

**SKETCHES OF THE LATE  
DEPRESSION; ITS CAUSE, EFFECT  
AND LESSONS. WITH A  
SYNOPTICAL REVIEW OF LEADING  
TRADES DURING THE PAST DECADE**

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Sketches of the Late Depression; Its Cause, Effect and Lessons. With a Synoptical Review of  
Leading Trades During the Past Decade by William Wickliffe Johnson

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**WILLIAM WICKLIFFE JOHNSON**

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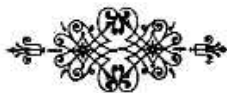
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## PREFACE.

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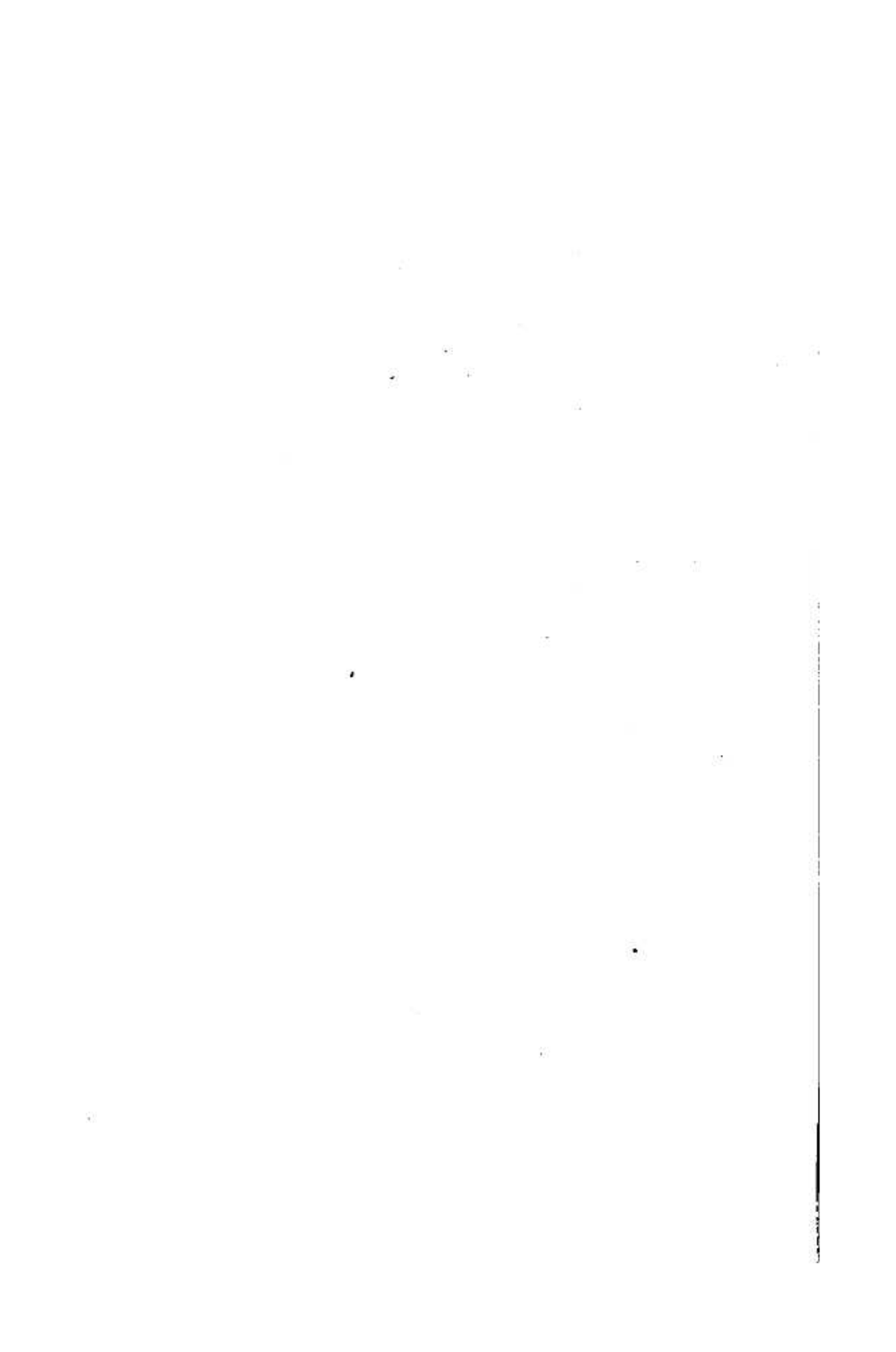
*Ordinarily, the writing up of prosaic commercial axioms and histories requires little introduction; the work proceeds in a groove of its own, the phrases made common by usage, the customs in vogue among merchants, and the conditions surrounding trade situations tend to make a compilation of this character mechanical, and create but small necessity for a preface.*

*I have endeavoured, however, to place some old but wholesome truths in as strong a light as is possible for me to reflect, and my object has been to emphasize their meaning and value.*

*My belief that morality goes hand in hand with success in business, that extremely valuable lessons can be learned during a period of adversity—so well learned that they will never be forgotten in the flush of better years,—together with other points which it seems to me are seldom thoroughly considered, will be illustrated in the succeeding sketches, and, if my effort serves to remind merchants that there is a higher, yet accessible plane of action for the class to reach in their dealings with each other,—a line of business morale the exercise of which may cause fewer regrets when opportunities for reform become less frequent, I shall have attained the object which is paramount in writing this book.*

W. W. J.

*Montreal, April, 1882.*





## CHIEF CAUSES OF THE DEPRESSION.

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The inauguration of our recent protracted and exceptionally severe period of stagnation, disaster, and general shrinkage in commerce may be chronicled as dating from the spring of 1874. Its sure approach, however, was shadowed forth during the previous two years,—to those who closely studied the logic of events, and kept alive to the conditions creating these.

