable.

Beyond its own reforms, the Merchants' participated in the general advance of Canadian banking towards increased commonality. One of the aggravations of mid-nineteenth-century banking was the slowness with which settlement was made between banks. Money drafts, commercial cheques, and bills had to be laboriously sorted and delivered to designated banks for payment. This "peddling" of drafts, usually delegated to a junior, slowed the financial pulse of all the businesses and banks involved. In 1887, Halifax bankers discussed establishing a "clearing" house "for the purpose of effecting a more perfect and satisfactory settlement of daily balances between them."[13] In operation early in 1888, the Halifax clearing house was little more than a room full of wickets, at which clerks deposited and received notes and bills in their own bank's name at a daily clearing. Within a year, the idea had spread to Montreal, where Pease joined six other Montreal banks in establishing a clearing house that opened in January 1889.[14] As Canadian banking spread across the nation, the clearing-house system spread with it, opening in key regional centres such as Winnipeg and Vancouver, ultimately permitting Canadians to become a nation of cheque-writers.

The clearing houses were indicative of the relatively smooth evolution of Canadian banking in general in these years. The generous structure of the original 1870-71 Bank Act proved ample to accommodate the pressures of national financial growth. The Bank Act revisions of 1880, 1890, and 1900 can best be described as mere tinkering. The capital stock obligations of would-be banks were, for instance, stiffened in 1880; the use of bills of lading and warehouse receipts as a surety for loans was broadened in 1890 to encompass new, growing areas of the economy.[15] Pragmatic reform of the legislative constraints on Canadian banking was from the outset the product of the informal, consensual relationship of Canadian bankers and politicians. At the first revision in 1880, Finance Minister Sir Leonard Tilley urged the bankers to form a common front and to present him with "some plan mutually advantageous to the Government and the Banks."[16] So workable was this consensus that, in 1891, the bankers formed a voluntary association to embody it, the Canadian Bankers' Association. Chartered in 1900, the Association was empowered to provide educational services, to operate the clearing houses, and, if a bank went into liquidation, to appoint a curator to administer its affairs. The Merchants' was a willing participant in these developments, joining the CBA in early 1892 for a fee of $120 a year.

Only one issue jeopardized the ability of bankers and politicians to regulate the banking industry: public trust in the integrity of the system. As the disquieting news of widespread bank failures in America and Australia in the early 1890s mixed with Canadian memories of isolated failures in the 1880s, Canadians began to demand more stringent inspection of their banks. In 1900, banks were obliged to pay 5 per cent of their circulation into a government-administered Bank Circulation Redemption Fund. If a bank failed, its notes would be redeemed out of the Fund. Several spectacular Canadian bank "smashes" in the first decade of the new century would revive the agitation for government inspection. The Merchants', which was not immune to improprieties in these years, felt this pressure to the point that, by 1910, Edson Pease, who emphatically shared the industry's aversion to government intrusion into its affairs, was prepared to countenance an audit of bank affairs by shareholder-appointed accountants.[17] Moved by much the same desire to court public confidence, the directors had worked almost compulsively to build up the bank's rest account as a measure of insurance against any reoccurrence of such embarrassments as the steel and sugar troubles of the 1880s. By the turn of the century, the *Monetary Times* noted that the bank's annual report afforded evidence – another $100,000 transferred from earnings to reserves – that ought "to prove satisfactory to shareholders."[18] In 1905, the bank's reserve for the first time exceeded its paid-up capital.

The *Monetary Times* was not alone in noticing the Merchants' ascendancy on the Canadian financial scene. Pease's aggressive management of the Montreal branch brought the bank widespread recognition. A young clerk, Robert McCormick, stationed in Montreal by the Ontario Bank in 1900, recalled that he had grown bored by his assignment and, hearing that the Merchants' was "an up-and-coming" bank, successfully sought employment there. McCormick sensed that Pease's bank offered a more dynamic future; it did indeed, as young McCormick was soon despatched to pioneer the bank's presence in the Ottawa Valley.[19] The Ontario Bank collapsed in 1906.

Clerks were not the only competing bankers to notice the Merchants' in Montreal. In his determination to make a market for his bank in the city, Pease quickly came into conflict with the established banking community. In many eyes, he appeared a bumptious upstart intent on poaching customers and cutting corners. The first bone of contention was the note-exchange agreement with the Merchants Bank of Canada. Almost immediately, Pease felt constrained by the agreement, believing that it would condemn his bank to a perpetual secondary status in Montreal banking. A constant theme in Pease's letters to George Hague, general manager of the Merchants Bank of Canada was that the Merchants' of Halifax would not "belittle ourselves."[20] Pease wanted equal status in note exchange. For his part, Hague and his Montreal manager Charles Meredith began to suspect that Pease was luring their customers away by offering "low and absurd" borrowing rates.[21] Sensing that this in fact was Pease's intent, David Duncan in Halifax characteristically counselled caution: "better have one friend among the large Banks. There is a large field, try the customers of the other Banks if you want to fight. No doubt the names [of clients] you mention are very desirable, but this only tends to increase Meredith's anger against you."[22] Montreal soon proved a lucrative hunting ground for Pease. As early as January 1888 he reported winning the dry-goods account of Hodgson, Summer & Co. As Pease happily reported: "The Bank of Commerce looked upon this account as the best one they had and greatly regretted the loss of it."[23]

Pease thus acquired a deserved reputation as a wily operator in the otherwise gentlemanly world of Montreal banking. He once said of his

William Notman's Montreal studio proved just as popular with Royal Bankers as had his Halifax studio. Given that many of those associated with the Royal Bank in its early Montreal years were newcomers to the city's business and society, a Notman portrait was one small way of establishing one's prestige. Seen here is a pensive Edson Pease in 1909.

tactics against the competition, "I think it better to go quietly along, and hit them a dig when they least expect it."[24] This reputation was doubtless reinforced by the fact that Charles Meredith was the brother of Vincent Meredith of the Bank of Montreal, "who has some grounds to complain and doubtless they talk me over."[25] Whatever the gossip, the Halifax bank that had asserted itself onto the Montreal banking stage in the 1890s acquired a spirit of aggressive self-confidence that would soon carry it into the Canadian West and south into the Caribbean. "I hear that we are the subject of comment among the Bankers West, who all predict that we will suffer yet from our progressive ideas," Superintendent of Branches Torrance wrote to Pease in Vancouver in 1900. "I think we can show them that we are able to take care of ourselves."[26]

Pease's impatience with the established rules of banking was further reflected in his perception of French-Canadian bankers. Institutions such as the Banque d'Hochelaga and the Banque Jacques-Cartier had displayed considerable enterprise in serving francophone clients, but were beginning to face the limitations of a growth predicated on one ethnic group rooted in one region.[27] In Pease's opinion, they, like Maritime banks, had to broaden their affairs in order to survive. When the French banks refused this course, choosing instead to cater exclusively to francophone clients, Pease grew exasperated. He often remarked on their "peculiar character" and his belief that they were "incompetently managed."[28] Not surprisingly, it was an ailing branch of the Jacques-Cartier in Ottawa that Pease bought in 1899 to give the Merchants' its beachhead in Ontario. From the outset, therefore, the Merchants' conceived of its culture and its clientele in Anglo-Canadian terms. It had come to Montreal to tap into Anglo commerce; it was pleased to have the patronage of the city's francophone working class and capitalists like Louis Forget, but it resigned any ambition of moving into the Quebec hinterland. A few sporadic attempts all met with failure. A branch was briefly operated in the English farming town of Ormstown in the 1890s, but branches were not opened in Quebec City and Joliette until 1909. A branch in the tobacco district of L'Epiphanie was unsuccessfully attempted just before the Great War.

