CHAPTER EIGHT

Banking for Victory and Peace

"Our Patriotic Duty"

MORE THAN ANYBODY ELSE IN THE BANK, HENRY GAGNON KNEW THAT WAR was inevitable. Even before he arrived as the bank's Paris manager early in 1939, there were worrisome signals. The 1938 inspection report had noted that "local conditions" around the rue Scribe office were "unsatisfactory, principally it would seem because of lack of confidence in the present Government, fear of strikes and the general political situation in Europe."[1] Gagnon needed no reminding that Europe was in turmoil: he had just spent three years as the Royal Bank manager in war-torn Barcelona.

When the Spanish Civil War erupted in 1936, Gagnon and his assistant manager were the only "British" bank employees to remain at their posts; the rest were hastily withdrawn. For thirty months, they endured the siege of Barcelona, as General Franco's forces – with German aid – pummelled the city. Gagnon endeavoured to pursue a policy of "neutrality," but his car was none the less commandeered and he was periodically taken in for interrogation. Because the Loyalists who controlled the city lacked air defences, Barcelona was subjected to merciless bombing raids. On one day, Gagnon recalled, eighty bombs fell within five hundred metres of the bank. Employees at the bank's New York and London offices passed the hat and arranged for a food hamper to be smuggled into the beleaguered Spanish branch at Christmas, 1938.[2] At the bank's annual meeting in 1938, Gagnon became the first staffer ever to be commended by name – "exhibited a rare sense of responsibility to the Bank" – before the shareholders. In January 1939, Franco took the city, and Gagnon left for Paris: two years later the Royal Bank sold its Spanish operation to Banco de Aragon.

Paris was meant to be a reward for Gagnon. Born at Arichat, Cape Breton, he was the bank's senior francophone. Since joining in 1910, Gagnon had been posted to places where his language skills mattered: rue St. Denis in Montreal, sunny Martinique, and now Paris. Paris was unique among the bank's international operations, a legally separate subsidiary, with its own board and considerable autonomy for its manager. The mainstays of its business were trade finance to the French West Indies and middle-European finance. Both were threatened by war; furthermore, the frozen German loans of the 1920s still hung over the branch.

Across the Channel, Gagnon's counterpart at London branch had less to worry about. As late as September 1, 1939, Blake McInerney blithely reported to head office that a "way out will be found."[3] Spain had taught Gagnon to be less sanguine. He despatched securities in the branch's safekeeping to Cognac in southern France and settled into an uneasy watch over the "phoney war." By late September, McInerney in London was bomb-proofing his windows and duplicating his records.

Late in May of the next spring, the tension broke. As the German *blitzkrieg* raced across the North European plain, Gagnon reported "exceptional withdrawals." By June 10, the Germans were just twenty-five kilometres outside Paris, and Parisians began a hasty exodus southward. Gagnon was ready. Several weeks before, he had bought a truck and parked it behind the branch. At nine that evening, he loaded the signature-verification cards, cash, and negotiable securities into his car and joined the slow crawl out of Paris. At four the next morning, the truck, loaded with branch records, and two cars crammed with the branch staff and their families, departed. On June 13, The Royal Bank of Canada (France) reopened in a small house in Jarezac outside Cognac. The Germans kept coming. A day later, the German regional commandant, General von Falkenhausen, exercised his new-found authority over France by issuing a decree placing all foreign-exchange transactions under his control and embargoing all safety-deposit boxes. Head office cabled Gagnon, telling him to close the bank and escape. Without a foothold in France, Gagnon feared the bank would have no post-war prospects on the Continent. Disobeying his orders, Gagnon signed over corporate control of the bank to the French nationals on his staff and fled across the Channel. On the morning of June 24, the staff awoke to find German tanks on the lawn outside their temporary branch. Their crews wanted accommodation. "They were all exceedingly polite, gentle and correct....They did not ask much, only a dining room and some bedrooms for their officers."[4]

A week later, the Germans ordered all foreign banks back to Paris.

Led to believe that the bank still had access to foreign exchange, von Falkenhausen allowed the Royal Bank to reopen behind enemy lines. "Les canadiens sont malins," he is said to have muttered. "Would he not be a German," the *pro tem* manager reported, "you would say that he is a gentleman."[5] But there was no foreign exchange – the bank closed its Martinique and Guadeloupe branches in 1940 – and the Paris branch went into an unprofitable hibernation for the rest of the war. Montreal wrote the Paris operation off its books. Despite his insubordination, Gagnon returned to a more tranquil assignment in Canada, managing the main branch in Sherbrooke, Quebec. Thanks to his initiative, he told his superiors, Paris would be there for the bank when the war ended. The Royal Bank in Paris would live out the war in a kind of profitless limbo, tolerated by the Nazis but cut off from head office and the normal arteries of international finance.

Towards war's end, in August 1944, as the Allied armies recaptured France, W. H. Hayne, a young Royal Banker serving in the RCAF, found himself on the outskirts of liberated Paris. He commandeered an army jeep and headed for rue Scribe. Rifle in hand, he bounded up the stairs to confront a startled receptionist and ask if the manager was in? The manager dutifully surrendered four years of balance sheets and made one emphatic request: coffee. Hayne returned to London, from whence a generous supply of coffee and a crate of accumulated circular letters were despatched to a rejuvenated Paris branch.[6]

The headlong retreat and subsequent return to Paris provides an apt metaphor for the Royal Bank's overall experience in the Second World War – initial shock, followed by adept adjustment, eventual consolidation, and post-war growth. The bank's international system was the first to feel the full brunt of the war; the impact was immediately evident, as trade, foreign exchange, and even physical safety were jeopardized. With its strong concentration on the Caribbean and Latin America, the bank's international system was vulnerable to any disruption in transatlantic commerce. The London, New York, Paris, and Barcelona offices had all been established to service the European and American ends of a lucrative trade in southern commodities and the return trade in finished goods, but after 1939, a variety of factors – U-boats, exchange controls, and American neutrality – sliced deeply into these arteries of trade and finance. "Since the outbreak of war," the supervisor in Trinidad typically complained of Martinique and Guadeloupe, "the situation has been complicated by the various exchange regulations and their interpretation often changing from day to day in these Islands."[7] The pattern was general. The first years of the war witnessed dislocation of trade already laid low by the Depression. Cut off from French, German, and other European markets, many of the Caribbean islands that the bank served languished.

Only the British West Indies initially prospered. Brought under the umbrella of British emergency-powers legislation, the British colonies found an assured and controlled market for their staples – sugar, cocoa, petroleum, and tobacco. Caribbean coconuts, for instance, found a ready demand as an edible-oil substitute for butter. In some ways, life in the British West Indies maintained its sunny gentility. The bank's chairman, Herbert Holt, still wintered in the Bahamas, near Harry Oakes, the gold millionaire. Both banked at Nassau branch; neither outlived the war. Holt died in Montreal in September 1941. Despite fulsome eulogies, he quickly slipped out of the bank's corporate culture. Oakes died in a grisly, unsolved murder in 1943. Nassau branch had an even-more-famous client, the Duke of Windsor. Appointed as governor of the colony as a kind of princely exile from wartime England, the Duke found Nassau branch's connection with the bank's New York agency ideally suited to his personal finances. He also found the branch assistant manager, Paul Potter, ideally suited as a golf partner. When he departed in 1945, he saluted the bank's "efficient and courteous" service.[8]

America's entry into the war in 1941 galvanized the economies of the Caribbean and Latin America and in turn revived the bank's international system. Nowhere was the turnaround more evident than in Cuba. Sugar led the way. In 1944, Cuba harvested its largest crop in fifteen years – 4.25 million tons. So great was the demand that the sugar quota system, imposed in the Depression to control production in a shrinking market, was abandoned. Tobacco and iron-ore mining also responded to American demand. Economic vitality promoted political stability and, in 1944, Cubans re-elected Grau San Martín as their president. San Martín had been ejected from office in a 1934 army *coup* led by Fulgencio Batista, who quickly set himself up as Cuba's kingmaker. A decade later, Batista promised Cubans an "honest election," and they took the opportunity to show their displeasure at the country's rampant corruption and to bring back San Martín. Although now reduced to seventeen Cuban branches, the Royal Bank both shared and promoted Cuba's prosperity. Long-time clients like Bacardi and Sun Life relied heavily on the bank. New clients, such as the Cuban department of public works and the Quartermaster General, looked to the Canadian bank for financing as San Martín pushed to modernize Cuba; the Cuban branches boasted large cash balances. Above all else, Cuban prosperity finally allowed the bank to liquidate some of the notorious "sugar estate" accounts that had weighed it down since the 1920s. As sugar recuperated, bankrupt sugar plantations could pay down their debt, and the bank in turn could free itself from the onerous task of operating them. In 1948, the largest plantation, the Antilla, was sold, and the sombre atmosphere of the international credit department at head office temporarily gave way to an impromptu celebration.[9]

Latin America also succumbed to the magnetic pull of America's war economy. The bank's operations in Argentina, Brazil, and Peru flourished through most of the decade. Clients such as W. R. Grace, the American trading conglomerate that dominated the economy of South America's west coast, drew on the bank's traditional strength in trade financing; elsewhere the bank financed industrial development. In Brazil, for instance, trade finance was provided for exports of coffee, cotton, and rubber, but industrial loans were also furnished to Brazilian industrialists like the Matarazzo family of São Paulo and to foreign enterprises like Esso and Ford do Brasil.

