Jimmy Muir's Royal Bank

"The Wave of Optimism"

HE NEVER EXPECTED TO DIE. IN 1960, DEATH CAUGHT HIM AT THE WHEEL of his Rolls-Royce during a Sunday drive in the Lowlands of Scotland. There, on a low, gorse-covered hill above his native Peebles, Jimmy Muir was carried away by a massive heart attack at the age of sixty-nine. On a nearby hill four years previously, he had been installed as Warden of Neidpath Castle. Before that, in 1952, he had been made a Freeman of the Royal and Ancient Burgh of Peebles. His friend Roy Thomson had called him to the board of Scotland's great newspaper, *The Scotsman*. These honours were but punctuation marks in Muir's annual pilgrimages to his homeland, treks intended to refresh his immense self-regard and indulge a nostalgia for his Scottish roots. Here was a Scottish laddie, "aye guid at tottin' up figures," who had left school at age fifteen, joined a bank, immigrated to Canada in 1912, and now found himself president of Canada's largest bank. The boy who once earned £10 a year as a junior in the Commercial Bank of Scotland now oversaw assets in excess of $4 billion. In Muir, such success bred a sense of invincibility and imperiousness. Few liked him, most respected him. William Zeckendorf, the New York developer who helped Muir conceive Place Ville Marie in Montreal, likened him to the "chieftain of a fighting clan."[1] Even George Goodman, the bank electrician who had indulged the president's boardroom egotism, had to admit that Muir was "a hard, but fair man...he made the bank."[2]

The news of Muir's death caused consternation at 360 St. James. He had interjected his domineering personality into every crevice of the bank's affairs, *except* executive succession. Muir had been congenitally unable to delegate authority. Who would now step into the president's office of a bank that Canadians had come to think of as "Jimmy Muir's bank"? For the time being, however, there were more pressing matters. Muir's body was flown to New York, where the bank's Viscount aircraft picked it up. When the plane was halfway back to Montreal, somebody phoned a bomb threat into the Dorval control tower.[3] Nothing happened; police concluded that it was the work of a crank.

Muir's funeral was a testament to his stature in the Canadian business community. At the Church of St. Andrew and St. Paul, the spiritual bastion of the Montreal business community, the Rev. R. J. Berlis reminded the mourners that there was "no royal road to the Presidency of the Royal Bank, no substitute for determination, ability, and concentration. James Muir was a great Canadian because he deserved to be a great Canadian."[4] Honorary pallbearers included Mayor Sarto Fournier of Montreal, C. D. Howe, "Rip" Powell of Alcan, Donald Gordon of the CNR, and Sydney Dobson, who had outlived the man who had shunted him aside in 1949. Muir was buried high up in Mount Royal cemetery, close to Edson Pease, Herbert Holt, and other luminaries of the bank.

By the 1950s, Scottish "bank boys" had been coming to North America for a century. David Duncan had introduced the species to the Merchants' Bank of Halifax in the 1880s. Many others followed.[5] Even after the Second World War, young Scots were disembarking from liners at Montreal's Victoria Quay, walking the few blocks to the bank's head office on St. James, and reporting for work.[6] The bank usually paid a small salary premium to such Scots: there was the assurance that they were well trained and hungry for advancement. Jimmy Muir fit this tradition exactly, only he elevated it to the level of a cult, and, as with most cults, fact often became distorted by striving ego and nostalgia. Once Muir had occupied the president's office, there was little to moderate his self-made image. An uncritical and overawed press was fed an anecdotal diet of stories by the president himself and his obedient publicists in which Muir was cast as a Scottish Horatio Alger. The shelves of the corporate archives still sag under the weight of volume after leather-bound volume of Muir's press clippings; the same wire-service story was clipped and filed regardless of whether it had already been saved from twenty other papers. If a particularly striking new photo of Muir was received, the president passed it to his secretary after attaching a small note: "Put this in book A2 - *first page.*"

Muir's vanity even affected his birth date. He originally told his would-be employers in Glasgow that he was born on November 11, 1890, thereby ensuring his acceptance into a banking system that demanded a Scottish lad be at least sixteen before he took his perch on a clerk's stool. But, as his career blossomed, Muir realized that youth would now serve him better by allowing a later retirement. The birthdate on his Royal Bank personnel card was thus subsequently altered to November 11, 1891 – a handwritten note explained, "Changed on instructions from Mr. Muir." He never spoke in public or in correspondence of his parents, but one can infer that his early surroundings in Peebles were humble. He constantly invoked the image of the "little cottage" of his birth, but provided no details. There was also much talk of his love of reading – biographies – and rugged sports. But it was his acute memory and nimbleness with figures that pointed him towards banking. He later relished telling high-school and university graduating classes that he finished his high-school education at 1 p.m. on July 17, 1907, skipped lunch, presented himself at the Peebles agency of the Commercial Bank of Scotland,* and an hour later found himself on a junior's stool making ledger entries. Within three years, his annual salary had risen to £30 and he determined to take the London road to greater opportunity.

London offered the metropolitan connections that could carry a young man with ambition to foreign success. Muir's initial thoughts turned to the Far East; he joined the Chartered Bank of India, Australia, and China. A chance meeting with a young Canadian in London aroused Muir's interest in Canada and prompted him to pay a call on the newly opened Royal Bank of Canada branch in London. James Mackie, the joint manager, hired Muir – on the condition that he get himself across the ocean. (This was unusual. The bank usually furnished passage for such emigrants.) Late in January 1912, Muir landed in Halifax and headed west. He got off the train in Moose Jaw, Saskatchewan, where he began work as a ledger-keeper at $700 a year.

"I set myself no other goal than hard work," he told a CBC interviewer four decades later.[7] Muir sincerely believed in Canada as a land of opportunity, rich in resources and open to the ambition of immigrants. It would be an attitude ideally suited to the heady expansionist mood of Canada in the fifties.[8] It seemed to Muir that his family motto – "Relentlessly Pursuing" – applied to both himself and his adopted country. Unlike the vast majority of "bank boys," Muir made no effort to enlist in the First World War. The same would be true in the Second World War. When Prime Minister Mackenzie King sought

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* The Commercial Bank of Scotland trained another young Scottish banker who was later to emigrate to Canada: the poet Robert Service. The bard of Yukon gold, Service joined the Bank of Commerce in Victoria in 1902 and was sent north to Whitehorse.

his services as a "dollar-a-year" man in 1942, Muir responded that he was "not temperamentally suited" to such work.[9] Instead, Muir pursued his banking career.

Four years in Moose Jaw were followed by a year at the crucial Winnipeg Grain Exchange branch, and then a call to head office in Montreal in 1917, a sure sign of preferment. Muir excelled in national credits, and was soon sent out as an inspector. Another stint in Winnipeg led in 1925 to an assistant inspectorship at New York agency. Here Muir formed a lifelong appetite for the city's delights and an abiding sense of its financial importance. Here, too, he befriended another of the bank's inspectors, Graham Towers. In 1926, Muir and Towers gallivanted through Guatemala and El Salvador on a mission to scout out possible new branches. "It is difficult to settle down," Muir complained after the trip with Towers, "when one's mind is filled with visions of 'Thirsty Apfels,' 'Adenoid Aggies,' and 'Fair Evangelinas' [all drinks], to say nothing of the plethora of bananas which surrounded our sleeping quarters."[10] That same year, Muir became marooned at a snow-bound train station in the Andes while inspecting South American branches.[11]

Muir's early career exemplified the mobility demanded of any "bank boy." It also gave evidence of the bank's reputation as a "young man's institution." By 1931, at the age of forty, Muir was general inspector at head office, and four years later he was appointed assistant general manager.[12] Muir won promotion in the face of the Depression – grim banking years – and, given his long familiarity with the West, he was called upon to try to shore up the bank's sagging credibility on the prairies. Here too he perpetuated a Royal Bank tradition: speaking out on public issues. Pease had championed a central bank long before its time. Holt had advocated open immigration in the twenties. Now Muir picked up the traces. Bankers, he told the Advertising Club of Montreal in 1935, were not, as many Canadians in the Depression believed, "a body of men sitting Midas-like upon a hoard of money"; they, instead, rendered Canadians "a devoted, faithful and intelligent service."[13] When "Bible Bill" Aberhart threatened to run roughshod over the banks in Alberta, the Canadian Bankers' Association seconded Muir to Edmonton to participate in six radio broadcasts designed to counter the Social Credit challenge with "plain facts." Compared to Aberhart's flamboyance on the airwaves, Muir's efforts were ineffectual, but the episode did leave him with a vivid awareness that the stuffy ways of established banking offered a poor defence in the age of radio.[14] A few years later, Muir persuaded his colleagues to transform the bank's *Monthly Letter*, as we have seen, from an economic commentary into a renowned public-affairs essay.

Muir was remembered by his colleagues during these years as a man in a hurry. Morris Wilson's elevation to president in 1934 sent the signal that the "bank-boy" meritocracy now extended to the bank's highest office. Holt was the last titular president. Loyalty and ambition could now carry a bank veteran right to the top of the organization. The old chummery of senior management began to be infected by a degree of personal ambition. If the bank was a place in which young men made their mark early, then one had to move quickly and aggressively. By the late 1930s, Muir's experience in inspection had given him an instinctive grasp of retail banking, although, ironically, he had only once been a manager himself – in Winnipeg, from 1928 to 1931. New York and the south had exposed him to international banking. At head office, he had seen the ebb and flow of corporate lending through the national-credits department. Nobody was better positioned to succeed.

