

ence, makes no provision for a lean period to come and when that time does arrive, as it inevitably does, he is "broke" or practically so.

If we take this view of after-the-war conditions, what can any wholesaler, jobber, manufacturer or financier do even at the present late moment to forestall considerable loss in the lean years to come?

The most effective way is to refuse to grant any credit at all from now on. Unfortunately the banks are the only favored institutions who can adopt this radical measure to protect themselves, and they are doing it with a vengeance. Witness your futile efforts to borrow anything even on standard stocks and securities at the present time. Witness the drastic rules passed by the influential banks in New York City, under which brokers are no longer permitted to carry stocks and securities for their clients by borrowing on them from the banks.

Unfortunately the wholesaler and manufacturer are not in this enviable position. What can they do to protect themselves?

Discrimination is Required.

My answer is a very simple one, viz.: merely by thoroughly assailing each individual account on their books and weeding out those that do not intrinsically stand the acid test. The trouble is, with the majority of men in this class, that they do not apply the acid test; they get some general information about their customer compiled in a haphazard fashion, and for which they pay practically nothing, and this information does not contain the slightest quantity of basic data as to the true condition of their customers' affairs. On receipt of this information they perform some mysterious and unfathomable mental gymnastics, as a result of which the customer is either granted or refused credit.

If I happen to be in the wholesale dry goods business and am depending on the information supplied to me by my competitors as to their experience with a particular customer, in nine cases out of every ten I am going to be left sadly—but more wise—in the lurch. Dependence on these sources of information are nearly always fatal, because they are directly opposed to the fundamental principle underlying all business, viz.: the innate selfishness of the individual. He believes in protecting himself, or his house, first, last and all the time, not caring how his competitors suffer so long as he is protected, and if he did not observe this basic principle he would not remain long in business.

The constant fight of all reputable credit agencies (and by these I mean, those that recognize the falsity of the former associations while they themselves are organized on a strictly business basis) is to educate credit men to paying real money for real, dependable and basic credit information. Unfortunately they have been educated to pay comparatively nothing for this information and the information obtained in this way is correspondingly invaluable.

United States Better Organized.

The credit system—if one may say so—is more highly organized in the United States than in Canada. Across the border larger and successful wholesalers and manufacturers are and have been for a considerable time convinced that if they are asked for an important line of credit from any particular customer, that they are entitled to the fullest disclosure of his business affairs. If this information is refused then the customer becomes *ipso facto* an undesirable one and cannot obtain credit.

Not only must the customer, however, make full disclosure of his books of account, but the facts and figures revealed there must be verified and substantiated through the proper channels. The old theory of simply requesting a customer to disclose his true state of affairs to a prospective creditor has gone by the board. If he says he owns real estate which he values at a certain stated amount, a proper search in the Land Registry Office will reveal the all-important facts, too often concealed and glossed over, as to whether the customer or his wife really owns the property, whether he is simply purchasing it under a sale and purchase agreement, and in all cases the size of the mortgage on it.

In the case of limited liability companies, searches in other places will reveal mortgages and bond issues, and other relevant data of this kind, which data is too often inaccessible in any other way, by reason of Section 88 of the Bank Act* and other similar legislative enactments.

These are the real facts on which to base a true analysis of a customer's credit standing, and until the credit men of this country are willing to pay a fair and reasonable amount of money for this kind of credit service they will continue to have their perennial losses and their potential net profits will continue to be reduced.

With the undoubted lean years rapidly approaching, it behoves all dispensers of credit to employ the best means available to protect themselves. These means are available but they must be paid for, even as a creditor expects his debtor to pay for the merchandise which he sells to him.

*Section 88 of the Canadian Bank Act (3 George V., 1912-13), reads:—

1. The bank may lend money to any wholesale purchaser or shipper of or dealer in products of agriculture, the forest, quarry and mine, or the sea, lakes and rivers, or to any wholesale purchaser or shipper of or dealer in live stock or dead stock and the products thereof, upon the security of such products, or of such live stock or dead stock and the products thereof.

2. The bank may lend money to a farmer upon the security of his thrashed grain (of any kind) grown upon the farm.

3. The bank may lend money to a rancher upon the security of his cattle.

4. The bank may lend money to any person engaged in business as a wholesale manufacturer of any goods, wares and merchandise upon the security of the goods, wares and merchandise manufactured by him, or procured for such manufacture.

5. The bank may allow the goods, wares and merchandise covered by the security referred to in the preceding subsections of this section to be removed and other goods, wares and merchandise, such as mentioned in the said subsections, to be respectively substituted therefor if the goods, wares and merchandise so substituted are of substantially the same character and of substantially the same value as, or of less value than, those for which they have been so substituted; and the goods, wares and merchandise so substituted shall be covered by such security as if originally covered thereby.

6. Any such security, as mentioned in the foregoing provisions of this section, may be given by the owner of the said goods, wares and merchandise, stock or products.

7. The security may be taken in the form set forth in Schedule C to this act, or to the like effect.

8. The bank shall, by virtue of such security, acquire the same rights and powers in respect of the goods, wares and merchandise, stock or products covered thereby, as if it had acquired the same by virtue of a warehouse receipt.

A rich asbestos mine has been discovered at Lake Frontier, Montmagny county, Quebec, near the United States border. The mine is situated about four miles from the tracks of the Quebec Central Railway.