Given Pease's thrusting ambitions, it was clear by the late 1890s that his "vision" of the bank's future was beginning to overwhelm President Kenny's "balance wheel." Despite the tension, the relationship of president and Montreal manager proved remarkably productive; each left a lasting stamp on the ethos of the bank. Kenny was universally remembered by Merchants' employees for his avuncular concern for the welfare of the bank's employees. He made a practice of regularly visiting each of the bank's branches, moving behind the counter and chatting with young clerks. In the tight social world of the Maritimes, Kenny could put names, families, and towns together *and* remember them. "This made quite an impression on my mind," a junior from Guysborough remembered of a 1905 Kenny visit, "he was a hearty, genial man with nothing the least 'high hat' about him, and I liked his friendly and informal gesture. It was perhaps my first lesson on the development of *esprit de corps*."[29] Similarly, the assistant manager in Halifax in 1903 remembered Kenny as "a suave old Irishman," who "when he spotted a new face he would come to me for biographical information, and then welcome the newcomer to Halifax as though the future of the branch was now assured."[30] However paternalistic it may now seem, Kenny's insistence on the bank as a "family" of Maritime "boys" outlasted his tenure as president. Loyalty to the organization and a *noblesse oblige* on the part of senior management stayed with the Merchants' long after it spread out from the Maritimes.

Beyond the bank, Thomas Kenny played out his Maritime role as Conservative MP for Halifax, where he continued to be a champion of Macdonald's vision of Canada. He repeatedly sought federal assistance for Haligonian ambitions: steamship subsidies, patronage appointments, and railway grants. In 1891, he fought the Liberal heresy of free trade with the United States. He became by 1896 "the old war horse of Halifax."[31] Political life did not, however, sit well with Kenny. Politics, he told Sir John, were a "luxury" which an "ordinary businessman" could not afford.[32] After Macdonald's death, Kenny became embroiled in the disintegration of federal Conservatism. In December of 1892, his close friend John Thompson won the premiership, only to succumb to a heart attack; another friend, Charles Tupper, fought valiantly but in vain to stem the tide of Laurier Liberalism in 1896. Kenny, it was rumoured, turned down a cabinet post in the midst of this imbroglio. His stature in the eyes of Haligonians throughout these years diminished; for some, he had done too little to arrest local economic decline, and for others, particularly Protestants, his defence of the education rights of Manitoba Catholics made him no longer acceptable. In the election of 1896, the loss of his seat was at least tempered by the knowledge that Robert Borden, a Halifax Tory lawyer, had won. Borden had done legal work for the bank and held some of its shares.

For all his geniality, Kenny increasingly represented a beleaguered Maritime vision. With the advent of the Laurier boom in the late 1890s, the Maritime economy began shrinking in relation to the national economy as a whole. This was no sudden collapse; the Merchants' continued to hold a strong portfolio of Maritime accounts:

companies like the Rhodes, Curry engineering works in Amherst, Dominion Iron and Steel of Cape Breton, and the People's Heat and Light of Halifax commanded generous lines of credit. The appearance of Montreal and Toronto and even foreign names in the promotional lists of these concerns indicated, however, that Atlantic capital and entrepreneurship was becoming stretched. Companies lacking access to national markets and capital were condemned to live according to the whims of the regional economy. In 1904, this was rudely brought to Haligonians' attention by the failure of the venerable Kenny family firm. Although Tom had handed the firm over to a son in 1893, the blow was still sharp. It was the result, the *Monetary Times* concluded, not of any failure of business skill, but of "a number of losses and disappointments" unexpectedly dealt by the local economy.[33]

The shores of the St. Lawrence, not the Halifax waterfront, shaped Edson Pease's world view. The Pease family home at Coteau Landing, just west of Montreal, was a stone's throw from the river. Here Edson had been born in 1856, the son of a successful dry-goods merchant whose business had flourished since his coming to Canada in 1823 from Massachusetts. Pease's Wharf became the commercial focal point of the town. Donald Creighton, the first, great historian of the "commercial empire" of the St. Lawrence, eloquently argued that the great river seduced those who saw its shores; it drew them inland into transcontinental endeavours. Creighton saw this in Macdonald of Kingston; the bank historian can see it in Pease of Coteau Landing. As the twelfth of fourteen children, Edson could have entertained no hope of taking over the family business; his brother Charles was already assuming the reins. Pease would find his career up the St. Lawrence.

Pease found a model for his ambitions in his childhood friend Charles Rudolph Hosmer. Five years Pease's senior, "Charley" was the son of Coteau Landing's carriage-maker, who had left the town for a career, not on the river, but beside it, working as a telegrapher for the railway. Business historian Alfred Chandler has argued that the railways were America's "first modern business," requiring engineering and managerial precision to build and operate. Their promotion was predicated on broad strategic vision, since they transcended regions, reshaping markets and building economic interdependence. Whole sections of the industrial economy – notably iron and steel – became organized for and by the railways. The telegraph was the natural concomitant of the railway; precision and velocity in railway management demanded fast, timely information.[34] Together, trains and telegraphs opened commercial vistas as no other technology had done before and, in Canada's case, made political union a practicality. C. R. Hosmer's career and subsequent wealth graphically proved the case.

Charles R. Hosmer in 1897, also photographed in the Montreal Notman studio.

"Charley" Hosmer first put his finger to a telegraph key at age fourteen. He followed the wires out of Coteau, joined the Grand Trunk Railway, and was, within six years, managing the Kingston office of the Dominion Telegraph Company. A stint in Buffalo brought further promotion and a return to Montreal in 1881 as the president of the Canadian Mutual Telegraph Company. The builders of the Canadian Pacific, realizing the crucial importance of telegraphy to the efficient movement of freight, sought out Hosmer in 1886 to head their telegraph system. There Hosmer remained until 1899, growing influential and rich. His influence stemmed from his friendship with railway moguls William Van Horne and Thomas Shaughnessy, who in turn opened for him the doors of Montreal commerce, not the least of which were those of the Bank of Montreal. Hosmer's wealth flowed from a generous salary and his ability to capitalize on the business opportunities at the other end of the telegraph wire. Those erecting a telegraph system usually had the first whiff of potential on the frontier. Hosmer's Montreal central telegraph office, "that bee-hive of industry,"[35] stood at the crossroads of Canadian commercial intelligence. When the CPR pushed a branch line into the British Columbia interior in the 1890s,[36] Hosmer was quick to draw the attention of Montreal financiers to the area's mineral bounty.*

* A small B.C. town on the CPR line bears Hosmer's name.

A brilliant manager and a prescient promoter, Hosmer was also a debonair member of Montreal society. Witty, affluent, and well-travelled, he was a model of self-made prosperity. He represented a new type of Montreal wealth, generated not by the old staple trades but by new technologies and new hinterlands. He seemed to possess a Midas touch. Dinner invitations to the Hosmer home were enviously regarded. Away from home, Hosmer found himself much courted. Edward, Prince of Wales, soon learned to share his epicurean instincts with the Canadian telegrapher. When, in the fall of 1887, Edson Pease began making his presence known in Montreal as the manager of an obscure Halifax bank, it was not long before he found himself at the dinner table of his old boyhood friend and inspiration, Charley Hosmer.[37] There, over chitchat and boasting of transcontinental enterprise, Pease was soon socializing with the likes of Van Horne and Shaughnessy, and, through them, with a young railway contractor by the name of Herbert Holt.

