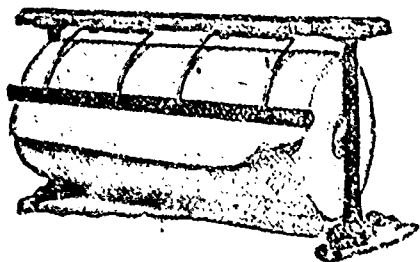


Buy the Star
Use the Star
and Have Comfort



THE STAR in stock in
Six, Nine, Twelve, Fifteen, Eighteen, Twenty-Four and Thirty Inch.

FULL LINE WRAPPING PAPERS.

Butchers' Straw, Butchers' Manilla, Fine Manillas, Browns and Greys. We also have Waxed Papers Manilla and White. Genuine Vegetable Grease Proof Parchments for Dairy Use, all sizes. Twines and Twine Holders, including patent TAKE UP. Bags, Light and Heavy, and the Special Blue Lined for Sugar. Millinery Bags and Hat Bags, Candy Cups, Candy Boxes, Shot Bags &c.

The Consolidated Stationery Co., Ltd.

41 PRINCESS STREET, WINNIPEG, MAN

Warehouse Receipts.

President Geo. H. Guo, of the Merchant's Bank of Commerce recently made some interesting remarks regarding warehouse receipts and their relation to banking, which are of interest generally to business men. He said:

"You are probably aware that banks in Canada, under authority of Parliament, have been making such advances for thirty years back, and considering their number and enormous magnitude, the questions raised respecting them have been very few. But a mode of interpreting the Banking Act has come into vogue that tends to defeat the end that Parliament had in view and to work injury both to banks and their customers. I ask your indulgence, therefore, while I say a word or two about it.

Having been present at every discussion on the subject in Parliamentary Committees since Confederation, and taken some part, in conjunction with other bankers, in settling the clauses relating to the matter, I may venture to claim to have a reasonably correct idea as to what Parliament meant to accomplish.

That, I take it, is as follows:—

It is a settled principle of banking that all advance, to be sound, must rest on goods, wares, and merchandise, and not on real estate.

Getting a bank into such a shape that a considerable portion of its loans rested on real estate has been the ruin of nearly every bank that has failed in Canada, and was almost the sole cause of recent terrible bank catastrophes in Australia and New Zealand.

Our legislators have understood this, and enacted accordingly, that banks in Canada shall be prohibited from lending on real estate altogether. But they have, from an early period, been giving, and most wisely, increasing facilities for banks to lend safely on goods and merchandise.

In pursuance of this idea, Parliament at an early period, directed its attention to the manner in which such advances should be made to persons dealing in, or working up, our natural products. To that particular class of loans, attention was especially directed so as to enable millers and dealers in farming produce to obtain advances on the best security at lowest rate, so that they could pay the highest cash price to the farmer.

"Cash for Wheat," a sign which you may have seen in the earlier settlement, was the sign of a new and better order of things, largely through this legislation.

Now the most natural mode of lending on merchandise is for the lender to take it into his own possession. The business of subrogers is carried on in this manner.

In that case banks would have required, as part of their equipment, stores in which goods the product of the country could be deposited, and remain in charge of their own officers. This is the very method which has been followed for years by the Imperial Bank of Germany. This bank is one of the largest and strongest in the world; and it has 23 warehouses in different parts of the Empire, for the purpose of storing goods on which advances are made.

For various reasons, however, it has not been thought advisable to inaugurate a system of this kind in Canada. The alternative adopted was that products should be deposited in warehouses, wharves, or coves, not belonging to the Bank; and that money should be advanced on receipts given for such goods by the person having charge of them.

On this idea is based the whole of that legislation on warehouse receipts, which has been of incalculable advantage to the country, and which Parliament has carefully observed and improved from time to time, according to the development of trade and commerce for thirty years back. Not to give privileges to the banks, but to grant facilities for dealing in the country's products.

But to secure that the authority to lend on receipts should only be used to provide facilities for "moving the crops" or securing the outcome of our forests, it was at first provided that no receipt should secure an advance unless lodged at the time. But as capital was scarce with men in the trade, and the volume to be handled was enormous, and the crop movement of vital importance, keepers of warehouses were at first authorized to issue receipts for goods to be deposited, as well as for goods actually in possession; that is if they chose to take the risk of it. But keepers of warehouses found it dangerous, and the usage soon dropped.

The risk was then shifted to the banker.

Instead of the warehousemen being authorized to give a receipt for goods to be deposited, the banks were authorized to advance on receipts to be deposited, as well as those actually deposited.

But to prevent misunderstanding, it was provided that this should not take effect unless there was an understanding, or promise to do so. It was early found necessary, if this object was to be accomplished, to extend the provisions of the Act, and in this way and for this reason, viz:

The Act at first contemplated the lodging of goods in a warehouse not belonging to their owner, which could easily be done in cities and centres of commerce. Yet those country towns were the most convenient markets in which farmers could sell.

There the miller or local store-keeper was the man who bought the farmers' products, and it was of importance that they should

readily and safely obtain cash to pay for the same.

Following, then, the main idea of this legislation, banks were authorized to lend money on goods, wares, or merchandise, when in the possession of their owner.

This is the most important step in this class of legislation, and it was seen to be necessary to surround it with safeguards. It would be very unsafe to allow a merchant or store-keeper to raise money by pledging imported goods still remaining on his shelves, for the reason that such goods are almost universally—except those purchased with bank credits—bought on credit, and though in the store or warehouse, are probably not paid for.

But it was equally seen that the class of goods mostly contemplated by this legislation, such as cereals, farm and forest products of all kinds, were almost invariably bought for or produced by cash.

There was no unpaid vendor in this case, and that is well known to be the case down to the present.

The goods, then, that could be pledged, were grains of all kinds, flour, and lumber, and such goods as are usually placed in charge of a warehouse, or on a wharf, or in a yard.

As the productions of the country became more and more diversified, it was important to grant facilities for enabling banks to lend money to purchase them.

So, from time to time, the scope of the Act was enlarged. And the intention of the Legislature in these successive enlargements is clearly shown by the title of one of the Acts. It was called: "An Act granting additional facilities in commercial transactions and a very proper title, to.

So, when hogs became an important farm product, pork was included, then hides and wool; then as maltsters and distillers were large purchasers of farm produce, maltsters and distillers were included.

Finally, the matter was summed up in general terms of the products of agriculture, the forest, the mine, the sea, lakes and rivers, together with live and dead stock, in addition to which manufacturers were allowed to borrow on pledge of goods of their own manufacture, or raw material thereof.

Down to the very last revision of the Warehousing Act the great object was kept in view of affording facilities for obtaining money on goods, wares, and merchandise; without which the true value of all our products would never be obtained, and all the wheels of commerce and industry would stand still.

The men who sat on the various Parliamentary Committee on this subject were nearly all men of business who had a practical acquaintance with the needs of the country. They knew the vital importance of affording

(Continued on Page 694.)