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PRACTICAL HINTS

TO THE

RETAIL MERCHANT,

OR

HOW TO MAKE BUSINESS SUCCESSFUL.

WITH A CHAPTER CONTAINING ADVICE TO EMBARRASSED
DEBTORS, AND REMARKS ON THE PRESENT LAW OF
BANKRUPTCY IN CANADA.

TORONTO:

E. T. BROMFIELD & CO.

1769

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PREFATORY NOTE.

Portions of the contents of this pamphlet originally appeared at the close of 1867 and beginning of 1868, in the form of articles, in the *Canadian Journal of Commerce*, and it is believed that their re-publication will be generally acceptable to the mercantile body. This will account for an occasional reference to the state of trade at the period referred to, which may not be strictly applicable to the altered circumstances of this or a future year. The general principles, however, which underlie these references, will always be found useful. The articles themselves were mostly written by stated contributors of the journal, some of whom occupy positions in the mercantile and financial world, which give peculiar weight to their opinions. Others have been contributed with a special view to this publication.

48 King-st. East, Toronto.

January, 1869.

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PRACTICAL HINTS.

There are few topics of greater importance or of wider interest than that treated in the present publication. On the prosperity of the retail merchants no slight part of the welfare of our social fabric depends. They constitute a main and substantial element in the population of the country. Cities, towns, and villages, derive some of their chief characteristics from the men who collect in them the manifold forms of merchandize and distribute them from their various stores to every family in the land. Enterprising and money-making merchants in a country town, are often, to use a popular phrase, the making of the place. From the ranks of successful men of business are constantly recruited our Town Councillors, our Reeves, our Mayors, our Members of Parliament. At the same time commerce has its peculiar hazards, which call for the exercise of some of the best qualities of the character. It is the subject of close competition, and as there is no mode by which unprincipled persons can be prevented engaging in it, its pursuit is perhaps more exposed than that of any other calling to temptation.

The Editor wishes it to be understood that this pamphlet is not intended to be exhaustive of the subject of which it treats. He has gathered together several articles, some of which have never before been published, and offers them as "hints." The thoughts thrown out, often he admits without a close logical regard to sequence, may be considered as blocks of granite; the person who comes across them may, by the process of thought carried on in his own mental laboratory, chisel them into more perfect shape, and adapt them to his own particular case.

In speaking of success in business, the first thing to be considered is what are the elements of success. Here reference is made not to the moral qualities of the merchant, about which a distinct treatise might be written, especially if one were addressing young men just starting in life, but certain practical points bearing upon a man's judgment, such for instance as the question of insurance, the selecting of stocks, and the necessity of avoiding encumbrances. Then follow short dissertations on caution in business, and other topics of practical importance, in reference to which the Editor would admit that some of the remarks on the state of different trades are not applicable to the present moment, however appropriate they were when first written, and although they may be so again at no distant period. It is, however, to the general principle and not to the particular application of it that attention is especially directed.

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ELEMENTS OF SUCCESS IN BUSINESS.

INSURANCE.

Every man who commences business does so with the intention to succeed, but it has been a lamentable fact that in Canada a considerable proportion of those who enter on a commercial career end in insolvency. Deducting the small per centage of those whose failure arises from causes wholly beyond their control, as for example, long continued sickness, and the like, it is simply the truth to say that the large residuum fail, either from neglecting certain conditions which experience has demonstrated to be essential, or from practising certain modes of business which experience has shown to be mischievous. Mr. A. for example, failed the other day, and his estate pays only 25 cents to the dollar, though everybody supposed him to be a prosperous man. What was the cause? He was burnt out, and lost nearly all his stock, besides the building in which he carried on business. But was he not insured? No. His policy expired the previous week, and he neglected from day to day to renew it. He was pressed with business, that is with buying and selling, forgetting that this business of keeping his premises insured was the most pressing of all, and not to be neglected for an hour beyond that twelve o'clock, when the risk of insurance ceased. His neighbors say, what a calamity! His friends add, what a strange occurrence that the fire should come just at that moment! He himself thinks that Providence must surely be against him; but his creditors have a right to say, 'what culpable and scandalous negligence, when he knew that a fire could destroy his power to pay his debts.' And a similar remark applies to all cases of *insufficient* insurance, when the property to be insured is not wholly paid for. No man has a right to be his own insurer, even to a partial extent, if he owes anything. Till he has attained this position, and has no creditors to call him to account, it is simply dishonest to leave their property at the mercy of the innumerable chances of fire which are incidental to such buildings as are common in this country.

Our purpose, however, is not with such an obvious matter as insurance, though, after all, it is one of the most important that can claim the attention of a man of business; and if there is any one who has the property of creditors in his possession uninsured, we say let him not sleep another night, if he wishes to be considered an honest man, without having the risk *fully* covered. Let not the cost deter

him. He is bound to do it, and the expense is one which his business ought to bear. A man might as well complain of the expense of renting a building in which to protect his goods from the weather, as at the expense of protecting them from the risk of fire. There are causes of failure which operate silently and through a course of years, yet not the less sure that they are slow. When a man, after a long course of honest and industrious trading, breaks down in the end, this is indeed apt to be considered an unavoidable misfortune. He worked early and late, he was obliging and had a good run of customers, he did not make more than a fair average of bad debts, and yet, after toiling for nearly a life time, he found himself no better off than when he started, or was obliged to call his creditors together, and make the humiliating confession of insolvency. This is no uncommon case in Canada, and it is worth while to give it a close investigation.

SELECTING STOCKS.

The two main elements of success in commercial life are these, first to *Buy well*, and second to *Sell well*. To buy well, means to buy exactly what you want, and what your customers will buy from you:—to buy just as much as you want, and not to encumber your shelves with useless stock; to buy what you can pay for at maturity, and not have heaps of stuff which drive you to constant renewals, or heavy borrowing, or disreputable protests. A grand maxim of good trade is "*Keep your stock light, and well assorted.*" Have everything that customers want, but clear out everything that is cumbering the shelves. To buy well, means to buy from a personal inspection of goods rather than from samples carried by travellers,—to visit the market frequently, rather than to lay in stocks for a long period beforehand. Facilities for buying well are now within every man's reach in the West, for instead of, as formerly, being obliged to take a long and tedious journey to Montreal, and lay in a stock which would last him six months, he can run down to Toronto or Hamilton and back in a few days, look round amongst the wholesale houses, pick up what he wants, and be back to business almost before he has been missed. And every business man knows the importance of keeping mostly at home and giving constant personal attention to his store. The old adage of poor Richard is still true, "Keep thy shop, and thy shop will keep thee."

In the matter of buying, every man of business will strive to the utmost to maintain a position of independence. To be compelled to buy from one house is in effect to become simply *a servant of that house*. Even if a man begins business with the support of a wholesale firm, it is a mistaken idea to continue leaning on that support. A trader can never buy well under such circumstances. He must often take what he does not want, and as to making keen bargains, seeing what various houses have got, comparing the prices of one with another, buying this article here, and that there, all which is the essence of good

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buying,—why it is evident that if he attempt it, he will soon be made to feel that he is not in a position to do it. If we take the trouble to look round on the scores and hundreds of traders who have carried on business during the last twenty years on the principle of being supported by wholesale houses, can we find one in twenty that has succeeded? Is it not a fact that at least three-fourths of them have broken down and gone into bankruptcy, while of the rest, the greater part have just barely made a living. A few solitary traders here and there, of unusual energy and capacity, may have overcome the difficulties of their position, and made money in spite of disadvantages, but they are rare exceptions. A trader should practice the severest economy, and strain every nerve, and not let the smallest opportunity slip by, until he attains a position which will enable him to buy where and when he pleases. Otherwise he can never buy well. And there is an old maxim of trade which every storekeeper should learn by heart, "Goods well bought are more than half sold."

ENCUMBRANCES TO BE AVOIDED.

Pursuing the subject we have further to remark that in order to buy well, a trader must keep clear of encumbrance. A greater blunder cannot be perpetrated than for a storekeeper to acquire a mass of real estate, when he has at the same time to buy goods on credit. Still worse is it when he has not only to do that but to borrow money from a bank, if one can be found willing to lend to him. When a trader can buy for cash and is under obligation to nobody, he can of course do what he likes. But nothing can be more suicidal than for a man who is in debt to own property. Even when the property is good and paying a fair interest, the money would be vastly better employed in his business. But what can be said of such property as wild land, village lots, half cleared farms, unoccupied water privileges, or perhaps saw-mills, or village property paying only 4 or 5 per cent, unoccupied half the time, and constantly going to dilapidation.

We speak from a very wide and extensive knowledge of facts in stating that at least one half of the failures that have tormented the country during the last ten years have arisen from the stupid and unwarrantable holding of property by traders who were not clear in the world and had to buy on credit. And singular as it may appear, the fact of a trader being talked of as the owner of property would rather injure his credit than improve it with those who had experience and discrimination; that is, until it was evident that the property was paid for, unencumbered, and yielding a good interest.

