THE MONETARY TIMES, AND TRADE REVIEW.

[With which has been incorporated the "Intercolonial Journal of Commerce" of Montreal, the "Trade Review" of the same city (in 1870), and "The Toronto Journal of Commerce."]

ISSUED EVERY FRIDAY MORNING.

SUBSCRIPTION PRICE—POSTAGE PREPAID.

Canadian Subscribers..................$2 *a year.*
British " ....10*s. sterling a year.*
American " ....$2.50 *U.S. Currency*

BOOK AND JOB PRINTING A SPECIALTY

Office—No. 64 & 66 Church St. Toronto, Ontario.

EDWD. TROUT, *Manager.*

TORONTO, CAN., FRIDAY, MAY 30, 1879

WHY IS TRADE STAGNANT?

This question, constantly asked, has been answered in a variety of ways. Professor Bonamy Price, in the current number of the *North American Review*, furnishes the latest solution. His belief is that over consumption—"the consuming and destroying more wealth than is made,"—gives us "the true explanation of that commercial depression which may be termed universal." In India and China, there have been great famines, which destroyed the whole cost of cultivation, in laborers' food and clothing, the seed sown and the wear of the tools used. A year's capital was annihilated without being reproduced, and the power of buying is gone. America has sunk an immense amount of capital in railways which yield no immediate return. This leads the professor to expatiate on the danger of an excessive creation of fixed capital. He defines excess to be "what goes beyond the amount of uninvested savings available at the time;" and savings to be "the amount of wealth produced, the surplus beyond what restores all the capital laid out in production, profit and wages included"—"the surplus revenue coming in beyond what the owner had to spend naturally, or the manufacturer requires to replace all his cost." If railways be built out of capital, and not out of savings, Mr. Price contends, the country will become poor and depressed.

Without disputing the general principle, we may be permitted to note some remarkable exceptions to it. Canada has built her canals, not out of savings, but out of borrowed capital; and the process instead of impoverishing her, rescued her from what would have proved hopeless penury. Before the canals were built, she used to send a little grain down the St. Lawrence rapids on rafts. If she had been limited to this resource, or any other short of an improvement in the navigation, her export trade of grain to Europe would scarcely had an existence. The construction of her canals enabled her to export all the cereals she could produce, and for which a market could be found in Europe. Her railway system extended the area of cultivation, and made it possible to move the surplus crop to tide-water, in winter, instead of keeping it over till spring. When the return is indirect, it is less easy to be sure that it has come. The construction of the canals may have caused a sinking of capital which was not at once compensated for; but we do not think it follows that the limit of judicious expenditure was overstepped. The building of the railways unfortunately entailed a heavy destruction of capital; and though some indirect compensation came in time; it did not always come to those whose capital had been sunk. England was impoverished precisely to the extent that the capital she put into our railways proved unproductive; to that extent, her means of buying was lessened.

Over-consumption, in the form of railway construction, increasing the demand for iron, coal and other things, raises profits and the rates of wages, introduces luxurious expenditure; "multitudes of bankers, stock-brokers, engineers, manufacturers, multiply their purchases and enlarge the destruction of wealth;" marriages are more numerous and take place at an earlier age. When the rebound comes, "there is no more to buy with, and overwhelming is the collapse." Then it is that commercial depression punishes the universal misconduct with acute suffering.

So much for America. Germany and France destroyed vast masses of wealth in war. Impoverishment inevitably follows such waste. But did not the war indemnity restore Germany to her original position? Professor Rogers had previously expressed the opinion (*Princeton Review*, Jan. 1879) that "it would have been better for Germany if the victors had cast the fine which they extracted from France into the German Ocean;" and now Professor Price contends that the gold could not avail to relieve German distress, since the currency was not deficient and the new gold could not be applied to a restoring process. "It could not be put into wheels for moving machinery, nor become food and clothing for a laboring and distressed people." Much of it was spent on military objects. A portion the Government lent to speculators—as our Government does indirectly with part of its railway loans—with the result of increased prices and profits and luxurious consumption; "prodigality magnified the disaster, and the French gold wore the appearance of a clear contrivance devised by France for revenging her reverses." With this opinion of Professor Price, that of Professor Rogers coincides. "Money," says the latter, "which is not earned by industry, is a box of Pandora from which hope has also escaped." And he gives examples from history in proof of how vast treasures of gold have cursed the nations which received them. France, the nation which in this instance paid, suffered less than the nation that received. The virtue of parsimony proved her salvation The hoards which French peasants lent the Government could leave the country without injury to her industry or her practical wealth. But material wealth, more important than gold, had to be sent away, and $180,000,000 a year was added to French taxes. As the result of all this, universal ruin might have been expected; but France saved herself by "the practice of the greatest economic virtues.

France saved; she met impoverishment with parsimony. She diminished the consumption of enjoyments, to apply the resources thereby gained to the maintenance of her capital employed in production." Has her conduct no lesson for us in Canada?

The Austro-Prussian and the Franco-German wars injured England by diminishing the purchasing power of these countries. She sunk wealth by purchasing useless American railway bonds. She created an excess of fixed capital; she made loans to foreign countries, some of which were solvent, and others insolvent. But, Mr. Price holds that, for the time, and for creation of depression, "it matters not whether she lent to a country that would repay, or to one that would not," so long as she parted with her capital—not gold and silver, but commodities. To Peru, Honduras, and Guatemala, Turkey, Egypt, and her great colonies, she lent more than she could spare, forgetting "that she was over-consuming, that she was losing more capital than she had to spare or could replace.'

As those loans went out in commodities—the only thing England has to lend—manufacturers were spurred into great activity, wages rose, causing a further immense over-consumption. Of profits there was a like new consumption. So many avenues to poverty were opened, and when the means of purchasing were diminished, the production going on was soon found to be over-production. The crisis had come, and long and universal depression had been the result.

Professor Price regards the proposal to work short time as arrant quackery. If little is produced, poverty will follow; if much, riches. The secret of success is to produce goods cheap, because the means