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SPRING TRADE, 1876.

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The Journal of Commerce

FINANCE AND INSURANCE REVIEW.

MONTREAL, MARCH 31, 1876.

AN ESSAY

On the causes of depression affecting the Mercantile and Industrial interests of Canada; having reference also to prospects of improvement.

The trade of Canada is affected by so many contingencies that it is somewhat difficult to decide in what order of precedence to take up the discussion of the various influences which have militated against its prosperity. A cursory glance may bring us to interests where the depression is purely sectional, as in Petrolia, where the whole trade depends on the oil enterprise, the depression of which brought trouble to all. We find the same in those towns and outlying districts which exist on the lumber trade. Again, we find the distress rather special than sectional, as in Goderich. There the salt business, which has been continued without profit to the manufacturer, has not greatly affected the towns-people. Still these drawbacks, though confined to a few localities and businesses, have had their weight in the general decline of prosperity. While attempting to fathom the secrets of our own distress, we may glance at England, Germany, the United States, and some countries of South America, and find a corresponding state of commercial disquietude. In a discussion of Canadian commercial matters, the close proximity of the United States renders a consideration of the tide of

affairs there imperative,—the markets of Montreal, Toronto, and other centres of trade here, sympathizing quickly with those of New York, Albany, Boston and Chicago. The sympathy existing between the two countries through geographical position has been enhanced, partially by the state of our own tariff, and partially by the special legislation of Americans, in giving, on certain exports, a drawback equivalent to a bonus to the exporter, by which our protective tariff has been sufficiently overbalanced to give him a margin for business in Canada. The mania for railroad extension, joint stock companies, banking institutions, and speculation of every description, have brought about the reverses in Germany.

In England the high rates of interest offered by foreign countries presented so tempting a bait to capitalists that loans increased enormously within the last few years. The loans to Turkey and Egypt were negotiated under this mesmeric influence, and have proved lamentably short-sighted. The decline in the value of these loans, together with the perpetration of swindles of an unprecedented magnitude, and the general depression in business circles, has brought grief to many. The depression existing in Germany and the United States has produced a shrinkage in the values of merchandise in England that has had a cooling effect on those interested, and has arrested the spirit of enterprise that marked the mercantile community. Under this pressure credit has become dearer, and Canadians, and no doubt Americans, having business connections in England have felt the effect. While financial depression has been so general over the world, France, although under an immense outlay in consequence of the late war, appears to prosper. This is owing to her great natural wealth and economy. She has been fortunate in having financiers who could reduce great economic principles to practice. And who, under an extraordinary expense, kept the expenditure below the revenue. But before proceeding further it may be well to present a statement of what the casualties in both the United States and Canada have been. The Annual Circular of Failures gives us very concise information on this point. The statistics are as follows:—

Failures in United States for the years.	1875.		1872.	
	Num-ber.	Amount.	Num-ber.	Amount.
	5,183	\$228,400,000	4,069	\$121,056,000
Failures in Canada for the years.....	991	\$12,331,192	726	\$6,451,625

Perhaps the chief cause of the extreme depression that has fallen on all classes throughout the country may be found in the credit system existing among commercial people. The steady success of former years induced speculation, and gave false encouragement to launch out more freely than was prudent, while the credit system kept pecuniary matters at so great a tension that people who had so acted could not withstand the shock. And, instead of a disposition to shorten credit, there has been a tendency in the other direction; so that goods usually sold at four months have been disposed of, during the past year, at six and even seven months.

There has been an unwonted desire on the part of the better class of retailers to aspire to a jobbing trade, by selling to the small shop-keeper who frequently had neither capital, experience, nor brains; and on the part of wholesale firms, or their representatives, to sell to country merchants with small capital, but, nevertheless, with sufficient capital to be perfectly safe in the hands of a few houses. Such men in a time of depression find themselves besieged by people, who, if they know the number of creditors to be so limited that they might all act together, would willingly give them, if deserving, an extension, but who, on finding that the embarrassed merchant has his liabilities scattered over the country, see how hopeless it would be to act conjointly and therefore proceed with the sole object of securing themselves. It might be remarked here that such men frequently possess the same faculty for scattering their assets as they do their liabilities. Well, the result too often has been with the merchant of this class that, if he has not had to assign, he has had to call a meeting of his creditors, which impaired his standing as a man of business both with the wholesale trade and with his neighbors. A reckless disposition to sell men of this class has proved equally disastrous to both retailer and importer. It might naturally be supposed that the long credit given by the country merchant would force him to look for prompt payment when his accounts became due, but, for fear of driving away trade, the manner in which he asks for his claim would often lead one to believe that he himself doubted its correctness and justice. The

Failures in United States for the years.	1875.		1874.	
	Num-ber.	Amount.	Num-ber.	Amount.
	7,740	\$1,060,353	5,830	\$155,239,000
Failures in Canada for the years....	1,063	\$28,843,967	966	\$7,696,765