after floundering in misery for a year or two, they succumb. Even houses with large capital need to be cautious. A house worth a million may over-trade as well as any other. This affair of the Barings is a tremendous lesson in that direction. There is no man, whether his capital is large or small, but needs to keep his business well in hand. I need hardly say that this applies to bankers as well as to traders. To bankers, keeping business well in hand means two things: keeping sufficient reserves of available funds, and keeping discounts within a reasonable amount and in a liquid shape.

GOVERNMENT LOANS.

The bearing of these events upon the borrowing of governments is obvious. We are all directly interested in this matter. It was the inordinate borrowing of certain governments on the British market under the auspices of the great house, that brought the firm into the humiliating position they occupied last November. The borrowings of one South American republic were on a scale that led to national demoralization, public and private extravagance, lavish expenditure on public works, accompanied by scandalous jobbery and corruption, the whole resulting in the piling up of mountains of debt which will be an incubus upon the production and labor of the country for a long series of years to come. It was a misplaced confidence in the resources of a country containing great elements of wealth that led to these dangerous mistakes, both of the borrowing government and the supporting house. The firm has paid the fearful penalty of an entire cessation of its business and transfer to other hands after an honorable career of over a century. The government concerned will pay the penalty in crushing loads of taxation. Governments may get out of their depth just as merchants may; and when they do, they plunge the population under their care into financial misery. These things have weighed forcibly upon the investing classes in Great Britain of late. They are not so ready to lend money as formerly. The latest applications from Australian governments have not been successful; and there is a sentiment rising in England that colonial governments should float more of their loans at home. This will cause some inconvenience for a time, but its operation in the end will be salutary. It becomes us in Canada, and especially in this province, to take due note of all this. I need not say that these remarks only apply to loans of governments and municipal corporations. Borrowing for good reproductive enterprises in the colonies has not been much affected. And it has been recently stated, on high financial authority in England, that the reason why the credit of the *Dominion* Government stands so high is because so little has been borrowed of late years.

CONDITION OF BUSINESS GENERALLY.

In saying a few words with regard to the condition of business generally, I must remind you that in speaking of this I am referring to what is distinctly, though not exclusively, your own affair. There is no branch of business in the Dominion from the Atlantic to the Pacific in which this bank has not an interest. There is hardly a city, town or village from Halifax to Victoria, the names of some of whose traders are not to be found on the bills we have discounted. In fact, we might take in the leading centres of trade in the United States and Great Britain. The ramifications of our New York business extend over all the exporting centres of the United States.

In a business tour through the South this spring, in going through the wholesale quarters of Charleston, Savannah, New Orleans and Memphis, the names seemed as familiar as those in the streets of Montreal or Toronto. We had them on our books, and reports of their standing on our records. And I might say the same of Liverpool, Glasgow, and London too. All this is perfectly natural. The business of Canada leads out in these directions. (I will stop a moment to say that this branch of our business—I mean the dealing in sterling bills and bills payable in the United States—has been very satisfactory for many years back. It is not there where our money has been lost.)

But to come back to Canada. As we are interested in the business of every part of the country, we take measures systematically to obtain information about it from original sources. It is the duty of each of our managers to send us a weekly report on the condition of the leading branches of trade in his district. We have advices of crops, markets, prices, production, sales, from every district in Canada from Quebec to Brandon, and from New York also. These reports are carefully considered and make the foundation for action.

The present condition of business in the Dominion is very varied. There is prosperity—great prosperity—in some districts of the country, in some industries, and in some branches of trade; and the reverse in others. We have no branches in the Maritime Provinces or in British Columbia, but we have masses of bills domiciled in both, and we have been glad to hear that the leading branches of industry are prosperous in both extremities of the Dominion. The last reports of the banks in Halifax, St. John, and Victoria, B.C., reflect this in a striking degree.

Of this province and Ontario we cannot say as much. The business of farming in the province of Quebec has been admirably treated in the address of the Cashier of the oldest French bank, who has, of course, exceptionally good opportunities of forming a judgment. His remarks will surely have received the attention they deserve. If they do the production of this province will be largely increased; and with increased production, will come increased trade and prosperity. There is no subject to which the attention of leaders of public opinion in this province, whether civil or ecclesiastical, could be better devoted than this most important one. In this connection, I cannot but think that the application of fertilizers, manufactured from our own

PHOSPHATES,

would be highly beneficial. When in South Carolina during the business tour I spoke of, I learned that many of the exhausted lands of the South were being reinvigorated by phosphate fertilizers, and that lands formerly considered almost worthless were being brought into cultivation by the same means. We are sending masses of phosphate out of the country every year, while our lands are crying out for its application to them. Nature has given us the means of restoring our old lands. Surely we can make her bounty available for the purpose. If the expense of fertilizing material is considered an obstacle, I may state that the farmer in South Carolina who applies $2 worth of fertilizer per acre to his farm annually has in many cases an increase in the value of his crop to the extent of $10 per acre. These are facts gathered on the spot. Any man who can devise means for spreading our own phosphates over our own soil will render this country an incalculable service, and probably serve himself well in the process.

