

petition as we have is not always wise and reasonable, but my saying so will probably not diminish it. I therefore only remark that the managers of the bank, from the principal executive officers here, to the smallest branch we have, are constantly on the alert and alive to the necessities of the position. Our rule is to keep our business together, and to do this we often have to submit to what are not very reasonable terms at times, as respects commission and exchange. This kind of competition we are meeting constantly. But the competition which leads to demands for lending sums of money, and, in some cases, very large sums, without security, is far more dangerous. We have, therefore, at times to make up our minds to let business go rather than to incur risks which might result some day in appropriations for losses.

If other banks are willing to take such risks as these it is their own affair, and concerns only themselves and their stockholders—at any rate for a time. I say for a time, because we have seen more than one instance, during the last few years, in which this style of business has brought down the bank itself, and done much harm to the banking interests generally. It is then that stockholders realize, when they have lost all their property, and perhaps have to pay contributions on their double liability besides, what a serious business banking is, and how necessary it is for directors and general managers, while conserving all good and safe business, to have the courage to let undesirable and unsafe accounts be closed.

To do this, without infringing upon the profit-earning power of the bank, requires constant watchfulness and vigilance, for the circumstances of mercantile firms and customers are, as a rule, constantly changing. Some are improving and some are retrograding.

In our own experience, we have found again and again that customers who, by force of circumstances, have got into a dangerous position, have pulled themselves up, economized, overhauled every department of their business, cut off unprofitable parts of it, and so, in time, have brought themselves round to be amongst the solid and reliable firms of the country.

On the other hand, I have known instances again and again where a firm that has acquired a good position and a considerable surplus of capital has been led, sometimes by unwise extensions on borrowed money, sometimes by relapsing into carelessness, sometimes by the death of an experienced partner and the business falling into the hands of those who are not competent to conduct it, to drift into unsoundness. In one or other of these ways firms degenerate and become unsafe to deal with, and unless a banker has the foresight and judgment enough to see all this, and courage to take the necessary measures to guard against it, he will continue doing business until the shock of bankruptcy awakens him.

A firm may be pursuing the downward course without knowing it, and delude themselves with a rose-colored style of balance-sheet, wherein imaginary profits are supposed to be made, grounded on a foolish style of bookkeeping or over-valuation of stock and bills, or accounts due.

When a firm is in this position, a reminder from a watchful and judicious banker, in the shape of a demand for curtailment of loans, or a demand for further security, may often be like a fog-horn which will warn of approaching danger, and which, if heeded, may result in another course of management being adopted, danger averted, and position retrieved. But when such a signal is resented, and the position met in other ways, the mischief goes on and will continue to go on until the ship strikes upon the rocks of insolvency.

It is with these conditions that we have to deal day by day.

I could wish that sometimes we could deal with them better than we do, that we had more foresight, and better judgment and more courage. I can only say that we do the best we can.

It was once said to a bank director that banks might avoid all danger by investing all their funds in Government securities. That would make the life of a general manager a very easy one; but then the stockholders would have to be content with three or four per cent. per annum, a rate which I suppose would hardly satisfy you. Besides that, we should not do what is the great object for which we are chartered, viz., to assist in carrying on the

BUSINESS OF THE COUNTRY.

We are bound to render this assistance, for

the commerce and business of the country is the natural element in which a banker lives; if we go out of it, we have no right to exist at all. Laborious and difficult, and sometimes harassing beyond measure, as it is to watch all the fluctuating currents of business in general, and of the fortunes of our customers in particular, the directors and managers of a bank are bound to exercise this function. To do this we cannot but be exposed to losses, and our utmost vigilance and experience can only result in diminishing these to the smallest possible amount. Along with this we have, of course, to be vigilant and watchful at all times to see that the business yields us a proper return of profit.

Now then, seeing that our interests are so inseparably bound up in the interests of the business community of Canada, and so far as our office in New York is concerned, in that of the United States, you will pardon me, I am sure, if I dwell for a moment or two on the general conditions through which we have passed last year and such as prevail at present. I can only speak, of course, in the broadest and most general terms. But I will endeavor to run over them rapidly and briefly.

With regard to production and manufacture, some branches have been prosperous enough in some localities, and others very much the reverse.

The men who have grown grain on our

NORTHWESTERN PRAIRIES

have as a rule done well, many of them exceedingly well. The yield was a good average one, and, though much less in quantity than that of 1895, was very much better in quality, and brought a much larger price.

A tract of country which produced little but furs, and had little or nothing in it but wild animals and the establishments of the fur trading corporation of the Hudson's Bay Company twenty-five years ago, and which produced sixty million bushels of grain in 1895, besides raising large quantities of cattle and dairy produce, is not the kind of country that some very ignorant people assert it to be.