Canadian trade to the southern hemisphere trailed along in the slipstream of America's growing importance – during the war, Canada established embassies in Brazil, Chile, and Argentina. For the bank, however, the overall effect of the war was to accentuate the importance of its New York agency as the fulcrum of its international system. With London trapped under a blanket of war regulation, New York prospered. Despite the fact that American law barred it from taking direct deposits, the bank's William Street office gained immense stature, because it positioned the bank on the doorstep of the New York money market and ensured access to global trade and corporate accounts. The bank retained many of its oldest American accounts, like that of Sosthenes Behn, now chairman of ITT, but it also acquired a stable of prestigious new clients like Sun Oil of Philadelphia. Later, in 1951, to capitalize on its enhanced position, the bank would establish a trust-company affiliate in New York. The RBC Trust Company would enable the bank to act as registrar and paying agent for corporate and governmental clients issuing bonds on the New York market.[10]

The American shadow fell even over the bank's more northern operations. The construction of American military bases in Newfoundland drew the Royal Bank deeper into the colony: branches were opened in Goose Bay, Stephenville, Gander, and Argentia. Similarly, a branch was established at Montreal's Dorval airport to service the crews ferrying newly made Canadian and American aircraft to the European theatre of war. Across the Atlantic, London remained the bank's crucial beachhead in Europe. The West End branch in London found itself across the street from the Canadian Army Headquarters, and it soon became a hub of activity for Canadians overseas. The bank captured a large portion of the Canadian servicemen's accounts, thereby creating a huge cash flow. While there was little scope for lending, and many European accounts were embargoed by the Custodian of Enemy Property, London branch did see its deposits grow handsomely during the war. Miraculously, it also escaped serious bomb damage. At the height of the Blitz in late 1940, the London assistant manager reported, with bankerly aplomb, that the constant rain of bombs around the branch "was rather trying to one's nerves."[11]

The Royal Bank in London thus emerged from the war unbombed and well-positioned for the bank's post-war European strategy. For instance, former Prime Minister Bennett, now retired in England as Viscount Bennett, rejoined the bank's board and headed its London committee. But senior men at head office, particularly the aggressive new general manager, James Muir, knew instinctively that New York would be the real magnet of post-war finance for Canadian banks. "Personally," Muir confided in the London manager some years later. "I have lost neither love nor loyalty for the old kingdom but I do think I see its plight rather more clearly than those who live too close to the forest."[12]

But for all its drama, the dislocation and reorientation of the international system paled beside the fundamental and lasting changes wrought in banking on the home front. The war economy yanked Canada out of its persistent slump. Mindful of the experience of the First World War, Finance Minister J. L. Ilsley, Bank of Canada Governor Graham Towers, and the bank general managers came together in a cooperative triad to finance the war economy and to control inflation, consumption, and foreign exchange. "I think," said Deputy Minister of Finance W. C. Clark, during the 1944 Bank Act revision, "you are talking about a system that is entirely different from the system that exists today...a system in which there was no central bank."[13] Retail banking snapped out of its Depression lethargy under the stimulus of an unprecedented volume of transactions: victory loans, ration coupons, and burgeoning national savings filled the teller's day with activity. From the end of 1940 to the end of 1945, the assets of all Canadian banks ballooned from $3.73 billion to $7.79 billion; of this the Royal Bank saw its share more than double, from $955 million to just over two billion.[14]

Once victory was in sight, politicians and bankers turned their attention to the building of bridges to post-war prosperity: farmers and urban consumers were given good reason to support their post-war dreams with bank credit. War production had given Canada a solid new base of industrial strength; it also gave the banks the kind of dynamic corporate clients they had so lacked in the Depression.

In 1918, the bank had greeted the coming of peace with exuberant expansion. The early 1920s had exposed the naïveté of this optimism:

the war's legacy of inflation, social unrest, and depressed trade undercut its chances of success. In 1945, the optimism was more realistically rooted in Ottawa's determination to ensure post-war growth in prosperity and employment. In the First World War, Canadians *hoped* for a prosperous peace; in the Second World War they *prepared* for it. The preparations began almost as soon as did the war itself.

In 1914, only crude mechanisms existed to control the creation of credit for the war effort – the minister of finance, informally supported by the general managers of the chartered banks, tinkered his way through the conflict. The 1914 Finance Act, for instance, furnished the banks with "excess circulation" to feed the economy. In 1939, the challenge was far more complex, but the resources at the nation's disposal were also somewhat more versatile. From the outset, Ottawa fixed on three goals: to finance war expenditures, to restrict civilian demand for goods and services, and to ensure that the economic burden of the war fell equitably on all Canadians.[15]

In August 1914, the finance minister had hurriedly assembled the bank general managers in Ottawa for a mixture of advice and compulsion. The war was subsequently financed on a basis of institutionalized *ad hocery*. In 1939, there was a much surer sense of the way ahead. The Depression had produced a central bank, which provided a convenient spigot for the flow of credit. Inflation and the application of credit could thus be controlled. Almost instantly, a literature on war finance sprung up, furnished by academics eager to supply the "lessons" of the First World War.[16] Similarly, the banks were ready participants in this technocratic response to the challenge of managing the war economy. There was clear understanding of the danger of succumbing to the temptation of letting inflation finance the war – the strikes and social turmoil of 1919 had underlined the folly of this option. The banks thus became willing participants in the system of controls that Ottawa stretched over the economy. Bankers reported for duty in the wartime bureaucracy. Donald Gordon, for instance, trained at the Bank of Nova Scotia, headed the Wartime Prices and Trade Board. Those who remained in the branches carried memories of First World War rationing and Victory Bond drives as blueprints for controlling expenditure and capturing savings. Exchange controls also resurfaced. The banks thus did not scramble to war in 1939 as they had done a generation before; they marched to war in an orderly column.

Like the war itself, there was a brief, initial phoney war on the financial front. The industrial slack of the Depression economy provided room for the first throes of war production. Unsure of the ultimate costs of the war, Ottawa turned initially to the banks for short-term financing, borrowing $200 million from the banks early in 1940, of which the Royal Bank took almost a quarter. By the time Allied troops fled Dunkirk and Henry Gagnon fled Paris, however, Ottawa was quickly readjusting its fiscal sights on long-term borrowing from Canadians at large. From 1939 to 1946, Canadians devoured two war loans and nine victory loans, furnishing Ottawa with $14.9 billion. While the banks continued to supply some short-term credit, the general public provided Ottawa with 85 per cent of its wartime borrowing. The banks indirectly encouraged and benefited from this immense transfer – by acting as vigorous salesmen for war bonds. If clients initially drained their savings to purchase the bonds, the money soon returned as coupon interest or as government spending. Consequently, the number of savings accounts – a record 1,450,000 for the Royal by 1944 – grew dramatically and government securities became the largest component of a bank's asset base, larger than its loans portfolio.

Through all of this, the Bank of Canada acted as orchestra leader, with Graham Towers meeting regularly with the bank general managers, much as Finance Minister White had done in the last war. The difference was that Towers now controlled the note issue of the nation (the last Royal Bank notes were issued in 1943*) and could, through open-market operations, influence the supply of money to the economy. Towers was thus in a position to guide the chartered banks informally into cooperation with the war effort. From Towers, the banks learned everything, from what Ottawa's borrowing intentions were to what their commission for selling war bonds would be. Towers even wandered into non-financial domains, urging the banks to close unprofitable branches to conserve national manpower.[17]

Ottawa and the banks acted as partners in other respects. Canada's trading economy depended vitally on ample and liquid foreign exchange. Any shortage or misappropriation of exchange might hinder Canada's ability to interact with the British and American war economies. In September 1939, Ottawa therefore established the Foreign Exchange Control Board, under the ubiquitous Towers. Its primary mission was to conserve Canadian holdings of precious American dollars. To do this, the U.S. dollar was pegged at a ten-cent premium on the Canadian, and the branch system, with its unified central control and uniform procedures, was employed to enforce

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* In January 1943, the Royal Bank issued the last commercial banknotes in Canada. The batch of $5 bills was inadvertently released, contrary to the banks' agreement with the Bank of Canada, and were hurriedly recalled. Some fell into collectors' hands. Pre-1943 bills are still occasionally presented at the bank and are promptly exchanged for Bank of Canada notes.

currency control. Rigorous prohibitions and exemptions were established, backed up by paperwork procedures for every branch transaction. Before Pearl Harbor, the Royal Bank even tried to draw American exchange to Canada by advertising for American tourists – "As One Good Neighbour to Another."