Like his mentor, Pease had been carried out of Coteau Landing by the telegraph. Leaving school at fourteen, he had worked as a telegraph operator in Ogdensburg, New York, before joining the Bank of Commerce in Montreal as a junior in April 1875.[38] Canada's evolving branch-banking system shared telegraphy's sense of national vista, and Pease bridged the two.[39] When the directors of the Merchants' hired Pease as an accountant in 1883, they undoubtedly saw in him the talents of a trained, Upper Canadian banker who would help to preclude any repetition of the Maclean scandal. What they probably did not detect was Pease's continental vision, bred by exposure to the St. Lawrence and the telegraph, an impatience to get to the centre of the continent. The oceanic perspective bred in the Halifax directors was by no means irrelevant to Pease; the Maritimes were a foundation for growth, which had historically turned towards international expansion into the Caribbean and Europe. But Pease was initially a continentalist. As early as 1890, Charley Hosmer was supplying his friend with passes to ride the CPR to the West.[40] "A good many of our banks are opening up in the growing towns of Manitoba and the NWT," the Montreal manager reported to President Kenny. "From what I can learn Banking operations have been very satisfactory in these smaller places. Certainly they offer a good field for circulation."[41] The problem was choosing *which* "smaller places."

Throughout the late 1880s and early 1890s, Pease and the often-sceptical board agonized over what Halifax accountant Torrance described as "the burning question of going West."[42] There was much to cloud the strategic vision of the executive. Canada was still locked in economic recession; immigration to the West was still a trickle, and low commodity prices stunted Prairie agriculture. Even the mighty CPR had to labour to meet the expectations of its backers. Where could the Merchants' safely plant its flag? Ontario with its growing industrial strength clearly beckoned, but there, competition with well-established banks would be stiff. Perhaps the American mid-West provided a better future? Just as the Montreal railways tried to siphon off American trade, so too would Montreal-based banks seek out trade financing in Chicago. The competition had also to be considered. The Merchants' had, in the words of Thomas Fyshe, the cashier of the Bank of Nova Scotia, "stolen a march" on its Halifax rival by opening in Montreal, although Fyshe hastily opened a Montreal agency in 1888.[43] The Scotia had, however, leapfrogged over the competition by opening in Minneapolis in 1884 and would position itself to capitalize on the Chicago World Exposition by opening there in 1892. Finding virgin, but promising, territory would be difficult.

In the fall of 1888, David Duncan toured the American mid-West and reported good prospects for loans. Money was subsequently lent in Minneapolis, but no agency was established. Pease, somewhat uncharacteristically, preached caution. Any increase in the bank's note circulation in these regions meant an expansion of its capital base and a possible crimping of funds available for the all-important Montreal market. "I believe rather," he told Kenny, "in paying moderate dividends and increasing our reserve fund. It is a dangerous time when money is plentiful as at present – speculation is rife."[44] Pease did, however, shrewdly recognize that good money *was* to be made in the United States by investing the bank's reserves in American railway bonds. Throughout the 1890s, bond accounts were maintained at the Chase National and Bank of Scotland so that, by 1899, the bank's holding in bonds such as the Montana Central and the Chesapeake and Ohio totalled well over a million dollars.[45] None the less, the bankers were aware that any attempt to establish an actual presence in the United States would encounter a thicket of state bank regulations. When a New York agency was eventually established in 1899, it was intended to service the Merchants' sortie into Cuba, not its continental ambitions.

Thus, the building up of Montreal business as a platform for further growth dominated the bank's energies in the early 1890s. Elsewhere, a stand-pat policy was pursued. Few new branches were opened. Kenny lectured the shareholders each year about "the continuous commercial depression." A keen eye was kept on Toronto, but no choice location presented itself. Elsewhere, opportunity presented by the spectacular collapse of the Commercial Bank of Newfoundland and the Union Bank of Newfoundland diverted the bank's attention temporarily eastwards. With the commerce of the colony in financial paralysis, the Merchants' joined with the Bank of Nova Scotia and the Bank of Montreal in a rescue mission which saw the Merchants' open in St. John's in early 1895, where it quickly acquired the account of a prominent St. John's trader, Bowring Brothers. Not until the summer of 1897 did Pease finally make his move in the West and, not surprisingly, he made it in the company of Charley Hosmer.

The election of the Laurier Liberals in 1896 coincided with the first inkling of an economic upturn in the Canadian economy: "1897 showed a marked improvement in the business of the western portion of the Dominion," Kenny told the shareholders early in 1898, "due to good crops and good prices in the Province of Ontario and Manitoba and the North West Territories, also to the development of the mineral wealth of British Columbia."[46] The breadth of the upturn prompted Pease to declare his strategy: instead of trying to occupy the middle ground of the Prairies, the Merchants' would vault to the Pacific coast and establish itself in British Columbia's booming mineral economy. From Hosmer, Pease learned of feverish mining activity in the B.C. interior, where mines with bullish names such as War Eagle and Silver King tapped the copper, gold, silver, and lead veins below boom towns like Rossland and Nelson. In July 1897, Pease "strongly recommended the Board to open in British Columbia, especially in Rossland, Nelson and Vancouver." Ever cautious, the directors instructed Pease to revisit the land of his enthusiasm and to open branches only if he remained convinced of its potential.

Picking up Martin Dickie from Truro branch and Hosmer in Montreal, Pease hurried west. In staccato fashion, branches were opened in Rossland, Nelson, Vancouver, Victoria, and Nanaimo. Staff was rapidly deployed westward; young clerks and tellers were offered handsome increases – $300 on a $600 teller's salary – to accept marching orders to towns many of them had never heard of. The bank's senior inspector, William Botsford, was pressed into service as Vancouver manager. A young Fredericton lad, Charlie Neill, was shipped out to act as accountant. A lot was bought in Rossland, and premises were rented on Hastings Street in Vancouver. Throughout 1898, Pease kept up the pace; new frontier branches were opened at Atlin, Grand Forks, Bennett Lake, and Ymir. In anticipation of the spring rush to the mines, branches were hastily thrown open in midwinter. To establish in Atlin in the northern interior, a four-and-a-half-ton safe was hauled by horse and pulleys through the mountain pass from Skagway.[47] In 1899, a branch was established in Republic, Washington, where Montreal mining interests had investments and where the Merchants' saw an opportunity to profit from foreign

Vancouver branch staff portrait, 1904. The woman in this branch portrait may be Jennie Moore, who was probably the first woman employed by the bank. Hired in 1902 to replace a male stenographer, Moore was typical of the bank's early female employees; until the First World War women were assigned to behind-the-scenes roles such as stenographers or clerks.

exchange. When the Vancouver East End branch opened in 1898, the Merchants' became the only bank to have two branches in the same city west of Toronto. The surge into British Columbia was not without setbacks: Ymir and Atlin were both closed in 1900, Republic in 1904. None the less, by 1908 the bank had twenty-one branches in British Columbia. It soon became a tradition for two or three of the Halifax directors to troop westward each summer, hosted by the aging Kenny, to inspect the little empire that Pease had made for them on the Pacific. The high point of such tours was a trip in the "tub" down to the three-hundred-foot level of the War Eagle mine. Many Merchants' directors and officers bought shares in such mines, often regretting their investment as these speculative stocks fluctuated wildly in value.[48]

