

Leading Wholesale Trade of Montreal

SPRING TRADE, 1876.

J. & R. O'NEILL,

Importers of British and Foreign

DRY GOODS.

New Arrivals opening Daily.

Canadian Tweeds and Domestic in full assortment.

Travellers' and Mail orders promptly executed.

Dominion Buildings, McGill Street.

The Journal of Commerce

FINANCE AND INSURANCE REVIEW.

MONTREAL, MAY 19, 1876.

DEPRESSION IN MANUFACTURES.

This question has been agitating the minds of manufacturers both in Europe and America for the last few years, and evidently without arrival at any thorough understanding of the real causes, as we must understand by their continuing the very course which has produced the mischief. People in a panic are not always the best qualified to judge of the most effective method of allaying it, and this may account for the various theories brought forward as to the causes of the manufacturing depression among our home people, who although not suffering in most instances through any folly of their own, have certainly suffered through the thoughtlessness of manufacturers in other parts of the world.

Before the American war, England, the great workshop of the world, had no better customers than in the United States. The necessities of the Northern States during that conflict, the heavy contracts for supplying them—induced our trans-lineal cousins to see what they could do towards providing for their own wants

more economically than by importation—a cheaper and less durable article in some cases being required—and thus an incentive was given to native industry which in the course of a few years ripened into a formidable rival to the mother country, so that we may agree with one of our shrewdest bankers in this city in saying that manufacturing in the United States commenced, with and was started into life by the war. We do not choose here to enter into a discussion of the merits or demerits of the peculiar encouragement given to these embryo establishments after the war was ended, suffice it to say that English manufacturers, instead of gradually lessening, continued to avail themselves of every improvement to increase the amount of products, being unwilling to admit to themselves the loss of their customer. The result was, as might have been expected, that goods were poured into the United States and offered at almost any terms. As merchants had bought largely of the home supply, inducements in the way of long credits were held out—anything indeed to get the goods disposed of. The United States market being thus curtailed goods were pressed upon merchants in the colonies, and Canada consequently became affected. People who had hitherto bought prudently, were offered every inducement to purchase goods; long time and low prices were too tempting to most buyers who seldom thought of the demand and only looked to the usual profits. In this manner our wholesale merchants bought more goods than the country required, at the same time that home industry began to follow the example of our neighbors and seek to compete with the mother country for the supposed profits. The result was, as may easily be supposed, the overflowing of the country with manufactured goods, and unprecedented inducements on all hands to continue the purchases. As long as the banks continued to pour out their treasures in discounting and renewing the commercial paper thus acquired, everything went on in that fondly delusive condition of things known as "good times," but the end was to be, and better a depression than a panic, and all honor to the financial policy which, seeing the evil in time, checked it before the breakers were reached!

As an instance of the eagerness of English manufacturers to sell goods in Canada, little regardless of consequences, we may state that a once prominent house in this city was offered any desired quantity of goods on the usual terms to first-class

houses, only a few months after a failure so notorious that Montreal merchants feel obliged to offer the excuse that "it was not of our people." English manufacturers cannot expect to mend matters much in this country as long as they grant credits to people who ruin the legitimate business of the country by selling indiscriminately to the retail dealer for the purpose of procuring discountable paper. The sooner the suicidal policy is abandoned abroad and at home the better for all parties, the sooner credit will be restored to its normal channel, and the country be once more on the high road to prosperity.

The *Toronto Mail*, commenting on the subject in a recent number, says, "the similarity of the situation all over the world is a remarkable circumstance, and points clearly to the existence of some common cause. If it should be said that the cause is a general dulness of trade, the question arises, what has induced this universal dulness? To answer this question confidently is more than we would presume to do; but it seems to us to be due to the fact that, in the United States and in the British Empire at least, production has overtaken the consumptive powers of the population. If this view is correct it points to a flaw in modern theories of political progress. It seems to have been thought by all the advocates of free and industrial competition that goods cannot fail to find a sale so long as they are cheap, inasmuch as a fall in prices must induce an increase of consumption. It seems, however, to have been practically forgotten that the increase of consumption can be proportionate only to the increased power of purchase: or in other words that a fall of 50 per cent. in prices will enable the possessor of any given income only to double his purchases. Now the fact seems to be that the supply of almost all sorts of agricultural products and manufactured goods has increased to a greater extent than the increased producing power arising from the fall in prices. The cause of this increase of supply seems to us to be that the revolution arising from the substitution of machinery for man-power has been worked out; that no further reduction in prices can, for the present at least, be expected to result from it; and, therefore, that the consumptive powers per head of the population are not likely to be increased in the future at the same rate as they have been during the last two generations, in which case we must be prepared to accept a less rapid growth of wealth in our own time than in that of our fathers and grand-fathers."