

woollen trade, have maintained a satisfactory business, and are in a good position to-day. A heavy drawback in the conduct of our manufacturing business is the length of credit exacted and consequent necessity of large capital to enable it to be carried on. Of the

LEADING BRANCHES OF OUR IMPORT TRADE

but little need be said. The greater part of the houses engaged in it acted with commendable foresight and reduced their business within reasonable lines. The importations of the country, as a whole, you are well aware, have largely decreased. Few failures amongst wholesale houses have transpired. But failures amongst retailers have again assumed threatening proportions. Losses by wholesale houses have therefore been large. If these have the effect of diminishing the injudicious lines of credit that are so prevalent, the evil will not have been an unmixed one. This, after all is the great bane of business in every department in Canada.

CREDIT IS STRETCHED

to unreasonable proportions. This excessive credit is as much an injury to the buyer as to the seller. It is with wholesale houses as with banks: too much credit only ruins the customer. I am not aware that it is any particular pleasure for a trader to fail in business, or that traders as a rule keep failure before them as the ultimate goal of their ambition. It is generally understood that competence is the goal. But it cannot be denied that insolvency is taken far too coolly in these days. Insolvency (or bankruptcy, this was the old-fashioned word) used to be dreaded. It was discredit. In my humble judgment a return to that way of thinking would be desirable. And if we point out that one way of avoiding commercial shipwreck is neither to give nor take too much credit, all parties concerned should be glad of a timely hint. With this exception, viz: the prevalence of unreasonable credit, the wholesale trade, in every part of the country, is generally in a fairly sound condition, and if the harvest turns out as good as it promises, and our export of sawn lumber is maintained, the trade may look forward to a prosperous year.

OF OUR STAPLE EXPORTS

lumber and timber are still the most important. I have already referred to the depression in the timber trade. The market is very dull this year. Prices have fallen considerably, and show no sign of improvement. But manufacturers have had several prosperous years, and those who have managed well can bear a reverse. Merchants and exporters lost heavily last year, but their contracts are on a much lower scale this season, and with good management they should do well. In our great staple export of sawed lumber to the United States there is a prospect of a fairly prosperous year. The demand continues good, and supplies are not excessive. But there is nothing to encourage the locking up of additional capital in the building of new mills, or in the purchase of additional limits or timbered lands. It is this locking up and fixing of borrowed capital which is invariably the source of disaster in this trade. I lay emphasis on the word "borrowed." When there is imprudence in this direction it is almost invariably with borrowed money. The lenders, of course, are the banks, and the ultimate loss falls on them. Those who employ their own money in extended operations generally do so with caution. But there seems to be a fascination about borrowed money which destroys men's judgment. The banks, I presume, never lend money to be invested in fixed improvements if they know it; but it is only too true that money borrowed for mercantile purposes is sometimes diverted into this improper channel. And the more freely the bank lends the more extravagant the expenditure is. There is every reason, I think, for the banks, who control the supplies of money, to see that these supplies are devoted to the production of merchantable articles. The more stringently a bank's requirements are enforced in this direction the better it will be for the borrower. I have known numbers of failures in the lumber trade. I have known also of numbers of men who were kept in an embarrassed position for years, even if they ultimately recovered. In a majority of instances the real cause was the

LOCKING UP OF BORROWED MONEY

in buildings and lands. This is no time for such follies. Such stocks of lumber as have been produced are likely to be sold at a moderate profit. It will be time enough next fall to discuss the scale on which next winter's operations shall be conducted. Our grain trade has been

on a limited scale this year. It is doubtful if the trade as a whole, have realized any profit on the year's operations. Our customers have operated very cautiously, and the bank has seen the wisdom of confining credits within very moderate limits. We have lost nothing this year in this branch of business. I do not hesitate to say that the large losses suffered by this and other banks in former years have arisen generally from granting too large credits

THE EXPORT CATTLE TRADE,

though constantly increasing in amount is proving a very treacherous one to those who conduct it. It is subject to heavy fluctuations, and rapid alternations of gains and losses. But the country derives immense benefit from the trade both directly and indirectly. The customers of this bank are none of them engaged in exporting. Their business is confined to the interior. This branch of business gives rise to small risks. Not only the export of animals, but their products in the shape of butter, cheese, &c., is constantly increasing in importance. In this trade, as in every other branch of our exports, everything depends (after paying reasonable prices) on shippers having proper relations with merchants across the Atlantic. The cable enables business now to be conducted largely on the principle of bargain and sale. When we can conduct our export business so that everything we send across the water is sold before it leaves our shores, nine-tenths of the risks which beset exporters, and the losses of banks connected therewith will be done away. The practice of consigning, has ruined almost everybody that has carried it on in all departments of our trade.

THE BUSINESS OF THE NORTH-WEST

is peculiar. There is a certain amount of lumbering in Manitoba and much money has been made and lost in this branch of enterprise. But agriculture is there the mainstay. You have already heard what a bad crop will do in dragging the country down. It is to be hoped we shall see what a good crop will do in the way of lifting the country up. There is an immense increase of acreage sown—in some districts no less than fourfold—and a most desirable class of immigrants is going in, persons with both capital and experience. The depression in Manitoba is not without precedent in Canada; we have seen every feature of it before. The is nothing in the condition of Manitoba now which is not a repetition of the experience of Ontario after 1857. That Province is rich and prosperous now, as you know. None however, but those who passed through it can realize the depth of poverty into which it was plunged after the year named. But Ontario emerged from her poverty in due time, and so no doubt will our Northwest

BANK LOSSES.