The centralized character of Canadian banking also made it a natural mechanism through which to administer wartime rationing. Ottawa had created the Wartime Prices and Trade Board to control consumption of goods as varied as butter and rubber tires, and Canada was soon awash with ration coupons, which were not only spent but had to be collated and redeemed by merchants. To alleviate the chaos created by the millions of these coupons, Ottawa and the banks introduced "coupon banking" in March 1943. In effect, the coupons became a kind of surrogate currency, and merchants were permitted to establish accounts at banks, where coupons could accumulate. Eventually, consolidated vouchers would be issued, allowing the merchant to reorder new stocks of the rationed commodity. The banks received a small commission for each coupon account. By the spring of 1944, Royal branches were taking in four hundred million coupons annually, resulting in one and a half million ration-account entries a year.[18]

Just as the war changed Canadian banking, it also changed how the banks were staffed. With the news of conflict in Europe, Canadian "bank boys" once again abandoned their cages and rallied to the colours. By 1945, 2,321 bank employees had enlisted; 193 never returned. Head office did not resist the call; if Canadian banking was anything, it was still Anglo to its core. Within weeks of the outbreak of war, the board approved a policy granting a leave of absence to any employee enlisting for military service. Soldier bankers would get a month's salary on enlistment and their pension and life-insurance benefits would be kept up by the bank.[19] Once the grim news of the spring of 1940 – Dunkirk and the fall of Paris – made it apparent that this was to be no brief skirmish, the board agreed to supplement bankers' military pay to a level of 75 per cent of their peacetime pay, for married men, and 66⅔ per cent for single men.[20] Implicit in all these arrangements was the guarantee that a bank job awaited all "warrior bankers" when Hitler was beaten.[21] One aspect of the old paternalism did end. As the cost of war grew and Ottawa hiked taxes, the board voted in 1941 to stop paying employees' income tax, a once relatively inexpensive benefit that had been instituted in the First World War.[22]

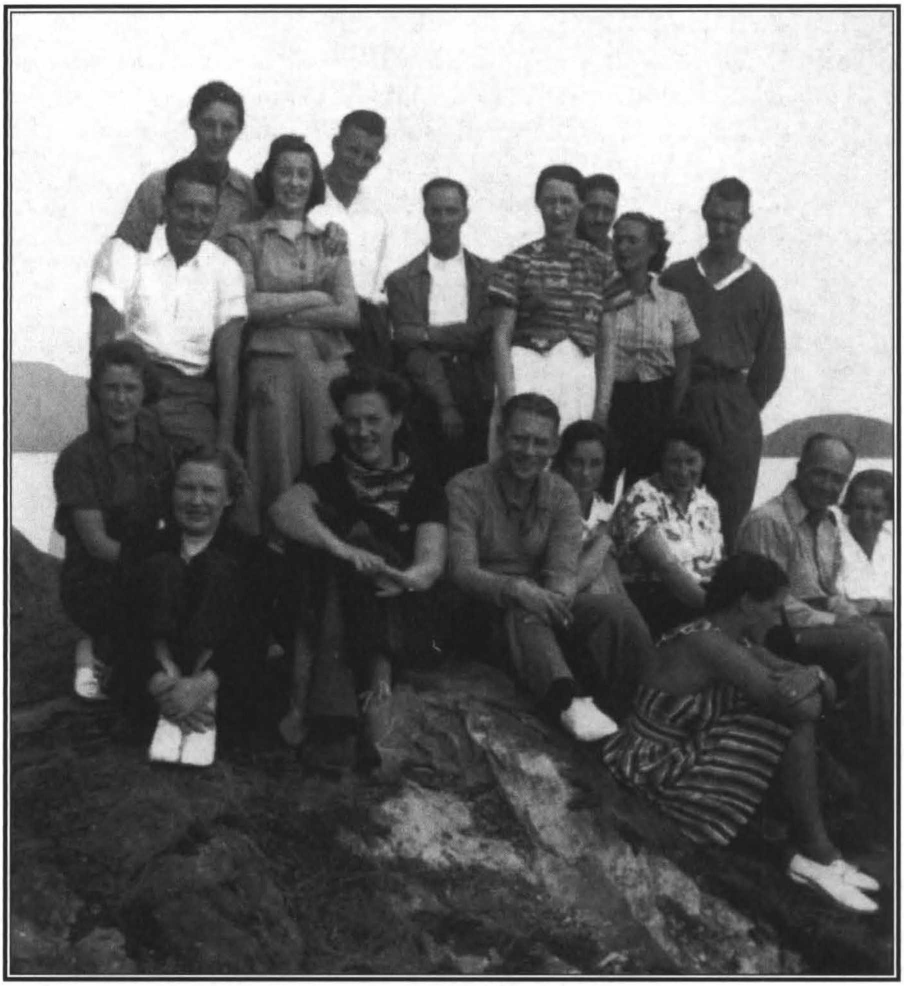
Almost overnight, the *Royal Bank Magazine* was overflowing with news of warrior bankers. The air force was the bankers' service of preference – 46 per cent chose it. Unlike the army and navy, the air force demanded high-school matriculation; so did the banks. One suspects that air-force recruiters snapped up young bankers because they were proven organization men. They were also good with figures and calculations, excellent material for a service that demanded precision and small-unit teamwork. From the bankers' perspective, the air force offered the glamour of being part of the élite. Again, one suspects that aviation allowed young bankers to live out the Walter Mitty side of their personalities – the routine of banking was supplanted by the adventure of flying. Certainly, the bank magazine soon began overflowing with "before" and "after" photos of young tellers transformed by the dashing garb of pilots – goggles pushed back on the forehead, gaze fixed on the wild blue yonder. And Royal Bankers excelled in the air. Jack Boyle, a junior from Spadina and College in Toronto, won a Distinguished Flying Cross for downing seven German aircraft. On Christmas Day, 1944, he became the first Spitfire pilot to down a German jet, an Me 262. Other bankers were miraculously lucky. Bob Utting, a Niagara Falls junior, walked away from the spectacular crash of his Marauder bomber on Ascension Island. Both Utting and Boyle returned to banking after the war.

Back on the home front, bank management was fighting its own battle to maintain staff levels in the branches. During the Depression, the bank had allowed its staff level to dwindle, not through lay-offs, but through attrition. In 1933, salaries had been cut by 5 per cent.

Three banker pilots: R. G. C. Pagett (left) of Bahamas branch joined the RAF, while G. C. Stalker and T. W. Trewin (opposite, left and right respectively) of Winnipeg joined the Canadian Air Force. Trewin died over Germany in 1945.

In 1939, Jack Boyle was a junior at Toronto's Spadina and College branch. By 1944, he was an allied ace, the first Spitfire pilot to down a German jet.

As branches, particularly in the West, were closed, redundant staff was brought into regional offices such as Vancouver, where work was found for them. Very few were let go, mostly out of loyalty and the fear that they might sign on with competing banks.[23] In 1939, therefore, there was a small cushion of surplus staff. If banking was to play its crucial role in regulating the war economy, service had to be maintained. As this feedstock of young male bankers quickly dried up, retired managers were brought back into service. More branches were closed: 639 Canadian branches in 1939 became 592 by 1945. In the words of the *Canadian Banker*, "the staff situation was the No.1 bank headache." Unlike their behaviour in the previous war, however, the banks did not try to plead for special privilege in Ottawa in hopes of retaining their male work-force. Instead, they looked without hesitation to women. It was apparent that the bulk of wartime banking would entail mountains of routine work – processing war loans, ration coupons, passbook entries – "and so, to the high schools the banker went for routine recruits." The war thus permanently changed the face of banking by feminizing its daily life. As the men went off to war, the "girls" moved out of their traditional, immured roles in banking – as stenographers and behind-the-scenes clerks – and into the front line



The Hastings and Homer branch staff picnic in Vancouver, 1940

of branch work. "It was the young woman, thus recruited, who saved the situation. A mere bobby-socker, she traded her stool at the soda fountain for one in the bank."[24]