For there is, perhaps, no tract of country in the world where the labors of so small a number of people have produced such enormous results. Yet the development of the country is only beginning.

There is room, easily, for five times as many farmers in Manitoba and adjoining territories alone, and it certainly would be good policy on the part of the English Government to aid in every possible way the diversion of the stream of emigration from her shores to these vast food-producing regions held under the British flag, and whose productions, in another decade or two, might render her independent of all other sources of supply.

The grain and dairy industries of

ONTARIO AND QUEBEC

have yielded fully their usual average, taken altogether, and it is again to be noticed how the dairy industry is increasing in prominence and importance. The exports of cheese were very large, and at highly satisfactory prices.

The exports of butter were larger than they have been for many years, but this branch of export might be quadrupled if the article itself could be produced of a higher quality, and take the same rank in the English markets that our cheese has done.

It is satisfactory to note that the efforts made both by the Dominion Government and the Governments of the provinces are being rewarded by satisfactory developments, which developments give promise of far larger returns in future, especially taken in connection with cold storage.

LUMBER AND TIMBER.

The lumber and timber production which comes from cutting down our forests has had a varied experience during last year. The timber and deals exported to England have met a good market, and satisfactory prices have been realized both by the manufacturer and the exporter. But that branch of the industry which is concerned in production for the United States has been met by adverse conditions, and is likely to meet with conditions still more adverse by unwise tariff legislation, unless, indeed, the increased duty on lumber raises the price to the consumer. But it is not merely a question of price, but of the inactivity of the market, and this has affected the large mass of manufacturers of lumber in the United States themselves.

Defective currency and banking arrangements in that country affect this lumber industry perhaps more than any other. Many large tracts of country in full cultivation and occupied by thrifty farmers, have no banking facilities at all, and, as has been recently testified, scarcely ever see anything in the shape of money, either coin or bills. It is not likely that much improvement in the demand for lumber can take place under such circumstances.

There is a branch of forest industry which has been coming into more and more prominence during the last few years, and it is most satisfactory to think we have still such large reserves of wealth in our woods. The raw material for the manufacture of paper has become more and more dependent upon the supply of spruce trees. The smaller class of these are of little or no value for lumber purposes, but they prove exceedingly valuable in the

PRODUCTION OF PULP.

Large tracts of our forest country from which all the available pine has been cut contain vast quantities of trees suitable for this manufacture. Already large pulp mills are operating, some in connection with established paper factories, some of them depending upon an export trade to the United States or to England.

It is a pity to export such very raw material as spruce logs, and surely we may look in time for the establishment of a sufficient number of mills to ensure that either the pulp itself, or the paper made from it, will be the article exported.

The proposal to put an export duty on logs, both of pine and spruce, has much more than a political aspect. I will not say a word on any question of politics. It would be unseemly in an address like this. But an export duty has a far more important aspect as a means of conserving our great forest wealth, a wealth which can never be replaced if it is once exhausted. At any rate this matter of the conservancy of our forests is worthy of the attention of our respective governments, and they are nearly all interested in it.

The conservancy of our forests has been a matter of consideration and discussion again and again. No doubt, the system of leasing tracts of country, technically called "limits," makes it the interest of every owner of them to protect every good tree, for his own sake. And self-interest, as you know, is a pretty strong motive. But sometimes the interest of the individual and the interests of the nation do not coincide. It is well known that on the continent of Europe, where large forests of pine and fir exist, the whole matter of the conservancy of forests is under government control, and no trees are allowed to be cut down but such as have been marked by forest rangers as suitable for the purpose. By this means a succession of trees is secured, and the forests made practically inexhaustible from generation to generation.

We have had in former years such enormous areas of forests that such proceedings would seem unnecessary. But the time is undoubtedly coming when the areas of available merchantable timber will be so reduced that for the sake of the country's general interest some means of protection may be found desirable.

With regard to

MANUFACTURING.

without venturing upon disputable ground, it may fairly be said that a country having such great developments of water power as Canada has, and such a command of many raw materials as are within our reach, may surely extend a certain portion of her energies in the direction of manufactures. It was round the water powers of the country that nearly all the staple manufactures of England and Scotland were first established. The great development of the colliery interests afterwards introduced other conditions. But we have these in Canada, too, and where the power and the raw material can conveniently be brought together, there manufacturing industries cannot be said to be an exotic. That the development of these industries promotes the increase of population and the general prosperity of the country, can scarcely be doubted; and it can hardly be doubted also that the fostering and encouraging of such industries in their early stages is worthy of the attention of any government. So far, I think, I enter upon no disputable ground.

I may say this, however, that it is hopeless for manufacturers of any kind, in these times of keen competition, to make profit on their busi-