

THE INSOLVENT ACT.

Messrs. Dun, Wiman & Co. have issued in circular form a review of the business of the Dominion during the past year with some reference to the outlook for 1877. The number of failures in 1876 was 1728, representing \$25,517,991, or 240 less in number than for the previous year, and \$3,324,976 less in amount. In 1875 there was one failure to every 28 names reported in business, and in 1876 one to every 32. In the United States the proportion was one in 83 and 69 respectively, for these years. This is not a flattering comparison for us, notwithstanding our exemption from an excessive tariff, a depreciated currency, an overwhelming national debt, a Presidential muddle and other troubles. But as an offset we can vaunt the possession of an Insolvent Act which in its workings during many years, has, we fear, contributed in no little degree to bring us to the unenviable position suggested by the figures quoted. This is a subject on which some leading thinkers among our merchants take an opposite view, but we imagine if the opinions of the practical portion of the business community were ascertained, it would be shown that there is a general feeling prevalent that to the Insolvent Acts, however wisely intended, is due a very great proportion of the evils affecting the trade of the country for the last few years.

There is not one among the wholesale merchants of Montreal, Toronto, Hamilton, Halifax, St. John and other cities, who is not conversant with the country merchant, who, to build up a business and destroy that of his honest neighbor, will sell cotton for 6 to 7 cents a yard and other goods in proportion, (which his honest and careful competitors cannot afford to sell for less than 9 or 10 cents,) well aware that the Insolvent Act is ready to relieve him when at the end of a year or two he finds himself owing his creditors some \$15,000 or \$20,000 and has only \$12,000 to \$15,000 wherewith to pay it. He calls on his creditors and tells his story very humbly. But he has an uncle or other wealthy friend who will secure him, and, if they would accept 50 cents on the dollar, he "would be a good customer in the future." The result is that in nine cases out of ten he returns with his composition all arranged, and enabled to continue underselling his honest neighbors, who see with regret that the "white-washed" dealer is none the less respected in his vicinity, because he has not, like themselves, paid his twenty shillings in the pound. "As a little leaven leaveneth the whole lump," so does one such compromise infect a whole neighborhood;

others who had continued able and willing to pay their indebtedness in full are tempted into similar recklessness in trading and buying, until at length the sound business men in the place are the exception and not the rule. Indeed, the ease and certainty with which compositions and discharges are obtained are a continual premium offered to recklessness and dishonesty. There is scarcely an upright country storekeeper who has not had sad experience of the state of things we here describe, and upon the head of the wholesale merchant at last descends the accumulated load, when he finds his customers one after another failing or offering to compromise, and this in a business where profits are scant enough through over competition, "slaughtering," heavy taxation, embezzlements and other causes.

The remedy for this state of things must be found in the cause; and there is little doubt left in the minds of practical business men that, rather than matters remain as they are, it would be advisable to totally repeal the Insolvent Act, leaving cases of insolvency to be dealt with by the common law of the country, with all its attendant evils, unless such amendments can be provided as will lessen this great evil. Merchants, as a rule, are but too ready to extend every leniency to the customer who is unfortunate in business, except where great want of incapacity is shown, when the sooner he is out of business the better for all concerned. A hint towards abrogating the Act would doubtless cause a precipitancy among dishonest dealers that would amount to almost a panic, but better such should occur than that they continue to drain the life-blood of the business community—than that the honest country dealer be entirely supplanted by a class of men who are honest only when it is the best policy. It is a strange fact that of the 1758 failures in the Province of Ontario during the past two years, not one has been refused a discharge. There are a few exceptions to this in the Province of Quebec, chiefly in this city, but they are cases of the most glaring dishonesty. Those who fear for the working of the common law in cases of insolvency to the detriment of the unfortunate honest trader know but little of the practical side of the question, of the tendency on the part of merchants generally to a too favorable view of the circumstances of a customer calling for indulgence on their part; and as the Insolvent Act was originally framed with a view to the protection of honest insolvents, it is high time, now that it has outlived its usefulness and become the shield of dishonest dealers, to abrogate it altogether ere it be too late,

and the commercial morality of the business community exist only in name. We hope the present session of the Dominion Board of Trade will not close without a thorough discussion of this important subject. The hints contained in the present article will not have been in vain, if some remedy be devised for the evil we have but briefly stated.

INSURANCE DEPOSITS.

The insurance commissioner of the State of Connecticut evidently is strongly opposed to companies of that State making further deposits in Canada. We here give an extract from his last report:—

"If such an act as is threatened is carried into effect it will be for Connecticut to say whether she will be justified in permitting her life insurance companies to place so large a portion of their assets beyond their reach, perhaps in hostile hands, subject to the caprices of the legislation of a foreign country, and in any event irreclaimable."

One would infer from this paragraph that Connecticut companies are called upon to place larger reserves in this country than Canadian companies place in the States; the facts of the case are quite opposite to this. Below will be found the names of three Connecticut companies, with figures showing their assets and amount invested in Canada.

| | Assets. | Deposits in Canada. |
|-------------------------|--------------|---------------------|
| Connecticut Mutual..... | \$43,494,650 | \$140,000 |
| Elma..... | 22,092,734 | 140,000 |
| Phoenix..... | 16,105,613 | 140,000 |

| | Assets. | Invested in the United States. |
|---------------------|-----------|--------------------------------|
| Royal Canadian..... | 1,367,465 | 794,09 |

In the case of the three Connecticut companies, they merely place the amount given in the deposit column in the hands of the Finance Minister for safe keeping. Being United States five twenty (5.20) bonds, they cannot be called an investment in this country. On the other hand, the very large amount which the Royal Canadian has placed in the United States is an actual investment. The above figures are interesting as showing the difference in the views manifested by the astute Connecticut underwriters and those controlling the destinies of our Canadian office.

These figures show that a comparatively young Canadian company has placed a large portion of its reserves in the hands of a foreign people, as the commissioner says, "perhaps in hostile hands," and yet American companies with greater wealth, age and experience, are advised not to increase the reserves in Canada, though the