Women had an immense impact on the bank. In 1939, they made up only 21 per cent of the bank's staff; by 1945 they represented 71 per cent, and that level held steady in the post-war era. Women enlivened life in the bank. The bank magazine was no longer monopolized by pictures of all-male dinners and sports tourneys; pictures of mixed staff picnics, where the men actually removed their ties and laughed for the camera, began to materialize. Women finally began to figure in the bank's advertising; the "girl" behind the wicket soon came to dominate the image of service projected. During the war, bank women tended to be cast in the role of patriotic citizens doing their bit on the home front while the men were away. As peace became likely, patriotism was superseded by a ready acknowledgement in the bank's magazine that women had "special" talents as bankers: they were "alert, polite, tactful, understanding...calm and unruffled." Viewed from today's perspective, women in the bank fell victim to stereotyping. "She is our Filing Clerk," one male banker informed the magazine in 1943, "and she sure knows how to file (her nails)."[25] The *Canadian Banker*, the voice of professional banking, was less flippant. "The intensive training of the past few years has made them a valuable asset," it noted shortly after the war, "and women have by their wartime performance established for themselves a permanent place in banking."[26] These mixed attitudes would persist, and would govern women's place in the world of post-war banking.[27]

Despite their growing numbers and accomplishment behind the wicket, women still found themselves in a segregated workplace. On the staff ledgers, they were entered as "temporary" employees. The cards also recorded their fathers' names and occupations. They were predominantly young and single – invariably referred to as "Miss" – although, given the severity of the labour crisis, some married women were hired, usually as older, more-experienced clerks. Women were

The return of the "girls": Tellers display their tired legs in Montreal main branch, 1944.

paid the same as the men they replaced: a steno earned $800 annually in 1943, a clerk $600, and a page-girl $600. Salaries for women, however, tended to peak at about $1,350; there was a clear sense that women were not career employees and that only men should be encouraged to aspire to management positions. Marriage still generally meant retirement, although wartime exceptions were made. There was an unspoken expectation that peace would lure most women back to the home, but few at the same time expected banking to ever again be a totally male precinct. Women were not members of the pension scheme; in 1945 the board approved *ex gratia* retiring allowances for women. These were to be "fair and reasonable," but entailed "no contractual obligation."[28]

The influx of female staff also freed the men of the bank for wartime vocations beyond the trenches and cockpits. The bank's pre-war inclination to cooperate with the state as it pioneered a new role in the economy found added impetus in the war. Where Tompkins and Towers had gone in the previous two decades, others now followed. As the challenge of war production reached crisis proportion in 1940, Ottawa looked to the business community to supply the expertise to "get the job done," and bankers, with their financial and managerial skills, were obvious candidates. In May 1940, Prime Minister Mackenzie King briefly toyed with the idea of inviting Royal Bank President Morris Wilson to join his wartime cabinet, but rejected the idea because Wilson had no political experience.[29] Wilson soon found wartime employment elsewhere.

One of Churchill's first acts on assuming the British leadership after the fiasco of Dunkirk was to appoint the feisty and hard-driving Canadian Lord Beaverbrook as his minister of aircraft production. In June 1940, Beaverbrook, a long-time bank client and Maritime-boy-done-well in London, called in turn on the Lunenburg-born Wilson for help in expediting the shipment of North American aircraft to Europe. Wilson had worked with Beaverbrook in the 1930s in trying to refinance the debt-ridden Canadian paper industry. What Beaverbrook needed now was a capable man in still-neutral Washington to chivvy the flow of American planes to British pilots. "He keeps his desk-top clean," the Montreal *Standard* noted of Wilson, "and is not afraid to fill his wastebasket."[30] Wilson approached Canadian Pacific – a company accustomed to dealing with great distances – and, with its assistance, established the Atlantic ferry command – ATFERO. Hundreds of new bombers travelled the resultant air bridge, stopping at Dorval, Goose Bay, and Gander for fuel, meals, and possibly a quick visit to one of the Royal Bank branches opened to serve the air crews. In 1941, ATFERO became the Royal Air Force's Ferry Command.

In the words of the *Financial Post*, Wilson became "a big-time international commuter."[31] Mondays and Tuesdays saw him at his desk in the president's office on St. James Street, then the night train carried him to New York or Washington for the rest of the week. He became one of London's most trusted men in America. When the Packard Motor Company agreed to produce the famous Merlin aero engine, London despatched Wilson on a secret mission to Halifax to collect the blueprints from a British warship. Wilson naïvely brought along his briefcase to receive the plans and was consternated when a two-ton crate was delivered into his safekeeping.[32] In 1941, Wilson became vice-chairman of the British Supply Council in North America and, when its chairman, Montreal businessman Arthur Purvis, died in an air crash, Churchill quickly appointed Wilson to assume the chair; he kept the post until the spring of 1942. In recognition of these services, Wilson was made a Companion of the Order of St. Michael and St. George. At home, he became chancellor of McGill University in 1943, and, as such, he helped to arrange the conferring of joint honorary degrees on Churchill and Roosevelt after the Quebec Conference. More importantly, the chancellorship brought him into frequent contact with the university's principal, Cyril James, an economist charged by Ottawa to start drawing up the plans for Canada's post-war "reconstruction."[33] Amazed at his prodigious drive, friends noted Wilson's efforts, worrying that he was "working himself to death." It was to prove an apt prophecy.

Other Royal Bankers harkened to Ottawa's call. Most prominent among them were S. R. Noble and C. C. Pineo, both seasoned international bankers. With his experience in the bank's Cuban sugar accounts, Ran Noble was a natural appointee as Sugar Administrator in October 1939. Noble also brought his reputation as a free-thinking economist to the assignment. When the head of the Social Credit party claimed that Noble's strict control of sugar production smacked of socialism, a young Tory MP from the West, John Diefenbaker, rose to the sugar administrator's defence in parliamentary committee. Afterwards, Diefenbaker asked the grateful Noble to tell him something of Keynes, whose name he had heard bandied about Ottawa. Not long into his discourse, Noble was amused to discover that Diefenbaker, a prairie lawyer fresh to the Commons, did not realize that Keynes was an economist.[34]

Noble became a quintessential "dollar-a-year man," receiving a token dollar for his services as a businessman-turned-bureaucrat; later Ottawa assignments took him to the Commodity Prices Stabilization Corporation and the Wartime Prices and Trade Board. Noble never returned to the bank; Charles Pineo, Noble's successor as assistant general manager for international banking, never left it. None the less,

Selling war bonds at Montreal's Stanley Street branch, 1945.

Pineo lent his tremendous experience in foreign banking to the work of the Canadian Inter-American Association and to the establishment of the Exports Credits Insurance Corporation in 1944. Retiring from the bank in 1945, Pineo moved on to become the first loans director at the International Bank for Reconstruction and Development – today, the World Bank – and later financial advisor to Nelson Rockefeller.

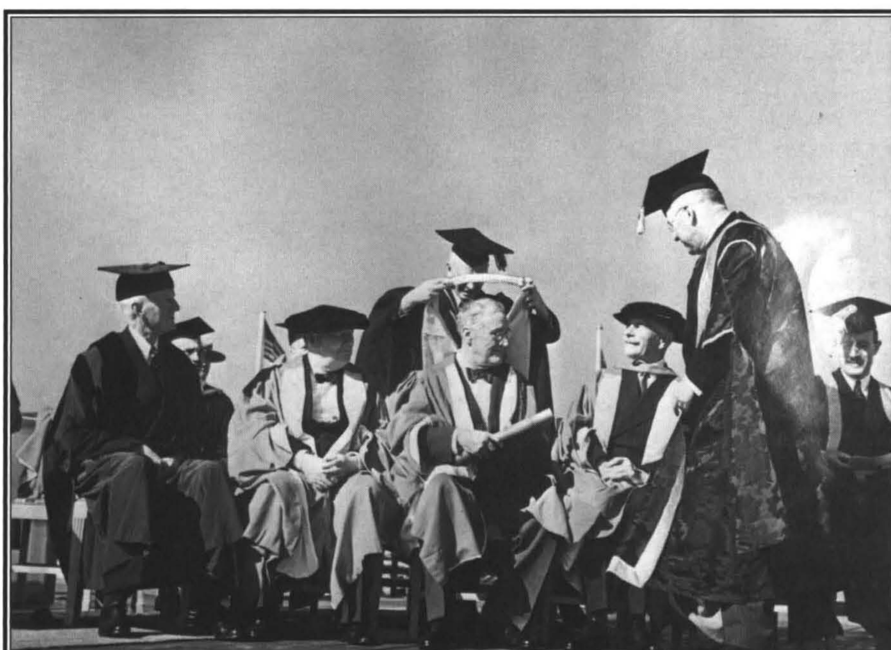
If bankers went to Ottawa to help secure *victory*, they lingered there – as Noble and Pineo illustrated – to prepare the way for *reconstruction*. Hard on the heels of the German menace was the fear that depression might again stalk the land. In 1942, Principal James of McGill had given Ottawa its first glimpse of a planned and prosperous future in a report that advocated government support of key national industries like housing and agriculture. A year later, another McGill academic, Leonard Marsh, presented an even broader blueprint for peacetime "social security." The central thread of both reports was the avoidance of unemployment through the deliberate stimulation of prosperity. Government fiscal and monetary policy should be used to craft prosperity and to

