

## INSOLVENCY ACT.

Closely connected with this subject of credit and the persons to whom it should be given is the possible operation of a new Insolvency Act.

You are aware that such an Act is now being considered in Parliament, and I desire to put on record a few general observations on the whole subject.

It is obvious, to begin with, that a general Insolvency Act for the Dominion is not an absolute necessity.

We have had no such Act for more than ten years. The Acts of Quebec and Ontario are simply Acts for the equitable distribution of Insolvent Estates. An Insolvency Act therefore, not being a matter of absolute necessity, what is the object to be gained by introducing one?

It is clear that some great grievance exists in the present state of things, or there would not be such a strong pressure for legislation from the trading classes.

The real grievance is, that in certain provinces the present modes of distributing an insolvent estate, though perfectly legal, work great injustice by reason of their allowing preferences at the debtors' option of one creditor over another.

The inequity of this has been a crying grievance for years past. And it is the moving cause, and the only cause, for the strenuous pressure for an insolvency law to be passed for the whole Dominion. It is most important to hear this in mind.

The traders complain of this, and practically of nothing else. It is clear, therefore, that what is needed to meet the case, and what would fully meet the case, would be an Act to ensure that when a man becomes insolvent, his estate shall be ratably divided without preferences, leaving the question of his discharge to be settled between the debtor and creditor. Of any further grievance that needs to be remedied by an Insolvency Act I am not aware.

If there were any such grievance we may be certain that there would have been abundance of agitation and petitioning from the class of undischarged insolvents.

But we have had no such agitation or petitions. The old Insolvent Acts of England and her colonies were primarily "for the relief of insolvent debtors." That was their title, and there was need for such an Act at a time when debtors were constantly thrown into prison, and kept there for years without hope, and often in a condition of semi-starvation, at the suit of a detaining creditor.

The miseries, not to say the iniquities, of the old debtors' prisons were sufficient ground for passing Relief Acts.

But we have no such condition of things in Canada. There are no debtors languishing in hopeless imprisonment in this country.

As a matter of fact there are so many ways in which a man, being an undischarged bankrupt, can support the community and earn a living, that there is no pressing necessity for making a provision for discharge by Act of Parliament at all.

Let us consider what the real meaning of a discharge clause is.

It is a clause whereby a certain number of creditors are compelled against their will to release a debtor, although he has not fulfilled the obligations of his contract.

It is open to any creditor to ask a creditor so to release him. It is open to any creditor to grant such a release if he pleases.

But the discharge clause of our Insolvent Act compels a certain number to release whether they will or not. An Insolvent Act then to the extent to which the discharge clause operates, becomes an Act to impair the validity of contracts.

Now all experience shows that it is a very dangerous thing for Parliament to venture upon this ground.

The States of the American Union were forbidden by the original constitution to pass any statute which would invalidate contracts.

The law, in its very fundamental idea, is for the purpose of giving force and efficacy to contracts, and not for invalidating them.

It is obvious, therefore, that such a clause should not be inserted in any Act of Parliament unless,

First, There are very large evils to be remedied by it.

Second, That there is a strenuous demand for it on the part of large numbers of persons.

Third, That it is possible to render its area so circumscribed in operation as to minimize the harm that arises from it *prima facie*.

Fourth, That other parts of an Act admitted to be urgently necessary, cannot be enacted unless with some provision of this kind appended.

With regard to the first and second, it is clear that neither of them can be said to be applicable. There are no grievances to be remedied, and there is no demand for such a clause.

With regard to the third point, we have the light of experience to guide us, and this teaches that the effect of an easy discharge clause is constantly to suggest the idea of insolvency to those who are in temporary difficulty, but are perfectly solvent and able, with time, to pay in full.

It suggests also insolvency to persons of crooked and dishonest disposition, who are tempted to make a profit by going through insolvency. It thus operates to increase the number of insolvents and the losses of those who are carrying on trade.

It also has the effect of unduly multiplying the class of persons administering insolvent estates, as it enables them to hold out temptation to solvent persons in temporary difficulty to make a profit out of insolvents at their creditors' expense.

These abuses have prevailed under every Insolvency Act containing discharge clauses. They had grown to such a height under the operation of the former Act that a deep and loud outcry for its abolition arose in every part of the country.

There can be no doubt that what happened before will happen again under similar circumstances, and that if discharge can be had by Act of Parliament on such terms as to make it an object to go to the trouble of insolvency, men will go into insolvency who could pay their debts in full.

