

The Commercial

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THE BUSINESS SITUATION.

Though there have not perhaps been more than the usual number of visible business failures this season in the region commercially tributary to Winnipeg, there have been a very large number of private meetings of creditors, to consider the affairs of various retail traders. The large number of these meetings is to some extent due to the desire to obtain a close insight into the affairs of these merchants, before granting favors in the way of renewals and extensions. Another cause of this condition of affairs is the greater harmony which prevails among the local wholesale trade since the organization of the jobbers' union here. The jobbers are acting unitedly in these matters, and they are carrying out a policy which they consider to be in the interest of the entire trade. This plan will certainly bring better results for the retail as well as the wholesale trade, than could be secured were each jobber acting independently and in his own interest only.

While the number of actual assignments in trade here has not been such as to cause any alarm, these frequent meetings of creditors indicate that something is wrong. A trader who is paying 100 cents on the dollar and meeting his obligations promptly, would certainly not be called upon to place a statement of his affairs before a meeting of his creditors. Why then these meetings? The fact is, a large number of retail merchants throughout the country are not meeting their obligations promptly. This is the actual situation, and to those who have been familiar for years with the commercial conditions in this country, the statement will not cause any surprise. They will know that renewals of paper and extensions of time of payment have been common here since the commercial fabric of the country was established in its present form. Viewed in the light of past conditions here, it is not therefore a cause for alarm that many retail merchants are not able to meet their obligations promptly as they fall due.

At the present time an effort is being made to correct the evils of the commercial conditions in this country. These evils have existed for years, and in fact were introduced into our business fabric as a result of the "boom" conditions attending the early development of the country. Long and reckless credits and loose ideas of promptitude in meeting obligations are the principal evils we refer to. A vast improvement has been made in the situation during the past two years, in the matter of credit business, but there is room for improvement yet. These meetings of creditors in Winnipeg, as we have stated, indicate that obligations are not being met promptly by many retail merchants throughout the country, and the desire of the jobbers is to take concerted action in investigating the affairs of such retailers, discover the cause

of their slowness and try to apply a remedy.

In following up this plan systematically, it may be necessary to wind up a number of retail concerns, and where the decision is made to wind up a business, it will undoubtedly be a decision in the interest of all concerned. There is undoubtedly too much competition in the retail store trade at many points in this country, and in a number of cases this competition has been increased by parties who were lacking in capital, ability or experience, and whose chances for success were accordingly just about nil. The weeding out of such traders, along with the movement to restrict credit and improve the business situation, cannot but have good results.

The merchant who cannot meet his liabilities as they fall due is strictly speaking insolvent. This rule has never been applied in trade here, and it would not be advisable to apply such a rule too closely in ordinary mercantile business. Retail merchants who could show a reasonable surplus, have been in the habit of considering themselves perfectly solvent, even though they were obliged to ask for extensions of time to make payments. The latter idea has no doubt been carried too far as a result of the prevailing business conditions. The trader who cannot meet his obligations promptly, even though he have a large surplus in his business, should consider himself, if not actually insolvent, at least in a very dangerous position. If this latter view of the case were the popular idea among traders, there would no doubt be fewer occasions for holding meetings of creditors.

These investigations into the affairs of retail merchants who are not meeting their obligations promptly, as a rule show a considerable surplus of assets over liabilities. They also show that credit business is at the bottom of the difficulties of most of these merchants. In the great majority of cases the assets in the shape of book accounts are out of all proportion to the other items in the statements presented. In some cases the book accounts exceed the value of the stock-in-trade. In one case recently investigated, for instance, the book accounts, after deducting several thousand dollars of bad accounts, still aggregated over \$5,000, while the stock-in-trade amounted to something over \$5,000, and liabilities were about \$10,000. Here was a nominal surplus of \$1,000, but as book accounts are only worth 15 to 20 cents on the dollar in winding up an estate, there would be an actual deficit of between \$1,000 and \$5,000. This trader, however, had other assets, not of a strictly commercial nature, which gave him a nominal surplus of about \$15,000, and with care he will pull through all right. This man had good capital a few years ago, and his troubles were due to two causes, namely, credit business and outside investments. The book accounts are shown to be absurdly large in proportion to the other items, even after throwing out bad accounts.

In a number of cases outside investments, particularly in real estate, have placed retail merchants in such a position that they were obliged to throw themselves upon the leniency of their creditors, but in the majority of cases

credit business has been the cause. It is ridiculous to think of a merchant carrying on his books accounts aggregating a total almost equal to his stock-in-trade, much less to exceed the latter item. Such a condition is bound to bring a retailer to the humiliating position of a suppliant for mercy from his creditors.

While improvement has been made during the past two years in regard to credit business, it will be seen that there is great room for improvement yet. A large number of merchants throughout the country require to make a heavy reduction in the amounts carried on their books before they can be reasonably sure as to where they stand financially. The present movement on the part of jobbers to investigate the affairs of retailers who are slow in their payments, will no doubt have a good effect in spurring such merchants up to an effort to reduce their book accounts.

THE LUMBERMEN'S ASSOCIATION.

A few weeks ago The Commercial contained a report of the annual meeting in Winnipeg of the Western Retail Lumbermen's Association. This is an organization which has fallen in for a great deal of adverse criticism during the few years of its existence. Anything in the nature of a trade association is sure to meet with a great deal of adverse criticism from a certain class of persons, regardless of the aims, objects and practical workings of the association. If a few persons in any branch of trade meet together for the purpose of furthering their special trade interests, some one is sure to raise the cry of "combine," a word which is frequently used in a wrong sense, and there are always plenty of persons to take up the cry and use it as a cover to make false and malicious statements. The cry of combine has served to shield an unlimited amount of misrepresentation. There is quite a large class of persons in the towns as well as in the rural districts, who seem ready to believe any ridiculous stories which may be invented and related against an organization, when the word "combine" is applied thereto. They will not stop to consider the reasonableness of the statements, or whether or not the word has been properly applied. The very word "combine" is to many persons what a red rag is to a bull. They at once become excited and begin to rave, with really as little reason as would be found in the actions of a vicious bovine of the masculine persuasion under the conditions noted.

The word combine has been applied to the Lumbermen's Association, and, as might have been expected, the Association has fallen in for any amount of criticism, most of which has been made up of either entirely false or at least very misleading statements. The Commercial has been at some pains to look into the methods pursued by the lumbermen, and we cannot see where the public have suffered as a result of the working of the Association. On the contrary, the methods pursued have been such as to benefit the public at large, while at the same time work