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Has Business Depression Turned the Corner?

Conditions Which Led Up to Present Readjustment---Liquidated State of Business---Belief in a Halt in Downward Trend, and Evidence of Slow Recovery in Progress.

To understand the commercial and financial situation that confronts Vancouver today some attempt must be made to review the causes that have led up to the readjustment in progress for the past eighteen months. Following the depression of 1908, which in turn succeeded the credit panic in the United States of 1907, the rebound in the case of the Middle West and the Pacific Coast was particularly rapid. The opportunities offered by the great resources of British Columbia, especially in the timber caught the imagination of the shrewd investor in Eastern Canada, the United States and Great Britain, thus bringing this province to the fore in the financial eye of the world. The consequence was an active timber business, an increasing movement in land and a steady immigration movement.

The concomitants of this movement were a remarkable increase in commerce, in building in the prominent cities of the province, and in developments in the lumber industry. The rise in activity was in the main healthy and thoroughly justified under the circumstances, but like everything human it became overdone. To discount the future is not harmful in itself, but the extent to which it was carried during 1911 and 1912 presented a situation that was unsafe to the sound business structure of both finance and industry. The structure became top-heavy and the first quiver of tightening and credit was immediately felt not only by the wildly "optimistic," but also by the conservative business man who sought in the profits of his business to build up a reserve against the time of financial stress.

Right here it may not be amiss to say that the soundness of the growth, apart from the excrescences developed, is fully attested by the failure of anything approaching collapse during the period of readjustment which we have been experiencing, and which at times has approached drastic proportions.

Some of the phases of certain unwise growth may be referred to. Vancouver as a distributing centre is far from the sources of supply, i.e., the manufacturing centres of the East, the United States and Great Britain. The heavy consumption of goods such as building materials, iron and steel, supplies of all kinds, clothing, food, etc., was so extraordinary that the wholesaler, jobber and re-

any goods on hand to meet the day to day demand. This condition stimulated the heavier purchase of merchandise, with some effort being made to keep up with consumptive requirements. The consequence was that warehouse space was at a premium and as soon as a warehouse was built it was filled with goods against future demand. This element contributed to an era of speculation in business and to certain abuses that sprung up with it. One of these was that business was being carried on with too little capital on the tailer of this city, and out from this city, found it difficult to keep

part of the proprietor and too much bank credit. The margin of safety was steadily being weakened in the commercial structure.

Another element of weakness was developed to a high degree. The business man not only made business ventures on too small capital, but he abused his banking credit by taking profits from turnover out of his business to make realty ventures that were highly speculative, or were vastly in excess of the capital necessary to carry these ventures successfully through the first flurry in credit.

Because of the distance of Vancouver from sources of supply, which as mentioned above, stimulated business speculation, another evil obtained, namely long-term credit. Conditions were overextended, and insufficient pressure was brought to bear on the debtor. To a considerable extent the banks were responsible for this condition. During the past year the banks were blamed for the tension in credit. On the contrary, they should be censured for having allowed such liberal and long term accommodation.

The excesses in realty speculation on the part of a considerable portion of the citizens cannot be condoned except that they made

good for so long. Purchase of land where no improvement is intended, on the principle of a small initial payment and with the balance spread over several years, leaves liabilities for the future, which only the brightest and most prompt fulfillment by way of development can furnish the means of liquidating. When it is considered that the greater proportion of these liabilities have yet to be met, the extent of this drain on the commercial and reproductive enterprise of the city is apparent. Either the properties thus held must be improved and made revenue producing, or it must come out of the holder, taking up what profits from his business or investments he has to spare.

The real situation was forced upon the business community, although signs were apparent for some time previous. The first of

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