A bank's sucess, Muir was convinced, was built on securing as large a base of retail banking as possible and using it aggressively to pursue corporate business. In the Depression, this seemed irrelevant. After the war, it would be a lodestar. Muir never cast a backward glance at the Depression; he seemed to lack the flywheel of Depression-induced conservatism that checked the strategies of many of his fellow bankers. A contemporary remembered his judgement as "so swift and so right as to make unthinking people regard him as somewhat psychic." He possessed "a mind of razor keenness."[15] But there was a mean side to Muir's genius. He jealously kept tabs on his colleagues' perks and rewards. One recalled tears in Muir's eyes when he learned that his annual bonus had been cancelled as a Depression austerity measure and guessed that others had been luckier.[16] His competitiveness was evident in other aspects of his life, as well. Muir took up golf with a vengeance in the 1920s. He won the first tournament he entered, the 1921 Montreal bank championship. He triumphed again in Winnipeg. One has the sense that Muir played golf not because he liked the game, but because he liked the competitive stimulus.

Morris Wilson's frequent wartime absences and Sydney Dobson's reserved approach to post-war banking left the door open for Jimmy Muir. The war represented a vast challenge to the daily working of the bank as a retail system and Muir met the challenge. Of the bank's five assistant general managers, Muir alone had the inside track to post-war growth. Nobody had his finger so firmly on the pulse of retail banking. Even before Wilson's death, Muir was general manager. A director in 1947, a vice-president a year later, and then the only "younger man" Dobson could reluctantly see as his successor in 1949 as president. The change in style that he brought to the office was immediately evident. At the same meeting he assumed the presidency, Muir briefed the board on the bank's progress in retail banking: the Royal Bank had opened more branches since the war than any other Canadian bank. The directors were then told of the need for new corporate accounts of "major importance."[17] Muir led the directors to believe that they *too* were to play a role in bringing in new business. Muir soon began making it a practice at board meetings to thank individual directors for their efforts on behalf of the bank.[18] Within a month of arriving, Muir brought a new activism to the president's office. He *left* Montreal to pay calls on Premier Duplessis of Quebec, Prime Minister St. Laurent, and his old friend Towers at the Bank of Canada. In New York, he appeared at J. P. Morgan, Standard Oil, the National City Bank, and General Motors Acceptance. Back in Montreal, Muir wined and dined the influential – the chairman of Hydro Quebec, the president of Canadair – in the bank's executive dining room.[19] James Muir was introducing a new aggressiveness to the placid world of Canadian banking.

It might be inviting to conclude that the fifties were an easy decade in which to practise banking; Canada boomed. In 1951, there were 13.7 million Canadians; by 1961 there were 18.2 million. The gross national product virtually doubled in the same years, from $21.6 billion to $39.6 billion. Urban sprawl acquired its modern meaning. Montreal remained Canada's largest city, but Toronto was hard on its heels with 1.9 million inhabitants. In cities and in the country, Canadians fell in love with consumer technology: cars, televisions, refrigerators, and hi-fis were the accompaniments of a persistent housing boom. And money – saved and borrowed – set the pulse of the economy. Early in the decade, the Korean War intensified the pressure on the economy. If the previous two decades had seen Canadians trying to stimulate their economy, the fifties saw them grappling with the problems of growth, of directing increasingly scarce capital to where it was most needed, and of waging a constant battle with inflation. Despite all this raw economic energy, the decade demanded new skills from Canada's bankers.

Unlike the Depression, the commercial banks were not alone on the economy's front line. The Bank of Canada now tried to regulate the nation's appetite for credit. Every three months, Graham Towers met with the banks' general managers to exercise his right to "moral suasion" over their affairs. And throughout the decade, that message was usually one of credit restriction. In November 1950, Ted Atkinson of the Royal Bank came to Ottawa to tell Towers that "the wave of optimism" sweeping the Canadian economy was "still fairly high." The governor of the central bank responded that the banks had better cool consumer and commercial demand for credit. Towers would habitually urge the general managers to "weed out some of the less urgent demands on our resources."[20] When James Coyne succeeded Towers as governor in 1955, the message remained unchanged: "a remedy must not be sought in monetary expansion or deficit financing."[21]

In this environment of controlled credit and a surging national economy, banking became more competitive and versatile. The chartered banks found themselves increasingly challenged by other financial intermediaries – trust companies and finance companies – and, in fact, lost ground to them in terms of their assets as a percentage of total gross national product. Within the banking industry, competition intensified. As they had in the boom years at the turn of the century, Canadian bankers scrambled for advantage. Canadians encountered a greater range of bank products. For the first time, the "average" Canadian had *two* bank accounts; the traditional low-interest savings/chequing account was displaced by a separate savings account and a personal chequing account. The concept of service fees appeared, as "user pay" now became the rationale for bank service. Like the trust and finance companies, banks began to offer investors short-term deposit notes. Consumers found that they could turn to the banks for instalment loans, and banks made their first, tentative sortie into the field of home mortgages.[22]

Competition did not come easily to the banks. Despite the relatively smooth and profitable transition from war to peace, there remained a powerful undertow of conservatism flowing from the Depression, a fear of getting caught off-base. None the less, some banks proved more aggressive than others. The Royal Bank, for instance, took an early lead in mortgage financing. Amalgamation once again provided an avenue for growth. In 1955, the Toronto and Dominion banks merged, followed five years later by the marriage of the Imperial and Bank of Commerce. Real growth, however, could only be had by winning business. A bank was only as big as its asset base; deposits were the foundation of that base. The larger the pool of deposits, the greater the possibilities of lending to consumers and corporations. Here lay Jimmy Muir's genius: he galvanized the bank's retail network and drew on its strength in his vigorous pursuit of corporate clients. He told staff that the Royal Bank would be "the bank with a thousand front doors."

Muir was not alone in understanding the changing rules of competitive banking. Other banks, notably the Bank of Nova Scotia, prospered in the fifties; others, such as the Bank of Montreal, lost ground. By decade's end, the Royal Bank was still the country's largest bank, its $4.3 billion in assets representing a quarter of the whole industry's assets. More importantly, Muir had positioned the bank for tremendous future growth. Historians are wont to debate whether the times make the men or men make the times. In Jimmy Muir's case, the times were undeniably propitious, but he pounced on the opportunities they threw up and stretched them to their utmost. On occasion, as his trips to Russia and China would reveal, he could audaciously go against the trends of his times and still win.

At the 1952 annual meeting, Muir told the shareholders that since "its earliest days, the pioneering spirit has been part and parcel of this bank." Throughout the decade, he relentlessly strived to keep that spirit alive on the bank's three crucial frontiers: domestic banking, corporate banking, and international banking. The domestic branch system was the foundation of the bank and, by the 1950s, its "frontier" was in the cities. During Muir's presidency, 237 new branches were added, bringing the Royal Bank domestic network to 917 by 1960. Muir's ambition of "a thousand doors" was not, in fact, reached until 1962. Much of this growth comprised a filling out of the urban market. The crosshatch of suburbia and Canadians' love affair with the car tended to alter the geography of Canadian banking. As Canadian cities

Moving to the suburbs: A new branch is planned on Ottawa's Riverside Drive.

had emerged in the first half of the century, banks had hurried to establish themselves at busy downtown intersections. Corners were prized locations. By the 1950s, Canadians still worked and shopped downtown, but they increasingly lived on the edges of the city and commuted by car. Downtown banking was easy on foot, but difficult by car. Parking at a busy intersection was often harrowing; it was much easier at any of the plazas that were springing up in the suburbs. In 1951, the bank therefore opened its first plaza branch, at Norgate Shopping Centre in St. Laurent, a satellite city of Montreal. Others followed: in the Montreal suburbs of Dorval and Anjou, and further afield at Ottawa Westgate, Greater Hamilton Centre, Vancouver Oakridge, and Quebec Ste. Foy. In some instances, the bank even provided financing for the plaza development. Similarly, when bank director E. P. Taylor conceived and developed the Don Mills area of Toronto, the bank again provided financing and, in 1954, opened a branch.[23] In another attempt to capture the car-borne client, "drive-in" branches were developed.[24]

The Anjou and Ste. Foy plaza branches hinted at another departure from established practice. For the first time, the bank made a

The new look of banking: Banking became more accessible and less intimidating in the fifties. (Above) A plaza branch in Montreal North.

concerted effort to penetrate the broader Quebec retail-banking market. Since its acquisition of the Quebec Bank in 1917, the Royal Bank had limited its Quebec exposure to the Montreal–Quebec corridor; its clientele tended to be drawn from the Anglo commercial community. Although a base of francophone business had been steadily built up, it had been difficult to counter the competitive advantage of the two Quebec-based francophone banks and the pervasiveness of the *caisse populaire* movement. Wartime production of pulp and paper, aluminum, and hydro power had, however, brought prosperity to many of Quebec's smaller cities. This prosperity finally prompted Montreal-based banks to look to the Quebec hinterland. Royal Bank branches opened in towns like Baie Comeau, Alma, Chibougamau, and Sept-Iles. In 1950, the bank had 90 Quebec branches, the same number it had in 1930; by 1960, it had 128.

Quebec began to impinge on the bank's consciousness in other ways. Competitive service off Montreal Island demanded more French-speaking staff. In an article carried in *Le Soleil* in 1957, Muir noted that the bank had 3,000 employees in the province, of whom 1,400 were francophones.[25] Head office, however, remained an anglophone bastion; Muir spoke no French. Like much of the Anglo business community, he did befriend Quebec's redoubtable Premier Maurice Duplessis. Duplessis saw in Muir a valuable conduit to the kind of financiers and industrialists who, in the 1950s, were so active in integrating the province's resource base into the continental economy. For the bank, this represented a continuation of its longstanding relationship with those in the inner sanctum of Quebec business and politics. Since the turn of the century, the bank had done business with leading Quebec financiers such as the Forget Brothers. Now Quebec was about to change. The base of business would have to broaden. Duplessis's death in 1959 would unleash pressures for change that would swell into the "Quiet Revolution" by the 1960s, Quebec's great leap forward in terms of social and economic modernization. The bank, too, would feel this surge, and would be obliged to acknowledge its pressure: in 1961, the bank's annual report appeared in French for the first time, and in 1968 the bank magazine began appearing in French.