Pease sensed that the key to successful expansion lay in growth balanced between areas which saved and areas which borrowed. Surplus capital from savings on which the bank paid 3 per cent could be transferred to regions hungry for capital and lent for 6 to 7 per cent, not only enhancing profits but, more importantly, building up

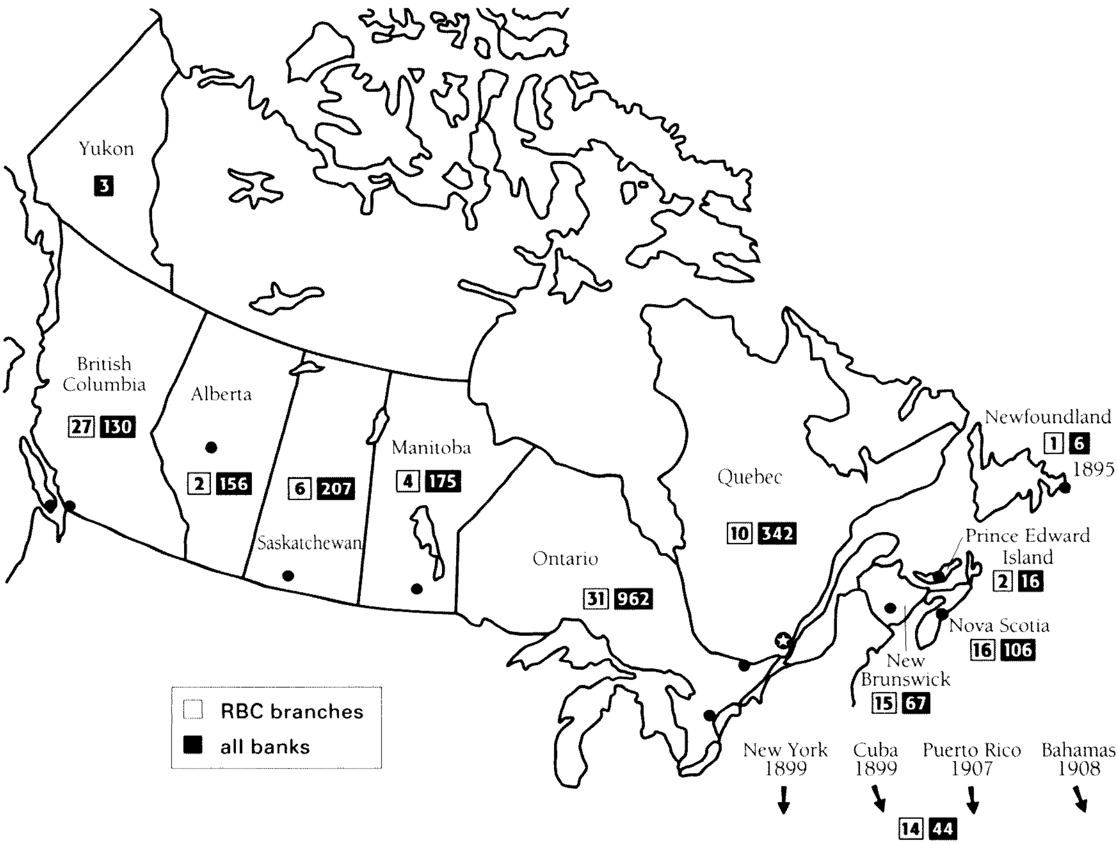
Opened in 1909, the Gowganda, Ontario, branch was typical of banking on the frontier. Hastily established, often poorly equipped, and staffed by recruits hurriedly trained in Montreal, these branches gave the Royal a presence in communities with growth potential.

clientele. This arithmetic underlay the commonly expressed theory of Canadian branch banking: "this involves," CBA president Byron Walker of the Commerce had noted, "the savings of one slow growing community being applied to another community where the enterprise is out of proportion to the money at command in the locality."[49] Given the consolidated manner in which the bank reported its financial operations to shareholders, it is difficult to dissect exactly how this formula was applied. It is clear, however, that in these turn-of-the-century years of expansion the Maritimes and British Columbia were supplying capital to the bank's Montreal operations. A detailed profit-and-loss statement that survives from the first six months of 1902 shows the two Montreal branches dominating the bank's loans with advances of $4,596,594. Montreal loans, it should be noted, were often applied to "national" purposes and were not strictly regional. Halifax and Truro only distantly rivalled Montreal in advances. Both the Maritime and British Columbia branches contributed surplus savings to the Montreal operations. "Montreal Branch seems to gobble up all we can lay our hands on," Torrance boasted in 1900.[50] The spread between Montreal's $6.2 million in advances – lent at 6 per cent – and $3.2 million in deposits – taken in at 3 per cent – was made up by a $3-million injection of head-office funds. Not surprisingly, the bank's most profitable branches were: Montreal, contributing $73,179 of the bank's six-month profit of $164,876; Halifax, producing $22,247; and Truro with profits of $13,706. New York agency reported profits, but derived them from different activities. Most rural branches in the Maritimes and British Columbia ran small operational deficits.[51]

The success of cross-subsidization within the bank's now quasi-national branch system made a move across the Ontario border increasingly attractive and imperative. The ailing branch of the Banque Jacques-Cartier in Ottawa was bought in 1899, but the real sally into Ontario came in February 1903, when a Toronto branch was opened in leased premises at Yonge and Wellington streets. Pease then turned his attention to building up a rural, small-town presence in the province. Here the competition was stiff and often ugly. The bank's aggressive reputation usually preceded it. A branch opened in Arthur, outside Toronto, in 1906 ran headlong into determined opposition from the established Traders Bank branch. Hostilities broke out when a Traders teller began defacing the newcomer's notes, while his manager invited wavering customers into a local hotel and "after partaking of refreshments advanced the following arguments, we two go to the same church, we are hail fellows well met, and a long harangue of that kind." Pease's complaint about such tactics brought an apology from the Traders head office in Toronto for such "boyish nonsense."[52] However, in reality, there was only enough business in such small towns for one bank. Three years later, Pease would take over the Traders and close its Arthur branch. Similarly, branches were thrown open along Ontario's mining frontier. In 1906, W. A. Wheaton was despatched to the silver-boom town of Cobalt, where he nailed a board across two stumps and did business with cash stuffed in one pocket and a revolver in the other.[53] By 1908, the bank had twenty-five Ontario branches.

The Prairies represented the last frontier of Canadian banking. With the creation of the provinces of Alberta and Saskatchewan in 1905 and a growing tide of immigrants, eastern bankers from Montreal and Toronto flooded onto the western plains. The construction of two new transcontinental railways largely dictated banking's advance, with branches sprouting up at the "end of steel." From the outset, the West created special demands on banking. Unlike British Columbia with its instant mineral wealth, the Prairies would be capital-dependent from the outset. A bank loan was as necessary for start-up farming as was seed. Like fishing in the east, farming also exerted peculiar seasonal pressures on the financial system. Loan demand peaked in the spring, and demand for currency to buy and move the crop peaked in the fall.

