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Toronto, March 22, 1871.

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THE MONETARY TIMES,  
AND TRADE REVIEW.

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EXCESSIVE COMPETITION—CONDI-  
TIONS OF SUCCESS IN TRADE.

A noteworthy and not salutary result of the successive years of comparative prosperity and expansion which have attended the importing trade, in common with almost every other industrial pursuit in the country, is the development of an unwise and over-zealous spirit of competition. And this arises, not so much from any desire to grasp the profits of business as to live; it grows out of the necessity of selling, goods even at a loss, in order to escape the other horn of the dilemma—putting the shutters up. Were it the case that more capital could and did find profitable employment in supplying the farmers, mechanics and other consumers with cheaper goods, and that in this way competition was heightened there would be little to say. Capital can usually be safely left to take care of itself. If goods were bought for cash and sold for cash, at however close a profit, there would be no room for criticism; so soon as from any cause the business ceased to pay, the capital employed in it would suddenly be diverted to other channels and thus the difficulty would furnish its own antidote and legitimately work out its own cure. Unfortunately the struggle for business grows from a different root. It springs out of the fact that there are four persons in trade where one would suffice. These four are im-

pelled by inexorable necessity to live out of the business that should maintain but one; hence there is a quadrangular fight, an unscrupulous rough-and-tumble scramble for customers—a cry of “come on boys” “*sauve qui peut*” which freely translated is “the devil take the hindmost.”

An old merchant who reckons his years of active life in trade by decades, remarked to us but the other day, that competition was never in his experience so keen as now. He assures us that it is necessary to sell double the quantity of goods that would have sufficed two or three years ago to yield a given amount of profit; that profits are whittled down so fine that only the experienced, the skilful and those firmly established with abundant means can hope to come out successful; that while these fine cut profits may do to swim with in calm water, they allow no margin to create a “rest” or reserve fund, as the bankers say, against the perils of a stormy day; that when the periodical tide of losses sweeps in as it must do sooner or later, it will be found that the breakers will burst over the feeble barriers intended to restrain them, and many a seeming fair structure will be toppled to the ground. We cannot say that these views are unsound, nor that words of warning are out of place. We know that a policy of discretion and judicious caution is the right one to adopt, especially at this stage in the march of events.

To the over-crowding of the mercantile ranks, and the unhealthy spirit of competition thereby engendered may be justly ascribed every one of those drawbacks which mar the success and threaten the prosperity of the importing trade. Credit could be restricted within safer limits were it not that the goods *must* be sold. The cases and shelves must be emptied and their contents represented either by negotiable paper or cash, or the game is finished. If specious pretences at selling goods very low by quoting an imaginary advance on the sterling cost will do the imperative duty of the hour, then so must it be. If the customer is inexperienced, if he lacks one, two or three of these essential qualities, on which Credit ought always to depend, and without which it should be peremptorily refused—Character, Capacity and Capital—no matter, the business must go on. In this way, from that root of evil—a surplussage of traders—springs a whole crop of pestilent practices which must be put down before the trade can assume a healthy tone; and the only way to effect that object is to steadily discourage the new adventurers who are constantly crowding in, seeking wealth where so many have sought it in vain before.

With the growth of competition the neces-

sity increases of closer discrimination in giving credit, and of keeping a better watch over the run of a business. In opening an account with a new customer something more should be done than to glance at a Mercantile Reference Book, and ascertain his “ratings.” This is at best but the barest kind of information and may easily mislead. Diligent enquiry should be made whether the new applicant for credit possesses the elements on which credit should be based. Has he ever failed and if so how often and under what circumstances? Does his moral character indicate him as a person worthy of trust? Has he a good pedigree, though in these days of degenerate sons too much reliance must not be rested here? Has he a capacity for business, such as to give him a reasonable hope of success? Does he understand accounts and the necessity of them? Has he the capital or resources which justify his hope of winning in a race where so many swift and successful competitors are pitted against him? If these and other questions that the circumstances will suggest, can be satisfactorily and reliably answered, an account may be opened. If they cannot, then selling goods in such a case is a mere game of chance, in which the stakes are all in favor of the debtor and against the creditor. Surely a successful business career is a sufficiently strong motive to induce the general application of such simple precautionary measures as these—suggested alike by experience and by the dictates of common sense—and without which, as matters go, success is not to be anticipated.

## HANDSOME PROFITS.

Probably no class of commercial enterprises ever paid a better return on the capital hazarded in their establishment than the more prominent and successful Life Insurance Companies of Great Britain. In the case of some of the leading offices the profits are enormous. And to this fact may be attributed the rage for promoting life insurance companies which prevailed for a series of years and which has been productive of such dire disaster to a long list of confiding dupes. The experience of the Standard, the Crown and others, served to excite the greed of an unscrupulous class of schemers, and afforded a tempting bait with which to lure hosts of eager shareholders. The result in all these cases was just that intended—a large return to the projectors in the shape of promotion money, and further spoils as wreckers or amalgamators, the shareholders and policyholders being left to console each other in their mutual misfortunes as best they could.