In some respects, Quebec was a banking market like any other. The whole of Canada was responding to the "baby-boom" economy. Growth occasionally hiccuped, but consumer confidence remained buoyant. Depression memories faded. In 1952, the bank upgraded its Economist's Department into an Economic Research Department in an effort to be able to plot and predict economic performance more accurately. Although Muir often poked fun at "the gobbledy-gook of economic forecasting" in public, in private he relied heavily on the advice of the bank's chief economist, Donald Marsh, to gain a sense of the economic outlook. In the fifties, that outlook consistently showed that Canadians were saving, spending, and moving money about in unprecedented amounts. Their financial needs and habits were changing. The traditional low-interest savings/chequing account no longer served the needs of clients who now had varied short, medium, and long-term uses for their money; utility bills had to be paid at the end of the month, the summer vacation had to be saved for, and a new car would be needed next year. The market for bank "products" (the very term seemed alien) was fragmenting and for the first time since mass consumer banking had emerged at the turn of the century the banks felt the pressure to respond.

In 1957, the bank introduced "personal chequing accounts" (PCA). The old savings/chequing account had allowed customers a couple of "free" cheques per month, after which a fee was imposed for additional cheques. Chequing on savings accounts had been a Canadian oddity; even with an 8-cent-per-cheque service charge, the service operated below cost.[26] Personal chequing gave a customer a separate account for chequing, while savings were now segregated in an account that had no chequing privilege. The PCA also introduced most customers to the concept of ongoing "user-pay" service fees. The bank had long had service fees – rental fees on safety-deposit boxes and per-cheque charges for cheques written beyond set limits – but now service charges bore a direct relation to the actual cost of bank service and the burgeoning use of cheques by "average" Canadians. A monthy all-inclusive PCA charge was soon offered to customers.

Personal chequing had several immediate implications for retail banking. First, consumer resistance had to be overcome. The product had to be sold. Consequently, in the fifties, bank advertising became more product-oriented and somewhat more aggressive. It was designed to do "a real selling job."[27] The PCA, for instance, was launched with the "2-Account Plan" campaign. Advertising was accompanied by training sessions to familiarize staff with the new account. Secondly, because other banks were busy entering the same field, an eye had to be kept on the competition. Service charges were market sensitive, so either the quality of delivery or the actual service charge had to be perceived as better than the competition. Advertising of the PCA focused on saving "time, trouble, and expense" in daily banking.[28] A monthly statement replaced the bother of updating a passbook.

Retail banking became attuned to changing consumer needs in other ways. If people were now generally more in a hurry, the banks would oblige them with faster service. The old system of separate "paying" and "receiving" tellers was abandoned. Now a customer could enjoy "one-stop" banking; a single teller accepted deposits, updated passbooks, and dispensed cash. Tellers were also now equipped with coin-counting machines and, especially on paydays, "Fascash," bundles of pre-counted bills. Other services were added: "around the clock banking" came closer to reality in larger centres as night depositories were installed on the outside walls of branches. Behind the scenes, the ballooning volume of transactions was handled by improved daily "proof" procedures. In large branches, designated staff worked on "deferred posting" after business hours; by 1957, for instance, Toronto main branch's eight proofing machines made sixteen thousand postings – verifying, or "posting," the branches' transactions after the day's closing – a day. In Montreal, McGill students worked as bank employees through the night, clearing "that day's harvest of cheques." On average, "the knights of the night" posted one hundred thousand items at a sitting.[29] Microfilming of items "in transit" to other branches was introduced, as was a private teletype circuit between principal branches.

Even bank architecture changed. As banking became more competitive, bankers realized that doing one's weekly banking had to be made a pleasant, as opposed to a necessary, task in customers' minds. New branches were designed to admit more light, tellers' cages were stripped down to ornamental grillwork, and chairs and writing tables were placed for clients' convenience. Older branches were modernized. "What's happened to the Bankers?" asked *Maclean's* in 1955. "Modern bank interiors have changed from gloomy, forbidding places in which employees lurked behind iron bars and frosted-glass barriers," the magazine observed, "to bright cheerful spots where customer and employee face each other across blond maple counters."[30]

Muir knew that the remodelled branches were only as good as the staff in them. "It cannot be denied," he admitted, "that the cold, formal and unimaginative attitude of previous generations of bankers did much to antagonize many people and make most feel ill at ease in their dealings with the banks."[31] He became a stickler for service; Stephen Leacock would not have been rattled in one of Muir's branches. When a ten-year-old girl in Montreal asked if she could have savings account #1 at the bank's new Pointe Claire branch, Muir picked her up in his car, took her to the branch, and personally opened the account for her. On other occasions, Muir was more surreptitious. In the mid-1950s, he hired a young Scottish immigrant reporter in Vancouver, Jack Webster, to snoop around the bank's branches in the B.C. Interior. "I'd ask to see the manager," Webster recalled, "clock the time it took before he saw me and then gauge how

Serving the client: Muir acts as teller as ten-year-old Nancy Clapham opens a savings account at the Pointe Claire, Quebec, branch. Twenty-five years later, Rowland Frazee, the bank's CEO in the 1980s, would escort Nancy, by then married and still an account-holder, to the branch's anniversary celebrations.

I was treated."[32] Webster got $50 a day. He reported directly to Muir; nobody at Vancouver regional office was told of the arrangement.

Under Muir's vigilant eye, retail banking grew vigorously throughout the 1950s. The first post-war decade from 1945 to 1955 saw a million new depositors come through the bank's doors. The bank's 2,557,909 accounts in 1955 grew to in excess of three million by 1960. Deposits of $2.3 billion in 1950 were just nudging $4 billion by 1960. Taking deposits was, however, only half of retail banking. In the boom economy of the 1950s, Canadian consumers also had borrowing on their minds, and they did not always think of the banks as their lender of first resort. Other lenders beckoned. The "near banks" – trust and mortgage companies, finance companies, *caisse populaires*, and credit unions – were often better positioned to meet consumer demand. While the Bank Act still constrained banks to a 6 per cent interest ceiling, the "near banks" were free to lend at whatever rate they found remunerative. The banks, therefore, became disinterested lenders whenever the prime rose to levels that denied the banks sufficient "spread" between the actual cost of lending and the 6 per cent ceiling allowed by the Bank Act. The "near banks" simply adjusted their rates upwards. To make matters worse, the banks were the chosen instruments of the Bank of Canada's credit policy. The "near banks" were not. In 1954, for instance, the Bank Act was revised to oblige the banks to keep at least 8 per cent, and, if requested, as much as 12 per cent, of their deposits with the Bank of Canada as a cash reserve. Previously, the required ratio had been 5 per cent, but in practice was held to about 10 per cent. The central bank could now restrict national credit with greater certainty by adjusting the banks' cash-reserve requirement.

Under this regime of interest-rate ceilings, the banks not surprisingly became reluctant lenders. This became particularly evident in the late 1950s when the Bank of Canada boosted the short-term interest rates so that prime went as high as 5 ¾ per cent in an effort to cool inflation. "They had little or no incentive to take risks," one observer of Canadian banking has noted, "nor any immediate incentive to compete vigorously for savings or money market funds, against institutions which could invest in mortgages or make term loans at much higher rates."[33] Beyond legislative constraints, "bankers' preferences"[34] also cramped the banks' lending performance. Because of the First World War, Canadian bankers in effect had been required to reorient their asset base from loans, the backbone of their business in the late-nineteenth century, to more liquid security holdings. The shift was particularly evident in the banks' acquisition of federal government securities during the Second World War. The shift peaked in the late 1940s, but even in the 1951-55 period, securities still represented 37.3 per cent of bank total assets, while loans made in Canada and abroad totalled 38.4 per cent of assets.

The banks' more limited room to lend, together with the legal interest-rate restrictions they faced in consumer lending, opened the way for the "near banks" to fatten themselves on loan expansion. Companies like Household Finance offered small instalment loans to consumers, while captive finance companies like General Motors Acceptance offered credit on the purchase of automobiles. The "near bank" proportion of total assets of the Canadian financial-services industry consequently grew steadily in the post-war economy: in 1945, the banks had 48 per cent of these assets, but by 1968 this would slip to 29 per cent. By 1954, for instance, the banks supplied only 15.6 per cent of Canadian consumer credit; the "near banks," led by the finance companies with 26.1 per cent, and various "point of sale" retail dispensers of credit, such as department stores, purveyed the rest.[35] By the mid-1950s, therefore, the banks were at the point where their ability to grow with the economy was in doubt. Greater legal flexibility, together with innovation in lending and in taking deposits, would be the key to meeting the "near-bank" challenge and to giving the banks a more dynamic place in the national economy.

Part of the very first changes came from the banks themselves, and part came from without. In the late 1950s, for instance, the banks moved aggressively into the short-term money market. Led by the Bank of Nova Scotia, the banks introduced deposit notes for large amounts; these were transferable and paid competitive interest that moved with the prime. Term deposits stimulated term lending, allowing the banks to lend large amounts to individuals over the medium and long term. Similarly, the 1954 Bank Act revision had given the banks the power to make chattel mortgages secured by household property or automobiles. The banks had hitherto only been able to make personal loans on the basis of a personal guarantee. Thus in 1958 the banks – led by the Bank of Nova Scotia's Scotia Plan – began to compete for personal loan business and, through the next decade, would see their share of national consumer credit grow steadily.[36] What had been a 17 per cent share in 1958 became a 38.8 per cent share a decade later.