No safeguards introduced into a bill will avail to counterbalance this great temptation. When once the fatal words are introduced which compel a certain number of creditors to discharge a debtor on terms they never would agree to if they were asked, the door is open to mischief. The prospect of a monetary reward for the trouble of going through insolvency has always proved irresistible to numbers of persons.

The interests of commerce and of the country generally, would be better served by an Act which would secure an equitable division of Insolvent Estates, without any provision for discharge at all.

But if it is an absolute necessity that discharge clauses should be embodied in the Act, then the minimum for which the law will allow discharge should be placed so high as to be no temptation to solvent debtors. If a debtor who is really insolvent cannot reach that minimum the law may very safely refer him for discharge to his creditors.

And with regard to the number of creditors whose rights would be set aside by a discharge, they should only constitute a very small minority of the whole, not more than ten per cent. of them at the very most. Further, it would in my judgment be a great mistake to make the Act *retroactive*.

It is said that there are numbers of men, who, being insolvent, are unable to go into business again and earn a livelihood for their families. I answer, that they can earn a livelihood without going into business. The ranks of business employment are too crowded already. It is difficult enough for persons now in trade to make a living, without being subjected to the competition of numbers of new men, who have already proved their unfitness for it.

It is to be hoped when the matter is under final discussion such considerations as these I have ventured to submit will have weight in Parliament.

## MUNICIPAL INDEBTEDNESS.

I thoroughly endorse what was said in the Bank of Montreal with regard to this matter.

The indebtedness of some large municipal corporations is approaching the line of danger. If further expenditure on capital account is not kept down with a firm hand they may

drift into a position of certain cities in the United States whose credit has been utterly ruined by improvident expenditure for so-called improvements. The disastrous effect of all this on manufacturer and commerce I need not indicate.

## A BANKING FAILURE.

By the failure of one of the smaller Banks of the Dominion a Bank which was very far from being prudently managed—the soundness of its currency laws has again been demonstrated. The whole of the note issues of the Bank were redeemed within a few months of the stoppage by the operation of the preferential lien on the assets of the Bank.

The Bank Redemption Fund in the hands of the Government was not called upon to contribute to this result.

The Bank in question, I may say, kept an account with ourselves from its inception; and we often made them advances, never without good security. They had such advances at the time of the stoppage, and the proof that the security was good is that after realizing our debt in full with interest, we returned about seventy thousand dollars of collateral to the estate.

I think I have now occupied sufficient of the time of the Shareholders, but if any one of them desire to ask me any question, I shall be happy to place any information I may have at their disposal.

## THE DISCUSSION.

The President, having invited remarks from the Shareholders present, Mr. John Morrison said that the report for the past year was one of the best that had ever been issued by the bank within his recollection. It now occupied a position which had never been equalled at any previous period in its history.

Mr. John Crawford spoke in favor of half-yearly meetings, which, among other things, would have the advantage of bringing the directors and the shareholders into closer touch. He alluded to the fact that the balance sheet showed the net profits for the past year to have been about \$26,000 in advance of 1893, and said that the result of the year's workings had been exceedingly satisfactory. He thought that the directors, managers and shareholders should all be equally gratified at the result, considering the mercantile depression which had prevailed on both the eastern and western continents. He then went on to speak of the Rest account, and suggested that as it had now reached 50 per cent. of the paid up capital it should stop there, and after the contingent fund had been added to the extent of \$500,000, the profits, after an 8 per cent. dividend had been paid, should be distributed amongst the shareholders. To go on enhancing the rest must have one of two results. It must either lead to extravagance, or it must inevitably paralyze the energies of the best managers in the world. He contended that a 50 per cent. Rest had been generally accepted by the English banks as amply sufficient to meet all contingencies. In conclusion he called attention to the fact that the Dominion Bank paid quarterly dividends, and said that the time was coming when this would be general.

Mr. John Morrison spoke in opposition to semi-annual meetings and quarterly dividends.

