

addressing you in Ottawa, but in Montreal, and there is a world of difference between the two. It is undoubtedly true, that the volume of trade in the country may be very large—even larger than ever—while, at the same time, numerous failures are taking place, and banks are suffering heavy losses. You may think these two statements inconsistent, but I am speaking of facts as demonstrated by experience.

For example, the volume of our exports of any given article may be very large, and a considerable expansion of business result therefrom; yet the merchants who have exported these goods may have conducted their business imprudently, and made considerable losses, perhaps ruined themselves, bringing thereby loss upon the Bank.

This, I can assure you, is not an uncommon occurrence. Similarly, manufacturers in any given year may have done a large business, and made such an output as to stimulate the whole neighbourhood round about them, whilst they themselves may have made such losses as to make failure inevitable.

And it must be remembered that on the scale on which Canadian banks do business, a single loss may more than neutralize the profits of fifty active accounts.

But the prime factor in all this matter of Bank losses is our credit system. If you have a bad system of credit, or a good system badly worked; if credit is unwisely given, or if it is too long extended; if a huge superstructure of credit is built on a slender basis of capital, no matter how large your imports and exports, and railway traffic, you will have a bad state of things in the realm of credit, and particularly in those vast credit-giving institutions, the Banks.

Bankers may well take some blame to themselves in this matter; at the same time, in justice it must be said, that they are sometimes compelled to do what they would rather not do.

Customers of banks, when they give too extended credit, generally want too much credit from their Bankers, especially in the way of discounting long paper, and borrowing by way of long advances.

Our own discounts were never so high as they have been this year.

The discounts of the banks, as a whole, were never so high.

We are not in such a period of stagnation as leads money to accumulate in banks, while mercantile borrowers don't want it.

They do want it, and have pressed for it. The fact is that many people have been leaning too heavily upon their bankers for some time back. They, in turn, have been allowing their customers to lean too heavily upon them.

Finally, the retailer has allowed his customers to run up too heavy accounts in his books; and also has carried too large a stock upon his shelves himself.

The whole system of credit in Canada wants a revision.

Nearly all persons who buy and sell goods on credit are complaining that they have made no profit during the last year or two. In fact there is a good deal of living upon capital going on.

Business expenses and losses eat up all that is made by selling goods. And let it never be forgotten, that the average amount of losses is always aggravated by the length of credit given.

If such a thing could be brought about, as a general cutting down of the length of credit one-half, the result would be a cutting down of losses one-half. And the result of that again would be that many a business which now yields no profit at all, would return a fair remuneration for the capital invested.

It is seldom that I have referred to our neighbours in the States as furnishing us with good examples of business methods. And in the matter of sound finance and a good banking system we have certainly nothing to learn. But we may with advantage take a leaf from their book in the matter of credit giving. Such terms as are given in Canada are entirely unknown on the other side of the line. Credit there is much shorter, to the great advantage of both seller and buyer.

There is one item in our balance sheet to which I would call your attention. You will notice that at the end of our bank year, that is on 31st May, we had practically no money employed in New York. Of course we had

loans out there, partly on call, and partly time, but these amounts are off-set by others of a contrary character, so that none of the funds drawn from Canada were employed there.

This may not continue, for changes in New York are rapid. But it was the case at that time.

You can easily understand the reason of this.

There has been reference made in another place to a terrible shock in the political sphere, which occurred at a time when all things in the States appeared to be on the way to a recovery of prosperity.

While the country was in a state of agitation, very high rates prevailed, and we might, if we had chosen to risk our money in such a scene of excitement, have made large profits. But we pursued just the opposite course, and withdrew most of our funds from the scene of danger. It is satisfactory that the good sense of a great business and financial community made itself powerfully felt at the time and averted what might have been a national calamity. But matters financially can never be in a settled condition in the States, so long as the country is in danger of being put off its base by legislative action, based on unsound theories.

Even apart from this, the year of a Presidential election is always a year of disturbance.

It may be expected that something should be said as usual as to the condition and prospects of trade in the country generally.

Nothing strikes me on reading the reports from our Branches, so much as this, that there is a wide diversity in the condition of trade in different districts of country.

In our own Province, reports are generally very satisfactory.

I referred to the development of agriculture in the Province of Quebec last year, and all that has transpired since has confirmed me in the belief that its farming interests are undergoing a silent revolution in methods, all tending to a larger production of a better class of articles, realizing larger returns to the farmer, and diffusing a constantly increasing prosperity.

The improved appearance of the villages and towns of our Province, the new areas that are opened up to cultivation; the great improvement in our live stock and in our method of dairying must all strike an observer.