Personal loans were not the only new lending frontier. In 1954, the Bank Act was amended to remove its age-old injunction against bank lending secured by real estate. The parallel proclamation of the National Housing Act created the means for banks to make mortgage loans. It was not a frontier that bankers crossed eagerly. Over and above the Bank Act prohibition, Canadian banks had always been uneasy about lending on real estate. Mortgages were not very liquid. Property values were mercurial; the disasters that had befallen American banks in the Depression were largely brought on by real-estate loans. From their own experience with Section 88 farm loans that were in default, Canadian bankers knew that they would reap a whirlwind of ill will if they should ever have to foreclose on bad mortgages. As the *Financial Post* suggested, "They might be cast in a Simon Legree role."[37] From a practical angle, they would also have to train staff to administer mortgage lending. Others were less reluctant. Since the middle of the nineteenth century, building societies, insurance, and trust companies had furnished Canadians with mortgages, learning to cover their risk through such practices as maintaining a high equity-to-debt ratio.[38]

Since home-building was a powerful stimulus to a healthy national economy, government had not been shy in facilitating residential finance. As early as 1918, Ottawa had made money available to municipalities to stimulate home construction. In the Depression, Ottawa saw home construction as a way to prime the nation's economic pump and, under the National Housing Acts of 1938 and 1944, offered the banks minority government participation in loans to new home buyers.

In 1945, the Central Mortgage and Housing Corporation was established as a crown corporation to regulate these NHA loans. The "baby-boom" economy stretched this arrangement to the limit.[39] If there was one thing post-war Canadians wanted, it was a house. Since trust and insurance companies could lend only to the extent of their paid-in capital, the housing industry soon found itself knocking its head on the financial ceiling. By the early 1950s, Canada was facing a housing crisis. Despite 106,000 new home starts in 1953, the National Home Builders' Association was lobbying Finance Minister Douglas Abbott to loosen the strictures on mortgage lending.[40] In September 1953, the inspector general of banks reported to Abbott that it appeared "unlikely that existing sources of private mortgage funds will be sufficient to finance a satisfactory volume of new housing building in the future."[41] What followed was a curious role-reversal in the traditional relation of Canadian bankers and politicians.

Up to the 1950s, the legislative structure of Canadian banking had been shaped by a discreetly formed banker-politician consensus. Change took place by mutual consent, along lines usually laid out by the bankers. By the early 1950s, however, Ottawa had grown impatient with the banks' conservatism. The housing crunch had the makings of a political crisis. With a federal election looming, the Liberal government of Louis St. Laurent decided to act. Abbott informed the banks that the National Housing Act (NHA) would be amended to allow mortgage lending by banks. Although he assured the banks that consultation would follow and that there would be "no compulsion," Abbott made it clear to the executive council of the CBA that the goal of broadening the mortgage market was beyond debate.

The bankers initially balked at the government's initiative. Royal general manager Ted Atkinson then took it upon himself as CBA president to turn the tide, pointing out that the move was a *fait accompli*, coming straight from the prime minister's office, and that the banks should therefore turn their energies to obtaining "the most workable arrangements possible."[42] Back in Montreal, Jimmy Muir picked up the message immediately and despatched a promising young assistant general manager, W. Earle McLaughlin, to Ottawa with instructions to master every detail of mortgage financing as the National Housing Act unfolded. McLaughlin was to make himself "Mr. Mortgage," and then return to Montreal in a position to guide the bank in an early sortie into the mortgage field.

Throughout the late fall of 1953 and into the winter, McLaughlin parked himself at the Central Mortgage and Housing Corporation (CMHC) and immersed himself in the intricacies of making the new act "workable." At the same time, another Royal Bank assistant general manager, Charles B. Neapole, took the chair of the CBA's Bank Act revision committee. The bankers had many anxieties. Would mortgage lending leave them short of precious liquidity? How could they avoid the awkwardness of foreclosure? Was there an easy way of taking "vacant possession" of a property in default? The answers to these questions soon came to constitute what the *Financial Post* called "the Big 'If' in Housing for 1954." Bankers, Muir told the *Post*, were "rather notorious for resisting change," but promised that once "the machinery is set up...a useful job can be done."[43] The bankers received assurance from various quarters. "The main job of the Bank of Canada," Graham Towers assured them, "is to see that the chartered banks have enough resources to meet the demands of borrowers including mortgage loans." Existing customers were in no danger of being hurt.[44] By March 1954, the new NHA was law; an amended Bank Act followed in July. Within weeks, the first Royal Bank mortgage advertisements were in the newspapers.

Banks were now "approved lenders" for new homes, and their lending was backed by a CMHC guarantee of payment. Borrowers were obliged to take out CMHC insurance to cover their liability. A ceiling of 5 ½ per cent (later dropped to 5 ¼ per cent) was set for CMHC-insured mortgages. McLaughlin protested, arguing that, if the prime rate rose, mortgages might become unattractive to banks.[45] Initially, McLaughlin was wrong in his prophecy. The banks were finally part of the fast, expanding mortgage debt market; in 1945, mortgages were only 5 per cent of outstanding primary debt in Canada, but by 1962 they comprised 20 per cent. From nothing in 1953, NHA mortgages rose to 7.2 per cent of Canadian bank assets by 1959. And, thanks to Muir and McLaughlin, the Royal Bank led the pack. Indeed, the Royal Bank went so far as to reduce its mortgage lending rate to 5 per cent, below the required rate. Immediately on returning to Montreal, McLaughlin set up a mortgage school, at which staff from across the country were trained to appraise property and to write up mortgages. McLaughlin then set out on a coast-to-coast briefing tour. The results were soon evident: by 1958, the Royal Bank had 38 per cent of all mortgages held by banks.

But, as McLaughlin had suspected, the new mortgage scheme had an Achilles' heel. Late in the decade, the Bank of Canada began to pursue a tight-money policy, boosting the prime to cool growing inflation. The NHA mortgage rate followed in its wake. In 1959, the federally sanctioned NHA mortgage rate crossed the 6 per cent border beyond which the banks were legally unable to lend. From a 33 per cent share of the NHA mortgage market in 1958, the banks quickly

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THE MEN AT THE TOP

Of the nine men to occupy the bank's senior executive office since its federal incorporation in 1869, none has left as rich an anecdotal legacy as James Muir (1949-60). Mention Muir's name to anyone who joined the bank in the fifties, and the phrase "Did you hear the one about...?" soon arises. The anecdotes usually divide between those intended to display Muir's dark side and those intended to bring out his kinder side. When Westmount boys made sport of stealing the bulbs off Muir's outdoor Christmas tree, Muir had an electric trip-wire alarm set up around the tree. On the other hand, when he read in the New York press that the power had been cut off in a slum tenement, he forwarded a cheque for its restoration. Learning that the Russian translator who served him on his 1956 Russian trip had a schizophrenic uncle, Muir sought the advice of Dr. Ewen Cameron of the Allan Memorial Institute in Montreal. Muir then forwarded the drugs given him by Cameron to Russia. Muir prevailed on other friends: when he visited Turkey in 1955, Allan Bronfman ensured that the bank president had "a beverage supply" available for him in Moslem Istanbul.

In some respects, the anecdotes obscure Muir's normality. The men who have reached the bank's highest office have displayed a remarkable homogeneity in many respects. The titles have changed over the years. The term "chief executive officer" has been used only since 1960. Before that the "president" was the bank's highest officer; from 1870 to 1934, however, the title was largely honorific. Under Thomas Kenny (1870-1908) and Herbert Holt (1908-1934), effective executive direction of the bank rested with the cashier (David Duncan) and then with the general manager (Edson Pease and then Charlie Neill). The office of chairman existed as a non-executive post for Holt from 1934 to 1941 and for Dobson from 1949 to 1954. Muir was president and chairman from 1954 to 1960. Earle McLaughlin (1960-1980) became president and CEO in 1960 and then in 1962 chairman and CEO. Rowland Frazee and Allan Taylor have both carried this same title.

If one takes the nine men who have carried the title of president/chairman, the average age at which this highest office was attained is fifty-three years. The youngest was Kenny at thirty-seven; the oldest Dobson and Madison Walter at sixty-three. If one considers the professional bankers (i.e., Wilson onward, plus Duncan, Pease, and Neill), on average the bank's senior executive joined the bank at age seventeen. With the exception of Rowland Frazee, they have been small-town boys. Frazee was born in Halifax because his banker father was posted there from small-town New Brunswick. Only Kenny came from an affluent background, but he was never a full-time banker.

Counting the nine chief executives, four were Nova Scotians, two

Jimmy Muir (right, with ball) and fellow juniors stage a baseball confrontation, Moose Jaw, 1914.

were Ontarians, and Scotland, Ireland, and Saskatchewan have each contributed a single president. All completed high school; only two – McLaughlin and Frazee – held university degrees. Holt claimed to have a degree from Trinity College, Dublin, but did not. Frazee and Walter saw wartime service; Wilson and Holt lent their talents to war governments. Eight have been Protestants; only Kenny was Catholic. They all have been unilingual Anglos. All married, and all had children. There have been no divorces. Like most bank managers, they have been prolifically active in community work, graduating as bank president to support national charity and advocacy work. With the exception of Kenny, all were addicted to golf. Most excelled in their youth as amateur athletes. Four presidents and one chairman have died in office; the others have retired in their mid-sixties.

They were, in short, men who fulfilled the promise of the Royal Bank as a "young man's institution." They bought into its culture early, worked with unbending energy, and came to enjoy the ultimate reward held out to young "bank boys."

retreated to a 0.2 per cent share of new mortgages by 1961.[46] The mortgage issue went into a kind of limbo in the early sixties, a constant reminder that the Bank Act was in need of a major revision before the banks could proceed further into consumer financing. Although the Bank of Canada now effectively controlled the terms of national credit, the banks were still captive to a 6 per cent interest ceiling that smacked of nineteenth-century usury laws. Without flexible interest rates, such as the finance companies enjoyed, the banks entered the marketplace with their hands tied behind their backs.