ROYAL BANK OF CANADA: BRANCHES, 1909



Figures for end of 1909

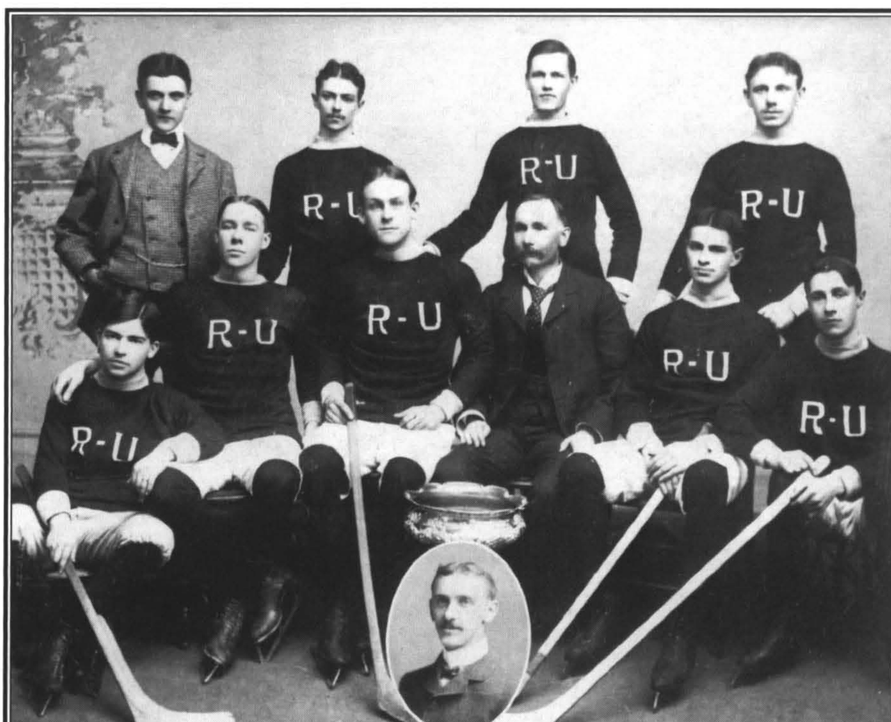
	RBC	All Canadian banks
Canada	113	2,164
Newfoundland	1	6
New York	1	44
Caribbean	13	
Total	128	2,214

To accommodate the autumn surge in circulation, the Bank Act was amended in 1908 – after consultation with the CBA – to allow banks to increase note circulation in "crop-moving" season to 115 per cent of their capital base. Once again, the Canadian banking system had shown its malleability. Western towns clamoured for the opening of a bank branch on their main street and farmers bet their fledgling homesteads on the ability of rising grain prices to service their debts.[54] Pease did not join the headlong rush onto the Prairies; he lacked the manpower and capital resources to plunge westwards. Branches were none the less opened at strategic points such as Winnipeg in 1906 and Regina and Calgary in 1907. By 1908, the bank had a branch in every provincial capital.

Turn-of-the-century expansion had attenuated the Merchants' Bank in both style and management. By 1908, it had 93 branches and a staff of over 800. Although there was a distinct Maritime flavour to its corporate culture – Nova Scotia "lads" pervaded the branch system – Halifax was becoming less pivotal to the system's functioning. Pease was the dynamic force in the bank and he resided in Montreal. His letters in the late 1890s betray an increasing annoyance with the bothersome trips up the Intercolonial to inform and cajole the Halifax directors. David Duncan, who as cashier was nominally "in charge" of the bank, was aging and in poor health. Kenny had retreated from Ottawa politics; he lost by twelve votes in a bid for re-election in the 1900 federal election. Impatient with the *status quo*, Pease agitated for and got a change. Shareholders were informed at the annual meeting in February 1899 that the head office was to be "reorganized." Duncan and Pease were to become joint general managers of the bank; the quaint Scottish title of cashier was retired. Duncan would oversee the business of head office and the Maritime branches; Pease would have sway over the western and Montreal branches, as well as the growing Cuban business. William Torrance, a Pease man, would become superintendent of branches. Duncan's reduced grip on control was frail; he was to retire at the end of the year – on a $4,000 pension – after which Pease would reign supreme as general manager.

To consolidate his gain, Pease immediately "suggested" to the board that the addition of three or four Montreal directors be considered to act as an advisory committee. Pease was empowered to consult Hosmer on the matter. To bolster his forces in Montreal, Pease then won approval to hire D. M. Stewart away from the Commerce to serve as Montreal inspector.[55] Attesting to this new authority, rumours swirled through the financial press through the summer that Pease was being wooed by an American syndicate to head a new bank in London, the American Bank of London. Pease even boldly took the proposition to the Merchants' board. Nothing came of the proposal except that it enhanced Pease's image as a forceful, "progressive" banker.[56] His power now assured, Pease moved from structure to style. It is clear that Pease and the Montreal staff found the bank's name with its distinct regional affiliation a burden. With branches now as widespread as Victoria and Havana, the bank's apparent regional identity clashed with its growing national and international aspirations. Pease knew that, with a board dominated by Halifax "nationalists" and a shareholders' list heavy with old Nova Scotia names, any consideration of a name change would have to be broached with the utmost delicacy. In this decisive moment, T. E. Kenny did not desert either the national perspective he had adopted in the 1870s nor the man he had hired in 1883 as bank accountant; the bank's name would change. It was, Pease would later recall, "a question with him of dividends versus sentiment."[57]

Two days before the end of the century, the board decided to instruct its solicitor "to take the necessary steps to change the name



The Royal-Union Bank of Canada Hockey Team, 1901. The Bank Hockey League in Montreal provided semi-professional hockey which was avidly watched by large crowds. As two smaller "out-of-town" banks, the Royal and Union combined their athletic juniors in a single team. In March 1901 – just two months after changing its name to Royal – the bank's team won the league championship, defeating the Bank of Montreal, 3-2.

D.M. Stewart in 1906, photographed by the Notman studio in Montreal.

of the Bank to The Royal Bank of Canada." Newspaper notices announced the board's intention of altering the act of incorporation, which caused a "great deal of adverse criticism in the Maritime Provinces."[58] At the annual meeting on February 14, 1900, it fell to Kenny, long practised in the art of persuasive speechmaking, to convince the shareholders of the wisdom of the name change. With forty-two branches scattered across the continent, the bank's "changed circumstances" demanded "a title distinctive and comprehensive." There was also the practical issue of avoiding confusion with the Merchants Bank of Canada. To clinch the matter, the resolution to change the by-law was placed before the meeting by director Michael Dwyer, a stalwart Haligonian merchant, and as a gesture of appeasement, the steamship motif was retained on the corporate seal. Approval secured, the solicitors obtained parliamentary sanction and, on January 2, 1901, sign-painters and stationers across the country went to work introducing Canadians to The Royal Bank of Canada.* Although nobody publicly declared as much, the Royal was now a Montreal bank. In private correspondence, bank officers acknowledged that the head office was now only "nominally" in Halifax and "that the management itself will likely emanate from Montreal."[59]

At this moment of ascendancy, Pease's strategy in Montreal faltered – and faltered badly. For years after, Royal Bankers would shudder at the mention of what in the autumn of 1900 became known as the Cold Storage Scandal. For die-hard Halifax bankers, it seemed to confirm the folly of abandoning the security of Halifax harbour; for Pease and his cohorts it instilled a sense of greater caution and due procedure.