But the unsettled condition of affairs in the States is affecting prejudicially our great export of lumber to the American market. Fortunately the other great branches of the trade in our forest products are in a really prosperous condition. The English market is active and strong, and contracts for this year's sales in the United Kingdom have been made by the shipping houses at better prices than for years back, a state of things which has given rise to a feeling of satisfaction and hopefulness, especially in this Province and throughout the Ottawa Valley.

There is one development of recent date that is coming into increasing prominence. I refer to the products of our spruce forests. Many of these forests have been neglected on the supposition that they were almost valueless. Now, however, they are becoming valuable for the production of pulp for paper making. "It is estimated that 75,000 cords of "spruce pulp wood, or about 1,000 canal-boat loads, will be taken out of Canada this season through the Chambly and Champlain "Canals and delivered at "Ticonderoga and "mills on the Hudson." Perhaps it is a pity that so much immature timber is sacrificed and sent out of the country in this way, but developments may go on in the future of a character we can hardly estimate at present. Experiments are now being made in Europe, with a view to the production of a kind of silk from pulp wood, the process being a close imitation of that by which raw silk is produced by the worm. If our forests, besides producing lumber and paper, and numbers of things that are made of paper, can also be utilized to produce silk, we may be independent by-and-bye altogether of the looms of Lyons.

This, however, may only be a fanciful picture. Yet quite as strange things have happened, and any one who has observed the extraordinary developments of electrical engineering during the last decade may well be pardoned if he believes almost anything to

be possible in the way of future development. I need say little or nothing about our own city. You know very well how it is steadily growing, in spite of all drawbacks. Our manufacturing interests, which are now of such large extent, are generally in a prosperous condition. But this can hardly be said of our purely mercantile interests, with the single exception of those who sell goods for cash.

This is a development which has been so satisfactory in its results, both in Montreal and elsewhere, that it is likely to grow. The effects of this system are already very far-reaching, and may in time so extend as to bring about a cure for that abuse of credit which has been spoken of.

From Ontario the reports are diverse. Prices of everything produced on the farm are very low, some say, decidedly below the cost of production. And in some districts drought, last year necessitated the purchase of hay, month after month, at high prices. On the other hand, the price of cattle feed, such as bran, etc., was so low as to mitigate the position greatly.

The farmers of Quebec, of course, benefited by this, but Ontario farmers, who were dependent upon hay, suffered heavily.

However, the districts affected, I think, were mostly those where farmers were well to do, and who could bear an adverse year or two without fatal injury. This, of course, is a rule; there are, no doubt, exceptions.

Whenever this state of things has prevailed, the storekeepers have suffered from inability to collect. They, on the other hand, being unable to pay, the wholesale merchant was affected, or the manufacturer; all finally affecting the Banks in an unpleasant recurrence of renewals. But other districts of Ontario have had a fairly good year, and all classes, farmers and merchants alike, have benefited.

As to the widely diversified manufacturing interests of Ontario (I do not include flour-milling or saw-milling), they have generally been doing well, some of them exceptionally well, especially those that are not overweighed with unwieldy buildings and plant. But there is a general idea that the prospects of the coming crops are fair.

Fruit is becoming an increasingly valuable crop in Ontario, and the prospect of a large yield both from vines, peach orchards, and our orchards of apples and other fruits is exceptionally good at present.

The one drawback to all this good promise is the exceptionally low price of everything that can be sold off the farm.

At the same time it should not be forgotten that everything that the farmer has to buy is exceptionally cheap also.

Manitoba, as you know, had a magnificent crop of all kinds of cereals last year. Nowhere in the world, probably, did a given number of people produce so large a quantity of food products as Manitoba. For now, it is not only wheat, but oats, flax, barley and cattle, that bulk into prominence, as the products of these Northwestern farmers. But again, the price has been low, necessitating a close economy on the farmer's part, and an utter avoidance of that wild style of purchasing expensive stock, implements, carriages, etc., which prevailed a few years ago, and has brought so much disaster and misery in its train.

The farmers of the North-West are growing out of all this, and the country generally is getting more and more on a sound financial basis, and offering more and more inducements for population to flow in, and add to the general prosperity.

There have been many dismal failures in Manitoba, nine-tenths of which have been occasioned by folly or idleness; but there have been hundreds and thousands of cases, where wisdom and industry have led to prosperity—and what has been, may be again.

Of British Columbia, as well as of our Maritime Provinces, I do not speak particularly, as we have no branches there; and these fields have been well opened up in addresses from those who have.

One thing, however, I must emphasize, and it is this: that no matter whether trade generally is prosperous, or adverse, the old-fashioned rules that were the result of generations of experience still prevail.

Intelligence, prudence and industry will ensure success; and the reverse will bring