

march observed immediately after assigning the foregoing reasons for the inflation: "The countries in which the commercial distress has been and is most severe is the United States and Germany, both of them countries where protection is in the greatest force." It is not, however, necessary to dwell on this point. Our contention is, as it has hitherto been, that the causes of the inflation, whether Mr. Newmarch may or may not be strictly correct in stating them, were wholly irrespective of protection and free trade, and that the depression which was necessarily produced by the reaction was inevitable. All that Mr. Johnson states regarding the forcing of sales, support accounts, &c., &c., only proves that in a falling market the victims of a state of trade which has been caused by circumstances wholly beyond their control will resort to every means in their power to get rid of daily depreciating stocks of goods. We do not think that it would be a rash statement to affirm that the whole trading community of Canada suffered heavy losses during the six years ending with 1879. The record of casualties is doubtless correctly stated by Mr. Johnson at 149 wholesalers "swept entirely out of existence," while 92 additional houses had failed, but continued business with an impairment of capital. We hear nothing of the houses which, owing to bank support, which they were able to command, succeeded in weathering the storm, but it must be borne in mind that in every such crisis it is absolutely necessary for banks to assist their customers. In the great English crisis of 1836 it was a matter of public notoriety that houses of the very highest standing in London and Liverpool would have been compelled to stop payment but for the aid of the Bank of England, which, owing to the inability of their own bankers to aid them, they were compelled to seek, and which was afforded to such as could satisfy that bank of their solvency, while others which up to that time had been in high repute were compelled to succumb. It is interesting to look back to competent authorities for opinions as to the state of trade. In March, 1876, the London *Economist* in its annual review said: "The commercial difficulties, failures and fall of prices which marked 1874 have been still more severe in 1875. It has been almost without exception a bad year in every trade and for every interest, not only in the country but all over Europe and North and South America." The same journal in March, 1877, considered that "the year 1876 has in all respects corresponded in character and results to this forecast," and that

forecast was as follows:—"It is apprehended that 1876 will add a third year to the reactionary period rendered inevitable by the excitement, inflation and extravagance of 1871-73." In March, 1878, the *Economist* said, "1877 has been a worse year commercially than 1876. In 1876 there were some indications that the corrective process, rendered necessary by the extravagant heights to which cost of production had been carried in 1871-73 in every department of trade, and in every part of the world, had made some progress towards a radical cure. But the experience of 1877 has shown that the evils had penetrated so far into the entire industrial system that a longer and more severe depression has been required to cure them." The *Economist* of March, 1879, announced:—"1878 has been as much worse than 1877 as 1877 was worse than 1876." Another equally high authority, the *Statist*, edited by Mr. Giffin, observed, "The business history of the past year is a record of disappointed hopes, of shrinking trade, of falling prices, of lowered wages, and of financial disaster, ending as the twilight drew to a close in serious distress among a portion of the population." At length we get a glimpse of daylight. In March, 1880, the *Economist* wrote, "It is very probable that the six years of depression will in future be reckoned from September, 1873, to September, 1879. It is certain that in this country there were few signs of renewed trade during the first nine months of 1879. On the contrary, the year has been one of the most sunless and cheerless of the century." Then we are told that during the closing months several leading commodities underwent large percentage elevations, viz., Manila hemp 62, Scotch pig iron 50, British bars 35, tin 38, raw cotton 37, yarn 26, tea 36, lead 31, jute 27, tallow 25, sugar 21, silk 19, flax 18, wheat 18, copper 13, coffee 13, wool 9 per cent.

We ask for the foregoing extracts calm consideration, and especially with reference to our author's criticism on the policy of the banks during the period of depression. It will, we imagine, be at once admitted that among the houses "swept out of existence," as stated by our author, the great majority, if not all, were solvent in 1873. At what particular time each became insolvent it would be much more difficult to surmise, but each year all were growing worse, while, judging by past experience, the revival which took place in the fall of 1879 might reasonably have been anticipated as early as 1876-77, and if it had occurred many of the calamities which took place might have been averted.

Wholesale merchants are unwilling to force their customers, the retailers, into bankruptcy, as banks are equally unwilling to force their customers, the wholesale merchants. If a bank were to shut down at once on all its weak customers, who, even if solvent, could get no other bank to take their accounts, the consequence would be, first, the general bankruptcy of a large portion of that bank's customers, followed by a run on the bank itself, and by its being forced into liquidation at a certain loss to the shareholders. The treatment of bank loans in such times as have been described requires in each case the sound judgment of a man of great ability, and we have experience to convince us that even our best men have been unable to escape heavy loss. What we have now to think of is the present decade, and if we can obtain any light from the past we should endeavor to utilize it. It is all very well to utter words of caution, but if we have to go through a period of inflation as at the commencement of the last decade, it is difficult to make any agreeable forecast of what will inevitably take place when the period of reaction shall commence. We commend, therefore, Mr. Newmarch's opinion as to the causes of the last inflation to general consideration, and we earnestly hope that the mania for building railways in the Province of Quebec that will never pay running expenses may be discouraged. That at all events is sound advice.

#### NOT QUITE OUT OF HIS DEPTH.

We noticed with some surprise the following passage in the *Monetary Times* of Toronto: "When Mr. Smithers refers to the balance of trade, he appears, if correctly reported, to have got out of his depth. The richest nations are those which habitually import more than they export; and of all nations England affords in this particular the most illustrious example. Why should a so-called adverse balance of trade—imports to a greater value than the exports—be bad for the United States or Canada any more than for England?" Believing as we do, that it is dangerously misleading at the present time to encourage the belief that, because Great Britain imports much more largely than she exports, Canada can safely pursue a similar course, we shall endeavor to place before our readers the relative positions of Great Britain and Canada in regard to the importation of commodities. We prefer stating the cause of the magnitude of the British imports in the language of an eminent economist, the late Professor Cairnes, who has treated the