The downfall of several houses of the mushroom type of growth, of weak and uncertain antecedent record, with little claim to consideration in any sense, yet who had managed to work up large turnovers of business through the overweening credit-confidence of the time, was the earliest result of an almost unparalleled inflation. These failures were followed by the stoppage of a few sounder interests, and by the attempted contraction of business in more conservative quarters, until the advent of an extended term of depression became fully patent.

In the bright light afforded by calm reflection in these latter years, it seems incredible from many points of view, that dispensers of credit in the money centres, possessing, as many of them did, a comprehensive knowledge of the Dominion's capacity respecting the proportion of imports to exports, and a close count of population and consequent ratio of supply and demand, should have been caught with unfurled sails in the wildest adverse gale which ever swept the commercial interests of our country. But once committed as we were, the actual force and severity of the situation tended for a long time thereafter to keep alive elements antagonistic in character—a natural outcome of our surroundings in 1874. The general desire to make poor ventures *pay out* to the best advantage, the scramble for security as well as continued accommodation, the difficulty of getting discount limits down to a normal point, the poor eventual realization of long-nursed assets, and the shifts and expedients resorted to in the attempt to stave off

the inevitable day of settlement, only resulted in a prolongation of the trouble, and final greater loss ensued to all, save to those few who had not departed from the business principles of the preceding generation.

The effects of these trade disturbances were, from first to last, most acutely felt in the Province of Quebec, though the depression was general. The Maritime Provinces also felt distress seriously, but it attacked their interests in alternate years, and their worst periods did not run into each other so closely as was the case in the former Province. Their troubles were the result of more exceptional causes—such as the spasmodic action of the West India interest, mining paralyzation and losses, serious fires and subsequent overbuilding—while upon the Province of Quebec—at its metropolis—fell the brunt of the effect of local troubles at *all* points throughout the country, as well as those peculiar to its own boundaries. Among the latter may be classed its weak and partial agricultural development, its stationary mining interests, its loss of a large revenue from lumber production—which in better times found its chief channels to be those leading through Montreal and Quebec—and its grossly overdone state of business in all branches. Its chief cities by natural causes were made the centres of losses occurring through failures in every part of the Dominion, in proportion as the merchants of these cities reached out into every Province to find customers. Throughout three-fourths of the decade ending with 1880, the pro-rata amount of actual loss thus fathered by this Province was—it is safe to estimate—three dollars to one sustained by any other trade centre.

The result of this undermining of strength at the end of 1880, is made clear by the record of casualties during the time quoted. From 1872 to the end of 1880, *one hundred and forty-nine wholesalers and manufacturers were swept entirely out of existence in this unfortunate Province*, while ninety-two additional houses had failed, but continued business with an impairment average of capital and turnover of about 50 per cent. During the same period three banks were forced to retire from business, and three reduced their capital largely. In the above recapitulation of the embarrassments of the era, only the larger concerns

are enumerated, whose existence was largely dependent upon continued confidence, and the vitality created by a sounder state of affairs; the other Provinces show a much better record, the casualties in the same class of houses being not over two-thirds in number, and representing not quite five-eighths of the same liability. Adding to this gloomy history the actual numerical record proportion of other smaller unfortunates, as well as the count of all cases of failure in other Provinces, we have the fearful ratio for the two darkest years of the decade, of one failure in every twenty-eight, and one in every twenty-nine traders respectively.

While the commercial interests of Canada then were subjected by local causes to this extensive purging and reactionary effect, other countries were passing through the throes of serious and general disturbance. The great Republic laying to the south, with its enormous vitality and self-contained strength, found a general revival of trade impossible for nearly five years, and as a consequence drew upon Canadian lumbermen for but meagre requirements in the way of sawn stuff, its building interests being clogged and demoralized. The depressed state of affairs in the old country also operated against any increase in the demand for our square timber and other products, we had no help from any quarter to an appreciable extent, in the way of gain through commercial interchange or demand; we were simply forced to undergo the process of gradual elimination of weak elements within our own boundaries, and through concentration at home, work out the problem which pointedly presented itself for solution in 1874.

Among the chief direct causes which steadily led up to a crippled condition of the countries energies then, were first: the encouragement extended, through credit being cheap, to enterprises which were already overdone, or which were comparatively untried. This state of things was in turn easily referable for explanation to the fact that we had too much banking capital seeking employment, and to the immense importations of 1872, 1873, 1874 and 1875. During two of these years our imports rolled up the annual amount of \$127,000,000; an increase since 1871 of \$41,000,000, for the respective years, while the exports during the same two years were only an average of \$89,000,000—an advance of but \$15,000,000 in the same length of time. This large excess of importation