Red Deer, Alberta, in 1945

prevent any return to the social calamity of the thirties. "I profoundly disagree with your theory that the rehabilitation of the world can be left to the haggling of the market," Noble wrote to an American friend in 1944, "in other words, to free enterprise."[35]

At first glance, the banks seemed ambivalent about the prospect of reconstruction. Ideologically, they were wary that a controlled economy might represent the Trojan Horse of socialism. Given the CCF's surge in wartime popularity, Wilson seldom let a public opportunity slip by without stressing "the danger of socialism."[36] Such "visionaries" might be "honest and sincere" but their naïve plans would lead to the "complete regimentation of Canada." With the practical implications of the James and Marsh reports, however, the bankers had little quarrel. In the fall of 1943, the Canadian Bankers' Association began to position its members for the dual challenge of the upcoming Bank Act revision, due in 1944, and the broader prospect of reconstruction. A Parliamentary Committee on Reconstruction and Re-establishment had been deliberating for two years, and the banks wanted to be ready with suggestions for "practical bank action" when called upon by Ottawa. Chaired by the Royal Bank's James Muir, the CBA subcommittee focused on specific ways in which banking could stimulate the post-war economy: the financing of rural electrification and small business. Muir quickly concluded that "the banks are in rather a unique position with respect to post-war reconstruction and re-establishment" and were "likely to be interested to some extent at least in almost every phase of post-war reconstruction."[37] The early steps in the direction of stimulating the national economy that were taken in the late Depression – such as Home Improvement Loans – would become bolder as peace neared. At the 1944 annual meeting, Morris Wilson assured shareholders that "we shall consider it our patriotic duty to play our full part in assisting business generally in becoming re-established."

Given the urgency of post-war planning, there was common agreement that the revision of the Bank Act could not be postponed as it had been in the Depression. Ottawa and the banks both recognized that there could be no repetition of the Depression's strangulation of short and medium credit to Canada's farmers, small businessmen, and consumers. Given stable and affordable access to credit, farmers would mechanize their farms, business would retool for peace, and consumers would indulge their pent-up dreams of the "good life." There were solid political reasons for what Muir of the Royal Bank called a policy of "graceful acquiescence" in the face of the government's plans for an activist peace.[38] The banks' public credibility was still bruised from the Depression. While Finance Minister J. L. Ilsley was quick to praise the banks' wartime record and their instinct for self-regulation, others carried forward different memories of the



As chancellor of McGill, Morris Wilson (standing on right) oversaw the granting of honorary degrees to Churchill and Roosevelt (seated middle) in 1944.

Depression. The leader of the CCF, M. J. Coldwell, pushed for bank nationalization, arguing that the creation of national credit should not be left in the hands of "irresponsible boards of directors." From the other end of the ideological spectrum, Social Credit arrived at the same conclusion. Both zeroed in on the banks' inner reserves, which they portrayed as a means of secreting unseemly wartime profits, thereby shielding them from taxation. Ilsley defended inner reserves as a normal operating procedure, a means of providing for losses. Both the shareholders' auditor and the inspector general of banks had the right to determine whether they were excessive.

Despite such criticism, the 1944 revision provided another timely example of the way in which the Bank Act was aligned with changing Canadian needs.[39] Ilsley described it as "a very serious effort to build up in this country a well-rounded and highly integrated financial structure."[40] The financial reforms of 1944 were designed to offer consumers a menu of financial products appropriate to post-war needs. Most of these emanated from the banks; some, however, were to have an existence of their own. Ottawa thus introduced a kind of pragmatism into the Canadian financial marketplace. This began with the Bank Act itself. In a bid to democratize ownership and control of the banks, the par value of bank shares was reduced from $100 to $10 and the shareholding qualification for directors ($3,000 to $5,000) was lowered by half for up to a quarter of the board. Small investors and directors of small means might now be heard in the "big" banks. Although, in reality, this reform did little to change the boards of most banks, it did help to broaden the base of bank ownership. By 1950, the Royal Bank had more shareholders than any other Canadian bank – 15,642 – and for the first time more shareholders were registered in Montreal and Toronto than in Halifax.

Far more important in the 1944 revision were new provisions for farmers and small borrowers. Section 88, so crucial to Canada's annual cycle of agriculture, was enhanced to allow the giving of credit for the purchase of farm implements, the cost of farm electrification, and general farm improvement. Pledge-taking procedures for collateral were at the same time greatly simplified.[41] In its eagerness to see small consumers partake in the post-war economy, the government proposed that the act be amended to allow the making of hitherto risky small loans under $500. Significantly, this initiative was brought forward by the government and not the banks. Since the late 1930s, consumer loans had been available from some banks, notably the Commerce, but the effective rate of interest on these loans had been as high as 12 per cent. The government had turned a blind eye to this. By 1944, the Royal Bank had 125,000 small loans under $500. General Manager

Sydney Dobson none the less admitted that the Royal Bank had always been "rather fearful" of public criticism of an officially sanctioned higher rate of interest – a suggested 9¾ per cent – that such small and riskier loans would carry. He also felt that there would not be much profit in the business. Instead, Dobson advocated a broad-front lowering in the Bank Act's long-standing 7-per-cent ceiling on lending rates; this would stimulate post-war borrowing. "You give us a rate of 6 per cent," Dobson told the revision committee, and "we can give you this assurance that we, the Royal Bank, will go all out to try to increase the personal loan business."[42] The government did just that, lowering the rate to 6 per cent. The banks were thus brought to the edge of a new frontier: consumer loans. The finance companies still, however, had an advantage in consumer lending, because their rates were completely ungoverned by the Bank Act.

The revised Bank Act was designed to minimize the chance of a sharp contraction in credit when peace came; the whole ethos of post-war planning in the allied democracies was driven, as Noble told a New York friend, by a desire to "save the world from a depression."[43] At the same time, Ottawa was busy building other financial bridges to the post-war period. Remembering the success of Home Improvement Loans, it brought in a Farm Improvement Loans scheme. If Section 88 provided short-term credit, this provided intermediate credit through the banks under a government guarantee. Now a bad crop year would not necessarily trap a farmer in a vicious circle of short-term debt. By 1951, $255.4 million of these loans would be made, some spread over as much as ten years. Similarly, Ottawa struck out on its own in 1944 when it established the Industrial Development Bank as a subsidiary of the Bank of Canada. The IDB was designed to provide capital to small businesses over longer periods than the banks were prepared to offer. As its first president, the IDB was given dollar-a-year man Ran Noble, whose only condition was that the new bank's head office be situated in Montreal, where he had so long worked for the Royal Bank.

In its determination to spread a blanket of available and dependable credit across the land, Ottawa also sponsored the Export Credits Insurance Corporation in 1944 to protect Canada's all-important exporters from the tribulations of trade. Here C. C. Pineo of the Royal lent his advice. And finally, in 1946, loan-guarantee legislation was introduced to allow the banks to finance the business or professional plans of veterans. "Consult your banker would be a good slogan," the bank's *Monthly Letter* advised, "for businessmen, private individuals, and service men."[44]

(continued on p. 308)

SPREADING THE WORD

Royal Bank's Monthly Letter

CLOSE TO THE HEART OF THE Scottish–Canadian banking tradition one always senses an unwritten code of personal integrity and social responsibility. Bankers were expected to be "pillars of the community." While they have long since ceased holding up their services in moralistic terms – saving as a "virtue" – Canadian bankers have continued to contribute their views to the discussion of public affairs. Although they have focused narrowly on issues which touch on their own self-interest – the Bank Act, the economic management of the nation – they have also found themselves engaged by issues of the broadest social relevance – citizenship and culture. The latter finds no better illustration than the bank's seventy-year commitment to its *Monthly Letter.*

After the First World War, the bank established a Foreign Trade Department under S. R. Noble. To promote trade, Edson Pease advised Noble to start "a monthly commercial letter reviewing trade and business conditions." Noble hired Graham Towers as editor and, in 1920, the first issue appeared. The focus was on economic matters – exports, markets, leading indicators – and the readership (about eight thousand by the early 1940s) was specialized.