Traders in the country during a long course of business come across favorable opportunities of buying property, or they have to take it to save themselves from a bad debt. In the first case the temptation is to buy what can be sold again by and by at a great profit, but the fact is forgotten that as it was bought at a sacrifice, it will probably

have to be sold at a sacrifice, if sold at all. So when the trial is made at some time or other to sell, only to end in dissatisfaction, the property is held on from year to year, yielding perhaps two or three per cent; sometimes less:—Now mark the effect—the money the trader has locked up at two or three per cent. compels him to buy more on credit, for which he pays at least ten per cent. ; or it may compel him to become subservient to a large house, in which case it will cost him fifteen or twenty. It is not difficult to foresee what the end must be. The creditor will get the property.

When real estate is taken for a bad debt by a trader who buys on credit, the most satisfactory way of dealing with it is to sell at once. Make the best of it, turn it into money, and write off the difference to bad debts. It is hard to do but it is best in the end. The temptation to hang on for better prices should, at all hazards, be resisted. We are speaking, of course, only for men who have to buy on credit, and it is only as regards such that the advice has any pertinence. No matter how many people may advise a policy of delay,—waiting for better times and so on, the true policy is to sell. Sell and realize, get the money in your business, and buy less on credit; keep independent; frequent the market often, and compare the price of one firm with another; work towards a system of buying for cash, and never rest till it is accomplished; these are the ways in which money will be made, and the man that follows such a policy will be almost sure to succeed.

Now if there are any traders who read this, and own real estate, buying on credit and borrowing all the time, we have but one word of advice to give them at present and that is, *sell your property, sell your property, SELL YOUR PROPERTY*, and buy goods for cash.

CAUTION IN BUSINESS.

Nothing is easier than to take advice, but there is a great difference between giving and taking it. We have urged a policy of caution on our readers in every department of business; no doubt every one of them will acknowledge the propriety of it as applied to his neighbors, but he will find it very hard to conceive that it has any special reference to himself. The produce merchant, with wheat at a high price, has every confidence in the market, and boldly bids for fresh lots, to add to the store which will have to be exported or consumed in the spring. He thinks it very proper that importers, when cotton has fallen very low, and other goods are sympathizing with it, and when

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goods have been forced on the country at any price, should curtail their operations considerably, and if they won't they deserve to suffer. The lumber merchant looks at the price of produce with alarm, and judges it the height of madness to speculate. Other men may have nerve and boldness to do it but if he were in the trade he would just buy from hand to mouth, and be content with a simple living profit. The importer looks with astonishment at the lumberer, who has been so terribly bitten by one year's operations, and is yet prepared to go into the bush again, and try the risky game of getting out timber once more. So with the manufacturer of every shade and degree. He thinks all the traders are mad together, while he himself, though resting for prosperity on the general condition of the country, goes on enlarging, improving, and extending, and often on borrowed money. We can all see the mote in our neighbor's eye, but it is hard indeed to see the beam that is in our own.

To exercise caution properly, one does not need to stop doing business. A man may go on doing business quietly, feeling his way, weighing every step carefully, doing considerably less business probably than before, and yet his balance sheet may show a very respectable figure at the end of the year. How many men in the produce trade regret the heavy ventures made by them in the spring of 1867, and the confidence which led them to hold on. Their boldness was their ruin. Indeed, it has been said that none but a timid man can possibly succeed in that uncertain business, and certainly the numerous wrecked houses and stranded fortunes that are to be found in all the large centres of commerce would justify the assertion. Liverpool, London, Glasgow and New York, not to speak of Montreal, are full of men who have lost their all by boldness in buying grain. Here and there a solitary firm may be found that has prospered by the same course, but they are few and far between, while the others may be found at every street corner.

Caution was never more demanded than in the fall of 1867 and the beginning of 1868; yet there was an extraordinary demand for grain on the part of dealers, and prices were paid which no quotations of any leading market justified. It was a game in which a man stood ten chances to lose, against one to win. The excitement is not unpleasant while it lasts, but the reaction is terrible. Utter brokenness of spirit, weariness, heartache, bitter disappointment, and a disposition to break with the world and everybody in it; these are the experiences of those who lose heavily in the winding up of a produce season.

We have heard that in the North and North-western sections of the country, so keen is competition and so wild the notions of buyers, that wheat shipped to Toronto on speculation in the fall of 1867 could actually be sent back to Collingwood and sold at a profit.

Now, considering that all the chances of winter had to be gone through before most of the grain of this section could find a market, it did seem imprudent in the highest degree to add one parcel of wheat to another, bought at prices such as were then prevalent. The holders of

large lots might gain, if markets should still rise, but the chances were far more likely that when navigation opened, a fall would take place in Europe. For what opens our navigation also opens the navigation of the Baltic and gives access to the grain markets of northern Europe.

Caution would dictate, under these circumstances that holders of grain should avoid accumulating large quantities, and rather seek to divide their risks. We are strongly of opinion that the more grain and flour there is shipped to a foreign market during the winter, in a season of high prices, the better is it for the country. When prices are remunerative, they certainly ought to be taken advantage of. Of course the same end, to a certain extent, will be answered if grain is brought here for account of parties on the other side—always supposing that they will fulfil bargains and take the property at the price it has been bought at.

As to lumber, when once arrangements have been made, and men are out in the woods, it is no doubt difficult to curtail or control operations. But there can be no doubt whatever that all parties in this trade ought to proceed at a cautious pace. Things are looking so gloomy in the United States that no one can be certain of realizing his own whose business rests on a market there. Saw-millers must cut down their operations if they want to avoid disaster and make a profit. And so with the manufacturers of board timber, oak and elm. The Quebec market is in a most depressed condition, and nothing can possibly save operators from heavy losses but restriction—what with the price of oats, flour and pork, the leading elements in the cost of timber, it is scarcely possible there can be any reduction in the cost of manufacturing. The Quebec market will then have to be faced with more timber in addition to what is now held there, and costing as much as that which entailed loss last year. There can be but one conclusion to such a trade, viz., heavier losses than ever.

We believe that the bankers of the country fully appreciate the importance of the policy we have advocated. The days of unlimited and unrestricted accommodation, are, we trust, gone by for ever. No bank has had more to answer for in this respect than the Bank of Montreal. Its enormous losses, however, have taught its directors a lesson. A few years ago, nothing would satisfy them but to grasp after all the banking business of the country, and large loans long continued, and seldom wound up, often to very risky people, were the order of the day. The penalty however, was paid in the loss of one-sixth of the whole capital in Canada West alone in the short space of three years. Management like this, if continued long enough, would bring any institution to the ground, and the effect was as bad for the country as themselves.

The banks of Ontario for some time back have required transactions to have a sound mercantile basis, and if they steadily pursue this policy, they will do much to prevent rash speculation and so keep business in a healthy position.

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PROMPTITUDE IN BUSINESS.

The ability to see an advantage quickly, is a great talent in a man of business, and for want of it many men lose in the battle of life. This talent is born in some people, and in others it comes only as the result of careful training and the force of circumstances. For instance, a man is thrown upon the world early in life, and has to contend against many drawbacks and difficulties. This sharpens his faculties. Naturally shrewd men increase their shrewdness by travel, mingling with the world, and, not least, by reading. Every commercial man ought to spend a portion of his holidays in the great centres of commerce, not to dissipate his hours in foolish and costly pleasures, but to frequent the Chambers of Commerce, mingle with successful men, and generally to take mental notes; and no man of business worthy the name should be unacquainted with the best commercial literature of the age. We have known men of business throw aside the commercial paper, as something too dry for them. Their mental appetite needs no more pabulum than the daily market report and the ephemeral, hastily written articles of the daily press. Such men may have made money in their time by sheer good luck, just as a gold digger may stumble on a precious nugget; but the battle of life is not generally so easily won. It requires all the skill and knowledge, and experience which observation, good society, and reading gives a man, to enable him to know how to detect and take advantage of opportunities. Hence, you invariably find that eminent commercial men are well read and observant men, and to them the comparatively dry and solid reading of the weekly journal, or the monthly magazine, sparkles with precious suggestions, and guides them out of many a difficulty. This too, in addition to the indescribable pleasure engendered by useful reading, and the consciousness that one's reading has a substantial purpose in it, and qualifies one for intercourse with the better class of minds. Commerce is not intended by divine providence as a means, simply, of making men rich; it has a nobler, a civilizing effect upon society, and by making men wiser, may be made to contribute to their happiness and their usefulness, as well as their wealth.