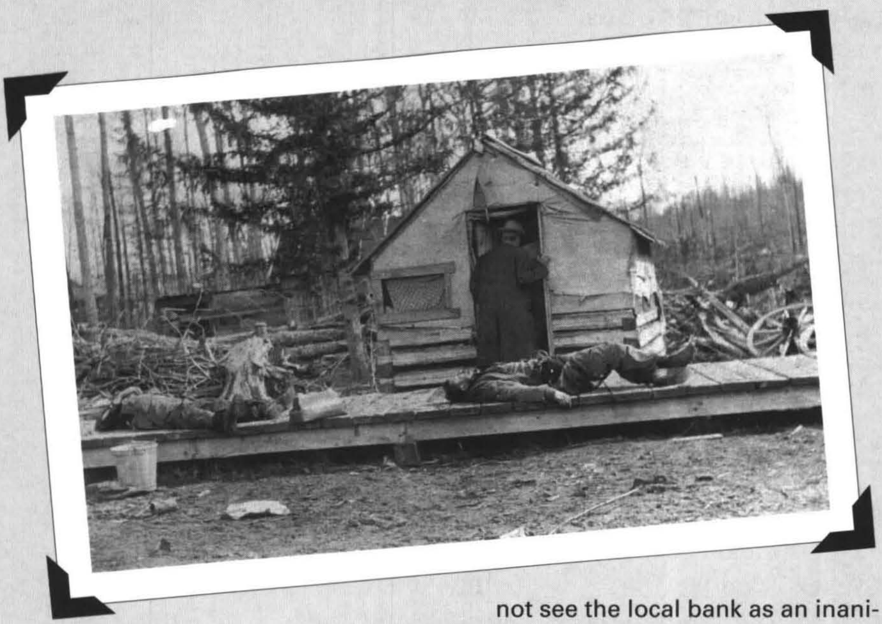
Kenny made much of banking's "changed circumstances" in justifying the adoption of a new name. The same justification was increasingly true of the underpinnings of Canadian banking; the Cold Storage Scandal was the product of the fact that old banking methods no longer fitted new banking circumstances in an increasingly urbanized and commercialized economy. Since early in the nineteenth century, the financing of Canadian trade had hinged on the taking of warehouse receipts and bills of lading as surety for short-term loans. Such receipts and bills provided the lender with proof that goods had been received for shipment and for eventual consumption and could therefore act as collateral. Enshrined in legislation as early as 1859, the use of warehouse receipts had received its widest interpretation in the 1890 Bank Act. By the turn of the century, such receipts were routinely accepted by banks for transactions well beyond simple commodity movements.[60] Raw materials for industrial manufacture were, for instance, now secured by warehouse receipts for the goods in question. What had changed, however, was the volume and

(continued on p. 80)

* There is no documentary record of the choice of the word "Royal." It can be safely suggested that the choice was inspired by the much-respected model of the Royal Bank of Scotland and the prevalent Canadian infatuation with things imperial. Queen Victoria's long reign had imbued the word "royal" with deep emotional appeal. Such emotions flowed powerfully in Halifax. Pease also undoubtedly felt that, since the bank had just opened in New York and Havana, the Royal title would, as New York agent Stephen Voorhees later recalled, "clearly express the international character of our institution."

ARMED AND DANGEROUS

Bank Robbers and Bank Managers



JUST AFTER NOON ON MARCH 26, 1887, a stranger appeared in the Merchants' Antigonish branch and asked for a private interview with Robert Currie, the junior. Currie had no sooner closed the door than the stranger pulled a pistol and shot him in the head. A "death struggle" ensued, during which Currie was shot again in the side. By the time a posse of local merchants responded to the alarm, Currie had subdued the robber. A belt of fifty cartridges was found around the waist of the man. No money was lost, and Currie lived. The bank's directors in Halifax voted Currie a $100 raise and a gold watch and praised him for "his gallant defence of the valuables of the Bank."

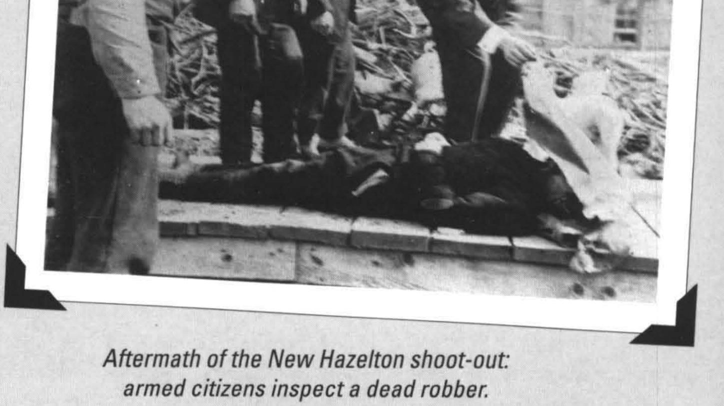
In small-town, nineteenth-century Canada, a bank hold-up was the most traumatic of events. Canadians did not see the local bank as an inanimate institution; it was their bank. They had usually petitioned to have it open on their main street. It contained their money and was their financial lifeline to the outside world. Robbers invariably came from beyond the familiar bounds of the town and were spared little sympathy. Rough justice was dispensed on the spot. When the Union Bank of Canada branch (later taken over by the Royal) in New Hazelton, a railway construction town in the B.C. interior, was held up twice in 1914 by the same seven-man gang, the local citizenry, led by the Anglican minister with his Lee-Enfield rifle, took the law into its own hands. As the bandits left the bank, they were met by a hail of bullets. Three died. "All in all," the manager reported, "a really gory aftermath."

Banks armed themselves against robbery. Managers were issued revolvers – usually large-calibre Smith and Wessons – which they kept loaded in their desk drawers. Those with quarters above a branch often cut holes in the floor to allow them to fire at night intruders below. The revolvers were never an especially effective deterrent; in moments of high panic, managers frequently wounded themselves, not the crooks. However, they had their uses. One Prairie manager obliged his clients whenever they wanted an infirm animal despatched.

The late-nineteenth century saw more systematic attempts to foil robberies. Quality safes with time locks, sturdy tellers' cages, alarms, and Pinkerton agents were all employed to deter bandits. When hold-ups did occur, banks covered their losses with insurance from Montreal firms like Lukis, Stewart & Co. In the 1920s, the Canadian Bankers' Association introduced a centralized reward system for those who aided in the apprehension of robbers; from 1924 to 1948, $219,000 was paid out.

Urbanization and gasoline changed the nature of hold-ups. Cities provided crooks with greater anonymity, and gasoline made for faster getaways. In 1926, eight men in two cars snatched $42,000 from the Nanaimo branch, subsequently fleeing to the United States in a speedboat. The banks responded with the introduction of armoured cars; uniformed bank messengers, even if armed, were too easy a target.

The courts meted out stiff justice to bank robbers who were apprehended; well into the twentieth century, long jail sentences were accompanied by twenty or thirty lashes. When a hold-up entailed the death of an employee or a policeman, the bank or the CBA made generous pension arrangements or donations to police benevolent funds. Banks have also introduced hold-up procedures for staff; employees are no longer encouraged to replicate Robert Currie's heroics. Deterrence and passivity are now the keywords. Discrete arrangements for the storage of cash have dramatically reduced the average loss during robberies; "white-collar" crime is now a far-more-insidious threat. The introduction of automated tellers in the 1970s meant that, for the first time, a bank "hold-up" could occur without putting a bank employee at risk. None the less, robberies – particularly in economic hard times – remain a fundamental concern.



Aftermath of the New Hazelton shoot-out: armed citizens inspect a dead robber.

