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Toronto, September 6, 1870. 32-1y

THE
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WITH WHICH HAS BEEN INCORPORATED

THE MONTREAL TRADE REVIEW.

TORONTO, CAN., FRIDAY, DEC. 2, 1870.

LONG CREDIT AND BAD DEBTS—A CHANGE NEEDED.

There is a strong and growing feeling among the wholesale trade, that a united, systematic effort should be put forth to shorten the terms of credit, and that no better opportunity than the present is likely to offer itself for the attainment of that object.

A mere glance at the wondrous change that time and progress have wrought in the commercial situation during the last fifteen or twenty years, or since the present system of long credits originated, will convince any one that what was suitable and appropriate for the state of things then existing is not what is wanted now. In 1850 it was the practice of some houses buying goods in England, say for the fall trade, in summer, to select also, at the same time, a certain amount of spring goods, in order to have them on hand and available for the early spring trade, which usually begins before navigation opens. This was necessary, because it was impossible to get goods forward during winter. The houses in those days did not keep resident buyers in Britain, as is now the practice with most of our large importing firms; but a buyer on behalf of each firm visited the British markets and made all the season's purchases at once. Usually the entire stock for any one of our leading markets came out in two or three ships. Now, the goods are ordered through a resident buyer, just as they are wanted, (the season's

supply of a single firm this year, came out in as many as fifty different ships,) the rapidity of steam communication, and especially of the international telegraph lines, furnishing every facility for replenishing stock in a very short time. In this way the long and large gap of time and credit that once separated the manufacturer from the retailer has been to a great extent closed up.

But a still greater change is apparent in the mode of conducting the retail trade; and this is really the pith of the question with which we are now dealing.

Fifteen or twenty years ago, the country merchant visited Montreal, Toronto, or Hamilton in the fall, and bought all the goods he required till the end of the following spring, or even longer. This was necessary on account of the roads; goods must be brought forward in sleighing, or not at all. Bush-roads, mud, rocks, and corduroy bridges, presented insuperable obstacles to the transport of goods with safety, or at a reasonable expense. These goods, when on the trader's shelves, had to be sold on long credit, and that credit usually had to be extended indefinitely. There was commonly no market for grain where the cash could be realized for it. The farmer had very few and uncertain sources from which he could procure ready money to pay his accounts. It is manifest that long credits, both in the wholesale and retail trades, was an unavoidable necessity of this state of things. But all that is now in the past.

Railroads have been built, or are projected into almost every corner of the Province. Where there are no railroads there are usually excellent gravel or plank roads; grain buyers are to be met with at all the villages and even at many of the cross-roads; the telegraph lines (thanks to the enterprise of the Montreal Company) are stretched wherever the people can find business for them to do, thus bringing remote villages into instant communication with every other part of the civilized world, in many sections farmers instead of being over head and ears in debt, have beautified their farms, and often have money out at interest; instead of buying at high prices, and on long credit, and paying ruinous rates of interest, they buy largely for cash or produce, which is the same thing, or on short time, and meet their obligations with comparative promptness, at maturity. These altered circumstances demand a corresponding alteration in the rules and usages of trade.

Let us see how the present system works. A country merchant visits a wholesale market, say in March, for his spring goods. These he buys at six months, and by way of accommodation his paper is dated the 1st

April or 1st May. These goods are taken away and sold, and in September our country friend appears in market with a long order for winter goods. These are supplied him and taken away before the obligations which represent his spring purchases have matured. Now, this over-lapping of credit, is a fertile source of mischief. By the means of it the wholesale trader is subject to the hazard of a double purchase. It opens the door to just such frauds as was attempted to be perpetrated at Hamilton, last September, by Ashbaugh, and White, to whom we recently made reference. Before the notes for the spring purchases have matured, the fall goods may be realized upon *en bloc* and the creditors find at last, like Shylock, that their money, their guineas, their goods, their all, is gone!

Another effect is that retailers unwittingly buy beyond their wants and their means of payment, so that the trade is liable to be overdone in both the wholesale and retail branches. This error is not discovered till too late—till the mischief is done and the work of ruin irretrievable.

When shortening the term of credit the prevailing practice of selling goods at irregular periods of credit should be abandoned. The same customer often buys some of his stock at six months, some at three months, and the remainder say at thirty days, or for net cash. Now this is embarrassing both to seller and buyer, and is besides, expensive, since it involves a great deal of unnecessary book-keeping. Still another change would be necessary, that is to reduce prices. Trade would be driven away from any merchant that attempted short credits without reduced prices. This would apply alike to the wholesale and retail trades. Any intelligent trader will see at a glance that he could afford materially to reduce his figures by shortening his terms of credit. Any house who have independence enough to act firmly upon this hint will be surprised at what will follow. Indeed, the experiment has been tried by a single firm that we know of and the results are affirmed to be most gratifying.

We know that writing against these practices is, when measured by results, very much the same as whistling against the wind. Merchants will sell and sell, trust and renew, just from the sheer force of habit, however vicious the system may be shown to be. But we do think it worth while to avail ourselves of the present opportunity to urge what all know to be right, and in the interests of trade. No better time than the present is likely to offer itself, to bring about a reform of the prevailing abuse of credit. Money is plenty; our houses are strong in masonry, and could afford to withstand any slight shock