Next to the importance of being able soon to see an advantage is the faculty of decision. First-class men of business are men of decision. Peddling men of business are generally waverers, and hesitate long before taking a single step in advance. Sometimes the advantage of a particular course is clear, but then it is remote and indirect, and a second or third rate man—a very selfish man—or an ignoramus, will refuse to see it. Sometimes a proposal is made having some public object in view. Men concede the usefulness and the desirability of the thing, but they see no *immediate* good likely to result to *their own business*,

and so they will not give their names nor their money to advance it, though they may be in a position to afford both. They argue that if they do not help, other men may, and that they will therefore escape a tax; and even should the proposal fall through, they contend that they will not be materially injured. This may be true, but the world is so constituted that if a city or a nation neglect its public interests in the eager pursuit of present private gain, it will assuredly lose ground in the long run. Business will gradually gravitate to other centres, and once prosperous firms will wither slowly away, and gradually expire by sheer inanition. We have not only to think about the present—we have the future to lay our plans for. We have not only to provide for ourselves, our descendants must be thought of. Times change, commerce takes to itself new channels, different modes of conducting business come into favor, new inventions and ideas take the place of old ones, and the man who would do his work in life well as a merchant must be thoroughly furnished in every good word as well as in every good work. And a thoroughly furnished man will be a prompt man, taking a broad and liberal view of matters, and whenever he sees a clear advantage, near or remote, public or private, he will measure his ability to compass it, and, when once that is determined, hesitancy will go to the winds. It is impossible to associate with the successful men of the great cities in the world without being struck by the rapidity with which they can see through a proposal and the promptitude with which, having determined its advantage, they will support it to the extent which the circumstances seem to require.

There will always, of course, be a class of men who will try and turn all their shrewdness to account for the purpose of circumventing others, and gaining unfair advantages in life. 'Offences must needs come.' Hence all the greater reason why honest men should be 'far seeing' men. Happily, the world always, in the long run, declares in favor of honesty, and against roguery, but just as a rogue who is a really clever man will always command a certain style of admiration, so an honest man who is silly or ignorant will always be laughed at. Nature and providence alike intended it to be so.

MERCANTILE REFORMS.

There are some reforms which cannot be brought about except through the intervention of the legislature, but there are others which do not come within the province of the law. Amongst the former are included such subjects as the amendment of the bankruptcy law, and among the latter may be named the improvement of the social feeling of the community with respect to credits. We desire to direct special attention to one or two of those topics which come under the latter category.

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Merchants in Canada generally do business on a system of long credit, say four or six months. There are advantages and disadvantages in this, but it is a matter on which it is almost useless to theorize. It grows out of the general financial condition of a country which has had to contend against a deficiency of trade capital, and with the increase of wealth the evil will die out naturally. Preaching against it will do very little good, for when a merchant must either ask a long credit or 'shut up shop,' he is not in a position to listen to argument. On the other hand, where a trader has a good cash balance at his command, and knows that by a judicious employment of it he can undersell his competitors, he will, as a rule, avoid long credit. The change of custom in a community will, of course be a long time in coming about, but it will be inevitable as the traders of the country grow in wealth and independence. The system of long credit has been strengthened of late by the results of over importation. Within the past year or two stocks have accumulated in Montreal, and so eager have the holders been to get them off their hands that they have, as we are informed, in numbers of cases offered their goods at less than cost, with a length of credit that is totally subversive of every good principle in business. Can it be a healthy state of things which induces a wholesale house to put off its goods at a sacrifice and accept bills of exchange at six or eight months, dated, as in some cases they have been, two months forward? Does not this reveal the shifts and dangers to which commerce has been exposed of late? And yet we are credibly informed that instances in point have been by no means uncommon of late. The advantages of such bargains to the country merchant are very dubious. He is tempted to overweight himself with unsaleable stock out of season. Other merchants in his own neighborhood do the very same thing, and the result is the market becomes glutted, and the goods either remain for months on the shelves or are got rid of at an enormous loss. A merchant who selects his stock with judgment under the conviction that he will very shortly be expected to pay for it, or, in default, lose credit and standing, will be the most likely to buy with judgment, and he will feel obliged also to select his customers and to refuse credit to parties of less than thorough responsibility; whereas he who gives large orders at random under cover of an almost indefinite credit, generally finds pay day come before he is prepared for it. Still there is no help for this state of things but patience. In the long run sound trading will tell. Wholesale firms who trade cautiously, as men do who have much to lose, are able to stand by and assist their customers when the speculative and pushing man breaks down and drags his customers with him.

There is another social evil in commerce which ought to be fearlessly testified against, namely, that of dishonoring mercantile paper. It is a common saying among the business men of Canada, that a merchant must be prepared to take up his customers' bills when they are due, or he will stand a good chance of failing himself. Over and over again one hears merchants complain that their customers are utterly

oblivious of the stigma which attaches to a man who does not promptly meet engagements of this character. A merchant gives a promissory note for, say, \$300 or \$400, payable in four months, for goods received. In the course of time the bill finds its way to the bank and is there discounted with other paper of the same sort. The chances are two to one, however, that the bill will not be paid at maturity, or that it will only be paid in part, and so strong has this custom grown that it has ceased to appear so obnoxious as it really is. If a merchant finds he cannot provide for his paper when due, he ought, in justice to the holder of the note, to give at least some days' notice of his inability, but it is no uncommon thing for several bills of large amounts falling due on the same day to be allowed to go to protest without a word. In other cases a fifth or a fourth part of the amount is forwarded so as to reach the holder of the bill on the very day it falls due, or perhaps not till the day after. This is manifestly unjust to the wholesale dealer, who has his own engagements to meet and who dare not trifle with them, and we have no hesitation in saying that this common and reckless habit of not attending to pecuniary engagements with punctuality is productive of more real annoyance and anxiety to persons engaged in the wholesale trade of Canada, than any other single cause which can be mentioned. It necessitates the keeping of large cash balances to provide for these broken promises, and where from any cause such balances are reduced below a substantial figure, there is ground for endless anxiety.

Our retail friends will forgive us for plainly pointing out these social evils of trade, and for asking them to join with us in the endeavour to reform them. The evils and the remedy alike lie beyond the province of the legislature. They must be counteracted by a healthy public sentiment, and for this purpose we venture to discuss them in these columns. The habit of paying for goods with written promises, instead of with cash, has grown with the growth of modern commerce, until it appears a necessary part of it, but it can be productive of nothing but evil and evil continually, unless these promises are regarded as solemn pledges, to forfeit which is a signal mark of mercantile discredit and dishonor.

DEFALCATIONS AND FORGERIES.

Readers of the police and other Criminal Court reports must have noticed, with alarm and regret, the continued spread of one of the most dangerous crimes that can possibly occur in a commercial community. The factor of spurious notes is a wholesale dealer, against whom every one is in some degree on his guard, and whom every man

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of business involuntarily endeavours to baffle, when he looks at each note which comes into his hands. But who is to provide against forgery by the clerks and servants in capacities more or less confidential, to say nothing of those by trusted friends, favoured customers, and special intimates? Yet we can scarcely take up a newspaper without being reminded, not only that such things are, but that they are getting common. Not long ago some members of the London Stock Exchange had to prosecute a clerk they had trusted implicitly for years, but who had wound up by robbing them of £14,000, while mercantile cases in which even that enormous deficiency has been doubled and tripled have come within our personal observation.

It is easy enough to propound a theory as to the causes of this criminal epidemic. In some unhappy examples speculation has led to embarrassment, and embarrassment to crime, by a swift succession of downward steps, pointing a new the old moral *facilis descensus Averni*. But we are afraid that the majority have their origin in the expensive habits which the young men of the period too commonly contract, and in which they indulge until their employers' till or banker's balances become reserve fund on which they draw when their own pockets have been emptied by a course of reckless extravagance, begotten of their craving for vicious pleasure and selfish indulgence. We are not preaching, and therefore we do not enlarge upon the moral aspects of the question, or we might find the subject grow upon us, to the exclusion of all others. We have only to add a word or two of commonplace caution; of advice to keep cheques and cheque-books in the strong box, accounts carefully examined and posted up, and employees of all kinds under proper supervision. We advocate no iron rule. We detest and despise a system of perpetual espionage or unreasoning suspicion. But, in justice to the rigidly faithful, whom we believe to constitute the majority; in tenderness to the careless and unthinking, whom levity often betrays into wrong-doing; ay, and in regard even to those who are only honest by compulsion, do we advocate a constant observance of business-like precaution, a constant exercise of business-like and supervisory vigilance. The lack of this may be traced in almost all the melancholy histories at which we have glanced. The balances have been left unstruck, the vouchers unexamined, the genuine and the fictitious drafts undistinguished for so long, that in an evil moment, the erst impeccable servant listens to the deceitful whisper which suggests that he may make a fine thing by a little temporary borrowing, which, once commenced almost invariably ends in ruined prospects and blasted reputation.

SPECULATION.

Speculation is not, under all circumstances, an evil. One short rule of judging as to whether it be right or wrong to speculate, is to ask whether or not you can stand the loss, should the speculation turn out badly. Another rule is, that the nearer speculation approaches to gambling, the more it partakes of the nature of moral and mercantile evil. Speculation is not necessarily a gambling transaction, any more than ordinary trade, since it is merely one way of buying cheap, and selling dear, and we all know that a merchant always tries, other things being equal, to lay in his stocks when they are cheap. But speculation is always more or less dangerous, and merchants will do well, as a rule, to avoid it and to "keep to their shop."