If the road to consumer finance had its obstacles, Muir was quick to remind himself that corporate lending offered more-immediate rewards. In 1957, for instance, personal loans represented only 13.8 per cent of chartered bank loans, whereas loans to industry and retailers totalled a healthy 38.8 per cent[47] Muir knew that the Royal Bank prided itself on the aggressive pursuit of corporate clients. Edson Pease's ability to snatch corporate accounts out from under the nose of the redoubtable Sir Frederick Williams-Taylor of the Bank of Montreal was the stuff of corporate legend. Wilson had picked up where Pease left off – until the Depression chilled corporate borrowing. The war and the post-war spurt reawakened industry's borrowing instincts. The most persistent theme in Muir's public speaking in the fifties was the need to open Canada up to the power of business investment. At his first annual meeting as president, he declared that he was a proponent of "a greater Canada, one capable of exploiting its potential."[48] A year later: "a new spirit of enterprise is abroad in the land." Trade, foreign investment, and industrial capacity must all be built up, taxation, regulation, and political squabbling closely held in check. Muir was also shrewd enough to sense that bankers must be a dynamic element in this process.

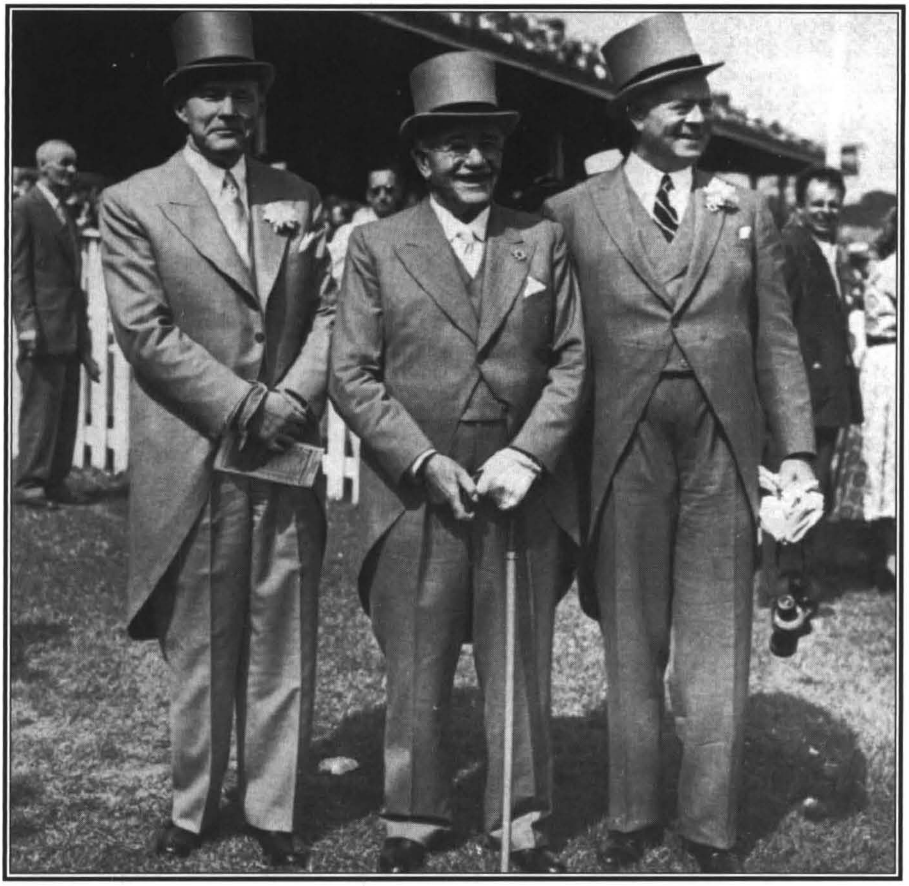
Muir approached corporate Canada with gusto. Whereas previous Royal Bank presidents had conducted stately annual tours of the West or Cuba, Muir barnstormed Bay Street, Wall Street, and London. After Muir, to be president of the Royal Bank meant a life on the road. Late in the decade, the bank bought a four-engine Viscount airliner which shuttled Muir around the continent. Time was money and Jimmy Muir wanted to arrive ahead of the crowd – and in style. In New York, a Rolls-Royce was at his disposal.* To cater to small and

* Muir never lost his sense of Scottish frugality. In his view he had earned his luxuries; others had not. In 1954, his eagle eye noticed that the odometer on the New York Rolls showed many more miles than was warranted by the weekly trip to La Guardia to fetch him. The chauffeur had been joy-riding! "There is no use pussyfooting longer!" he blasted the bank's New York agent. Use of the car was summarily placed on a work-sheet basis.

medium businesses, the bank revamped its Business Development Department, which would pump practical advice for potential business clients to the branches. Foreign businesses considering Canada could, for instance, be briefed on markets or possible factory sites. Special business-development offices were opened in Montreal, Toronto, Calgary, Vancouver, New York, Chicago, and London. Trade representatives were posted throughout the Caribbean and Latin American system to help bring buyers and sellers together.[49] In 1961, the bank joined a syndicate of banks to acquire the Export Finance Corporation, an agency designed to furnish traders with credit.

Muir realized that pulling in large corporate accounts required a more personalized effort. Through his friendships with men on the commanding heights of the Canadian economy – men like C. D. Howe, Ottawa's ubiquitous trade and commerce minister[50] – Muir was quick to spot the strategic opportunities in the Canadian economy. His first step towards seizing these was through the boardroom. Muir looked for activist directors, each chosen to bring special advantage in a particular industry or region. In Toronto, he relied on Eric Phillips and E. P. Taylor. In Montreal, there was the traditional circle of client directors from Dominion Bridge, Canada Steamship, Imperial Tobacco, and others, but it was corporate lawyer Lazarus Phillips to whom he turned most frequently. From the booming oil industry, Muir attracted Frank McMahon of Calgary, J. R. White of Standard Oil in New York, and Bill Twaits of Imperial Oil in Toronto. Muir learned to mix and match directors and potential clients in the interest of developing business. His desk book bristles with such appointments: "The object of that lunch," he noted in 1953, "was to introduce me to Mr. William Woodward, Jr., one of the directors of the Hanover Bank and a very wealthy man. He is contemplating the investment of very substantial sums in real estate in Canada and I wished to make sure of the bank having the business."[51] When Muir encountered Bud McDougald, E. P. Taylor's partner in the Toronto-based Argus Corporation, on a 1952 crossing of the Atlantic on the *Queen Elizabeth*, he set up shop at McDougald's dinner table each evening and reeled in potential clients.[52] In 1958, Graham Towers, who had retired from the Bank of Canada, joined the board.

Muir's assiduous development of a corporate clientele touched many bases. He maintained the bank's strong presence in the economy's heavy industrial base – Alcan, Noranda, K. C. Irving, and Algoma Steel were frequent customers. Muir was particularly alive to the needs of the post-war growth industries. Here was another frontier with potential. The media were, for instance, soon well represented on the board's credit-approval agenda, represented by names such as Jack Kent Cooke, Howard Webster, Lord Thomson, Foster Hewitt, and Senator



Muir loved the prestige that being head of Canada's largest bank brought. (Above) At the Queen's plate with Col. R. S. McLaughlin (centre) and E. P. Taylor (right). (Opposite page) Being initiated as "Chief Eagle Ribs" by Alberta's Blackfoot tribe, 1954.

Rupert Davies. Aviation loans remained prominent: Avro, Okanagan Helicopters, and Pacific Western Airlines. It was in the oil patch, however, that the bank attained its greatest prominence. The Oil and Gas Department in Calgary pulsated with activity; so much so that its staff frequently chafed at their obligation to refer major credits back east for approval. From this beachhead, the bank made quick inroads into the petroleum industry – Pacific, Husky, Federated, Great Plains, Royalite, and Westcoast Transmission were typical clients. The "R-oil" once again began styling itself as Canada's leading energy lender in its advertising. To capture the American oil connection, a representative was posted in Dallas in 1958. Muir cemented these relationships by accepting directorships – on McMahon's Westcoast Transmission, for instance – with some of these clients.

Although the Royal Bank had had a presence in Toronto, New York, and London since the first decade of the century, it took Jimmy Muir to bring their potential fully alive. He knew how to position himself at the crucial intersection of business and pleasure. The Queen's Plate with E. P. Taylor or an evening at the Folies Bergères with European clients saw Muir at his charming and persuasive best. Above all else, Muir acquired a taste for New York. A former Royal Banker, Isaac Atkin, had become a partner in J. P. Morgan, and he gave Muir a superb entrée into New York's highest circle. Prominent American accounts – First Boston, U.S. Steel, Merrill Lynch – began appearing in the loan approvals. New York was also ideally situated for capturing promising off-shore accounts. In 1957, for instance, the bank provided financial support for Aristotle Onassis's shipping activities and the Gulbenkian Middle-Eastern oil empire.[53] In 1951, the bank expanded its activities in the city by incorporating a trust company that would allow it to act as agent for Canadian companies making bond issues there. New York became Muir's second home, a glamorous and profitable backdrop for the Scottish lad from Peebles who had come so far.

On the move: Muir knew that bankers could not rest quietly on their laurels in the prosperous fifties. They had to go out and get business. Muir became a prolific world traveller.

