

Compared with 1898, there was an increase in the shipments of sheep, butter, bacon, fruit and oats, and a decrease in horses, cattle, cheese, eggs, flour and wheat, the decrease in wheat being very pronounced, amounting to \$9,529,000. It must be borne in mind, however, that the Spanish-American war whipped the wheat trade of 1898 into a frenzy. Europe expected a long and fairly equal war, and bought largely in advance.

But Canada has passed from the pastoral state. She is being more and more widely known as a manufacturing people, and her mining industries and lumber trade have during the past year received an impetus which has behind it circumstances which warrant the expectation that their prosperity will not be the flicker of a year but the beginning of an era of activity.

* * * *

The course of the money market during the past year has been in contradistinction to its behavior in the several previous years. It was generally thought that the era of high interest rates had departed, and the Government early in the year adopted an Act reducing the interest basis of insurance reserves from 4 1/2 to 3 1/2, a course of action which met with much opposition in many quarters, and which requires a very much larger reserve to set aside. And yet, as the year progressed, rates of interest appreciably hardened, especially call loan rates. The demand for money from all branches of trade was quite lively, the banks found easy investment for their accumulations, and, leaving the effect of the Transvaal war altogether out of the question, it was to have been expected that the rate of interest should have been firmly maintained. The Transvaal war has emphasized this hardness. The stoppage of shipments of large amounts of gold from the Transvaal to England, the large war expenditures and the poorly veiled hostility of Europe have rendered necessary a very conservative action on the part of the Bank of England in order to preserve its gold supply, and as a consequence the year closed with the bank rate up to six per cent. Local call rates are also at six, and there has been some talk of a further advance. In the early part of the year 1899 the call rate was four per cent.

* * * *

The course of events on the local stock exchange during 1899 was on the whole a reflection of the general prosperity of the country, and the prosperity of Canada was greatly assisted by an unusual increase of prosperity in the United States and Great Britain. The increase in wages, the extensive demand for staples, exceeding the supply in many cases, such as iron and steel, the improvement in the values of farm and other produce, all formed sources from which a stream of gold flowed into the stock markets for speculative purposes or bona fide investment. It is quite true that the advance in the rate of interest on call loans from four and a half per cent. to six per cent. had to be reckoned with, but high rates of interest do not im-

pose a check upon stock transactions, unless there is something abnormal, something out of harmony between the interest rates for stock transactions and the rates in commercial transactions. Indeed, with the exception of sudden advances in rates, which are signs of lack of confidence, high rates of interest frequently accompany high prices, the indication being merely that every one is making money, and when everyone is making money the stock market is buoyant.

It cannot be denied that during the early part of the year, one might say up to the close of June, cautious financiers were of opinion that the stock market was on too high a range of prices. Mr. Clouston, of the Bank of Montreal, sounded the first note of warning, and although nothing in the nature of a panic was the result, a steady pressure seems to have been exerted which slowly forced prices down to a more sensible basis, from which a further advance was rendered possible whenever circumstances should warrant. The failure of the Ville Marie Bank and the temporary embarrassment of the Jacques Cartier Bank affected the market to some extent, but the chief cause of the recent troubles lay in the Transvaal war, and the assumption that it would prove a long campaign.

The first panic consequent upon the uncertainty of the money market and the war took place in New York, seemingly to confirm the statement of an eminent United States financier that disaster to England means ruin in the United States. Behind the situation is said to have been a conflict between rival syndicates, but the time was at least opportune, and within a few hours of the commencement of the "tragedy" values to the extent of \$100,000,000 were wiped out, and call rates had reached 186 per cent. Serious as was the situation, it would have been more terrible had not the New York banks come to the aid of the broken market. The loan of some \$10,000,000 to carry stocks checked the panic, restored rates, and the new year finds the stock exchange hopeful and buoyant, if not active. The lesson taught by the action of the New York banks is one which, strange to say, requires teaching only too frequently. In times of panic it is not only the duty of banks but their interest to make the burden light for those who are carrying securities of real value. Interest rates may well be increased to restrain too active or too venturesome a market, but when the break comes the true policy is, to cut down the margins required as much as possible, and to refrain from added pressure in the matter of rates of interest. This has been the preaching of Canadian bankers of the past, but it is not always observed in the practice of the present.

The Montreal crisis has passed, but it should leave behind it the realization that, so long as Canadians speculate largely in New York and Chicago, care must be taken by financiers to watch those markets closely. What is termed "sympathy" with New York means only that Canadians are largely interested there, and when trouble comes they have to sacrifice their holdings not only there but here. As the year opens, the trouble seems to have cleared the atmosphere.