I have detained you at great length already, but you will pardon my adding a word on the subject of losses suffered by the banks generally. I have already referred to those suffered by this bank during the present year. It is a subject that is sometimes misunderstood by bank stockholders, and I may be pardoned an allusion to it in closing. The profits of our banks do not differ so very largely from one another, and if their resources are well employed at a good rate of interest with a reasonable allowance to depositors, they can be maintained with some steadiness. But losses are a different matter. No calculation as to future dividends, bonuses, &c., in any bank can be made without taking this element into account. Paradoxical as it may appear, it is the losses of banks that finally determine what their dividends and bonuses shall be. And the value of a large reserve fund amongst other things is this, that in a year of exceptional losses there shall be a reserve of former profits to fall back upon.

THE LOSSES OF BANKS HERE

generally are very much in excess of those suffered by banks in Great Britain. I know of banks there that have done a large mercantile business through a long succession of years in both good and bad times, whose losses would not average more than one-fifth of those suffered generally by Canadian Banks. Why this is so is a very fair subject of enquiry. The heavy losses suffered by the Banks in Canada have often been a subject of serious reflection to me. I do not know that bankers here are much inferior to their brethren in England in ability. Nor do I think, taken as a class, they would be less cautious in the same circumstances. But undoubtedly there is a difference in the mercantile tone of their customers. There is a difference, too, in their mode of dealing with bankers. If a customer borrows money from a bank in England he expects to be called

on to give a good solid security for it. He never dreams of taking offence at this; he knows his bankers will not share his profits; he does not therefore expect them to share his losses. There is an immense difference, too, in the character of the "customers' paper" or business bills offered to the Banks here and in Britain. Such bills there are invariably for goods sold and delivered. If a merchant should offer to his banker bills which, though looking like bills for goods sold, are really based on nothing, he would be branded as little better than a forger. That is the feeling about such matters in England. Because of this, losses by trade bills are reduced to a mere fraction. In addition to this, if the law is broken and fraud committed, the guilty party knows he may expect punishment. A former Liverpool merchant is in prison at the present moment under a long sentence for violating the provisions of the law respecting bailee bonds. Now, it is not reasonable to push comparisons too far, and we cannot expect in a new country like this to have matters exactly as they are in England. But I must say it would be a great blessing to bank stockholders if the ratio of losses could be diminished somewhat so as to approach more nearly to the English standard; and anything I say at present is simply with an endeavor to bring about this desirable end. In ascertaining the cause it is possible that the first step towards a remedy may be found. One cause of the heavier rate of losses in Canada is this: the great readiness of persons in this country to enter upon speculative enterprises on borrowed capital. There can be no doubt that one bad feature of our mercantile life is the recklessness with which men use borrowed money. There seems to be

A MISCHIEVOUS NOTION ABROAD,

also, that it is perfectly fair to put the loss of speculative enterprise upon the Bank lending the money. The bank is never offered a share of the profit, if profit is made; but if a loss is suffered, it is the bank must bear the burden. And after paying interest to a bank for years—simple interest on money borrowed—a person will reason that, as the bank has made a large amount of money out of him, it ought to bear the burden of loss, if loss is suffered. A more dishonest mode of looking at things there cannot be. Yet we find it prevailing. It might be expected that men would be more careful about losing the money of other people than about losing their own; but the very contrary is the fact. There is, too, an idea abroad that a Bank is a rich corporation, and that for this reason it can better afford to bear a loss than its customer. The truth is that the Bank simply consists of a number of gentlemen like yourselves, along with not a few persons of small means and narrow income, including widows and children of deceased stockholders. It is these who suffer the losses which are inflicted on the banks. Yet a borrower, who, by his folly, or extravagance, loses all a Bank lends him, and more, will console himself by the idea that it is only a rich corporation that has suffered. The remedy is for Banks to be more chary of their money. Why should they furnish men with the means of ruining themselves? A Bank, we will say, may safely lend a certain firm the sum of \$10,000 or \$20,000 and get good security for it; but if in an evil hour they are tempted to lend \$80,000 or \$100,000, the borrower may very probably be ruined by it. He could find good security for the first sum. It is most likely impossible for him to find as good security for the increased amount. And here comes in another evil element, viz. the competition between Canadian banks. A trader who has done well on moderate borrowings is seized with some speculative mania and wants to double or quadruple his business. Of course he must borrow a large additional amount. If his own banker demurs, he goes to another. In the eager competition for accounts and business, applications for large loans are, as a rule, readily listened to. If the application is entertained, the customer will probably inform his own banker, and the fear of losing business may probably move the banker to accept risks which he knows are dangerous. In the eyes of some persons, the bigger the amount borrowed the more desirable the account is for the bank. The big loan means, for a time, a big return of so-called profits. Managers of branches are specially liable to be misled by this. But

THE HEAVY LIABILITY TO LOSS

that accompanies it is forgotten. Persons of a sanguine turn of mind constantly make mistakes in this direction. They have realized, we will say, a certain profit on a line of business