A strange infatuation at times seizes upon persons engaged in the grain trade of Canada. When there is no market in which the grain they buy can be sold to a profit, they will go on buying as if profit were of no consideration, and, strange to say, there is sometimes keen competition for business even when certain loss stares in the face those who carry it on. Ordinarily, competition is the result of realized profit, but here men seem to compete which shall go in for the heaviest share of a general loss. Again and again has the price of wheat in our Western markets been far above that at which it could be exported to any market abroad, the result being heavy losses to holders of stock, which losses, by the way, very generally, are thrown back on their creditors. Storekeepers in the country lose on grain they have taken in—bye and bye, the time for remitting to the wholesale merchant comes round, and they are short, or they cannot remit all. After dragging along for a season or two, under a burden of renewal and heavy interest, they are forced to succumb. A considerable portion of the failures amongst our country merchants arise from this cause, the real root of the mischief being the insane spirit of competition which the grain trade, as carried on by them, develops. Three or four storekeepers in a thriving village may ruin one another most effectually by bidding against each other for produce. Men who might have gone on in a quiet and moderate way, making and saving money, in the course of their legitimate business, get entangled in such a vortex of speculation as to lose all control of themselves and their business too. Borrowing money from the banks, they offer inducements to farmers to come around them with their grain, giving prices at which they cannot sell again, even to realize their own. Their habit then is to hold on, until a heavy stock is accumulated; then they must sell or in default

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pay heavy interest on renewals, selling being inevitable after all. This cannot be called legitimate trading, nor is it legitimate speculation. The fact, is, the corn trade of a country storekeeper is carried on with other objects in view besides the chances of profits. He calculates that even if he makes nothing on grain, he gets his store bills paid, and further, he thinks he may run the risk of a loss now and then for the sake of the custom the grain trade brings round him. This we believe to be the real secret of the occasionally high prices of wheat in the country, and the reason why storekeepers will keep on buying it long after any profit on the operation has disappeared.

Obviously all this is illegitimate. It is rare that it answers for the same man to be an exporter and an importer. Merchants who have tried it, find by experience, that it is best to stick to one line of business. And when a storekeeper tries the operation, he is apt to go far beyond his depth. It is seldom indeed that he works on his own capital. Being in debt for his imported goods, he goes further into debt to buy goods to export. In the latter case he sometimes can run up an immense line of discount, by putting up margins or obtaining endorsements. Thus he has two separate lines of business on his hands, either of which is quite enough to absorb his attention to do it profitably, both resting on credit, both bearing the burden of interest, and one exposed to enormous fluctuations. Can any one wonder that one of them gets neglected under such circumstances—that in giving attention to grain, credit is foolishly given on imported goods, or in giving needful attention to dry goods and credit, the fluctuations of the market are forgotten and the critical time to realise is allowed to pass by?

We commend this matter to the careful attention of wholesale merchants and bankers; they who have the power of credit in their hands can check what is illegitimate, and put a stop to unsound modes of doing business. The fact of higher prices being often paid than markets warrant is undeniable. This is notoriously the case at present. It is also a fact that storekeepers can scarcely ever be prevailed on to withdraw from the market, no matter how unreasonably prices have been inflated. It is certain, also, that in buying grain, many of them have ulterior objects in view, and do not look for profit on the article. And nothing can be clearer than that this mode of doing business is very damaging to men who are legitimately engaged in the grain trade, viz., to millers and corn merchants. And it is no less clear that, in a large number of instances, this course is very damaging to the parties themselves, and to their creditors.

Let country storekeepers, instead of becoming buyers on their own account, be encouraged to buy on commission for those who know the value of the article and will restrict its price.

They will then be clear of speculation, with its fatal excitement and danger. The spirit of competition, of course, will creep in even here; but there will always be a check on its going too far. Commission men render accounts of their purchases, and they can be stopped by their principals, at once, if they go beyond the limits assigned them. Besides, they will naturally be desirous to buy cheap for their employer, in order to have the business continued for another season. This course puts the responsibility of watching markets, and calculating probabilities, on those who carry on trade at commercial centres. In every way this is the best for the country storekeeper, and we recommend that wholesale merchants, in selling goods, should set their faces against the system by which their customers for dry goods become grain merchants as well. It would be well, also, if the banks discriminated, in granting credits, against men of this class, and confined advances for grain to those who understand the trade, who have no ulterior objects to serve by engaging in it, and whose whole interest is in buying in the cheapest market and selling in the dearest.

WAREHOUSE RECEIPTS.

These documents may be trusted in both too much and too little. There are persons who suppose that when once they have a document in their hands, in which another person acknowledges to have received certain goods, and binds himself to deliver them in a certain way, they are in possession of a security which is solid and incontrovertible. There are others who have an entire distrust in their efficacy under any circumstances, and will not recognize them as a security at all. That both these are wrong it does not require much argument to convince any reasonable and practical man. The truth in this matter lies, as usual, between two extremes. There is a right way and a wrong way of taking warehouse receipts, like any other security, and we propose to show, as briefly as may be, what is the right way and what the wrong.

It is obvious, that any person can sign a receipt for goods that may be in his possession; but the engagement to hold them to the order, or for the account of another person, is a different affair. The first consideration here would be, that such an engagement could only be fairly given to a purchaser, who had paid for them, but desired them to remain in charge of the seller till it was convenient to remove them. In this case such an undertaking would be natural and proper; but then, the purchaser would not expect the law to intervene to protect him from any

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consequences that followed from his leaving goods there. They are plainly at his risk. But the very fact of a person signing a receipt for goods at all (except to a carrier who delivers them to him) implies that they are held under some sort of trust and not as his own property. The original and fundamental notion of a warehouse receipt is, that certain goods are placed in charge of a person for safe keeping. The keeper of the warehouse gives a receipt *to the owner*, and the owner by that receipt can call for the property. There are thus two parties to the transaction, and it is with both these,—the owner and the receiver, that a money lender has to do, when a warehouse receipt is of the kind which the law contemplated in authorising a certain use to be made of such documents. The receiver of the property, who has it merely for safe keeping, is not naturally supposed to have any interest in it, and as he may be called upon to fill his engagements any day, under penalty of disgrace and perhaps ruin if he fail to do it, he has the strongest possible motive for giving a receipt only for what he actually holds, and for taking the best care of what he has given a receipt for. It is upon this principle that the law respecting warehouse receipts is based. Recognising the custom of entrusting property to others for safe keeping or safe conveyance—for the principle which applies to a warehouseman applies to carriers by land and water, and keepers of booms and coves for timber,—it steps in and says,—the owner of these goods shall have power to pledge them as security for advances of money by transferring the receipt for them by endorsement to the lender, which endorsement shall operate as a transfer of ownership. This ownership, however, is made subject to certain limitations and conditions, the principal of which are that the receipt must be given at the time the loan was contracted, that property shall not be held for more than a specified time, and that in case of default in payments the property can only be sold after notice. The first two of those provisions are obviously to guard against the transfer of property without consideration for the purpose of giving a fraudulent preference,⁹ and the last to guard the debtor from having his property unreasonably sacrificed. As the law invests a warehouse receipt with these powers, it restricts the persons who can give one to the following classes:—a warehouseman, wharfinger, carrier, cove keeper,—or the keeper of a yard or harbor for timber—captains of vessels, and millers. All but the last are clearly persons whose business is to take care of the goods and property of others. The last is a singular exception, and there can be little doubt that the word is an after-addition, tacked on the original bill, and not consistent with its general spirit. There is no reason that can be given for a miller's being empowered to convey the ownership of his wheat away to a lender that would not equally apply to an importing merchant, or a pork-packer, or a cloth-manufacturer. A miller does not store the property of others in his mill and hold it for them in safe keeping till they want it. That, at any rate, is not his business. The receipts then, if given, must represent property that is his own, and is never intended to be called for. It represents also property that is intended

to be changed by a process of manufacture, and which consequently can never be subsequently identified.

The law even goes beyond this, and empowers a warehouse receipt to be given for goods not actually on hand, but which are to be delivered. It authorises a warehouseman or a miller to say he has received grain when he has not received it. This singular provision is equally contrary to common sense and common morality. Nevertheless it is the law; but it is at the peril of a warehouseman or a miller if he acts upon it. Yet it opens a downright door of temptation to people who desire to raise money in a disreputable manner.

Subsequent amendments to the original warehousing Act empower a person to give a legal receipt, who, being a warehouseman, or a carrier, or captain of a vessel, or cove keeper, is himself the owner of the property warehoused. This provides for the case, we will say, of a grain merchant who himself owns or rents the warehouse in which grain is deposited; or of a lumber merchant who has a stock in his own yard; or of a pork-packer who stores a quantity of pork in his own premises; in all which cases the property for which a receipt is given is transferred to the ownership of the person legally holding it, provided the receipt was given for a loan contracted at the time.

Thus the Act stands, and the mere recital of these provisions shows plainly that it is necessary to look at much more than the mere fact of a document being drawn out in compliance with it before a loan can safely be made on such security.

PRECAUTIONS NECESSARY.

When a person lends money on real estate he enters upon a careful enquiry into the title by which the property is held. He would be a simpleton indeed who would give a man money on the mere production of a deed. In discounting an ordinary commercial bill, a banker will satisfy himself as to the standing of the parties who have signed it, sometimes by long and elaborate enquiries. He will see also that the signatures are genuine, that the bill has not been altered in any material feature, that it is properly stamped, that it is endorsed by the persons to whom it is payable, and that the place of payment is properly designated. These two instances of the care which is taken before money is lent upon property or on commercial bills should suggest that warehouse receipts require searching scrutiny before they can be accepted as valid security.

1. The first enquiry, obviously, is as to the calling of the person signing it.

If he is a person who makes a business of storing property for others, receiving a remuneration therefor; if he is, in fact, a warehouseman proper, such as are to be found in all commercial cities, the first condition of a valid security is satisfied. The same remark will apply in case he is a miller, or wharfinger, or captain of a vessel, or the keeper of a timber yard, or boom, or cove, or if the receipt is that of a railway company. Such a receipt will so vest the ownership of the

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goods in the lender of money who complies with the terms of the Act that a judgment either against the borrower or the holder will not enable them to be taken. They are as secure to the lender as if he had them on his own premises, under lock and key.

But suppose the receipt is given by a party not engaged in one or other of the above occupations, what then?

Can a produce merchant who owns a warehouse and stores his own wheat in it, convey the ownership of that wheat away by giving a receipt for it to a money lender? We should say, certainly not. He can engage to hold the wheat *to the order* of a money lender, and thereby constitute himself a Bailee, in which case if he makes away with the property he becomes liable to prosecution. But if another creditor sue him and get judgment, the property can be seized under that judgment. So, at any rate, it has been held.

It is obvious, moreover, that a receipt given by a party who himself professes to own the property ought to be looked on with a far more suspicious eye than a receipt given by a person whose only business with the property is to take care of it. For in the former case, what can be an easier mode of raising money than to fill up a warehouse receipt—that is, supposing a party to be not very scrupulous as to means? Whereas, in the other, the person storing property for another has no temptation to give a receipt for what he has not got, seeing he will derive no benefit from the deception. There may, indeed, be collusion between a borrower and a warehouseman, but this would be far more difficult to bring about, inasmuch as two unscrupulous men would be required instead of one, and, what would materially increase the difficulty, two unscrupulous men who had hitherto borne a reputable character.

Let it be borne in mind that the law now empowers the owner of property to give a valid warehouse receipt, provided he be engaged in one or other of the callings above named.

2. The next matter on which careful enquiry requires to be made is the *character* of the party granting a receipt. Some men are beyond suspicion both for honesty and prudence. A warehouse receipt of theirs is as safe as a bill endorsed by the Barings. Other men are perfectly honest, but are careless and confiding. They will sign a number of blank receipts, and leave them for a clerk to fill up, placing their very character, means, and personal liberty at their mercy. Any man who is found to do this is totally unworthy of confidence, not from any suspicion of his honesty, but from a conviction of his folly. He is like those foolish people who sign their names to blank notes, leaving it in the power of a neighbor to ruin them, a case unfortunately by no means unknown in practice. In taking a warehouse receipt, a banker or capitalist will enquire how the criminal liability will affect the person who makes it. Has he ties to the country; is he married, has he property, who are his connections, what are his antecedents? All these are pertinent considerations; and when a new name is presented they will come up and be satisfactorily answered before a prudent banker will advance

money. The receipts of a public company signed by its authorized officers are perhaps the most satisfactory of all; inasmuch as the possibility of collusion, the temptation of dishonesty, and the chance of successfully removing property are in this case reduced to a minimum. Any inquiries as to the standing and character of a warehouseman proper, or other party not owning the goods, require to be vastly more searching where a receipt is given by a person who himself professes to own the property.

3. Careful scrutiny of the document itself is required. All warehouse receipts should be signed by the warehouseman himself, not by another for him. No person can empower another to sign a warehouse receipt which will bind him in the penalties of the Act. If a clerk sign a warehouse receipt it is the clerk only that is responsible. The fact of signing *for* his master makes no difference. It may be questioned, even, whether it is desirable to take any warehouse receipt which is not *wholly written* by the warehouseman.

In certain cases this rule should undoubtedly be insisted on. It would, of course, be a check on the practice of signing warehouse receipts in blank, and leaving the clerk to fill them up. A banker will always be cautious about taking warehouse receipts from a person who lives elsewhere and represents property stored in another town or city. He will ask himself, why were these not negotiated by the party in his own town? There may be exceptions as there are to every rule, but the rule is a sound one in the average of cases. Warehouse receipts, it should be remembered, must be given at the time a bill is negotiated, and the property cannot be held longer than six months if it be general merchandise, or twelve months if it be lumber or timber.

HOW MONEY IS LOST.

[The following chapter is extracted by permission from a valuable but hitherto unpublished lecture on Money, delivered before the Young Men's Christian Association, in Toronto, by George Hague, Esq., Cashier of the Bank of Toronto. Mr. Hague's observations embody the result of many years' practical experience, in gaining which he has had peculiar opportunities of studying the principles which underlie the science of money making and money losing; and we tender him our cordial thanks for permitting us the use of his manuscript.—EDITOR.]

Mr. Hague says:—

Money is generally lost, as it appears to me, in one or more of the following ways:—

1. By undertaking a business we do not understand.
2. By undertaking too much business.
3. By an injudicious mode of carrying business on.
4. By false estimates of the value of property.
5. By suretyship,
6. By overspending.

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It will be observed that all these are within our own control. I have not named losses by misfortune, by war, or by unforeseen legislation, though they are very heavy, my object being to point out such losses as may be prevented by prudence, foresight and economy. I do not include losses by *fire* in this category, for every man ought to keep insured, and the charge for insurance ought to be reckoned against profits before its net amount is realized. A business which will not pay for insurance is not worth carrying on.

I have put down, first, as a cause of loss, *the undertaking business we do not understand.*

Every business has its secrets, known only to the initiated, and it is in these secrets that the profit lies. In store-keeping it is the knowledge where and what to buy, in what quantities, and at what season; also to whom to sell. In manufacturing it is the knowledge of your raw materials and their various combinations,—knowledge of the manufacturing process, and of the market for your goods. In agriculture it is a knowledge of soils, seeds, crops, and cattle. In a profession, it is, of course, the special knowledge suitable to it. To attain such knowledge many years of unprofitable labor have to be spent. When life is entered on properly these are our younger years, when time is not of so much value; but if by force of circumstances, or otherwise, the acquisition has to be made in mature life, we must lay our account for years of ill-success. If our capital will tide us over that period we may go on and prosper; if not we must surely break down.

It is a bad habit with some in this country, perhaps borrowed from our neighbors, perhaps inevitable in our raw condition, that of being everything by turns and nothing long. It is not an uncommon thing for example, for a storekeeper to turn farmer, or a farmer a storekeeper, a miller, or what not. A farmer, we will say, has done well, and got a good property about him; but becoming tired of what he calls his hum-drum life (though there is hum-drum work in every occupation), he fancies he will take a store and get rich. An opening offers, and he buys a stock of goods, mortgaging his farm for the purpose. He thinks he knows a thing or two, and won't be taken in, but manages, notwithstanding his smartness, to pay for an ill-assorted stock considerably more than an experienced trader would for a well-assorted one. He then commences to sell. He sells away,—for nothing is easier than dealing on credit,—and buys again, and all goes well for a year or two, by which time he manages to have his name on a considerable amount of paper. He may possibly have taken stock, but not knowing how to do it he has only deceived himself. Moreover, he has been living in better style out of his store than he used to do on his farm, for he takes no account of what is given to his family, supposing it costs him little or nothing. Meanwhile a deadly enemy called **BAD DEBTS**—an ominous and ugly monster whom he never saw on his farm—has gradually been creeping nearer and nearer, until he has firmly established himself in the store. Into his voracious maw package after package of groceries, dry goods,

hardware and sundries, is poured, until in course of time he has consumed as much as the whole value of the stock. As the voraciousness of this monster increases the storekeeper's credit declines; so does his stock; so does his trade; so do his profits. But not so the urgency of his creditors, for this increases, and at length reaches a point when forbearance can no longer be exercised, and the sheriff's sale, bankruptcy, and ruin close the scene. Warnings like this abound on every hand, and there is perhaps not a town, not a village, not a hamlet, but can furnish instances of it. The evil is one of the worst that afflicts this country, for ruin like this almost surely brings demoralization. If I had a voice that could reach every corner of the land, I would say, in the language of an apostle, "Let every man abide in the calling whereto he is called," that is, if the calling is useful, and duty has no other claim. Notwithstanding its inconveniences—and every occupation has its own—persevere and overcome them; resist inducements to change; make the most of what you have; be content with your lot; and it will be better for you in the end, better for your family, better for your neighborhood, and better for the country at large.