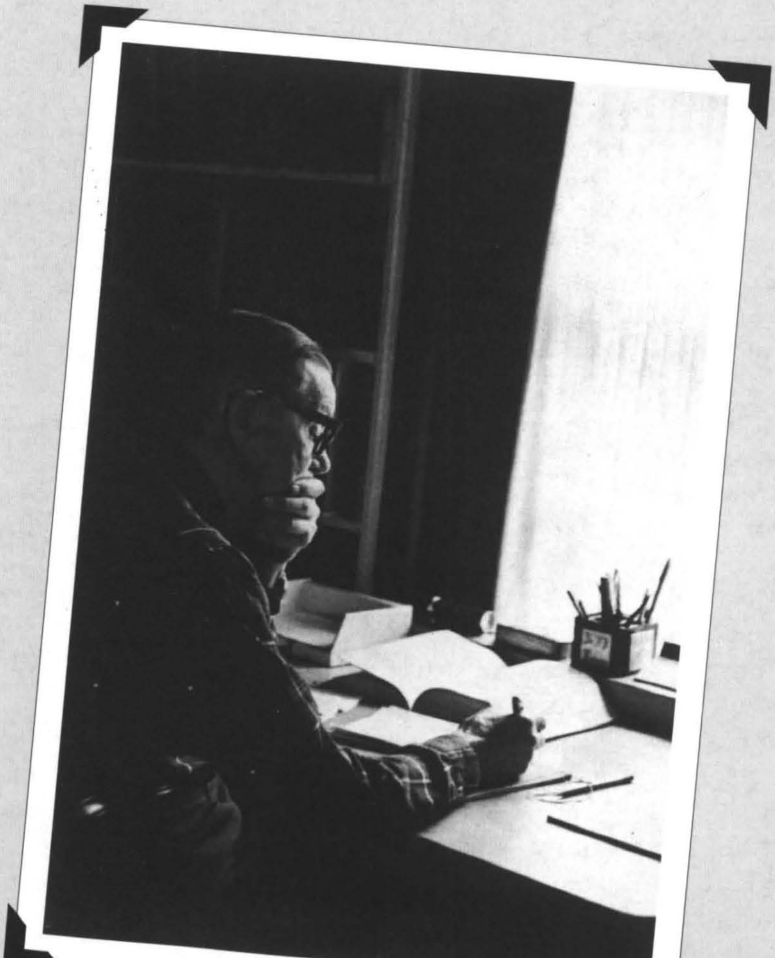
In 1940, the bank hired a veteran newsman, Irish-born John Heron, away from the Toronto *Star* as a public-relations advisor, and immediately lent him to Ottawa to assist in war publicity. When Heron returned to head office in 1943, he was buttonholed by assistant general manager Muir: "Why in God's name can't we write something that will interest people?" Muir persuaded the board to "humanize" the *Monthly Letter,* to let it address broad social and ethical issues, in a readable format unfettered by any "official" line. Heron got the assignment.

Heron produced the *Monthly Letter* with elegant simplicity. The letter became a four-page essay, unsigned, unillustrated, and devoid of advertising. His themes were simple: "The Public Library," "Growing Old Successfully," or "Conservation of Soil." The prose was beautifully crafted and unpretentious. Produced in both English and French, the letter was on occasion translated into Portuguese and Spanish. It was not sold, but was made available in the branches or upon request.

Success was immediate. By 1949, circulation had reached 150,000 per issue. Head office was inundated with requests for copies from readers as disparate as U.S. congressmen and Argentinean naturalists. Compendiums of Heron's essays were subsequently produced; since its publication in 1950, one of these compendiums, *The Communication of Ideas,* has "sold" 390,000 copies. The letter became arguably the most-read English periodical in Canada. By the 1960s, the press run touched 750,000; one in every thirty-eight Canadians received the letter. It was quoted in *Forbes* and *Business Week.*

Saturday Night praised it as a "social document, with never a graph or business forecast, covering a range of interests as wide as life itself." Heron, said the *Star Weekly*, was "the conscience of Canadian public relations."

Heron's only tools were a battered typewriter, a pipe, and a library of over seven thousand books. In 1976, he retired, and his place as the bank's wordsmith was ably taken by Robert Stewart. With a circulation of 350,000, the Letter remains a fixture in every Royal Bank branch and in many a Canadian life. Its abiding popularity, one can speculate, rests on superb writing, clear, concise logic, and its appeal to the positive side of human nature. In a world cluttered by jargon, fads, and loose thinking, it talks plainly of self-knowledge and self-help.



John Heron at his desk, 1973

Ottawa kept the banks busy in other ways. Committed to avoiding any repetition of the social agony of the Depression, the federal government began to unfurl the umbrella of the welfare state. Unemployment insurance and family allowances were in place by 1945. For the banks, this meant a monthly surge of cash passing from government to the citizenry, most of which worked its way into the economy through the banks. To handle this dependable business, the bank established a Government Department at Ottawa main branch, where government cheques were "batch processed" in huge volume by code.

Like Ottawa, head office had begun to plot its post-war strategy early in the war. Unlike the 1918 Armistice, when the bank had greeted peace with headlong geographic expansion, this peace required conscious planning. Markets – farmers and consumers, for instance – could be targeted and products could be developed for them. Nobody in senior management in the 1940s used terms such as "corporate strategy," but it was clear that the time-worn geographic, quantitative approach to banking – the simple multiplication of branches offering the same undifferentiated services – would be a poor guide into the post-war world. As early as late 1940, branch mangers were surveyed to discover their views on ways to build up branch business. A symposium was then held, and late in 1941 all managers received a copy of *What Our Branch Managers Say About New Business*. For the first time, Royal Bankers were told that they would actually have to *develop* a client base: "The day of waiting for business to arrive in the bank is nearing an end."[45] Business would come to branches where the staff went out and found it and then retained it with good service. Managers should, for instance, make a point of joining service clubs and dining at local eateries. Tellers should smile at customers, remember their names, and try to ascertain their business needs.

The cities would be the crucial post-war frontier for banking; the war put wages in people's pockets, and it was relatively easy to capture their business. The farmer was a more problematic potential customer. The Depression had not treated farmers kindly, and neither, the farmers believed, had the banks. As peace neared, the bank turned its attention to rebuilding the once-trusting relationship it had had with farmers. The Farm Improvement Loan scheme, with its promise of medium-term credit, aroused hope of new business. As soon as Ottawa approved it, the bank circulated a confidential brochure, *The Bank and Its Farmer Customers*, to managers. Bankers must get out on the farms and build trust by taking an active interest in farmers as businessmen on the land. "Much can be done by such courtesy to overcome an incipient feeling that banks are fair-weather friends of the farmers." To encourage the relationship, the bank began publishing a series of instructional booklets for farmers – *Water Systems for the Farm*, *Feeding and Better Livestock* – which managers freely distributed.

While the farmer and the urban consumer loomed large in the bank's post-war ambitions, corporate Canada was already much in evidence on the loan books before the peace. The Depression had been a trying time for corporate lending. The growth industries of the twenties – pulp and paper, in particular – had become mired in debt. The bank's energies were thus principally focused on shoring up and reorganizing ailing corporate clients. Some new ground had been won in the Depression: the booming precious-metals industry brought some substantial new clients, such as Jules and Noah Timmins and J. P. Bickell. As reorganized industries rose out of ashes of the early Depression, other clients emerged. E. P. Taylor, a Toronto-lawyer-turned-beer-industry-consolidator, brought the Canadian Breweries account. Sir James Dunn, the tyrannical president of a reorganized Algoma Steel, sought Royal Bank support for his plans to resurrect steel-making in Northern Ontario. It took the pressure-cooker of war production, however, to turn these hesitant beginnings into a solid corporate base.

The war reinvigorated many of the bank's traditional clients. Production reached fever pitch between 1940 and 1943. Base industries responded first; power, food, raw metal, transportation, chemicals, and construction all came alive and began devouring huge amounts of capital. As the appetite for industrial capital swelled, the bank's board meetings, where large loans were approved, became longer and longer. Familiar accounts – Acadia Sugar, National Drug & Chemical, Price Brothers, Shawinigan Water & Power – dramatically increased their borrowing. Whole new areas of borrowing quickly opened up. Since coming to Montreal in 1887, the bank had had a reputation for the aggressive pursuit of corporate clients. The war years proved no exception. When, for instance, the Aluminium Company of Canada embarked on its huge Shipshaw project at Arvida in the Saguenay, it turned to the Royal Bank for credit and foreign-exchange hedges. Similarly, the bank became prominent in backing Canada's fledgling aircraft industry with loans to a long list of producers: Fairchild, Boeing, de Havilland, Federal, Noorduyn, Fleet, and Reliance.

