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Prospect and Retrospect.

The outlook at the present time is exceedingly favourable. From all parts of Canada farmers report that the crops look well and give promise of another abundant harvest. If this anticipation is realized, and prices are at all up to the average, the country may safely look forward to a large and profitable trade in the fall.

The crop of last year, although abundant, and realizing good prices, did not suffice to pay off the indebtedness of our farmers, although there can be no doubt that it enabled many of them to vastly improve their position. With anything like fair prices, this year ought to see them free of debt, and in many cases with something to the good, a condition of things which must act very favourably upon the mercantile and manufacturing classes. To the merchants, who for the past five or six years have been struggling with the hard times, the present prospect is very encouraging.

With light stocks pretty well paid up, and an experience of financial matters rarely gained in prosperous times, they are now in good shape to take advantage of the new era which seems about to open upon the country. The only fear is, that they may forget the lesson of the past and on account of the superabundance of money, be induced to rush into speculations outside of their legitimate business, which may carry them beyond their depth. The history of all commercial countries shows that periods of commercial depression and prosperity follow each other as surely as the day succeeds the

night, the one being the certain result of the other, and produced by causes which have in them no elements of chance.

In this connection the address of Mr. George Hague, late Manager of the Bank of Toronto, but now General Manager of the Merchants Bank of Montreal, is very much to the point.

Mr. Hague has for years held an important position in one of our largest banking institutions, and has devoted much time and study to questions of finance; his utterances therefore upon such a subject are characterised by thorough research into the cause and effect, and a maturity and vigour of judgment that have made for him a reputation which is recognized throughout the Dominion.

The occasion of the speech was the annual meeting of the shareholders of the Bank of which he is Manager, and we append below the portion of it which bears upon the general prosperity of the country.

"I will begin my remarks by asking your attention to the condition of banks in general, and this Bank in particular, in the year 1874, that was the culminating point of many previous years of a parent prosperity and of real expansion of business. The trade of Canada had been constantly growing, and the business of the banks steadily increasing. The discounts, which should under ordinary circumstances be a fair index to the trading operations of the country, had increased from 86 millions in 1871, until they reached 180 millions in 1874. The capital of the banks during the same period had been increased from thirty-eight millions to sixty-one millions. The bank circulation was \$80,000,000; it is now only 17,500,000. The deposits were \$75,000,000.

These years of expansion in banking operation were years of great apparent profits. Not only were the discounts exceptionally high and transactions very large, but the rate of money (and it was paid cheerfully) was fully one fourth more than it is now. Consequently banking profits were large, that is supposing transactions to be good in themselves, and that the interest accruing on discounts was not only earned but paid. And at that time there seemed no reason why it should not be.

During these years, there were, of course, a certain number of mercantile failures, but both in number and amount they were comparatively trifling. The total amount then ranged from five to seven millions annually, while the total

discounts of the banks ranged from 100 to 180 millions. Towards the end of 1874, however, the signs of a coming change were perceptible in an excessive tightness of money, great difficulty in making payments and constant applications for renewal of paper. These symptoms were the prelude to a series of years of continuous depression which was shown in a steady reduction in the volume of bank discounts, (they are now only about \$95,000,000) in a steady falling off of profits, and in a sudden and unprecedented number of failures.

Whereas in the years previous to 1875, the total amount of failures was between five and seven millions, in 1875 the total rose to twenty-one millions. Thus, while the discounts of the banks and their profits were being reduced, failures were multiplied fourfold. And the ratio, instead of being seven millions of failures to 180 millions of discounts, was now twenty-nine millions of failures to 120 millions of discounts.

You will ask, what is the relation between these things? Why do I compare the two? The answer is that in a majority of instances the liabilities of insolvents are included within the circle of bank loans or discounts. A large number of those who fail are directly indebted to the banks, and a majority of the rest, if they do not deal directly with banks, give promissory notes or acceptances to men who do. When, therefore, bankers find that in the community to whom they lend money there is an increase of failures to a fourfold extent, it is a matter of absolute certainty that their losses must show considerable increase.

But the year 1875 was not alone in its excessive volume of insolvency and disaster. This state of things continued year after year, and has continued nearly down to the present. The failures of 1876, amounted to \$25,000,000, of 1877 to \$25,500,000, and of 1878 to \$21,000,000. But the insolvencies of 1879 reached the enormous sum of \$29,350,000.

Now I must ask your attention again to the ratio between the failures and the total of bank discounts. You will appreciate the difference between the position five years ago, and that presented to the close of 1879, by remembering that the failures in 1874 were to the discounts as 7,000,000 to 180,000,000, or about 1 in 18, while last year they were as 29,000,000 to 100,000,000, or nearly 1 in 3.