The *undertaking too much business* is a most fruitful source of loss. Business, in this country especially, requires the constant oversight of the principal. Trusted to servants—unless they are of that confidential sort akin to partners—it goes wrong, even if they are honest and well intentioned. Now, when business is engaged in beyond what can be well overseen, its profitableness is gone. A storekeeper in a town does well, and gets together a snug business. He fancies, however, he can make money by extending, and opens another in a neighbouring village. He gets credit for the additional stock and puts a person in charge. Sales are made, returns come in, and things go on well for a time. By-and-by, however, he finds it necessary to go over occasionally and see how things are going on. He leaves his town business to his clerks, who don't work as well in his absence as if he were present; and some perhaps yield to temptation. He finds, too, his business takes far more of his time than it used to do. He has more letters to write, more invoices to check, more bills to provide for, and a heavier banking account to take care of. In fact he gets too much to do, and having too much, he cannot give that minute attention to details which is essential to profit. It may be that his new store shows a fair balance sheet when stock is taken, but against it has to be put the derangement of his own business, interest on increased accommodation, and loss of credit through a want of punctuality with wholesale houses. In addition, it is almost certain that some bad debts will be made in both places. If these things are perceived in time the business may be wound up without much sacrifice; but if not, and it takes time to develop them, the consequence may be ruin, but in any case it is loss.

One of the most common forms of this evil is for a farmer to get too much land for his capital. Land cannot be successfully cultivated, to any extent, without money, and when a farmer of small

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means gets more than he can cultivate *well*, it is a miserable dragging business. In fact the more land he has, the less profit he will make out of it.

The next source of loss is an *injudicious mode of carrying on business*. Of these the principal is in giving too much credit, and giving credit to improper persons. In a country of shifting population, fluctuating business, and uncertain resources, where the habit of becoming security for another is very common, and the facilities for disposing of property great, few things are more difficult than to exercise with judgment the power of granting credit. Take, for example, the case of persons of property, whom most would agree in trusting as a matter of course. But the property may be mortgaged, at heavy interest, and the interest be in default; or the party may be under engagement to mortgage whenever required to do so. He may be endorser on the paper of another, and liable at any moment to be called on to pay it. He may, though the reputed owner, have parted with his interest in the property for years. He may be heavily in debt to other storekeepers, and wish to open a new account because they will no longer trust him. These circumstances may be unsuspected until an attempt is made to recover the debt, when all comes to light, and the man who was generally supposed to be substantial is found to be worth nothing. Even greater difficulty surrounds persons engaged in mercantile pursuits, professional men, &c. Who is good and who is not, it is extremely difficult to find out except by experience, and this, as all men of business know, is a very costly affair. Now, if such be the difficulties that beset the tradesman who is careful, what can be thought of one who trusts almost indiscriminately? What, but that he will be speedily ruined?

Money is often lost by *false estimates of what property is worth*. There is an opinion, deeply rooted and widely prevalent, difficult to get rid of, and yet mischievous in its practical results, that property in real estate differs from all other property in being worth more than it will fetch at fair sale after sufficient notice. Such a house, you say cost £1000 cash, the lot £500; and you naturally value them at £1500. But the house may be too costly for the neighborhood; it may be built after some curious fancy that not one person in a dozen would be pleased with; or it may be in an unhealthy or bleak situation. If brought to a sale, after fair notice, it may realize in cash one-half what it cost, and instantly there is a cry—what a ruinous sacrifice! what a frightful depreciation! Yet it may have sold for all it was worth, for the things which made it costly might be exactly those which did not add to its value in the market. You are a capitalist and have money to lend. A mortgage is offered you on a handsome building in a town. It cost \$20,000, and you are asked to lend \$10,000 upon it. It seems safe, and the loan is made. By-and-by default supervenes. You foreclose and sell. The property realizes \$8,000, which is £500 less than you lent upon it, and you lose so much.

Yet the purchaser may pay high enough, and for this reason, that the building, costing \$20,000, was three times the size it needed to be for any *use* that could be made of it. Use is the measure of the value of property. If two stores are all that a village can support, and two more are built, the four will be worth no more than the original two. If the four increase to six, the whole will be worth precisely the same; and if, under some mad spirit of infatuation, you make the six twenty, and bring the twenty to a sale, you will get no more for them than you would have done for the two—that is, if the trade of a place, present and prospective, were as before. If the business of a place is such that stores of a certain cost will pay, that cost will be their utmost average value and they will be worth no more, if they are as grand as Stewart's of New York, and decorated with carving from top to bottom. An enormous amount of money has been thrown away upon property in our towns and villages, owing to forgetfulness of these things, and to a delusive habit of building for the future rather than for the present.

There have been two very prevalent delusions respecting landed property. The one, that it was not liable to fluctuations in value, and the other, that its value was certain to go on increasing—the limits to the latter not being very clear, but generally referring to the value of land in England. Now the value of landed property in this country has been proved, during the last ten years, to be liable to fluctuations of a violent character, and to be dependent, in some measure, upon every changing season. And as to a gradual advance in value—the limit appears to be reached *when land is at such a price that no more can be afforded for it by one who invests in it for a living*. This of course, as a general rule, is liable to exceptions. Land is not here as in England. There, its possession implies position, character, deference, rank; all which being objects of desire, are worth money, and command it. Here, land is simply a means of living, and is valued accordingly. It cannot be too strongly urged—and I must be excused repeating it—that the cost of property is not necessarily the measure of its value; that two houses where only one is wanted, reduce each other's value one-half, four to one-fourth, ten to one-tenth; and that though you build your store of Italian marble and make it a very gem of beauty, it is worth no more than the business of the place will warrant a person in giving for it. There is one point about real estate which should never be forgotten by a trader. Until he can spare capital out of his own business, and pay for all he buys in cash, he has no business to own property. More traders have been embarrassed by buying real estate on credit, or with money which ought to have been kept in their business, than perhaps from any other cause. It is a very laudable desire, that of owning a house or homestead, but it is dishonest to indulge in it at the expense of creditors.

It would be too much to say that *Suretyship* is so dangerous that it ought never be undertaken, though Solomon's advice leans in that direction. It may be assumed, however, that his warnings

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against it should be interpreted of such as are undertaken rashly. There must, in a new country, be mutual help, and suretyship for another may be the means of his fortune. It is necessary, in fact, where commerce is carried on, and the question is, on what principles it should be regulated, and to whom it should be extended. A treatise would be required to elucidate this fully, but the following may serve to indicate what are perhaps correct conclusions. In becoming surety for another, by endorsing, by bond or otherwise, a person should consider, first, his own means; can he afford to lose? For a man has no right to become a surety when his suretyship is worth nothing. Second, the character of the party for honesty and business capacity; and third, the risk of the business he is engaged in. If satisfied on these points, the engagement may be undertaken. It should not be forgotten that by becoming surety, or by endorsing, a person acquires the right to look into the affairs of the party benefitted, and this oversight he is bound to exercise in duty to himself, to his own creditors, and to his family. For want of attention to these things, losses, reverses, and calamities of the most terrible character have occurred, and are occurring constantly among ourselves.

The last cause of the loss of money, but by no means the least, is *overspending*. This is a leak which, be it large or small, will inevitably sink the ship, unless stopped in time. The evil is apt to creep in unexpectedly, and only to be found out when irreparable mischief has been done. The irregular, complicated, and speculative character of much of our business makes it difficult for many to know what they really make, and how much they have to spend. This, instead of producing caution that they may be on the safe side, often produces precisely the opposite effect. Sanguine of success—confident that business will turn out well, that such a speculation will yield so much profit—the man of business lives in liberal style, occupies a good house, keeps a good table, dresses well—himself and family (an excessively costly business in this country), gives his note for store bills, and keeps his paper afloat, perhaps, for years. But by-and-by affairs come to a point. His powers of borrowing are exhausted. He is compelled to overhaul his affairs thoroughly, and then he finds to his alarm that notwithstanding all the business he has done the *net* profit amounts to far less than he has been spending.

The habit of buying household goods and stores on credit is a prolific source of this terrible evil, for when we run up accounts for our dress, our meat, our groceries, our fuel, it requires more calculation than many are master of, to find out what their expenditure really is. The rule should be this: If household goods have to be bought on credit, keep well on the safe side, and never buy on credit more than you would buy with cash in hand.

I have an opinion—it is only an opinion at present, but it may ripen to a conviction by-and-by—that, as a whole, the country is spending more than it can afford. Our staple is agriculture, a certain but slow business. It is the main interest of the country, and all the rest

depend on it. Our storekeepers, lawyers, physicians, importers, bankers, all live out of the land. Now, except in times of excessive prices, the land yields only a slow return for the money invested in it. It will not support many luxuries until it has been long cultivated, and when one sees people wearing costly foreign silks and velvets, furnishing houses in the grandest style, and living exactly as people do in countries of vast resources and accumulated wealth, the suspicion can hardly be avoided that as a people we are not gaining ground as we might be. One of the great loan companies which have so rapidly developed of late years had, some time ago, about a million pounds sterling lent among us. The interest on this sum would require about 400,000 bushels of wheat annually; yet this company is but one amongst many doing a large and profitable business. I think it probable that four or five millions of bushels of wheat are required annually to pay interest on money borrowed on real estate; and yet, bearing such enormous burdens, we go on consuming luxuries at a rate which would have made our economical forefathers stand aghast. It may be said, if we consume less imported articles what will our importers and merchants do? For it is by dealing in these things that their profits are made. The proper answer to this question is that if a course of strict economy were pursued, though they might not do half as much business, they would make as much net profit, for they would not lose half or a fourth of what they now do by bad debts. And I am very sure that, as a class, they would prefer to do the smaller business well, than the larger one in the loose manner in which most business is carried on now. For, besides making as much net profit, they would save themselves constant anxiety and much temptation. To live just up to our income and not beyond is well for those who have a capital to fall back on, but the rule for a young country should be to live considerably within it, and leave an ample margin for contingencies. Frugality and economy must unite with enterprise and industry; and wealth, by the blessing of God, will be the result. And this course, out of regard to our children, to whom none would desire to leave an impoverished inheritance, I regard as the duty of every man who cares for the future of his country.