As the country geared up for reconstruction, the bank began to attract corporate accounts well placed to capitalize on the unfolding "baby boom." Companies like H. J. Heinz, Dominion Electrohome, National Grocers, Polymer, Pepsi-Cola, Continental Can, Standard Brands, and Motor Coach Industries all seemed well positioned to serve the technological and consumer cravings of Canadians. Construction companies like that of Fred Mannix in Calgary joined the list. Some of these linkages were undoubtedly enhanced, or possibly inspired, by the bank's extensive exposure in the wartime bureaucracy. Morris Wilson, for instance, would have encountered E. P. Taylor; both had been called by Beaverbrook to serve Britain in Washington. After the war, Taylor returned to the bank with not only his brewery account but also the business of his new holding company, Argus.* Argus would allow Taylor to win control and tap into the profits of post-war growth industries. Thus company names such as Honey Dew, British Columbia Forest Products, and, eventually, Don Mills Developments began to appear for board credit approval.

If names such as Mannix and Taylor indicated that the bank was putting down roots in corporate Calgary and Toronto, there was also no mistaking that Montreal still ruled corporate Canada. Although the bank's board contained broad representation from coast to coast, its dynamic centre was built out of the Montreal-Anglo business community – Harold Crabtree of Howard Smith Paper, William Angus of Canadian Car and Foundry, and Arthur Wood of Sun Life, were but a few of the twelve Montreal directors in 1945. The Montreal connection of the bank was reinforced in many ways. The Royal made generous donations to McGill, where Wilson presided as chancellor, and to the Royal Victoria Hospital. The brightest stars of the city's financial and industrial community – Sir James Dunn, Ward Pitfield, I. W. Killam – were frequently entertained in the bank's executive dining room. To symbolize the bank's pre-eminence in the city, the lantern in the high tower of 360 St. James was replaced in the 1950s by four rooftop spotlights which dramatically pierced Montreal's night sky.

Depression did not return to the land after the war. Nor did the bank falter in its post-war expansion. The problems that Canada had in the late 1940s were the problems of growth; foreign exchange, for instance, had to be conserved, and inflation had to be monitored as demand pushed constantly up against supply. Victory at war and carefully planned reconstruction had opened the door to "baby-boom" prosperity. The bank's annual meeting became a yearly celebration of growth. In 1945, the Royal Bank became the first Canadian bank to post assets of $2 billion; by 1950, assets touched $2.3 billion. Although demand for corporate and commercial loans was strong, overall lending grew less spectacularly. In large measure, this reflected the chartered banks' inability to capitalize on the nation's ballooning consumer debt. These were years in which Canadians learned to indulge their dreams on the "never-never" plan. Yet, it was the finance

* Taylor had another connection with the bank. When he was a boy in Ottawa, his father had been manager of the bank's Rideau Street branch.

companies and trust companies that were the principal beneficiaries of this consumerism – the trust companies because they alone had the right to hold residential mortgages and the finance companies because of their proficiency in matching goods to potential buyers. The bank's boast in 1946 that it had placed loans of under $500 in the pockets of over 150,000 Canadians paled beside the advances of the finance companies.[46] The banks remained bashful and inexperienced consumer lenders. There was, however, a silver lining. It was to the banks that the finance companies turned for their initial float of capital. The Royal Bank thus acquired the steady patronage of Household Finance and General Motors Acceptance.

Nothing spoke louder of post-war success than profits, which soared from $3.8 million in 1945 to $11.8 million by 1950. Late in 1945, the $15 million taken from the rest account in the Depression was restored, together with another $5 million for good measure. In 1948, a dollar-a-share dividend was instituted. The return of peace also saw the return of branch expansion. A hundred branches were added up to 1950, many fleshing out the bank's city network. Neither did the bank neglect Canada's new frontiers, opening branches in mining towns like Wawa and Mayo. The drive westwards, which had propelled the bank at the turn of the century, was now superseded by a drive northward, as new minerals sparked Canadian development. Aluminum smelting at Kitimat and uranium at Port Radium would draw bankers further north in the early 1950s. In 1957, the Royal Bank would open Canada's most northern branch – in Frobisher Bay.

Another promising frontier opened for the bank in the late 1940s: oil. In a small way, the Royal Bank had always prided itself on being first in Canada's oilfields. In 1928, a branch had been opened in Turner Valley, where the prospect of plentiful oil had drawn exploration since 1914. Shortly thereafter, the bank began the practice of appointing the president of Imperial Oil in Toronto to its board; Imperial had spear-headed western oil exploration. By 1935, the Royal Bank had 51 per cent of the accounts of the companies listed as active in Alberta oil.[47] Ernie McLean, the bank's Calgary manager, took a crusading role in galvanizing head office to the day-to-day financial needs of the oil patch. As the war invigorated the search for energy, the bank kept a watchful eye on Alberta. McLean toured the United States, trying to lure American investment northward; oil had great foreign-exchange potential. In 1947, Ray Milner, an Edmonton lawyer who had advised the bank during the Social Credit crisis of the 1930s and who was now president of Canadian Western Natural Gas, joined the board.

On February 14, 1947, Imperial's long-held hunch paid off: oil gushed from the ground at Leduc, Alberta. As the media stampeded to the site, Ernie McLean quietly slipped into town – "so as not to alert our competitors" – rented space in the local council chamber, and opened for business on February 15.[48] When the council met, the bank went on a long coffee break. Two years later, further oil branches opened in Redwater and Devon. Oil brought back some of the adventure to western banking: in 1959, for instance, the Royal Bank became the first bank to open in Swan Hills after its truck and trailer managed to race into town first, because the Bank of Commerce rig slid into a ditch on the outskirts of town.*

Oil generated business for the bank in the form of payroll deposits, foreign exchange, and real estate. Back in Calgary, Jack Bankes arrived from the Winnipeg Supervisor's Office to head a business-development office. The hastily transferred Bankes, a bachelor, took a room in the Palliser Hotel, where he soon found himself befriending the army of Texas and Oklahoma oilmen who were scouting out Canada's new oil patch. Although bank-transfer regulations stipulated that bankers could stay only for a few days in hotel accommodation before cheaper housing was located, Bankes lingered on in the Palliser for months, reeling in lucrative accounts.

Financing exploration proved more forbidding. Given the highly speculative nature of oil exploration, it proved difficult to lend on the basis of Section 88 of the Bank Act. Hydrocarbons in the ground were not considered plausible collateral until proven. Companies with functioning wells might pledge these, but junior companies were often refused credit. Not until 1954 was the situation rectified by the inclusion of Section 82 in the act, which allowed hydrocarbons in the ground as collateral.[49] In the interim, Calgary main branch continued to champion oil development, often in the face of indifference from head office. In the early 1950s, Assistant Manager Bankes worked hard to establish the business-development department for oil and gas; two years later this became the bank's Oil and Gas Department. The bank's first oil-production loan, given in 1948, set the precedent for a growing relationship with a succession of colourfully named oil companies: Jupiter, Atlantic, and Pan Western. Frank McMahon, president of Pacific Petroleum, became a prominent client and, later, a director. By the 1950s, the bank would start styling itself the "R-oil Bank" in its western advertisements.

The Leduc gusher provided an apt metaphor for post-war Canada:

* Trailer branches became popular in the 1940s and 1950s as a quick means of establishing a branch. Because the Bank Act was construed to mean that a bank branch had to be fixed, and because it was felt that clients wanted some assurance of permanence, the wheels on the trailers were knocked off when the "branch" opened.

Maritime boys going places: Sydney Dobson at the helm of his beloved yacht.

careful and exacting preparation had produced prosperity undreamed of a decade earlier. The 1950s would open the floodgates. Prosperity and profits were also fundamentally changing the culture of the bank. The predictable, comfortable world of Canadian banking – still redolent of its nineteenth-century origins – died a slow, dignified death in the two decades after the war. By the 1960s, Canadian banking would face a "culture shock," as it struggled to align not only its products but also its staff with the dramatically altered nature of Canadian society.

Change crept up on the bank in many ways. By the late 1940s, the Royal Bank was no longer a Halifax bank gone national, and the days when Maritime "bank boys" smiled out from tellers' cages from coast to coast were disappearing. Gordon Owen, a West Coast boy who joined the bank in 1922, recalled the staff's consternation when, in 1940, he became the first non-Maritimer to manage the Edmonton branch. Eight years later he compounded his transgression by becoming the first non-Nova Scotian to manage Halifax main branch.[50] None the less, some of the old Halifax mercantile names still appeared on the board – Stairs, Black, and Mackeen. Particularly influential was Halifax lawyer J. McGregor Stewart, whose legal erudition and Maritime reputation would echo through the boardroom from 1931 to 1955. In 1948, J. L. Ilsley, the former federal minister of finance, added to Halifax's lustre on the board, but, by 1950, only four of thirty-three directors were Maritimers.