Since it had been opened in 1899, New York agency had been the bank's stepping-off place for the Caribbean and Latin America. In the fifties, this role continued, as the bank's international operations enjoyed a healthy decade. Growth was along established lines – the provision of efficient retail banking and trade financing throughout the Caribbean and Latin America. From 61 branches in 1950, the network grew to 101 by the decade's end, thanks mainly to modest expansion in Cuba and South America. By 1960, the Royal Bank's 27 South American branches gave it overwhelming dominance over Canadian banking on the continent. Profits were good, partially because commodity prices were buoyant throughout the decade, but also because the bank's international operations were less regulated than its domestic retail operations. The 6 per cent ceiling on loan interest did not, for instance, exist abroad. As a consequence, the growth of Canadian bank assets abroad in the decade and a half after the war far outstripped growth of their domestic assets.[54]

There were trouble spots. In Haiti and the Dominican Republic, the bank found itself locked into countries where dictators – François "Papa Doc" Duvalier and Rafael Trujillo – treated their local economies as fiefdoms, and made doing business a capricious affair. The situation was compounded by the fact that both dictators chose to do their banking at the Royal Bank. Trujillo, for instance, used the bank's Paris branch to deposit money abroad. Far from solidifying the bank's position in the republic, the president's favour placed it in a precarious corner, ever subject to the whims of one man. By the mid-1950s, Cuba began displaying similar signs of instability. The Batista regime was mired in corruption and still unduly reliant on sugar, and the Royal had little choice but to cooperate with Batista's central bank, Banco Nacional de Cuba. The news that an insurgency had broken out in Cuba heightened the bank's anxiety, as did Batista's insistence that the bank invest 10 per cent of its deposits in Cuban government securities.[55] Trouble was clearly brewing in the Caribbean.

The day-to-day administration of foreign banking was the one area of the bank's sprawling activities into which Muir did not intrude. Senior executives elsewhere in the bank lived in daily fear of Muir's unannounced visits and calls, but international banking was left to Art Mayne, who in 1955 was appointed associate general manager (non-domestic). A small-town Ontario boy who had joined the bank in 1925, Mayne had devoted his career since 1943 to foreign banking. He had a brilliant facility for international banking and made it clear that he would not brook Muir's interference. Atypically, Muir obliged him. International was a relatively well-oiled and profitable machine and, except for his brief New York sojourn in the twenties, Muir had little front-line experience with it. Muir instead fixed his attention on the far-distant horizon. The Caribbean had been a logical frontier for Canadian banking, but the post-war world was throwing up new and more-lucrative opportunities for global banking. Muir would spend his time abroad positioning the bank for these eventualities. As Edson Pease had done in Cuba in 1899, Muir would turn the bank to the emerging markets of the 1960s. In short, Muir became the bank's "international travelling billboard."[56]

In the wake of the First World War, the bank had scouted the Far East as a possible new frontier; there was a sense that Canadian trade might penetrate these exotic markets and that the bank could capitalize on the result. At the time, the ill-fated Vladivostok branch was the only outcome of this vision. Sugar problems in Cuba, a dedication to Latin America, and the damper of the Depression combined to limit the bank's expansionist urges for the next thirty years. Besides, the curtain of communism descended over Russia and, by the 1950s, China. The chill of the Cold War banished any thought of trade behind the Iron Curtain. The West fixated on communism as the antithesis of free enterprise; Morris Wilson and Muir himself had frequently used the presidential address to the shareholders to castigate the evil of a "planned economy." Imagine, therefore, the consternation of Canadians in late May 1956 when they saw the Toronto *Star* headline: "Royal Bank Head to Meet Soviet Financiers in Moscow."[57] A few days later, Muir and his Ottawa branch manager, Jack Bankes, headed behind the Iron Curtain. Two years later, the pair would pack their bags again, this time for communist China. The photographic images of these ventures are remarkable: Muir, resplendent in his banker's blue suit, sipping tea with denim-clad Chinese central bankers or posing under red stars in Moscow. Neither the Russian nor the China trip added significantly to the bank's short-term bottom line – they provided some grain-trade financing and a representative office in Hong Kong – but they speak volumes of Muir's vision and his ability to move beyond prevailing stereotypes.

Muir's trip to Russia began in the manager's office of the Royal's Ottawa office. For years, Ottawa main branch had carried the account of the Soviet embassy and, in late 1955, when the Soviet ambassador had casually mentioned to Jack Bankes that a senior official of the bank would be welcome in Moscow, Bankes passed the message on to Muir. Muir snapped at the bait. Ambassador Dimitri Chuvakhin was invited to lunch in Montreal. Muir wanted a "chat" in Moscow with the Soviet finance minister and the head of the central bank and a chance to see the sights.[58] All this was arranged and, in June, Muir was off. He always insisted that this was a "private visit," paid for by himself. Canada's leading banker was, however, hardly a normal tourist, especially at a time when western tourists in Russia were an oddity. For two weeks, the Canadian banker was paraded through ministry offices by day and entertained by night. His only complaint seemed to be the lack of good scotch.

Muir was obviously no "fellow traveller," but neither did he react to Russia with ideological blindness. "I must say," he told the CBC, "I found in the places I visited a degree of economic development beyond anything that had been indicated to me and anything I previously heard." Russian banking was "efficient in the narrowly technical sense." There was certainly an opportunity for trade and the exchange of ideas: "I think it is only realistic to concede that it is impossible to confine, to ostracize, or to ignore a rapidly expanding country of some 225 million people."[59] It is worth noting that Muir visited the Soviet Union *before* any Canadian minister of external affairs did so. Here, perhaps, was the visit's principal outcome: as a prominent Canadian – what would today be called an opinion leader – Muir helped to turn Canadians' thinking on the Soviet Union. "Though Mr. Muir is not the first to say, in effect, 'it just isn't so,'" wrote the *Anglican Outlook*, "his is an important contribution to a sound rapprochement between East and West."[60] Muir's Russian journey also caught the attention of prominent

Behind the Iron Curtain: Muir's 1956 trip to Russia and 1958 China visit helped to establish Canada's presence in the communist world. (Above) Muir with Chinese children in Canton.

Muir takes tea with the assistant manager of the Bank of China.

business and political leaders, many of whom wrote to commend his views.[61] Moscow did not forget Muir's boldness; Canadian wheat shipments to Russia in the late fifties were arranged with temporary loans from the Royal Bank.

The China trip in 1958 set a more startling precedent. The itinerary was similar: visits to the Bank of China mingled with tourism. For a nation still fearful of the menace of "yellow" communism, the message that Muir brought home with him was almost heretical. The "vast majority of the people of China have a government they want," Muir reported, "a government which is improving their lot, a government in which they have confidence, a government which stands no chance of being supplanted."[62] Similarly, Muir did not slip into the prevalent narrow western habit of upholding the nationalist government of Chiang Kai-shek on Formosa and focusing alone on its potential.[63] Instead, he saw the region as a whole; the Far East had immense economic potential. "Somehow," he told the Vancouver Board of Trade, "it has to be brought forcibly home to us that, comparatively, we are an indolent, pleasure-seeking and soft section of humanity as opposed to the endlessly toiling, fanatical, ambitious and dedicated hordes in other lands who seek first to equal and then surpass the productive powers of the Western world."[64] To support Muir's message, the bank opened a representative's office – to help finance trade – in Hong Kong. In typical style, Muir made the decision on the spur of the moment; a somewhat bewildered Jack Smith, manager in Port-of-Spain, Trinidad, received a cable in which he was simply *told* that he was being transferred to Hong Kong. Even before Smith could scramble into position, the board in Montreal was approving letters of credit for the Bank of China to cover purchases of Canadian wheat.[65]

Under Jimmy Muir, the Royal Bank's boardroom became a more exciting place. There can be no denying that Muir in fact ruled the board. On the other hand, he picked his directors for their connections, insights, and ability to attract business. He also used the directors as a sounding board as he pursued his three-pronged strategy of expanding the bank's retail, corporate, and international activities. If the Royal Bank had risen to national pre-eminence, it was because in times of national expansion, such as the Laurier boom, it had a deliberate policy of capitalizing on the potential of growth. Pease vigorously pursued domestic and foreign growth before adroitly switching to a strategy of merging with other banks. Four decades later, Muir picked up the formula, resisting the natural inclination to conservatism in Canadian banking.

In Muir's mind, Montreal was by no means simply the static centre of the bank, a place for unavoidable board meetings and a hangar for the Viscount. For all his efforts to build up business in Toronto and Calgary, Muir knew that St. James Street was still Canada's financial mecca. In 1887, the bank had come there to make its mark. Since then, it had celebrated its growth with the erection of two splendid head-office buildings. The completion of 360 St. James in 1928 provided the bank with a grand trophy of its ascendancy over the Bank of Montreal. In the mid-1950s, Muir reinforced the point by installing four 900-watt beacons on its roof to pierce the night sky. And then, in an audacious move, he decided that the time had come for the bank to take its leave of St. James Street and move its head office. In doing so, he would shift the centre of financial gravity in Montreal, forever breaking the suzerainty of St. James Street. The "Quiet Revolution" in Quebec would finish the process.

Like any self-respecting member of Montreal's Anglo business community, Muir was a member of the St. James's Club, which sat magisterially at the corner of Dorchester and University, a quick limousine ride up the hill from St. James Street. The club perched precariously on the edge of a huge, grimy hole, a legacy of the Canadian Northern Railway's once-grand vision for downtown Montreal. The railway had punched a hole under Mount Royal to bring trains into the heart of the city. War and the depressed twenties had stalled any attempt to mask the scar with development. The hole now belonged to Canadian National. The railway's president was another craggy Scot, Donald Gordon, who was cut from the same cloth as Jimmy Muir. Gordon had come from Scotland, risen as a banker with the Bank of Nova Scotia, served in the wartime bureaucracy, and emerged in peacetime as one of Ottawa's trusted fix-it men.

