

The Commercial

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ECONOMY THE ROAD TO PROSPERITY.

In an editorial article a couple of weeks ago upon the "Condition of the West. The Commercial said, "Economy is the Road to Prosperity." We did not elaborate any views in this direction at the time, but, nevertheless, there is abundant room for an article under the heading above. There is special room for the practice of economy at the present time, and just so surely as this is carried out, desirable results will certainly follow. Economy is the chief thing that is needed to overcome any little drawbacks and difficulties which may now be experienced. This is, of course, speaking in a general sense. There is the high cost of transportation; the low price of wheat; and the credit obligations of the people, which are always great in a new country in proportion to the wealth of the people. These are all drawbacks, which are felt perhaps more keenly than usual at the present time. The means to overcome these is found in the one word "economy." Economy will not, to be sure, lead to a reduction in the cost of transportation, nor will it directly increase the price of wheat. It will, however, indirectly overcome the effects of these disadvantages, and bring the country to a condition of prosperity in spite of these drawbacks. By making a bushel of wheat go further, it will indirectly increase the value of the grain.

We have said that the debt of the people is always greater in a new country. This is true if there has been the opportunity to build up this debt. There is a greater demand for credit in a new country. Production brings wealth, and in a new country where production has only begun, the foundation is only being laid for future wealth. We in the West are only laying the foundation for the future. But the most of us have come here with limited means, and it takes money to lay foundations. Plows and horses or oxen have to be purchased before we can break up the virgin prairie soil; and seed grain must be purchased; and machinery for the first harvest must be secured; and houses and barns have to be built, and provisions purchased to tide over the non-productive period before the first harvest is gathered. This is laying the foundation for future wealth. By and by we reach the season for returns. The time for production has set in, but in the meantime a load of indebtedness has been incurred, which must be gradually liquidated. We cannot expect to pay it all off in one season, nor in two nor three seasons, where the load incurred is heavy. But economy is equal to the occasion, and followed out systematically on these lines, the load, now heavy enough, will soon become a trifling matter.

We have stated that the indebtedness of a new country will always be great, if the opportunity of incurring this debt has been present. The opportunity for incurring indebtedness is found in the word "confidence," simply another

term for the word credit. Without confidence there would be no credit and confidence is the basis of credit. In a new country, without great confidence in the future, credit would be hard to obtain, and new settlers would have to go slow and economize very closely on the start. They would not be able to reach the state of production so quickly, but when they did reach that condition they would not have a heavy load to pay off. In Western Canada we have always had abundance of confidence in the future of the country, and consequently we have had abundance of credit. In the matter of credit we have overreached the mark. We have counted too much upon the early payment of the obligations incurred, after the stage of production had been reached. It would have been better for a good many if they had gone slower in reaching a condition of large production.

The inexperienced man who branches out into a manufacturing industry, is very likely to incur a very great unnecessary expense. He will probably find himself loaded with a lot of useless plant, and later on it will be found that a great deal of capital has been sunk by injudicious expenditures. When the factory is completed and the stage of production reached, under such circumstances, it is found that the establishment is handicapped from the start. A dividend cannot be made upon the capital which has been unwisely expended. There is dead capital to contend with. The money has been sunk, and it has to be written off as loss.

In our hurry to reach the stage of production on a large scale, many of our farmers have, so to speak, accumulated dead plant. They have spent money in various ways, for which they have nothing left but experience—valuable enough in itself if not purchased at too great a cost. It is a difficult matter to pay off this load. It can be written off as capital sunk, but the debt incurred must be met nevertheless.

Herein has arisen some disadvantage from the great confidence which we have always had in the future of the country. If confidence had been small, credit would have been hard to obtain, and new settlers with limited means, as the great majority have been, would have had to go slow at the start. While the stage of production would have been reached more slowly, it would have come in time just the same, and would have found the country with a lighter load of debt to carry, part of which is dead capital. In this respect, too free credit has worked some injury. Confidence in the country is all right, and there is just as much room for confidence now as ever before; but in basing our credit system upon this confidence, the disadvantages were not fully reckoned upon.

Economy, however, will bring relief. It will bring recovery from the bad effects of the capital which has been sunk, and will enable the settlers to liquidate their indebtedness generally and improve their surroundings, ultimately bringing them to a condition of prosperity.

Economy is the panacea for hard times. Nations as well as individuals will be enabled to overcome their financial ailments by a gen-

eral resort to economy. In flush times there is extravagance and waste, and the greater the extravagance, the greater the need for the application of the antidotes. There has been some extravagance in Manitoba. We do not mean to infer that our settlers have lived luxuriously. But many of us have gone into debt too freely, expecting too much from the future, when the time of production would be reached, too much costly machinery has been purchased, some of which has turned out dead plant, a great deal of money has been sunk in imported horses, which succumbed before they became acclimatized, and are therefore literally dead stock. The notion that a fortune could be made in a year or two growing wheat on a big scale, has led to lots of dead capital.

Economy will overcome the effect of these losses, and we believe that a general effort to practice this economy is now being made. We are therefore now safely on the road to prosperity. Sales of implements have been vastly reduced, the reduction amounting to 50 to 75 per cent of what it was a few years ago. General mercantile business also shows a great contraction. The people are also recognizing the disadvantages of buying on credit. Goods are now offered very low for cash, and the people are economizing, so as to be able to take advantage of the cash system, as well as to enable them to pay off existing obligations.

The contraction now going on of course makes times seem close, but there is no need to lose any of our confidence in the future of the country. On the contrary, as economy will bring about a more real condition of prosperity, confidence should rather increase. The only real need is to continue the restriction of credit business, so that when easy times are reached, there will not be the tendency to get back into the old system again. Goods are now being sold very cheaply for cash, and it is to be hoped that during the time of this effort to restrict credit business, the people will become so well educated to the advantages of the cash system that they will not return to the credit plan, no matter how freely credit may be offered at some time in the future.

It is hardly necessary, in conclusion, to advise merchants to adopt a conservative course. They can greatly assist this general movement of economy and retrenchment, by adopting a cautious course, and endeavoring to curtail, rather than expand their business. The wholesale trade can exert a great influence in assisting or retarding this natural movement toward prosperity. We call it a natural movement, because economy is the natural remedy for hard times, and the sure one to bring recovery and prosperity. Wholesale merchants, by refraining from pushing trade too actively, and by endeavoring to keep down purchases, both for themselves and their customers, to the actual requirements of the country, will help a great deal in bringing about a more easy situation.

Retail merchants will also feel the need of buying carefully, and will find it an advantage to reduce their stocks as low as possible. If the times are close and people are trying to economize, they will not be so particular about the style of the goods they purchase. This affords an opportunity to