As Bluenose banking faded, the Royal Bank became more cosmopolitan. Winning post-war business in Toronto and in western cities like Calgary and Vancouver became increasingly important. While the board remained essentially a loans-approval committee, directors were appointed in the expectation that they would drum up regional business. E. P. Taylor's election to the board in 1950, for instance, gave the bank its most powerful ally in Toronto. Similarly, as the names of prominent Jewish Montrealers like Sam and Allan Bronfman and Sam Steinberg began appearing on the loans list, the board reduced its exclusivity. It found an astute Jewish director in Lazarus Phillips, the Bronfmans' legal advisor, who joined in 1954.* There were other forces that could no longer be ignored in Montreal. In 1946, the first French-Canadian director was appointed. Raymond Dupuis, head of the department store Dupuis Frères, was elected, largely at the urging of former Prime Minister Bennett.[51] Soon after, head-office staff members were offered lunchtime lessons in French.[52] But despite these small steps, senior management remained fundamentally Anglo; only in large French-speaking centres like Sherbrooke did francophones dominate branch management. The bank's expansion beyond the St. Lawrence Valley in the 1950s would increase the pressure for change in Quebec.

Language lessons and a broadened board of directors were hardly a revolution, of course. Real change was evident in the rank and file of the bank. The average branch in 1950 looked much different than its 1939 predecessor. After the war, many of the "warrior bankers" had not returned to the bank. Many sensed that the peace offered other avenues of professional advancement. Generous veterans' benefits lured many banker veterans to university and law school. There were also more-generous starting salaries elsewhere in the post-war economy. Those who returned to the bank came with expectations of advancement – a managership or a chance in a new area of banking, like consumer loans. Few wanted to return to the monotony of the

* Phillips was in fact the bank's second Jewish director. The first, Sir Mortimer Davis, the flamboyant president of Imperial Tobacco and an important early Montreal client, sat on the board in the early 1920s.

teller's cage. Banking was a changing industry, and males set their sights on its new prizes. At the same time, the post-war economy created a demand for part-time or short-career employment among women of the "affluent society," which retail banking was ready to fill. Here the "girls" thrived. In 1949, the bank magazine reported that all ten cages at Halifax main branch were "manned" by women.

But although women were now in the majority in banking, they remained corralled in tight job compounds. By the late decade, management was beginning to complain about the high turnover of female employees: were women simply treating banking as a way station on the road to marriage or as a means to part-time income or were they conforming to the gender roles imposed on them by males? In banking, as in the rest of Canadian society, women would soon begin asking themselves about the role they played and how they might better assert themselves.

International banking still remained a male bastion; here celibacy and mobility still mattered. In 1950, the new general manager, Ted Atkinson, told the annual meeting that "young men of courage" could still find great opportunity abroad. Many went. Yet, international banking was itself feeling the first stirrings of change. The war had ushered in the post-colonial age, and in many of the areas where the Royal Bank had traditionally prospered abroad the urge for national self-determination had begun to assert itself, usually quickly followed by the idea of financial sovereignty. For the next three decades, the Caribbean and Latin America would be awash with political change, as colony after colony shed its colonial ties – and in some cases its ties with foreign banks. As early as 1939, the Royal Bank had pulled up stakes in Panama after the republic passed legislation requiring banks to make compulsory purchases of state bonds. In 1946, Argentina nationalized its central bank and obliged all banks in the country to act as its agent. This severely crimped the Royal Bank's Argentine operations, but it did not retreat. Four years later, Cuba created a central bank and ceased to accept the American dollar as legal tender. The Royal Bank welcomed this, lending technical advice and, in fact, becoming a part owner in the Banco Nacional de Cuba. Despite these cracks, international banking remained strong; Latin American industry and trade generated good profits, and Caribbean retail banking flourished. By the decade's end, the Royal Bank was still Cuba's largest bank, with annual deposits averaging over $100 million.

The coexistence of prosperity and incipient change in the late 1940s put a premium on leadership. Banking was becoming more competitive in a more lucrative marketplace. While the Canadian financial-services industry continued to be strictly segregated, there were more products for more uses at the disposal of Canadians. As the success of the finance companies in attracting consumer loans had demonstrated, the spoils went to the aggressive or to those who ensured that the Bank Act served their ends best. There was even competition for labour. In the late Depression, a job in a bank was a prize – it represented security and the promise of social and economic advancement. A decade later, it still promised these advantages – but so did other professions. And, as banking diversified, simple on-the-job training was increasingly becoming a less-effective means of grooming and retaining young employees. Everything in the culture of Canadian banking predisposed its leadership to change gradually; everything about the late 1940s indicated that unprecedented rapid change was necessary.

Since 1934, Morris Wilson had navigated the bank through the shoals of depression and war. In war, he lent his prodigious energies to the Allied cause as a "bottleneck buster."[53] In January 1945, the victory won, the sixty-three-year-old Wilson told the shareholders that he had "no fear of the future" – with "imaginative leadership" the country and the bank could prosper. As the bank's first professional-banker president, Wilson was mindful of executive succession and, in the previous December, had shuffled his senior executives. His old friend and fellow-Nova Scotian Sydney Dobson, general manager since 1934, became executive vice-president. The same age as Wilson, Dobson had joined Sydney branch in 1900 and had followed in Wilson's footsteps out of the Maritimes to Montreal, Vancouver, Winnipeg, and back to Montreal, where he had flourished as an assistant general manager since 1922. Sydney Dobson was the epitome of the gentleman banker. Kindly, intelligent, and unflappable, he had carried much of the bank's executive burden while Wilson laboured for Beaverbrook in Washington. Dobson did this out of friendship, not executive ambition; there is little sense that he hankered after the president's office. Age was against him, and his heart was at times closer to the helm of his Nova Scotia yacht than the helm of the bank.

Wilson made two other crucial appointments that December. Sensing Toronto's post-war importance, he despatched Burnham Mitchell there as a resident vice-president. More importantly, Wilson made James Muir, an assistant general manager since 1935, Dobson's successor as general manager. Fifty-four years old, energetic, and relentlessly ambitious, Muir was the epitome of post-war leadership. Wilson hoped a few years as general manager would prepare Jimmy Muir for a smooth presidential succession. Wilson planned to be the first Royal Bank senior executive to die in retirement. His unexpected death in May 1946 – the result of a heart attack – foiled the entire plan.

Dobson reluctantly acceded to the board's request that he assume the bank's presidency; Muir was too untried as general manager to warrant the risk of an accelerated appointment. The press made much of Dobson's ascendancy from a $100-a-year clerkship to the presidency – at $50,000 a year – of the country's largest bank. His love of the sea and his addiction to golf fit him perfectly for the role of Maritime "bank boy" made good. He walked to work and, each summer, motored in the bank limousine to Cape Breton, stopping en route at Royal Bank branches to chat with the staff. It is no cliché to say that he was universally liked by the staff, a modern embodiment of Thomas Kenny's Halifax paternalism. He brought order and competence to the bank, but lacked the drive and vision daily demanded by post-war change. Muir, on the other hand, was thriving as general manager, travelling extensively, winning corporate clients in Toronto, and asserting his views to the board. A Scottish "bank boy" who had emigrated to Canada at twenty after a five-year apprenticeship, Muir burned with Presbyterian zeal for advancement, and Dobson could soon feel Muir's hot breath on his neck. Muir began to insinuate himself into the affairs of the president's office, intercepting junior executives and impressing his growing authority upon them.

Among the many aspects of old-school banking to which Sydney Dobson remained true was the notion, always prevalent in the Royal Bank, that the organization had a duty to bring on young men. Young men brought new ideas and new energy. Although Dobson never relished Jimmy Muir as a friend, he saw in him a powerful force of advancement for the bank. In 1937, for instance, when Dobson, as president of the CBA, had moved to counter Social Credit, it was Muir whom he seconded to go to Edmonton to join the public-relations effort against Premier Aberhart. During the war, Muir represented the bank on the CBA reconstruction committee. He best seemed to understand the new Canada of corporate growth and consumer spending; Dobson felt ill at ease in it. In October 1949, he announced to the board that he was stepping down "to make way for a younger man." The board acknowledged what seemed inevitable: new times required new bankers. Dobson was asked to remain as chairman. James Muir moved into the president's office, and Ted Atkinson became general manager. The age of the stately gentleman banker was fast waning.

Shortly after Muir became president, the board ratified plans for the redecoration of the boardroom at 360 St. James. Wood panelling was refurbished, new leather furniture was bought, and the portraits of past presidents were reframed. A portrait of Jimmy Muir was commissioned and hung. Early in 1952, the new boardroom stood ready. George Goodman, a bank electrician, remembers being called to the president's office days before the reopening. Goodman reported "on the double." Go to the boardroom, Muir told him, and replace all the bulbs in the lights above the presidential portraits with bulbs weaker than the one above his own portrait. "I had to make his picture brighter than S. G. Dobson,"[54] remembers Goodman. For the next decade, Jimmy Muir would shine very brightly.