The General Manager, in reply to Mr. John Crawford, said: With regard to the matter of quarterly dividends, it is sometimes forgotten by the advocates of them that the stock books would have to be closed four times a year, instead of twice, as at present. As to the Rest account, Mr. Crawford is entirely in error in supposing that the principle of 50 per cent. has been accepted generally by the English banks. I have a list before me of some of the banks in England. It shows that Parr's bank, which was formerly a Lancashire bank, and amalgamated with the Alliance, has a capital of one million and a rest of one million; while the London and Provincial has a rest of 118 per cent. In the provinces there is the Manchester and Liverpool District Bank with a capital of a million and a rest of a million; the Manchester and County, with a capital of £300,000 and a rest of £780,000; a Bristol bank with a capital of £408,000 and a rest of £350,000. In Scotland there is the British Linen Company, with a capital of £1,250,000 and a rest of £1,400,000. In Ireland there is the Ulster Bank, with a rest of 111 per cent.; the Royal Bank of Ireland, with a rest of 66 per cent. There are many more that have a rest of more than 50 per cent. Mr. Crawford is willing that we should accumulate \$500,000 more in the shape of surplus profits. I shall be very thankful indeed when we get there, and am quite willing, as he said, "to have my energies paralyzed by it." With regard to our circulation, we never push circulation; we let the business of the bank furnish the circulation that legitimately belongs to it. As to the profits made by the branches, we have very full statements of them all the branches, and if Mr. Crawford will come into my room at any time, I will show him the record.

Mr. Crawford asked the question because I was told by other bankers that it was not the custom.

The General Manager. It must be an entire mistake; it is impossible to carry on a Bank without such statements being furnished. With reference to half yearly meetings, it is open for shareholders to meet if they please, but many of the things they did would be invalid, because the Banking Act says they shall meet annually, and many of the provisions of the Banking Act depend on things meeting annually; they could not be done at a half yearly meeting, which would be merely a *pro forma* affair.

Mr. John Crawford moved, seconded by Mr. John Stirling:

"That the thanks of the stockholders are due and are hereby tendered to the President, Vice-President and Directors for the manner in which they have conducted the institution during the past year, and to the General Manager for his efficient management during the year."

The motion was unanimously concurred in, after which Mr. Crawford enquired if the by-laws gave the directors power to limit the amount of credit to any individual or firm.

The General Manager. No. We have the power to do it, but no such by-law has ever been passed.

It was moved by Mr. James O'Brien, seconded by Capt. Benyon:

"That Messrs. J. V. Gilmour and F. Lyman be appointed scrutineers of the election of Directors about to take place; that they proceed to take the votes immediately; that the ballot shall close at three o'clock p.m., but if an interval of ten minutes elapse without a vote being tendered, that the ballot shall thereupon be closed immediately."

The motion was unanimously adopted.

It was moved by Mr. John Morrison, seconded by Mr. Dawes:

"That the thanks of the meeting are due and are hereby tendered to the Chairman for his efficient conduct of the business of the meeting."

The motion was carried unanimously, and shortly afterwards the scrutineers reported that the following gentlemen had been duly elected as Directors:

ANDREW ALLAN,  
ROBERT ANDERSON,  
HECTOR MACKENZIE,  
JOSEPH HODGSON,  
JOHN CASSLES,  
H. MONTAGUE ALLAN,  
JAMES P. DAWES,  
T. H. DUNN,  
SIR JOSEPH HICKSON.

The meeting then adjourned.

The new Board of Directors met in the afternoon, when Mr. Andrew Allan was re-elected President, and Mr. Robert Anderson, Vice-President.

Lord Rosebery can be more kinds of a winner than any other man now before the public.—*New York World*.

to protect the interests of the Bank. But it was impossible to avoid having a certain amount at risk, if we were to keep our office open.

The unprecedented course of legislation in the United States had caused the "silver question" to hang as a threatening cloud over the country for years. This produced its effects in a destruction of confidence, heavy withdrawals of money from the banks, stoppages of supplies to mercantile and manufacturing concerns, and entire cessation of cash payments, except through the medium of the Clearing House.

When the last development took place it was evident that there was imminent danger of all United States money falling to a discount of more than thirty per cent., a condition of things which would have produced serious effects in every country doing business with the United States, England and Canada especially.

Happily, the Executive Government, together with all the bankers of New York and the leading cities, and all great financial corporations have been a unit in a determination to maintain the gold standard. Finally, after a period of almost unprecedented agitation, the danger was averted by the repeal of the Sherman Silver bill last August. The country then began to breathe freely. Confidence was gradually restored, and we could look upon our balances in New York and other places without apprehension. Matters, however, are still very unsettled.

Canada, in some respects during the last year, was in the position of looking out, from a point of comparative safety, upon ships tossed upon a stormy sea.

