

THE ABUSE OF THE CREDIT SYSTEM.

Every few weeks we are reminded of the abuse of the credit system in Canada, by letters from valued correspondents, whose lives seem at times to be made miserable by the dilatory business habits of some of their customers who seem to look upon the protection of their own credit as a thing of little or no moment. Nearly four years ago we took occasion to write up this subject, and we do not think that a repetition of the gist of the article would be out of place at this present juncture.

The business of Canada, as a general rule, is conducted on a credit basis, which, of itself, is not an alarming fact, because, if kept within proper and legitimate channels, the effect of credit is to extend the volume of trade without adding materially to the risk.

As we have frequently pointed out, on account of the immense amount of competition in this country, "credit is by far too cheap," and in the fact that even strangers and comparatively weak men can obtain goods on credit, lies one of its chief sources of weakness.

In Canada, houses with unlimited capital are few and far between, and for this reason the majority of our wholesale men and manufacturers have to raise money by discounting the notes received from their customers in payment of their accounts. The simple giving of a note does not make the debtor pay any more for his goods, nor cause it to be paid a single day sooner than it would otherwise be due. Some merchants, however, and we are glad to say they are but few in number, adopt a kind of dog-in-the-manger policy, and are peculiar enough to refuse either to give a note or pay the cash; in fact they imagine the wholesaler ought to feel honored in being permitted to sell them goods and wait for the money until they are ready to pay it, which, in most cases, is a pretty long time, as such people are usually long winded.

The true way of doing business, however, is for a merchant to buy no more than what he can pay cash for, or what his judgment tells his trade requires and he thinks he can pay for when due. He should arrange with the jobber at the time he buys whether he will pay cash and take advantage of the cash discount, or let the account run for the period of credit agreed upon and close the transac-

tion by note. Having given a note he should conscientiously carry out his arrangement and do his utmost to pay it in full when due.

The system of closing accounts by note, while not prejudicial in any way to the interests of the retail merchant, is a great convenience to the wholesaler, and would, if the system were discontinued, put a stop to many of the industries carried on by its aid. So long as the givers of notes carry out their engagements the system cannot be considered dangerous, for good commercial paper is always in demand and has a recognized market value.

When a jobber discounts his customers' notes he simply sells them to the bank, and, by his endorsement, guarantees that in case the makers of the notes fail to meet them at maturity, he will. Good notes are the next best thing to cash to the wholesaler, because he can at any time convert them into cash. Notes given by his customers therefore constitute a part of his capital, so that when their notes are protested he not only loses so much of his capital, but must draw upon his resources to make good the amount, which is often a very serious inconvenience.

When a merchant's paper has been protested several times, it becomes of very little value to himself or anyone else. No bank or wholesale dealer cares to keep discounting the same paper over and over again, and it is only by promptness on the part of his customers that the credit system can be made of any material benefit either to him or them.

When a retail dealer gives a note in settlement of an account he should make up his mind that he will pay it in full at maturity. If he has to renew any part of it, it should be an exceptional, and not a common thing for him to ask from his creditors. He should remember that renewing a note does not pay it, and in very few cases does it make it payable at a more convenient season. It generally only puts off the evil day, and often leaves him worse off than before.

A merchant who invariably meets his notes promptly can go into any market and buy at close figures and best terms, for the simple reason that the seller knows that when the note matures it will cause him no trouble in protecting it. A dealer who, on the contrary, is notorious for his want of punctuality in this respect, never can nor should expect to

receive the same terms as a prompt paying man.

Although a merchant should pay every note he gives in full when due, it sometimes happens that, owing to unforeseen circumstances, he finds himself unable to do so. Then his best plan is to take time by the forelock and arrange with the jobber about it before it matures. If he can't pay in full he should notify the jobber at least a couple of days beforehand and get permission either to draw back on him at sight for what he is short, or remit what he can on account of it and get the note recalled. *Whatever course he adopts, however, it should be done before the note is due, and not after it.*

Some merchants have a bad habit of leaving these things off until the last moment, or neglecting them altogether—both bad enough, but the former infinitely preferable to the latter mode of doing business. If people desire to obtain credit they should see to it that they meet the obligations they have voluntarily incurred; if they cannot do so in full they should make an effort to do so, and not simply shift the burden on to the shoulders of the wholesale merchant without any warning.

Mercantile credit is a delicate plant, and every merchant doing business upon a credit basis, should make it a point to see that he does nothing of his own accord to affect it injuriously. If a creditor sees that a debtor is doing his level best to meet his obligations, it is very seldom that he refuses to give him all the accommodation he can reasonably desire.

Selected Matter.

TOO MUCH WHEAT.

"Too much wheat!" So the dealers say
Millions of bushels unsold
Of last year's crop; and now, to-day,
Ripe and heavy and yellow as gold
This summer's crop counts full and fair.
And murmurs, not thanks, are in the air.
And storehouse doors are locked, to wait.
And men are plotting, early and late.
"What shall save the farmers from loss
If wheat too plenty makes wheat a dross?"
"Too much wheat!" Good God, what a word!
A blasphemy in our borders heard.
"Too much wheat!" And our hearts were
stirred,
But yesterday, and our cheeks like flame.
For vengeance the Lord his loins doth gird.
When a nation reads such a tale of shame
Hundreds of men lie dying, dead,
Brothers of ours, though their skins are red:
Men we promised to teach and feed.