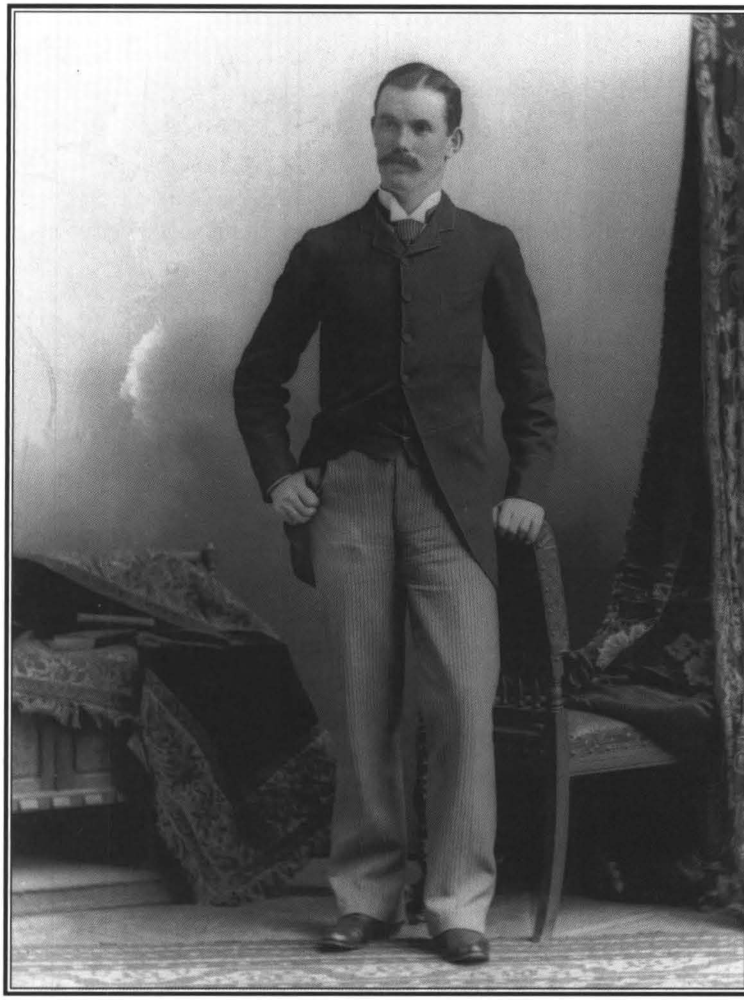
complexity of such deals. Whereas a bank manager in, say, Lunenburg knew the "character" of those submitting receipts and could simply wander down to the wharf to inspect the fifty quintals of fish held against a loan, a city manager usually faced an unknown client and an unknown commodity. The possibilities for misrepresentation of the goods with a warehouse receipt were wide and tempting.

In hiring D. M. Stewart away from the Commerce in 1899, Pease knew that he had captured one of the brightest young stars of Canadian banking. A Bankers' Association essayist with an ambitious eye, Stewart quickly picked up on Pease's aggressive philosophy of developing a Montreal corporate clientele. Stewart had scored an impressive victory when Thomas Chisholm, the manager of the Montreal Cold Storage and Freezing Company, brought his business to the Merchants'. A huge refrigerated facility for the warehousing of butter and cheese prior to export, the Cold Storage lived on a generous float of credit, all based on warehouse receipts. Stewart was delighted to oblige. By the spring of 1900, however, William Torrance in Halifax became anxious over the bank's commitment to Chisholm. "The reserves are not as strong as I expected or Mr. Stewart led me to believe they would appear at his end," he warned Pease.[61] Chisholm, he had heard on the street, was "a very clever talker," who was heavily involved in gold-mining speculation. Within weeks, huge cracks began appearing in the Cold Storage account. Chisholm had succeeded in passing off fraudulent warehouse receipts for massive amounts of non-existent cheese in exchange for credit from the Merchants' Banks of Halifax and Canada and the Ontario Bank. After years of building up the Merchants' as a bold but safe new bank on the Montreal scene, Pease learned that Stewart's recklessness and Chisholm's dishonesty had exposed the bank he now wished to call Royal to a potential loss of $600,000.

News of the Chisholm scandal reached Halifax by telegram. It created consternation. A young manager visiting head office recalled seeing President Kenny walking the halls "with tears streaming down his face," pouring out his fears to the Maritime "old guard."[62] Clumsy efforts were made to keep the news from junior staff and the Halifax press. Pease in Montreal was less flappable. Throughout the bank's expansion he had taken the precaution of procuring the best available legal counsel; names such as Tupper, Lougheed, Borden, Bennett, and Casgrain had or would advise the bank as it moved into new regions. In this moment of crisis, Pease turned to Zebulon A. Lash, Canada's leading authority on warehouse receipts and counsel to the Bankers' Association. When the Cold Storage Company collapsed and sought a winding-up order, Lash counselled the bank not to seek its pound of flesh from the carcass, but to sue the perpetrators of the fraud and then try to resuscitate the business. Legal proceedings were thus brought against Chisholm and his co-conspirator, a dairy company manager named McCullough. The case was called in October 1900. Lash was brought up from Toronto to coach a jittery Kenny before he appeared on the stand. Pease and Stewart also gave testimony. The Merchants' prospects were immensely improved when Chisholm took to his heels in the midst of the trial, headed, the *Monetary Times* speculated, for South America.[63]

In December, a jury awarded the case to the bank. Pease immediately turned his attention to refinancing the Cold Storage Company; old losses on the account were quietly made good by sales of holdings in American railway bonds. If the bank had looked like a dupe of fraud artists before the verdict, it now appeared the champion of probity. The *Monetary Times* scolded the bank for its "relaxed methods," but added that its decision to tackle the swindlers and not the company "was a wise one for the community."[64] D. M. Stewart, Pease's star pupil, enjoyed no such rehabilitation in his colleagues' eyes. The next June he resigned from the bank and made it known that he would lend his talents to a new Toronto bank, the Sovereign. "He is clever in a way," Torrance noted, "but his judgement in regard to loans is not always sound. He is too optimistic."[65]

The Cold Storage crisis shattered the aging Kenny's executive will and, paradoxically, left Pease unchallenged to remake the bank entirely along Montreal lines. Although Kenny was the bank's largest shareholder, with over 1,200 shares, there was no likelihood of a family succession to the presidency. Only one Kenny son had entered the bank, and he had not progressed in the ranks. Nor were there any other promising Halifax candidates. The year 1900 had seen the death of Michael Dwyer and H. H. Fuller, two venerable Halifax directors. Neither was replaced, and at the 1901 annual meeting the board was actually reduced in size from seven to five members. Although he had broached the idea of introducing Montreal, Vancouver, and even Havana directors to the board, Pease in 1901 was content to see the matter "deferred." Why did Pease hesitate at this crucial juncture? The answer would seem to lie in the fact that he had not as yet found the kind of man he wanted to sit at the head of the board. For the Royal to capitalize on the momentum it had accumulated in the late-nineteenth century, Pease needed a president who would reinforce its new *national* status, a man who preferably came with a dynamic business personality and reputation. Such a man might work with him as the bank sought to consolidate its gains and expand in the Laurier boom. As early as 1898, Pease had begun to "groom" two men for Kenny's



Herbert Holt in the 1890s

job. The trouble had been that neither much wanted the honour.

