

1873. OCTOBER. 1873

Bryce McMurrich & Co.

FURTHER SHIPMENTS

RECEIVED, AND

Stock in all Departments

STILL

FULLY ASSORTED.

34 YONGE STREET, Toronto.

Toronto, 2nd October, 1873.

THE MONETARY TIMES,
AND TRADE REVIEW.

TORONTO, CAN. FRIDAY, JAN. 2, 1874

THE DANGER OF GOOD CREDIT.

The above heading is not a misprint; and in writing it we do so deliberately and after consideration. The danger of *bad* credit is apparent enough, but we only need to look beneath the surface to find that good credit has its rocks and quicksands, which are no less to be feared than the danger that besets the man whose credit is bad. As a matter of fact, good credit has ruined many a man. Men that are struggling with poverty to-day, having gone through the miserable ordeal of insolvency, often rue the time when their credit stood high, and when they were advertised to all the world in confidential reference books as being of "high standing." For the effect of it is this. In these times of keen competition and severe struggling for business on the part of wholesale houses, every man who has the reputation of being "good" is constantly beset with applications to buy. Travellers abound in such numbers that he is in fact perplexed if not tormented with their importunity. Goods are pressed upon him. If he yields a little, the traveller, skilled in the art of selling, quick to take advantage of the slightest opening, presses home the suit. An offer to buy one piece, more to get rid of him than because it is wanted, he meets by exclaiming, "Come now: *one* piece." Make it half-a-dozen; say half-a-dozen, and we will date the invoice forward." "Paper will come due?" "Pooh, a man like you talk about paper coming due! There are men, my dear

friend, (and here he whispers confidentially,) who have precious good reason to be afraid of putting their names to paper. Your neighbor over the way there, eh?" A little flattery goes a long way with some men. The tempter's voice is yielded to, and the six pieces of goods, not one of which is wanted, are ordered.

This kind of thing goes on not only when the traveller pays his visit, but when the storekeeper "in good credit" visits the wholesale warehouse. They are glad to see him. The firm make him feel at home at once. Very likely the principal partner, who has got a fine house, invites him to dinner and pleases his own pride and flatters his customer at the same time. And so, when he goes down to the warehouse, he is in high good humour, in first-rate spirits for buying. We all know the consequence. He buys far more than he intended. When the invoice is made up, he is probably a little startled, but comforts himself with the thought that he will have no difficulty in renewing the paper, being "in such good credit." But "good credit" will not prevent liabilities from maturing some day; and, besides this, renewals mean a heavy interest account. Good credit, too, will not enable a trader to sell more, or to get a better profit, or to collect his accounts better, or to avoid bad debts. It will enable him to get deeper into debt, but it will not enable him to make more money. He can buy more goods, but then he can only sell a certain quantity in a legitimate way. All he sells over that he must force off to his own loss and the injury of his neighbours.

What has been said with regard to the dealings of a retail with a wholesale merchant is further true respecting the dealings of a merchant with the banks. For some years back we have had a large increase of banking capital, and a considerable amount of competition between banks for business. Any merchant in good credit was an object of interest to zealous directors, anxious to show that they were not mere drones in the hive, and hints would be conveyed to him that at such a bank he could have "all the money he wanted." That is the phrase. It would be more than could be expected of human nature if with such inducements he did not buy more freely and credit more freely. It is always a worry to collect outstanding accounts, and very much easier to borrow from the banks. And if his own banker, observing his account run up, chides him for his own good, he is at once very independent, and either insists on having what he wants or removes his account.

But here again, borrowing money, as a

rule, will not enable him to make more, but the contrary; and this in several ways. He will first have a heavier interest account; he will not collect as closely; and he will be less vigilant, less careful, less attentive to details than before; the result of all which is more bad and doubtful debts and less real profit.

Many a ruined merchant in this and other countries, particularly in lines of business where transactions are large in proportion to capital, has reason to rue the day when he was approached by a Director or Manager of a Bank with offers of more accommodation. He would never have been approached had his credit not been high. His good credit, therefore, has been his destruction.

It is a very pleasant thing, doubtless, to find one's self advertised by the Mercantile Agency to all the world as a man of standing; but many a man might wish for his own good that his credit might always be kept low. It would prevent his being tempted with offers, and save him perhaps from ultimate bankruptcy.

BANKING REVIEW.

The financial condition of the United States is at present a very singular one, and has aspects which are not readily understood or explained. That monetary affairs there are subsiding into a quiet normal condition is most manifest. That so far as foreign trade is concerned it promises to net an enormous profit on the year's business, is also clear. That their wealth must have increased largely and their indebtedness decreased in the last twelve months is beyond question; at the same time it is only too true that the depression of their industrial activities is so great as to have thrown a large population out of work, so large, indeed as to be a danger to social order in the larger cities. We do not by any means affirm that this is the solution of the whole cause of the trouble, but that it is of some large portion we are convinced: viz., that the labor market is now suffering the inevitable reaction of that forcing up of wages, which has been effected by an elaborate machinery of trades unions, under the favorable circumstances supplied by an irredeemable paper currency. An artificial inflation of labor values necessarily involves a large inflation of credit by depressing the value of capital, by increasing the amount of all forms of capital locked up, and in a country where extreme protection prevails, by fostering unsound enterprises commenced under mistaken notions as to profits realized from the high prices prevailing for home manufactures.