In the 1950s, he had been sent to fix Canadian National. Hard-drinking, egotistical, and profane, Gordon was a man of action, and he soon wanted something done about the hole. Construction of a modern hotel above Central Station across the street was a first step – a controversial first step, since many Montrealers, not surprisingly, objected to the hotel's name, The Queen Elizabeth. Urban renewal was none the less in the air. If New York could have a Rockefeller Center, why couldn't Montreal have a similar grand development?[66] To do this, Gordon would need a partner who could bring to the project the skills of a developer and the ability to pull in the prestigious tenants that make any office development pay. Nobody seemed interested; the Bank of Montreal had, for instance, just committed itself to an expansion of its St. James Street head office, a signal that the centre of Anglo business gravity was not about to shift.

A dispirited Gordon turned to Lazarus Phillips, lawyer to the Bronfman family, in the hope that he might find a partner in the Jewish community. Seagram's, the Bronfmans' huge liquor conglomerate, had just completed a stylish office complex in downtown New York. Phillips came up with nothing, but the contact would later prove crucial. Unable to find a way around Montreal's lethargy, Gordon looked to New York. Here he finally found his partner in William Zeckendorf, a galvanic American developer. Zeckendorf had joined a small management company, Webb and Knapp, in 1939 and since then had pushed the company to the cutting edge of American property development. At first, Webb and Knapp simply acquired property – the Chrysler Building in New York, for instance – but by the 1950s, it had moved on to the challenge of actually *developing* properties. Zeckendorf soon asserted himself as America's most aggressive urban redeveloper. He would buy downtown real estate cheap and redevelop it with verve, drawing on a stellar team of associates. His star was the brilliant Chinese–American architect I. M. Pei. When two of Gordon's Montreal friends showed up in Zeckendorf's New York office with maps of Canadian National's twenty-two-acre site in Montreal, Zeckendorf saw not a hole, but a development possibility.[67] Late in 1955, Webb and Knapp formed a Canadian affiliate. John McCloy, the chairman of the Chase Manhattan, suggested that, for a Canadian bank, Zeckendorf choose the Royal Bank, and went so far as to introduce him to James Muir. The die was cast.

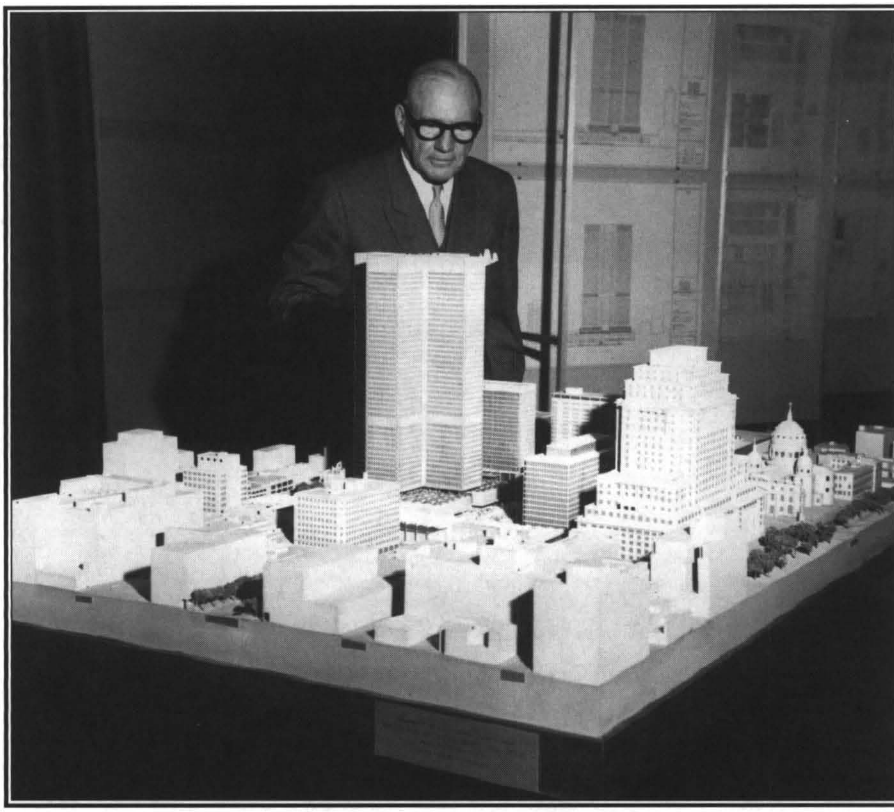
Throughout 1956, Gordon and Zeckendorf defined their intentions. Working closely with Montreal mayor Jean Drapeau, Zeckendorf's planners, sparked by the genius of Pei and his associates, devised a plan for a massive, forty-storey skyscraper, which would sit atop the hole and dominate Montreal's skyline. The building was to be cruciform in shape, a complement to the cross which symbolized the city's origin and identity on nearby Mount Royal. It was to be called Place Ville Marie. Drapeau fought for the project in city council and even obliged Zeckendorf with permission to expropriate the St. James's Club. Zeckendorf was, however, having a harder time demolishing the conservativism of the club's members, who regarded him as an outsider and resisted his attempts to sign their companies up as charter tenants for Place Ville Marie. Even with the hearty backing of Gordon and Drapeau, Zeckendorf remained an American and a Jew. Without tenants, Place Ville Marie would remain a hole in the ground.

The Zeckendorf–Gordon–Drapeau trio soon became a quartet. Once in Montreal, Webb and Knapp had become fast clients of the Royal Bank. They had borrowed, for instance, to purchase the Dominion Square Building, another downtown Montreal location.[68] Muir watched Zeckendorf at work, a New Yorker on his own doorstep. He was intrigued. But there was so much that was wrong with the project from the bank's perspective. Place Ville Marie did not look like a bank building: there were no pillars, there was no grand banking hall. The bank would not own the structure, and the public expected a bank to own its head office. It would not even be called the Royal Bank Building. Yet, there was something compelling in Zeckendorf's dynamism. More than anything else, Muir was inched towards the project by Lazarus Phillips, who was probably his closest confidant on the board. Phillips spent his days in his Montreal law office, but over lunch or on the telephone each evening, he and Muir mulled over the auguries of corporate Canada. In the spring of 1958, their conversation more and more turned on Zeckendorf's project. Phillips's election to the Webb and Knapp board intensified the confidences.

Some things were obvious. The building at 360 St. James was aging. There was no air conditioning, nor much space for employees' cars. St. James Street was too cramped to entertain any thought of expansion of the old head office or a new site in the immediate vicinity. Place Ville Marie – a twenty-minute walk away in the city's retail district – offered shops, parking, and easy access to train commuters. But did it offer prestige? Could the bank risk being the first to sign a lease, only to discover that its customers and the competition had stayed in their St. James Street warren? "Undoubtedly," a confidential bank study concluded, "the tower building will become equally as well known as such developments as Rockefeller Centre and the Empire State Building."[69] Muir then became convinced that the bank, not Canadian National, must own the ground on which its new head office would stand. The idea of an emphyteutic lease (one which provided long-term rights to land owned by another) was raised. Zeckendorf and Pei tried to tantalize the bank president: a spectacular penthouse would be added to the top of the building for Muir to live in, and the bank would have its grand banking hall on the ground level.[70] By mid-April, Muir finally told Gordon that he was engaged in an "honourable" negotiation with Webb and Knapp for "an important amount of space" in Place Ville Marie. I. M. Pei hurriedly began preparing a mock-up of the project so that Muir could brief his directors.

On May 26, Muir broke the news to the board. It was a typical Muir *tour de force*. So confident was Muir that a press release had been prepared in advance announcing that the bank would lease 300,000 square feet of Place Ville Marie on a ninety-nine-year emphyteutic lease. At the end of the lease, ownership of the site would be fully vested in the bank. Although the overall project would be called Place Ville Marie, the actual building would be named for the bank. There was no penthouse for Muir (a restaurant took its place) and the external façade was not altered to give the bank its grand entrance.[71] The 360 St. James building would be sold to the developers of PVM and leased back as a branch. In 1960, a management company, Trizec, was formed by Webb and Knapp and English capital to hold the investment. Construction finally began, and other tenants soon materialized, many of them Royal Bank customers. In return for a lease, Zeckendorf, for instance, promised Alcan that the building would be clad in aluminum. The banking competition also started marching up the hill from St. James Street; the Bank of Commerce announced plans to build its own skyscraper on nearby Dominion Square. Once the Commerce's plans were fixed, the Webb and Knapp architects added three floors to the PVM design so that Muir could boast that he had the tallest building in the Commonwealth. The Commerce retaliated with a radio mast.