The great timber manufacture of the Ottawa Valley, that finally centres in Quebec, met with a serious reverse last year. Over-production flooded the English market, and such a serious drop in prices ensued as to cause heavy losses to exporters. We had in this department of trade some striking illustrations of the evil referred to, namely, of parties with only moderate capital engaging in enterprises far beyond their means, and being completely ruined in consequence. Our own share of loss in this quarter has, however, been very moderate. This trade is gradually recovering itself through a heavy decrease in production.

The sawn lumber trade with the United States has proceeded with much more regularity, and there is every prospect of a good demand for another season. The markets of the States are not overloaded, and as there is no over-production in Canada, there is no reason why a good season's trade may not be expected. The great question of the conservation of our forests has not come to the front very prominently as yet, but it must receive attention before long. The question of how to make the best use of the trees of every description, large or small, that are growing in the woods, is being solved in a practical manner by a firm in Ontario. It could hardly be supposed that articles so diverse as lumber, paper, terra cotta and alcohol could be produced from our trees, but such is the fact. The development of our various paper-making factories, the raw material for which is largely obtained from our forests, is proceeding steadily year by year. These are only examples of the various new and undreamed of uses to which our forests can be turned; and doubtless as experiments are tried, new developments will await us.

The country is passing through a somewhat similar experience with regard to its farms. The old style of devoting every possible acre to the growth of grain is passing away. The intelligence of farmers is stimulated in these times, and they are taking advantage of new developments of trade. The whole modern development may be comprised in two words, "mixed farming." With a thoroughly intelligent use of the land, every farmer making the very best of it that can be made, whether for growing grain, raising cattle, producing cheese, or raising fruits, there is no reason why the amount of our farming products might not be increased by some 25 per cent. With this would come a large increase in the capacity of our whole farming population to purchase imported and manufactured articles, and increased development in trade.

I cannot share in the opinion held by some that the farmers of Canada as a whole are suffering. They are undoubtedly having a trying experience in some districts, but in many others they have done well and are prospering. Bank deposits are a plain proof of that. The manner in which farmers live is another proof of it. The continuous increase in cattle, horses, sheep, and all the appliances of prosperous farming is apparent in many parts of the country. A poor crop of grain does not now mean poverty as it formerly did. It may be, and often is, accompanied by good prices for cattle, for horses, for cheese, and last, but not least, for fruit. In many counties, fruit (including peaches and grapes), is becoming a staple crop. In two adjacent counties of Western Ontario last year there was marketed by farmers over five million pounds of grapes, which realized them over $130,000. This is an entirely new development during the last ten years, and it is said to be only in its infancy. In fact, we are only beginning to find out what the lands and forests of Canada are capable of.

Undoubtedly one besetting evil of the farming community is the temptation to buy too many luxuries on credit. This is largely fostered by the eagerness of storekeepers to sell goods on credit, which goods have been almost forced upon him by the importunities of salesmen from wholesale centres. The result is demoralizing.

LONG CREDITS.

The subject of long credits given by wholesale houses to retailers, and by retailers to farmers, has been so often dwelt upon and with so little result, that one gets wearied of talking about it. Numbers of our failures can be traced to it, and a good proportion of our bank losses. During the American war mercantile credit was annihilated and all goods were sold for cash. Since peace was restored credit has been resumed on a moderate scale. Where Canadian merchants give four and six months, and even renew beyond that, and date goods ahead to begin with, the same class of merchants in the States sell at thirty and sixty days, and look askance upon a customer who wants a day longer. There is some solid comfort, and assurance of growing prosperity, in a system of business like this. One could almost wish that something might happen in Canada which would compel all dealings to be for cash, and bring about a rational method of trading. There is nothing more mischievous in our system of credit than the fact that it leads to such heavy accounts being carried against retailers in the books of merchants. The greater part of these are twice or three times as large as they ought to be. I am well aware that the evil is intensified by the credits that English houses give. This is an evil, however, which will cure itself in time. Our manufacturing industries are largely infected by the same evil; especially that of agricultural implements. There is one striking exception, viz.: the flour-milling trade, which is practically carried on on a cash basis, both in buying and selling. In some other manufactures even raw materials are bought on four and six months' credit, a very great abuse, which has led to heavy losses. Raw materials ought to be paid for in cash.

There is a certain movement going on amongst manufacturers in the way of amalgamation with a view to diminishing competition. This movement is good if kept within reasonable bounds, though we want no great monopolies created in Canada like those which have troubled our neighbors in the United