

and merchants, and for the purpose of acquiring for themselves such information as may guide them in promoting the second, the Dominion Government have appointed several commercial agents to visit certain countries which appear to offer the most inviting field for Canadian enterprise. Mr. Alex. Woods sailed for Australia some months since, and his services have proved important. His letter, in response to my enquiries, which was published in the *Empire* on the 1st instant, conveys a great deal of valuable information; and it is known to me that through his efforts considerable direct trade between this country and Australia has already been encouraged, and bids fair to annually increase in value and importance. Mr. Simeon Jones, who recently visited Toronto, has been instructed to proceed to South America and the West Indies on a like mission, and it may be assumed in advance that the result will be an impetus to our commercial relations with these Southern markets.

INDUSTRIAL EXHIBITION.

At our last annual meeting a resolution was placed on the minutes which, in effect, reads that the Government be requested to consider the advisability of awarding the usual Dominion Exhibition grant of \$10,000 to the Industrial Exhibition Association for the Queen's jubilee year, inasmuch as Toronto possessed the finest buildings and grounds for the required purpose. As you are aware, the grant came to Toronto and enabled the Exhibition Association to appropriate a much larger sum than previously for premiums, awards, medals, etc. The result proved an unqualified success, for never before in the history of Canada has such a display of exhibits in every class been brought together, and as over a quarter of a million of visitors inspected the various products of the manufacturing, agricultural and mining industries of the country, the wisdom of the Association's resolution has been justified.

INDUSTRIAL ART AND DESIGN.

The practice of awarding medals for the best industrial designs for given subjects was continued during the past year, the competition being limited to pupils of the Ontario Art schools. Owing probably to the short notice given the pupils, the designs this year were neither as numerous nor as meritorious as previously, and I think that the method of conducting the competition may be improved upon, and that others than pupils of the Art schools should be allowed to compete. Our medal, the dies for which were presented by Mr. P. W. Ellis, one of our members, is a very handsome one, and is naturally prized as carrying with it the official recognition of the Association, and I have received many requests from amateurs, who are not attendants at any Art school, to be allowed to compete. This is a matter for your consideration, as is also my suggestion that in addition to those offered for industrial designs, other medals be offered for carving, modelling and other branches of industrial art.

FACTORY ACT.

Other subjects upon which I might be expected to report are the Factory Act, Employers' Liability Act and the Royal Labor Commission. I have received a good deal of information, particularly in reference to the first two subjects, but as both these Acts have been operative but a short time, I think it would be premature for me to hazard any opinion other than to say I

believe the inspectors under the Factory Act have so far acted impartially and, that, whilst requiring that the provisions of the statute shall be respected, have not caused undue friction by arbitrary interpretations of such provisions.

BANK CIRCULATION.

Before concluding, I think it opportune to direct attention to what may become a question at issue before another general meeting of the Association. It is a question which, in my opinion, is of deep concern to business men generally and to manufacturers in particular, although I incorporate the following remarks in my report, simply for the purpose of inviting consideration of the question, as it has not yet been before the Executive Committee for discussion. I refer to the proposition which every once in a while finds its way into the press, to withhold from the chartered banks the note-issuing power and to vest this power absolutely in the Government. At a time of financial stringency, such as the present, intensified by the revelations incident to the liquidation of the Central Bank, the proposition is, at the first blush, apt to meet with more than ordinary approval, but when its advantages and disadvantages are carefully thought out it seems to me that the latter outweigh the former very considerably. I admit that the precedent set us by the national banking system of the United States will be immediately quoted by those advancing the proposition, although had I latitude enough in this report, I could cite the utterances of the United States Comptroller of the Currency, that even there this system has been found to be a not unmixed evil, and that measures for its amelioration are being seriously discussed. But admitting that the system is perfectly suited to the requirements of the United States, are our conditions the same, or are our necessities alike? Take away from our banks their note-issuing power as provided for in the General Banking Act, and which they at present enjoy, do you not reduce their resources, invert the ratio of supply and demand, and, as a consequence, increase the rate of discount? It is only at certain seasons of the year that our chartered banks require to exercise their privilege of inflating their circulation. For example, when the crops are ready to be moved the banks are called upon to provide the money for this important financial operation. Having a supply of circulating mediums in their vaults, they are prepared for the emergency, their circulation (as a study of the bank returns will show) is inflated at this period, and remains so until this most important operation of the Canadian financial year is completed, when the money finds its way back to the banks' vaults, their circulation is contracted to its normal average, and the financial tide in this manner ebbs and flows so gradually and so evenly that a disinterested spectator does not observe, from outward indications, a ripple of excitement. My object in introducing this matter is to create interest as to how the manufacturing interests would be affected by a fixed instead of an expansive circulation, and it appears to me that the banks having the power to issue, at such seasons, a note capital upon which they pay no interest, they in turn are not forced to raise the rate of discount. But given a fixed capital they would have, at such seasons, to call in a large percentage of their loans to manufacturing and other enterprises, and thereby create an immediate contraction of the market which would lead (always keeping in sight the law of supply and demand),