If the question be put, how it has come about, this great difference between two countries lying close beside each other and having so many intimate relations, I answer:

First, Our well considered Banking methods, imported from England and Scotland, and improved by a long course of experience in Canada.

Second, Our admirable system of currency, which is both safe and elastic, but which has not been retained without very strenuous contests, although now universally accepted.

Third, Our admirable Banking law roughly shaped out more than thirty years ago by men of financial experience, with carefully considered amendments adopted by Parliament from time to time as circumstances developed.

In the course of this Banking legislation not only many improvements were adopted, but many supposed improvements were offered and finally rejected.

Among these last was an attempt to compel the covering of circulation by Government bonds, the attempt to compel an annual publication of losses, and the attempt to compel the holding of a fixed percentage of cash Reserves.

With regard to Cash or available Reserves, no banker who appreciates his responsibility can minimize the importance of keeping at all times in what is called a "strong" position. And that in a country like Canada it is desirable to have a certain amount of such reserves so placed that they can be availed of without disturbing the business of our own country.

We have followed this practice ourselves. As you will have seen, for the last few years we have always held a large amount of Dominion Government Bonds and other securities; our arrangements being such that these could be readily availed of in case of need.

Canada during the last year has really experienced no crisis at all. But if such a crisis supervened, I have no doubt that useful action could and would be taken through the medium of the Bankers' Association.

There might, however, in such a case be some discrimination, and examination as to soundness, before mutual arrangements became general.

The fact that the Banks have acted together in emergencies more than once should, however, be no encouragement to un-sound banking.

The best mode of preventing the necessity of such united action will be for each Bank to conduct its loaning and discounting operations prudently, and in accordance with well established principles.

For, in addition to prudence in the matter of keeping strong in available resources, the very life of good Banking is to have loans and discounts on a sound basis and in a realizable shape.

To the best of my recollection—now going back for forty years—no Bank ever failed except from bad loaning and discounting.

I need not say that our endeavors are constantly bent in this direction; and the proof that we have attained some measure of success is found in this fact, that by the failures in our circle of customers during last year, in a large majority of cases we lost nothing.

Our securities brought us out.

It is not however judicious to be too confident in such a business as ours, for experience shows that confidence is apt to lead into danger. Our safety lies in constant watchfulness.

## CONDITION AND PROSPECTS OF BUSINESS.

I do not intend to add much to what has already been said with regard to the condition of the country. We are in close touch with every department of industry of course. The past year has not been generally a favorable one in any line of business, although to our knowledge very good returns have resulted in exceptional cases.

But competition is steadily increasing and beating down proportionally every line of business, a condition of things that is very seriously felt in the leading branches of wholesale trade.

The continuous fall in the price of grain to its present impossibly low level of value will be a serious loss, both to the country at large, and to individuals trading in it.

Should values remain on the present low scale or thereabouts, a great deal of readjustment will need to take place in farming operations. In fact, such readjustment is going on at present.

The immense expansion of our dairy industry is a potent sign of it, and it is gratifying that this change, to which many farmers have almost been driven against their will, is turning out so satisfactorily.

The advantages derived in this Province already are patent to all acquainted with it, and the Government of the Province deserve much credit for the manner in which they have fostered this industry.

It is to be regretted that a recovery of confidence, both in the United States and England, has been hindered by unfortunate

## LABOR DISPUTES.

and interruptions to business consequent thereon.

This is a large subject, and I only allude to it for the purpose of saying that in my humble judgment much of the action taken by employers under the direction of their leaders has had for its foundation a very serious misapprehension of the real conditions of business life, which misapprehensions are fostered by want of practical knowledge on the part of writers whom they look up to as guides.

There is, on the part of nearly all such (and I include herein some of very high repute) along with great logical argument and which can only be gained by taking part in the affairs of the commercial world.

Their conclusions are, therefore, not seldom widely erroneous, and those who base upon them an important course of action follow following blind guides. I venture to think that some of the large scale, and have resulted far more disastrously to the employed than to the employer, would never have transpired had there been a more accurate acquaintance with facts on the part of those who took the position of leaders. But I cannot long commend themselves to the great body of artisans in a country like this, where so many of them have property of their own, or money deposited in the Savings Bank.

They need say little more as to the general business of the country, except that those who sell goods on credit will find an increasing necessity, both of restricting credit in individual cases carefully, and also of being careful, increasingly careful, as to the persons to whom they give credit at all. For credit in this country has been altogether too cheap.