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Toronto, September 6, 1870.

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THE

Monetary and Commercial Times.

WITH WHICH HAS BEEN INCORPORATED

THE MONTREAL TRADE REVIEW.

TORONTO, CAN., FRIDAY, OCT. 21, 1870.

THE CREDIT SYSTEM AND ITS RESULTS.

Among the gravest abuses still clinging to the business of Canada, is the wretched system of long credits. We are free to admit that very considerable progress has been made in the way of reform in some localities, of late years. In Montreal, Toronto, Hamilton, and in most of the older-settled counties, business men would smile if customers asked for the time on their payments which was common ten years ago. But still the abuse is by no means eradicated, and in many parts of Canada the vicious system continues in full force, with all its baleful results.

We fear that our friends in the Maritime Provinces continue to suffer not a little from this cause. Until recently scarcely a single article commanded the cash in Nova Scotia and New Brunswick; and if all reports be true, the business community, particularly in the country districts, have still to give long credits upon their sales. In some parts even of Ontario, the retail traders are not in a much better position; but it matters not where the system exists, it calls urgently for reform.

In the early settlement of the country, long credits were unavoidable. These were the days when there was but little wealth in the country—when no railways, and but few

good roads existed—when there were but few markets, and only occasionally cash was obtained for produce; during that early period the settlers saw very little money, and unless they bought on long time, the great majority of them could not buy at all. But this condition of things has long since passed away. Wealth has become abundant; railways have brought markets within a few miles of every farmer's door; cash can be obtained for every article produced, and no excuse exists for continuing the ruinous system of twelve and fifteen months' credit which still obtains in some localities.

We have called this "a ruinous system." We repeat it. In many cases it is ruinous, both to purchaser and seller, and in all cases it is injurious. No customer can afford to buy goods on long time, for in some cases he has to pay twenty-five, in some fifty, and in others even one hundred per cent. more for what he requires! It is impossible for a trader to sell as cheaply on long time as for cash or short credit, and hence the old, effete mode of doing business, wherever it exists, inflicts a heavy loss upon purchasers, by causing them to pay more for articles than they are really worth.

But how does it affect the seller? If he charges more for his wares is he not benefited? The best answer to this is to be found in the large number who have been ruined by long credits and bad debts. How many men are there throughout the Dominion to-day who are what is called "hard-up"—who find it difficult to meet their engagements—but who have their book filled with accounts? Many of the merchants who take advantage of the Bankrupt Law hand over to the assignee book debts and notes which, if they were all good, would more than meet their engagements; but in nearly all cases these debts and notes are the dregs left of the wretched credit system, and the assignee soon ascertains that the bulk of them are utterly worthless. The articles which these accounts and notes represent, may have been sold at exorbitant prices. But the proportion of bad debts is so large, that the seller suffers in the end.

Although the country is generally prosperous at present, successful businesses can be found in all parts of the country which are in danger of shipwreck from the owners foolishly giving too extended credits. These persons do a large trade; they sell at good profits, and outwardly they appear to be amassing money; but they are still puddling away in the mud of long credits. They have made money, but it is in old, long-winded accounts and notes-of-hand, which should have been settled long ago, the result being a constant drag from month to month to raise

enough to meet their bank engagements, and not unfrequently ending in "collapse." In not a few cases of this kind, money has to be borrowed at high rates of interest to prevent suspension, whereas, under the system of cash sales or short credits, the individual would occupy an easy financial position, and would make money pleasantly as well as surely.

That this is a crying abuse is now generally admitted in Ontario. In the principal commercial centres a partial reform has been effected, but there is still much room for improvement. In the localities where no change has been made, it cannot be brought about too soon. There is now no necessity for such long credits being given, and both seller and buyer would be benefitted by doing away with so injurious a system of doing business. From the results we have already witnessed, we can say to our friends in the Maritime Provinces, that the further they introduce the cash system, the better they will like it. Its effects are soon seen in the improved tone and character of business, increased security, and augmented enterprise.

To introduce the complete system of cash payments is probably impracticable, except in individual cases. But if it could be done, there can be no question in regard to the advantages which would flow from it. Our American neighbors have for several years past carried on most of their transactions on a cash basis; and but for this, what would have become of their business men, with values sliding daily up and down, as gold happened to rise or fall? There must long ere this have been a commercial upheaval, the like of which the world has never seen. Under a system of long credits, this result would have been inevitable.

There never was a better opportunity for the business community of Canada to correct the abuse of long credits than at the present time. All classes are now fairly prosperous. Money is comparatively abundant, and seldom were the circumstances such that the business of persons who want twelve or fifteen months' credit (and as long after as they like) could be declined with less injury. Many country merchants and other traders would do well to cut down the length of their credits one-half at the beginning of the new year, and offer special inducements for cash. They may lose, by this course, a customer or two at first, but they will attract others, and come out richer and more respected in the end. In short, the sensible part of the public is ripe for this reform in business, and the sooner it is introduced into every part of the Dominion, the better it will be for all classes.