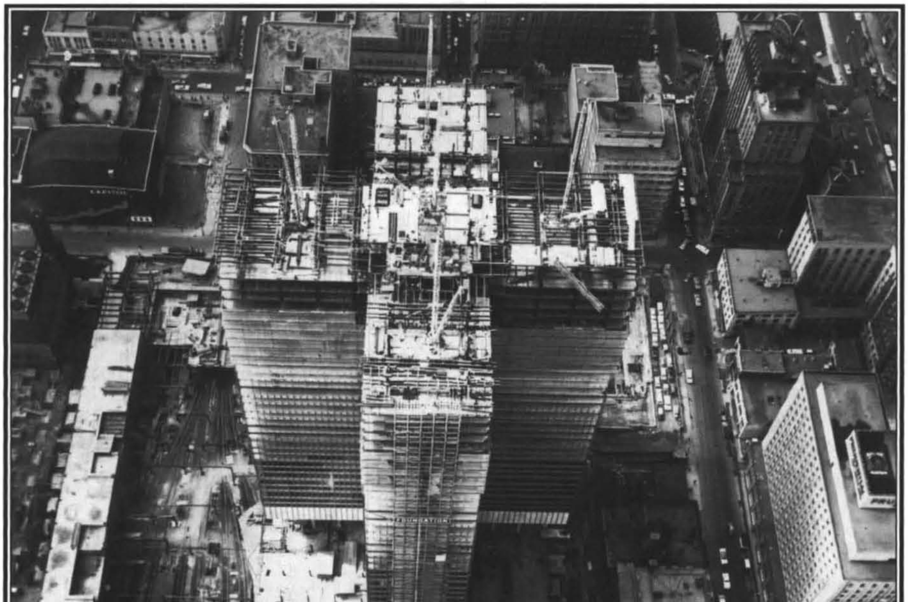
Place Ville Marie was the product of one of the most unlikely entrepreneurial liaisons in Canadian business history: two tough-minded Scots, a visionary New York Jew, and a populist French–Canadian mayor of Montreal. In the May press release, Zeckendorf declared that the negotiation had been one of "realism and goodwill." This presented the picture in a rather rosy light. Relations were always explosive. Muir and Gordon had chosen to deal with a New York developer and a Chinese–American architect, both of whom were conspicuously outside the pale of the Montreal establishment. The stakes were high – the Royal would be the first Canadian bank not to actually own its head-office building. There was thus often unavoidable friction. Zeckendorf later admitted in his memoirs that his Montreal project was "no honeyed love feast." In anger, Muir assailed



Muir inspects I. M. Pei's architectural model for Place Ville Marie.

Pei as a "goddamn Chinaman" (this from a man who had just returned from communist China). Yet, for all the friction, these powerfully egotistical men, bound up in Place Ville Marie's genesis, found common purpose and emerged full of respect for each other. "Each of these leaders laid something, sometimes something as subtle and precious as his reputation, on the line to make our project go." By 1962, the result was a "massive imaginative building" – Canada's first modern skyscraper – that not just changed the face of Montreal but also altered the way in which all Canadians saw their downtown cores.[72] What was first evident at the corner of Dorchester and University soon spread across the nation.

When the news of Jimmy Muir's death reached Montreal from Scotland in April 1960, Place Ville Marie was still an incomplete steel shell. It is not surprising that Donald Gordon and Jean Drapeau's successor as mayor, Sarto Fournier, acted as pallbearers at the funeral. Zeckendorf was busy in the American West, but remembered Muir as the head of Canada's "most aggressive" bank. Everybody



Place Ville Marie: A conscious effort to shift the centre of Montreal's financial district. (Above) The "hole" at Dorchester and University, with the St. James's Club centre right. (Below) Construction progress, 1961.

praised the man who had built up the bank with $4 billion in assets. But there was something fittingly metaphoric in the unfinished state of Place Ville Marie.

For all his dynamic leadership, there was something lacking – something unfinished – in Muir's post-war reformation of the Royal Bank. There are persistent hints of this in the reminiscences of the men who served the bank under Muir. For all their praise of Muir's vision and supercharged drive, there is also a common denominator of criticism: "Jimmy was a throw-back to the old one-man rule," "a despot," and "If God had horns, he would be James Muir."[73] Earle McLaughlin, who eventually succeeded Muir, reached the same conclusion, perhaps more tactfully: "He did a great deal for the bank, a dynamic man, a driving man who stayed too long. He would have carried on until he was 75 had he lived. That would have been a mistake." Muir was inveterately incapable of delegating authority at a time when the growth of Canadian banking was leading inexorably towards challenges that were beyond the kind of rigid hierarchy that Jimmy Muir tried to impose on the bank. "I remember," McLaughlin recalled, "in the old building they were lined up almost twenty deep outside Muir's office, you know a piece of paper in their hand, and you spent more time waiting in the hall than you did at your desk."[74]

Muir was the epitome of the "bank-boy" approach to management. He was a banker for fifty-three years. "I think one of the most important requirements for success is to form a very definite idea of what you want to be, and to do so at an early age,"[75] he once said. He saw banking as a hierarchy that one scaled on the rungs of loyalty and proficiency. The top of the ladder was only accessible to those who first mounted it on its lowest rung. Pease, Neill, Wilson, and Dobson all believed that a generous measure of autonomy had to be afforded those below them on the ladder. The system worked because it trusted that character would develop within the parameters of carefully honed procedures; a bank system that was by law and nature centralized could still be slackened to accommodate the diversity of a country as large as Canada without jeopardizing the integrity of the whole. Jimmy Muir's boundless ambition upset this delicate balance. The higher he climbed, the less he trusted the system below him. He ruled by "fear mechanism."[76] He pulled the bank's entire stream of decision-making across his desk; the bank still abounds with tales of men summarily fired (and usually rehired after an agonizing penance) for forgetting Muir's omnipotence. When Muir went to China or London, head office stood in a state of paralysis. The Oil and Gas Department in Calgary waited days for credit approvals that they needed to get within hours if they were to build up business.

Muir's dogmatic centralization came at a time when banking found itself under structural stress. Its market had expanded dramatically, competition had grown, and even the legislative framework within which it operated was being liberalized. More changes were undoubtedly in the wind; the 6 per cent interest ceiling on its lending activities was clearly cracking under the pressure of consumer demand. In some things of great strategic importance, Muir's post-war aggressiveness overrode any hesitancy that lingered from the Depression experience. His quick reaction to mortgage financing in 1954 proved this. In other respects, however, he stifled innovation in the bank, stifled the free play of his subordinates' imaginations. The old system was still pushing "young men" to the forefront of the Royal Bank. There was, for instance, young Earle McLaughlin, whom Muir had appointed assistant to the president. Art Mayne was masterful in international banking, where he was backed up by Whit Shannon. John Coleman was excelling as general inspector. Jim Cornish worked efficiently as staff supervisor. There was lots of talent, but by the late 1950s it was becoming frustrated talent. In 1954, Sydney Dobson resigned the chairmanship, sensing that he had become a fifth wheel. Muir was quickly dubbed president and chairman. A year after Muir had taken over as chairman, Ted Atkinson had stepped down as general manager, exasperated with Muir's interference. Muir would not tolerate challengers: he developed, an upcoming executive in head office recalled, the ability "to cut men off at the knees."[77]

Thus, as Muir chalked up his victories in retail, corporate, and international banking, there was an undercurrent of anxiety in senior management that he was cutting the bank off from the currents of change in Canadian society. Modern banking required modern methods. Muir's obsession with on-the-job training closed the door to any systematic attempt to prepare staff for new challenges in banking: administering personal loans, writing up mortgages, or mastering the new technologies of banking. Muir's idea of advanced training was to distribute a copy of C. N. Parkinson's *Parkinson's Law* to every branch manager and insist that he read it. In desperation, area managers began organizing clandestine training sessions for staff and hiding the costs in their expense accounts. Training, salaries, and promotion still hinged on the *ad hoc* judgement of supervisors and an antiquated system of personnel cards which were simply passed around by senior management. Similarly, there was no marketing department to help position the bank in the marketplace. Only in 1959 was an assistant general manager finally given responsibility for the bank's public relations. In all these matters, Muir simply assumed that new challenges could be met from the president's office.

Steeped in a world of male banking, Muir also missed other shifts in Canadian society in the fifties. After the war, Canadians wanted to settle down. They wanted permanence and affluence. The old "bank-boy" culture dictated mobility and low starting salaries, and banking was ceasing to be a coveted career. In 1954, the marriage rule was finally dropped. Other changes, however, came slowly. Muir never saw women as career bankers, and did little to accommodate them. Women spent the decade consigned to specific niches in the bank as tellers, stenos, and clerical workers. It "never crossed our minds," one executive remembered, "that women wanted a viable banking career."[78] Many in fact did not. Banking was the perfect part-time job for women trying to balance the awkward demands of raising a family and supplementing the family income. None the less, women were excluded from management. They had become front-line bankers with no hope of generalship. "Royal Tops in Pulchritude," reported the bank magazine. Another article, "How To Drive the Manager Crazy," advised "Royal Bankerettes" on office deportment – such as how to sit properly at a desk.[79] Forty per cent of women bankers were now married, and there was an assumption that they were not mobile and therefore not promotable.[80] The Royal Bank had ridden to prominence because it had groomed a loyal, efficient, and well-disposed work-force. By the late 1950s such lifelong loyalty was in question. As Muir himself admitted to Percy Saltzman of the CBC in 1958, "Our great problem in the bank is to get – *to get* – able men."[81]

There were other unresolved challenges by 1960. The Bank Act, and indeed the whole financial-services industry in Canada, needed reform to align it with the needs of a post-war, urban-industrial, consumer society. Muir might have handled this, but he would have been at sea in coping with Quebec's aroused sense of social and economic distinctness in the years after Duplessis's death in 1959. There would be a first, symbolic hint of this when *Le Devoir* complained that, while the signage on the ground floor of PVM was bilingual, it remained unilingual English on the upper floors.[82] The news from Cuba indicated that the old order was crumbling elsewhere. All of this change would have to be managed, and Jimmy Muir's one-man show would in all probability have buckled under the strain.

And then, suddenly, he was dead. The board hurriedly gathered and passed a motion of sympathy. Madison Walter, the bank's vice-president since 1955, reluctantly accepted the directors' offer of the presidency. Banking, he told *Canadian Business*, was not the "placid, genteel occupation" he had learned in his adolescence. It was now "a rugged game, highly competitive." "Management," he concluded, "has to be better, more perceptive; there is much over-capacity, competition is keen and probably will stay that way."[83] The directors evidently agreed. Within a month of Muir's death, they voted to sell his Viscount and to create a remuneration committee of the board to determine executive salaries in the bank.[84] There was a sense that Canada's largest bank was in for some changes, but, with Muir's firm control lifted, there was also considerable uneasiness about how it would handle them.