

The Commercial

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STRAITENED FINANCES.

There must necessarily follow a period of reaction after one of over-confidence, and the results of the late reaction in the North-west our readers have found in our last issue under the head of "Insolvencies of the Year." The figures there given must impress the commercial student that the reaction which has taken place in business circles in this country during the last two months has been unnecessarily severe, and that a great share of the disaster which has taken place might have been averted in some way. Those who have watched the monetary affairs of the country have no difficulty in tracing the cause of aggravated disaster to unnecessarily straitened finances, and the worst misfortune has been that the straitening process has been most rigidly applied to legitimate business transactions which might be classed as within the general current of commerce. The fact that the aggregate liabilities of all the insolvents in the North-west during the past three months amount to \$50,000, or 10 per cent less than their assets (the figures being, liabilities, \$450,000, assets, \$500,000), at once conveys the impression that there has been a screw loose in financial affairs somewhere, and a closer inquiry into the facts confirms the suspicion that many of the most aggravated cases of unnecessary insolvency were due to uncalled for pressure from some financial source, or, to put it in plainer terms, the refusal of banks to render the expected financial aid when it was most needed.

That the flow of distant capital into the North-west had all but ceased during the past six months is an opinion that has been steadily gaining ground for some time, although it is altogether a mistaken one. The small share of the same which has been brought to the relief of legitimate trade since the opening of 1883 has strengthened this opinion, and so far as commerce was concerned the flow mentioned might as well cease altogether. On inquiry we find that one loan association doing business in this city has during the past six months placed for distant capitalists nearly \$500,000 in mortgage loans

on landed property, or \$50,000 more than the gross liabilities of the insolvents of the past quarter. Yet this is only one of a dozen such loan companies who are doing a similar business in the North-west. Such companies are no doubt doing much for the development of this new country, but unfortunately their investments do not directly benefit the trade interests, which are straitened to keep pace with the rapid growth of the country. The banks are the only financial props of commerce, and their reliability has been found sadly deficient during the past three months of trial.

A few months ago, before the severe time of business trials had set in, THE COMMERCIAL called attention to the necessity for a local chartered bank for Manitoba, and now that a stringency has been passed through, the most casual observer of the financial affairs of Manitoba must see the necessity for such an institution. While North-western commerce depends for its financial resources upon chartered banks whose headquarters and interests are in eastern cities, it must lean upon a broken reed. Such corporations are made up of capitalists with large trade as well as financial interests in the east. To them the rapid development of the agricultural resources of the prairie land means a wider field for their trade operations, while the growth of commerce and manufactures in the North-west is directly opposed to their own interests. It is the best interests of such men to use every effort to stunt North-western trade, and keep this land of promise a country in which to raise grain and sell eastern products. It is not at all likely that the enterprise of the natives and settlers can be confined within these primitive limits, prescribed by their would-be patrons, and to free themselves from such a necessity the most effective step that could be taken would be the organization and operation of a local chartered bank. The men among us who can secure funds for landed mortgages can secure distant capital for a Manitoba bank, and it is questionable if in the North-west there is any more remunerative field for monetary investment.

STAPLE RESOURCES.

From the days of first Spanish explorers in America there seems to have been a tendency to follow after bubbles, giving

illusory promises of great wealth; and a corresponding disposition towards neglecting the development of staple resources that were likely to prove of most value to mankind in general, and steady remuneration to those engaged therein. The French and English Virginians, as well as the Spaniards, were prone to this great blunder, while the Puritans of New England, where nature was most stinted in her bounty, were to some extent exceptions.

This disposition still continues in newly settled portions of the continent, and the past two years' experience has shown that Manitoba and the North-west are no exceptions to the general rule. To such an extent has the mania (for such it may be called) been carried that Winnipeg has been for the past year or so pre-eminently the city of speculative loafers, 90 per cent of which class would have been wealthier to-day had they been steadily engaged for the last two years in some permanent business pursuit with but moderate remuneration attached thereto.

Many people who have the progress of the North-west at heart, have been recently lulled into the mistaken opinion that speculative manias had become affairs of the past. Such is by no means certain, and with the promise of reviving trade and flow of immigration which are now clearly in view, there are evident signs of their return; and it will require the determined opposition of the business men of Manitoba to prevent their injurious effects in the coming summer.

There can be no question but that the progress of the North-west depends mainly upon the development of the staple resources of the country, and parties wishing to put forth either capital or effort in this work should be careful not to expend too much of either on undertakings that may be considered outside of that field. Outside of agricultural affairs the North-west offers an unlimited field for commercial and industrial undertakings, all of which are within the limit of what may be termed staple resources, and all which are subject only to such reactions as the ordinary current of trade affairs will produce in the best regulated commercial communities. It is to be hoped that the financiers and business men of Winnipeg and other North-western cities and towns will use their efforts to direct the flow of incoming capital into