RIGHT OR WRONG, KEEP COOL.

It must not be supposed, from the heading of this chapter that we advocate wrong doing under any circumstances, but still, occasions often arise in the life of a trader when he has to suffer all the anxiety of the wrongdoer. He may have been imprudent; he may have over-speculated; he may have become surety and have been "let in" for a loss; his servants or clerks may

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have defrauded him; a sudden turn in the market may impoverish him; a spell of unseasonable weather or one of those unaccountable changes of trade to which it is always liable may render him unable to keep all his engagements punctually. No one but a trader knows the anxieties of trade. They are many and great, even in tolerably prosperous times. It is not every man who lays his plans so well and looks so far ahead as never to overstep the bounds of perfectly sound trading, and then there are losses, and reverses, and bad debts, and ill-paying customers, all of which sorely try the patience of the merchant, especially the *honest* merchant, who wishes and intends to pay his way and who is careful of his credit. Under these circumstances it is very hard to keep cool and self-collected; to look at reverses and losses, and disappointments straight in the face, to avoid being unduly depressed, to steer his way through complications with a due regard to his own interest and that of his creditors. It often happens that a merchant's time is so taken up with the details of his business, that he has very little leisure to look into his position and to decide upon what is best and what is right; and again, at other times he will get bewildered and feel quite incapable of giving due attention to it—yearning after some respite from its cares, and feeling that even the rest of the grave would be welcome to him. Men who know the real anxieties of business, will bear us out that this picture is not overdrawn. Happily it is not universal, but alas it is far too common. When a business is commenced with inadequate capital the merchant must lay his account to a long struggle, and the only way of pulling through, even with prosperous times at his back, is rigorously to keep down all extraneous expenses, to attend personally to business, to select stocks with the greatest prudence, and to keep his obligations well under the mark. But there is another maxim which the merchant, under all circumstances, will do well to keep in mind—it may save him many a rash step, and many an hour of valuable time—it is the maxim at the head of this article—right or wrong, keep cool. We know that coolness in a General or an Admiral, in a diplomatist, in a public speaker, in an argument, in the battle field, is a quality of the very first order. Lose it and it will be mere luck if all is not lost. The man who can “keep his head” longest stands the best chance. Many a merchant, with ugly bills rapidly maturing against him, spends night after night in sleepless cogitation—all to no purpose. Far better to sleep and forget, and to wake with the physical strength renewed, for it will frequently happen that while the jaded brain refuses to strike out any new idea, or to discover the proper course to pursue under an embarrassment, a sudden light will dawn upon the man who comes fresh to his work. Over anxiety and restlessness betrays itself too to subordinates and to customers, and

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gives occasion to remarks of a nature calculated to do harm rather than good. Right or wrong then, we say, keep cool. Lay your plans deliberately, work them out industriously; but remember that "to err is human." He is a very wise man who never makes any mistakes, and when a mistake or miscalculation is made and you find yourself in an uncomfortably 'tight' place, lay it down as a maxim that it will do neither you nor anybody good for you to make yourself ill with anxiety. Measure your difficulty fairly. If you cannot surmount it all at once, walk round it. Do the *best* you can, and leave the rest to the disposal of an all merciful Providence, of whom we are told that "like as a father pitieth his children, so the Lord pitieth those that fear him."

He overrules all mortal things
And manages our mean affairs.

DEPARTMENT IN BUSINESS.

It may not be amiss to offer a suggestion or two in this place respecting the proper department of a business man. There is a great difference in this respect between different men. Some are uniformly obsequious to their paying customers, harsh to debtors, and despotic and authoritative to their dependents. We are bound to say that the annals of successful business men—men who have really succeeded in making money—are full of such characters. They are intensely selfish. If they can save the hundredth part of a cent by shaving their work-people they will do it. Men of this stamp are generally hard headed, cool men, with not a particle of the milk of human kindness about them; they would sell their wives and daughters, yea their own souls, if they saw a present money advantage in the bargain. But nevertheless, the success which such men attain is really worth very little. They prosper for a time, but all the dearer and sweeter affections of life are unknown to them. Their souls shrivel up in their bodies till they are utterly incapable of a single thought or emotion apart from the jingling of money, or the counting of bank bills. But "the life is more than meat, and the body more than raiment." "A man's life consisteth not in the abundance of things which he possesseth."

It will, however, greatly conduce to success in any kind of business to have a reputation for kindness and courtesy. There is a manly way of showing this which is far removed from obsequiousness. It is begotten of kindness of disposition, which desires to serve others while honestly seeking to serve oneself, and when it is genuine it will manifest itself to all alike. We

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heard lately of a great merchant in New York who witnessed the rather rude off-hand behaviour of one of his clerks to a poor servant girl who came into the store to buy some trifling article. Calling the young man to him he severely reprimanded him, if he did not dismiss him, "for," said he, "I would have you know that every customer who walks into my store is an object of interest to me whether he buy little or much." In dealing with debtors, personal respect and courtesy are never thrown away. It is possible to refuse a further extension of credit in such a manner that the most sensitive will rather like you the better for your frankness, and it is equally possible to injure a business irreparably by allowing book debts to accumulate negligently and then suddenly resorting to harsh measures of recovery.

BORROWING AND LENDING.

Of really successful men very few are borrowers, for borrowing—especially if it be frequently resorted to—lowers a merchant's reputation exceedingly. Still there are times when it is a man's duty to borrow if he can. An old quaker friend once informed us that he once saved himself from absolute ruin by using his credit in this manner with his friends. He had engaged to make a large payment on a certain day, and a failure to keep his engagement would have drawn down upon him a variety of other claims, which at that moment he could not meet. The day before the claim was due, he went among his friends and succeeded in raising in small amounts for definite periods sufficient to tide him over his engagement. Of course, he saw the rest of his way clear. If he had not—if, for instance, his embarrassments were thickening, and he saw no way to repay those small advances promptly, far better for him not to have borrowed them at all, but to have succumbed to the difficulty and made the best of it. The fact is, that it needs a very wise and clear-headed man to make a good borrower. Many a man upon the first break of a difficulty, rushes to all his friends, borrowing right and left, and in the end manages to convert his best friends into his bitterest enemies, when a little cool reflection might have shewn him that he could really do better without borrowing. As a rule, it is better to meet your creditors or creditor face to face and tell him or them the worst, and in nine cases out of ten they will give you all the time you ought to have as a man of business; and then, if you find that after every indulgence you cannot keep up your payments, it is a pretty good indication that you are in your wrong position and that the sooner you strike the docket and make an alteration the better.

And as to lending money. There are many men who absolutely refuse to lend under any circumstances, except at high interest or on good security. Such men are evidently not Christian men in practice, however much they may be in theory, for we are positively taught in the scriptures that from him who would borrow of us we are not to turn away. Still, there are some principles which ought to regulate a man of business in lending money and it is well to have some rule. Of course, we are now speaking, not of professional money lending nor of investments, but of loaning sums of money for temporary needs.

In the first place, never lend money to an immoral man—a drunkard, a gambler, a man of questionable character. You are not obliged to give your reasons for declining the accommodation asked; you have merely to say firmly, but kindly, that it is not convenient, or that you are very sorry you must decline. He will most probably press you with arguments and reiterations of his honest intentions, but you must turn a deaf ear, for if you attempt to reason you will only make matters worse. Listen patiently to all he has to say, and then, in the fewest possible words 'decline.' He will go away angry, but better that he should be angry than that you should in any way encourage a bad man. Divine Providence intends to discipline such a man, and it is not for you to stand in the way.

When a good man—by which we mean a man of high moral character comes to borrow money—two questions should be uppermost in your mind. Is he a careful and industrious man? Can I afford to lose by him? There are cases in which a comparatively rich man may be almost the salvation of a struggling brother by offering him a little help, by way of loan, with the conviction that if the man can he will repay, and that if he cannot you can afford to lose it.

Then there are cases in which merchants accommodate each other in moments of temporary difficulty with the loan of a few dollars or a few hundreds. This is quite allowable and business like, especially in a young country like ours, provided you have perfect confidence that your man is true to the backbone, and will consider the debt under all circumstances a debt of honor.