Charley Hosmer was Pease's first pick. He possessed exactly the kind of "new wealth" credentials that a "new" bank like the Royal needed. In 1898, Pease began, with Halifax's knowledge, to entice Hosmer to join the Merchants board.[66] Hosmer held Merchants' shares, proffered it advice on strategy, and kept an account with it. None the less, his loyalties lay elsewhere, and in 1899 he joined the board of the Merchants Bank of Canada and nine years later that of the Bank of Montreal, the CPR's banker. "This is a sad blow to me," Pease wrote, "as I had counted so much on his assistance and support in our new departures."[67] Hosmer would continue to play an influential role in the shadows, but his name never moved further than the shareholders' list.

Hosmer led Pease to his second candidate, the shyer-but-no-less-accomplished Herbert S. Holt, an Irish-born railway contractor who had made a name and sizeable fortune helping to build the CPR. Holt had taken up residence in Montreal in 1892 and had gradually turned his talents to industrial promotion and the consolidation of Montreal's public utilities. His boldest stroke came at the turn of the century, when he moulded three local utilities into the Montreal Light, Heat and Power Company, which held an incipient monopoly over the city's gas and electric needs.[68] From an early date, Pease had befriended Holt, arranging bank loans for him and joining him in various investments. In 1897, for instance, Holt had joined Hosmer and Pease in syndicating Halifax Heat and Light bonds.[69] From Pease's perspective, Holt was cut from the same cloth as Hosmer. He was not alone in thinking so.

In 1901, Holt surprised the Montreal financial community by announcing that he had accepted the presidency of the new Toronto-based bank, the Sovereign. There was a galling double irony for Pease in the news. The Sovereign was the product of the same syndicate, spearheaded by J. P. Morgan in New York, that had earlier unsuccessfully approached Pease with an offer to join the American Bank of London. The Sovereign had also captured Pease's old protégé D. M. Stewart as its general manager. Holt gave the Sovereign just the dynamic image that Pease craved for the Royal and, with Stewart at the operational helm, the new bank quickly made a name for itself as an aggressive force in Canadian banking. It combined a rapid branch expansion with an easy credit policy; many commented on its "American" style of operation. Holt's role in the bank was shadowy; Stewart cut the bank's bold image. Suddenly, in December 1904, Holt quit the Sovereign's presidency and board. There could be simple explanations for this: Holt's businesses were predominantly in Montreal, while the Sovereign was Ontario-centred. It is worth noting, however, that while Holt was at the Sovereign, Pease left an opening at the Royal. No directors were appointed, and no other succession candidates were sought. Neither did Holt sell his holding of 350 Royal shares. Did Pease poison Holt on the Sovereign by feeding him damaging evidence of Stewart's Cold Storage adventures? The records are silent.

What is clear is that, within a month and a half, Pease had won shareholder consent to increase the Royal board to seven members and that two of those members were to be Montrealers who would constitute a committee of the board.[70] On February 8, 1905, Herbert Holt joined the Royal's board, together with local manufacturer James Redmond. Within a week, Holt was installed as chairman of the

Montreal committee, meeting every Tuesday and Friday to approve the bulk of the bank's credits. The committee's secretary was, predictably, Edson Pease. Thus, three non-Haligonians now effectively directed the bank's affairs; the Halifax board was relegated to approving Maritime loans alone. A year later, Frederick W. Thompson, Hosmer's partner in the 1902 Ogilvie Flour take-over, joined the board. Both Redmond and Thompson came to the bank through Pease, not Holt. In later years, when asked to comment on Holt's arrival at the Royal in 1905, senior bank employees invariably used the phrase "invitation" to describe the event.[71]

The Montreal committee of the board immediately became the pulse of the Royal. While Halifax made *pro forma* decisions on dividends, Holt and Pease cleared loans for a range of undertakings, from Cuban sugar operations to Mackenzie and Mann's new transcontinental railway, the Canadian Northern. The captains of Canadian industry appeared in its offices: Max Aitken (later Lord Beaverbrook), an aggressive young Maritimer, borrowed to support his ascendancy in the securities market. Sir William Van Horne relied on the New York agency to finance his Cuban railway ventures. Even federal finance minister William Fielding carried personal loans with the bank. The Royal became a bank to be watched; rumours spread along St. James Street that the Royal would take over the Ontario Bank and the Merchants Bank of Canada.[72] Relations with the Bank of Montreal mellowed; in 1902 a Montreal financier, William Stavert, had even tried to amalgamate the two banks.[73] Now the two shared large loan underwritings. Montreal society began to take note of Royal bankers; in 1898 Pease had commissioned city architect Edward Maxwell to build him a country home on the slopes of Mt. Bruno to the south of Montreal, where Pease was soon active developing a prestigious golf course. Early in 1906 the bank itself turned to American architect H. C. Stone with a commission for a new Montreal branch. A site was obtained at 147 St. James, just doors down the street from the Bank of Montreal, and no expense was spared on the building. When opened in 1908, its columns were adorned with four buxom classical statues depicting transportation, fishery, industry, and agriculture. They soon became known as the "giants of St. James Street."

The bold, new St. James building was intended to be more than a branch. Few were surprised when at the bank's annual meeting on February 14, 1907, a weary Thomas Kenny proposed a by-law change to the shareholders assembled in Halifax. The directors were empowered "to take whatever steps necessary to move head office to Montreal." The board was increased to twelve – including for the first time Pease and regional representatives from Winnipeg and Saint

"The giants of St. James Street": The façade of 147 St. James Street.
Opened in 1908 as the Royal's first Montreal Head Office, the building was dominated by statues representing agriculture, transportation, fisheries, and industry.
St. James Street is now rue St. Jacques, and 147, sold by the Royal in 1928, has been redeveloped as an office-and-hotel complex. The façade remains.

John. Kenny and Pease arranged for A. K. Maclean, a veteran Liberal from Lunenburg and head of the "Bluenose caucus," to introduce a private member's bill in Ottawa sanctioning the shift. Despite sporadic opposition from Maritime loyalists,[74] the bill passed in June, and in July the Montreal committee of the board became the full board.

Thomas Kenny never presided over the board in Montreal. On April 28, he was stricken, probably by a stroke, while staying in Montreal's Viger Hotel. When his condition failed to improve, he was taken to Halifax on the private car of Thomas Shaughnessy of the CPR. There he lingered in ill health until, on October 26, 1908, he died. Later the same day, Kenny's old foes, the Laurier Grits, swept to another landslide victory at the polls. Kenny's estate included 1,302 Royal Bank shares worth $240,000. Canada, the newspapers noted, had lost "the dean of Canadian bank presidents." The directors in Montreal passed a resolution that portrayed Kenny in quintessential Canadian terms: he had "breadth of view tempered by caution." At the funeral, Pease led the entire Royal Bank Halifax staff to Holy Cross Cemetery, where Kenny now joined his father, Edward Kenny, Sr., John Tobin, Michael Dwyer, and James Duffus.

With no fanfare, Herbert Holt assumed the presidency of the Royal Bank on November 16. Edson Pease was elected vice-president. Holt made $5,000 as president, and Pease $25,000 as general manager. Although Holt held 550 Royal shares and Pease 300, Pease was clearly the dominant force in the bank's affairs. Holt had an array of other business affairs, while Pease's life was consumed by the bank. Together they controlled an institution that was reaching its limits. The bank had sustained its spurt of growth since coming to Montreal by stretching its manpower, its management, and its capital base to the breaking point. Now, in 1908, there were worrisome signs of fatigue and instability in the ranks, and in those of Canadian banking as a whole. The more Pease pondered the future, the more he became convinced that a new strategy of corporate growth was in order. That strategy came to be expressed in one word: amalgamation.