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SPRING TRADE, 1876.

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The Journal of Commerce

FINANCE AND INSURANCE REVIEW.

MONTREAL, JUNE 16, 1876.

THE
COMMERCIAL DEPRESSION AGAIN.

There seems to be a concurrence of opinion between Sir Alexander Galt and the *Toronto Globe* as to the cause of the prevailing commercial depression, which both are of opinion is to be mainly attributed to the personal extravagance of our population, rather than to the reaction consequent on the termination of a large expenditure of foreign capital on public works. We apprehend that few will be convinced by the reasoning of the *Globe* of the correctness of his views. The arguments employed by our contemporary only strengthen the case against him. He of course cannot deny that in the second period of four years, which was contrasted by Sir A. Galt with the preceding four years, in order to prove the great increase of imports, there was a very large additional expenditure on public works. But he contends that this expenditure led to increased profits, and he triumphantly asks, "what then has come of all the profit made during these good years?" Surely it must be apparent that the greater the profit on the abnormal expenditure, the greater would be the stimulus given to enterprises of every description. It by no means follows that such profits were "recklessly spent." Of course cases of personal extravagance

have occurred, and such occur at all times and in all countries; but there is good ground for believing that profits were much more generally employed in new enterprises which experience teaches us are the invariable consequence of a redundancy of money. There is no branch of business that has not been stimulated by the expenditures to which we have referred. It would of course be a great error to suppose that the existing depression is to be attributed to any one cause. As we stated last week the shrinkage in value of one of our principal articles of export, has had a most important influence; but without at all undervaluing the effect of the increased imports of United States manufactures, we maintain that our own manufactures were unduly stimulated by the abnormal expenditure on public works. The reaction which has followed is precisely similar to what has been experienced on former occasions, as well after the Grand Trunk and Great Western construction expenditure, as some years previously after the expenditure of the Imperial loan during a few years following 1842. The same results have sprung from the same causes both in England and the United States; and while we are far indeed from contending that there have not been many cases in which culpable extravagance has been proved, we are much more inclined to sympathize with, than to blame the mercantile class for a state of things from which they are the principal sufferers. We contend further that no evidence has been adduced in support of the hypothesis that the existing depression is to be attributed to the culpable extravagance of our consuming classes. The assumption is based entirely on the increase of imports in the four years ending in 1875 over the four years ending in 1871. But there is no evidence to show that during the early period of the second four years these importations were excessive; and it is to be borne in mind that the aggregate importations in the last year (1875) were nearly eight millions less than in 1874.

We notice that the *Globe*, in its criticism on Sir Francis Hincks' remarks at the annual meeting of the Consolidated Bank, imputed to that gentleman the opinion that "personal extravagance and over importations had nothing to do with the present dull times." It will be seen on reference to those remarks that the expression used was "culpable over importations." No one can deny the fact that there have been excessive importations. The controversy is whether these were owing to the reckless extravagance

of the consuming population, stimulated by the reckless importation of goods by the merchants in excess of the legitimate demands of trade, which is the position taken by Sir A. Galt and the *Globe*, or whether, on the other hand, the over importation was caused by an abnormal condition of trade, consequent on a large expenditure on public works, which produced a temporary inflation, followed by a reaction which still continues, and from which all persons engaged in commercial pursuits will continue to suffer until there is a restoration of our normal condition.

THE NATIONAL THIRST.

According to reliable statistics we learn that the taxes raised on domestic and foreign spirits in Great Britain amount to upwards of \$100,000,000 annually, equal to nearly four dollars for each inhabitant, or, allowing the usual average of five persons to each household, nearly twenty dollars to each family. If such an enormous tax were laid direct the people would not endure it. In Canada the annual consumption of liquors, though not so extensive, is greater than is generally supposed, being upwards of nineteen million gallons, paying excise and customs duties of over \$5,000,000, or about six dollars yearly liquor tax for every family, contributing about one-fourth of the entire revenue of the Dominion. It would be interesting to know the amount paid at retail for the enormous quantities consumed. It is not too much to say that these nineteen million gallons are increased twenty-five per cent. through compounding and adulteration. There are certain houses in the trade whose business largely consists in compounding liquors. No sooner does any brand of imported liquors become popular than numbers of spurious imitations are thrown on the market, and at such rates that the sale of the genuine article is materially lessened. In this manner the business of the honest dealer is in a measure forced out of existence, and the "temperance" advocate is furnished with the best handle for fighting against the poor man's luxury and bané. To such an extent are these compounds sold through the country that it is almost impossible to get a glass of pure wine outside a few leading hotels in the Dominion. The consumers have lost all confidence in the wines now offered for sale, and to an increasing extent in brandies, gins, &c. Canada whiskey, beer and porter seem to gain ground in proportion as imported spirits are driven out. The quantity of native whiskey now consumed annually is equal to about 28 per cent. of the