All the above cases come under the class of disinterested loans. Of loans of money made with a view to self-interest or high rates of profit it is not our purpose to speak. Those who deal in such things do not require any instruction from us, but are generally quite able to take care of themselves.

BOOK-KEEPING.

This pamphlet would be incomplete were we not to add a word in reference to the importance of book-keeping, as an element in a mer-

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chant's success. Without an accurate set of books he will soon be in a perfect state of bewilderment as to his affairs. The principles of book-keeping may be learned in a few hours, and ought to form a portion of the regular instruction in our common schools. Should the nature or extent of the business require the services of a special book-keeper, the merchant will find it advantageous occasionally to go through the books himself. The science of book-keeping is, however, so ably discussed in several excellent treatises on the subject, that it does not call for further remark in this pamphlet.

ADVICE TO EMBARRASSED DEBTORS.

The following remarks are the result of very wide experience and observation upon the relations subsisting between debtor and creditor, and are published in the hope that they may have a two-fold effect, namely, in strengthening the determination of the honest merchant to eschew the tricks and subterfuges of unprincipled men, and in checking some of the evils of commerce especially prevalent in this country. The Bankruptcy Law of Canada has been framed with a very tender regard to a debtor in embarrassed circumstances, and so far as the principle goes, it is well enough. There ought to be an impartial court in which a person who cannot pay his debts may take refuge, in his last extremity, from angry and vindictive creditors, but the Bankruptcy Law defeats itself and holds out a positive premium to rascality when it enables a debtor at any moment to make a valid assignment of his property, without giving any notice, and to get through his bankruptcy on such easy terms as any calculating rogue can generally succeed in wresting from his reluctant creditors. It is a common objection to the Bankruptcy Law of this country that it can very readily be used by dishonest men for the purpose of making capital and getting a fresh start in business. A person gets credit for merchandize on every hand—and unfortunately the state of competition is such that mercantile credit is very easy of attainment; he carries on his trade for two or three years and then fails, but is known to come out of the failure a richer man than when he first began business. A Bankruptcy Law under which this is not only possible but common, is not a sound law. It leaves too much of the scrutiny which ought to be exercised into a bankrupt's affairs to the whims or abilities of the creditors themselves, and does not sit in judgment with sufficient force and authority upon the bankrupt's own acts, independently of the creditors, for the encouragement of the honest debtor and the confusion of the rascal, in whatever position of life he may be found. Steps will, it is to be hoped, be taken before long to produce a better Bankruptcy Law—one more adapted to the circumstances of this country, but meanwhile, what is the advice which a thoughtful and discriminating man of business, zealous for the honor of humanity and the credit of commerce, and sympathizing with every honorable man in his struggles

and difficulties, might be supposed to offer? Be it remarked, it is with such men we are supposed to be dealing—men who know the burdens and anxieties of business, but who are honest. We have no hesitation in putting the advice into this shape. He would say, Lay it down as a rule that if it is within the bounds of possibility, your creditors shall at the earliest period you can compass, receive twenty shillings in the pound. If you are unable to meet your engagements now, it is a proof that your position requires careful looking into. You may be suffering from a commercial disaster—from the failure of other men to pay *you*—from causes which necessitate a prompt suspension—and in that case act promptly. Do not let your credit get sapped and undermined by dishonoring your bills and by similar unbusiness-like practices, but call in your creditors, and wind up your affairs—consulting an attorney of established reputation as to technicalities, but avoiding as the suggestion of an evil spirit which plots against your future peace any idea of making a purse for yourself. Creditors are proverbially indulgent and forbearing, and it is their interest to be so as long as there is any chance of being paid, and you will have very little difficulty in getting all the time you ask for if you show a determined spirit to meet your difficulties like a man. There may be occasions in which difficulties thicken round a man gradually, and he will go on struggling for years with a waning reputation and credit, but there is a limit beyond which this kind of thing should not be carried. Better to come to a halt, and if there is a reasonable prospect, by pursuing the path of strict economy in personal expenses, by a diligent attention to business, by a wise observation of the capacities of your trade and the wants of the public in relation to it, combined with the forbearance of your creditors—if there is a reasonable prospect of paying in full, ask for time—taking care to make the time long enough—and make the effort. If there be no reasonable prospect of doing this, or if some of your creditors are determined to wind you up, then the bankruptcy law is designed to throw around you the shield of protection, and though you should come forth from the ordeal stripped of everything you possess, you will come forth with a clear conscience, with the sympathy of all discerning men, and with really better chances in your favor, in the long run, than he who forces a composition upon his creditors and walks off with a heavy purse in his hands. The high honor and satisfaction of doing right, even although for a time you should suffer, will give a buoyancy to your spirit which will tide you through many a dark hour, whereas it is a feature of questionable and dishonest practices to make large demands upon the memory and conscience in future days; so that should a tide of prosperity set in as the result of one dishonest action, the remembrance of the wrong deed will embitter every cup of peace. A man may have a secret determination to pay his creditors in full some day or another, but very few men who begin by doing wrong have the power or the will to retrieve their position. Better to do right *now* as the prelude to a course of right doing hereafter, than to do *wrong* now in the hope by and by of setting matters right again. The day for setting matters

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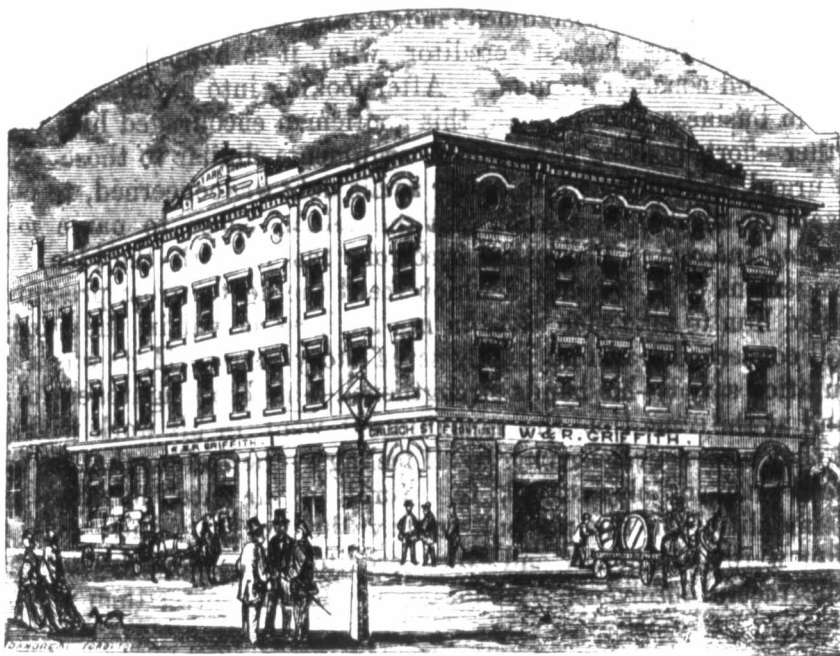
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right may never come, and meanwhile you have to carry about with you the heavy burden of doing wrong.

An instance has recently come to our knowledge in which a debtor meditated making an assignment and offering ten shillings in the pound. He consulted his largest creditor who, it so happened, was an influential and considerate man. After looking into his affairs, his prospects in business and so forth, this gentleman encouraged him to make another effort, holding before him arguments similar to those we have just urged, and offering him, so far as his debt was concerned, to consent to wait for any length of time that the debtor chose to name *without charging interest*. The other creditors fell in with the idea, and an arrangement was concluded which freed the debtor from pressure and enabled him to take such steps in his business as will in the judgment of all concerned lead to a highly satisfactory issue. Here was a man's reputation saved—his hands strengthened—his brow lightened of care—and at the same time the man himself went to his work with hope, and that most courage-giving of all feelings—the feeling that he was an honest man and able to look the world in the face, notwithstanding his inability, for the present, to pay the world its dues. If every debtor were alike honest and every creditor alike considerate, the list of disgraceful insolvencies would be very much shorter than it is.

ON PERSONAL RELIGION.

Perhaps it will not be considered out of place if we make a suggestion or two upon this matter. Far be it from us to urge upon men the cultivation of piety merely or even chiefly as a means of success in business. It is too often done. Both from the pulpit and in the family, it is too much the habit to hold forth a religious life to young men as, above all things, the path to worldly honor, ease, and contentment. Honestly, and after the most careful attention to the subject, we would say to our readers, cultivate religion for its own sake, irrespective of any pecuniary motive. It may be, it doubtless is in some cases, hard to do so. This is the kind of struggle our Saviour referred to when he said 'How hard it is for a rich man to enter into the kingdom of heaven!' We would say in all earnestness, let there be one thing sacred as between your own conscience and God—one thing with respect to which you will brook no interference from the world—one thing which shall not be tainted with worldly influences—one thing which when you die you will feel cleaves to you when all the world forsakes you—your faith in God. Sometimes a religious life does undoubtedly promote a man's advancement, and when this is the case he ought to be thankful, but not ever confident. The temptation and trial will be sure to come and discover whether the edifice of his piety be substantial and precious, or whether it be mere stubble.



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