

## HARD TIMES.

The theory that deep and widespread depressions in business recur at more or less regular intervals of years is now generally accepted as true. Experience alone proves its truth. Prosperity follows hard times, and hard times follow prosperity in regular order. It is remarkable, however, how few of even the best educated people accept the practical lessons which flow at once from this principle, although they willingly admit its general truth. We believe that a careful consideration of the matter would do much good by bringing about a better understanding of the foundation on which the trade of the country rests.

The first point that arises in connection with the question is a very important one. Admitting that these depressions do come and go, why should they do so? What causes them? Into this and the other points which follow we can only enter very briefly.

Our readers have seen so much lately in the daily papers about "over-production," "over-importation," etc., that it is unnecessary for us to say much about them. Political articles which deal with them are almost invariably one-sided and overdrawn, the truth lying between the two extremes. The two causes referred to, are, however, undoubtedly among the most important factors in producing commercial depressions. The locking up of too much of the circulating capital of a country in fixed permanent investments, such as buildings, railroads, etc., should, however, take at least equal rank with them. There are of course other important causes also. All of these are, however, in reality but secondary causes. The primary one, which controls all business, acting through these secondary causes, is what we may call, for want of a better name, the confidence of the public.

The demand for goods of all kinds in almost every country is, on the average, steadily increasing. In the same way their wealth is also increasing by the yearly savings of the population. Now, if it were possible to conceive of one master mind having the control of all the business of the commercial world, and he was to so arrange that just the exact amount of goods of all kinds would be manufactured every year which would be needed that year, and that the merchants of each country should import just as much as its inhabitants would need, and that the amount sunk every year in railroads, buildings, canals, and other permanent investments, was exactly equal to the savings of the year—If it were possible for such a thing to be done, these periodical depressions would be unknown. There would be nothing to produce them. The current of business would run on with comparative smoothness, only affected by minor matters, such as the abundance or scarcity of the harvests, or the breaking out of war. Business however, is not and cannot be regulated on any such principles. Production, importation, buying, selling, investing, and all similar matters, are not decided by one mind, but by millions of minds, and it follows, therefore, that business is governed by that quality which we have called the confidence of the public. When manufacturing or trading is prosperous those engaged in it enlarge their business, while new capitalists rush in, until the supply soon exceeds the demand. Then comes a crash, and the almost complete loss of the confidence of the public in that branch of trade. This continues until the annual production is brought below the annual demand, when a gradual revival takes place, to be followed by the same results as before. The same re-

marks apply to permanent investments. While confidence lasts more money is devoted to them than the annual savings would warrant, but, when confidence is lost, the public will not invest as much as their savings amount to. It therefore follows that since business is controlled by the caprices of the multitude, periodical depressions can hardly be avoided.

The question next arises whether, from this law, we cannot to some extent predict what will probably be the financial future for the next few years. We certainly believe that a rough estimate at least can be formed. It is surely possible for us to form an approximately correct opinion as to where we now stand on the road, between the highest point of inflation and the lowest point of depression. The general impression, judging from the remarks of the press generally, and of those who are looked upon as authorities, is that we are already at about the lowest point we will reach. We sincerely hope so, but we are afraid that it will prove otherwise, and that the lowest point will not be reached by us for some time yet. We believe that we are yet but half-way on the downward grade, and that the tendency of business will continue to be downwards for three or four years yet—for two at least. We will mention some of the facts on which we base this statement.

There are several tests of the prosperity of a country which can be employed. There is a vague impression in the public mind that one of the truest of these is the total foreign trade. We therefore give in tabular form the total yearly trade of the Dominion, that we may see what lessons it teaches. To make the figures more striking we give the amounts in even millions.

## Total imports of and exports of Canada.

year.	1868.....	\$131,000,000	year.	1876.....	174,000,000
	1869.....	131,000,000		1877.....	175,000,000
	1870.....	148,000,000		1878.....	172,000,000
	1871.....	170,000,000		1879.....	153,000,000
	1872.....	194,000,000		1880.....	174,000,000
	1873.....	217,800,000		1881.....	204,000,000
	1874.....	217,600,000		1882.....	222,000,000
	1875.....	201,000,000		1883.....	230,000,000

This test is by no means always as conclusive as some others, notwithstanding the great importance usually attached to it. Its lessons are not always as much on the surface as in some other cases, and it sometimes requires great care to read them correctly. Both imports and exports depend to a considerable extent on temporary causes, such as the harvests both in Canada and other parts of the world, changes in the tariff, etc., and too often represent the condition of some branch of business rather than of the whole commercial system. It will be noticed, however, that trade gradually increased until it reached its highest point in 1873, afterwards decreasing pretty steadily till bottom was touched, in 1879. The tide then turned, and business has increased again until 1883, which will in all probability be found to be the turning year, as 1873 was. It will be seen that it took just about ten years for the tide to ebb and then flow back again to its highest point. We would therefore also expect that the lowest point would not be reached till about ten years from 1879, that is in 1889. We believe for other reasons, however, that this cycle will be rather shorter than the last one, and the depression rather less severe, and that bottom will be reached about 1888, possibly in 1887. Good harvests or other external causes may postpone the time of deepest depression and lessen its intensity while bad harvests will hasten and deepen it.

Another important test is that of the total failures in the country. Unfortunately, we have not as full statistics as we would like for this, but the following are sufficient: