

THE EBB AND FLOW OF GOLD QUESTION.

In view of the alleged responsibility of gold exports for the panic of last summer, it will be interesting to look carefully at the data upon which this charge against gold is made. There is a disposition to attribute more power to gold as an evidence of financial strength than it is entitled to. There have been some reflections thrown upon Canadian banks for keeping their specie down at a too low figure in the judgment of theorists. As a matter of fact—a matter of which older bankers have an experimental knowledge—the difference between holding one or two more millions of gold, when a real panic strikes a country, is of very minor importance. If the small extent of its specie holdings is proof of a bank being weak, then ninety per cent. of English country banks are in a very delicate condition, for they keep no reserves of specie at all, relying upon the inflow from customers to meet the demands of others. The drain of gold from the States this year was large no doubt, but not unprecedented. Yet in previous periods no panic, nor even anxiety, was created by these exports of gold. The following figures, taken from *Traffic*, a Philadelphia monthly, shows how this matter stands so far as a comparison with last three years is evidence:

	Exports of gold.	Imports of gold.	Excess of exports.
1890	22,063,074	20,230,000	3,832,984
1891	79,486,581	44,970,110	34,516,471
1892	76,532,656	17,430,946	59,081,110
1893			
8 months	74,841,652	58,049,687	15,791,965

Taking the twelve months from 30th September, 1892, to 31st August, 1893, the gold movement was as follows:

	Exports of gold.	Imports.	Excess of exports.	Excess of imports.
1892-93.				
Sept.	3,627,663	1,303,536	2,324,127	.....
Oct.	484,250	3,118,350	.....	2,634,089
Nov.	1,188,647	2,577,212	.....	1,438,565
Dec.	12,879,727	1,540,538	11,339,189	.....
Jan.	12,584,396	370,843	12,213,553	.....
Feb.	14,245,607	1,257,539	12,988,068	.....
Mar.	8,113,428	6,638,437	1,504,991	.....
Apr.	19,148,994	823,985	18,324,979	.....
May	16,914,317	1,708,557	15,205,760	.....
June	2,711,226	1,000,682	1,701,544	.....
July	174,212	5,934,515	.....	5,776,401
Aug.	949,502	41,340,931	.....	40,390,529
Totals..	\$92,971,939	67,589,303	75,622,211	50,239,584
Total excess of exports.....				25,382,636

For the year *exclusively*, the excess of gold exports even imports up to the end of July was \$56,182,494. That figure is considerably below the excess of exports in 1892, and in August the crops begin to move to Europe which stops the outflow of gold. The very large exports in December, January and February which aggregated \$39,709,735 produced no anxiety. In these months business was in excellent condition in the States, on the whole, and in March the gold drain was practically stopped. Yet, two months later, the country was in the throes of one of the most disastrous financial disturbances ever known. As a factor in the problem, what caused the late panic the exports of gold takes rank, but cannot be placed very prominent. It was not so much a question of what had happened, but fear of what must happen if certain financial conditions were left operative which engendered distrust, especially in Europe. With an expenditure or government account going on of \$10,000,000 per month in excess of income, and an enormous waste of resources being kept up in the hoarding of silver, which was becoming a white elephant on the hands of the Treasury,—very costly but not of active value—there was enough to create a lack of confidence in the finances of the

States, which developed into panic, which, like many others, was carried to a most irrational excess of alarm that destroyed that general confidence which is the most valuable capital of every mercantile community.

PROVINCIAL FINANCES.

In judging the recent Budget presented by the Provincial Treasurer, we, in justice to him and his government, need to recall the conditions under which they assumed office, and the financial ditch out of which they were called upon to lift the public coach. An inscription on a stone in Scotland reads that, if the spectator "had seen these roads *before they were made*," he would have called down blessings on General Wade! Those circumstances are only too well remembered to need reciting in detail. The situation was one of reckless financing which involved annual deficits, constantly enlarging debt, lowering of Provincial credit, increasing difficulty in borrowing, and consequent expensiveness of that process. Such a dark financial situation manifestly was not capable of being made suddenly bright by any reforms, however heroic. Government engagements, to a large extent, reach a year or two ahead, often further. The re-adjustment of revenue by new taxes involves time to arrange and to develop, so that, although much remains to be done to bring the finances of the Province into good shape, we must acknowledge that the work already accomplished is highly creditable to the government, and hopeful for their future management. The progress made is shown by these figures, in which loans and subsidies are not included:—

	Revenue.	Expenditure.	Deficit.
1889-90	\$3,588,920	\$4,969,489	\$1,380,569
1890-91	3,730,813	5,195,049	1,444,236
1891-92	3,494,118	5,236,768	1,742,650
1892-93	4,467,278	4,492,106	24,828

In presenting statements of government financial operations, which include receipts from a variety of sources that are not strictly "revenue," and include also outlays, that are not properly to be classified as "expenditures," it is easy to so manipulate the totals as to convey an entirely incorrect impression as to what the actual character of those operations has been. It seem to us that in the Budget the distinction is not drawn with requisite clearness between funds received solely from sources of current annual revenue which can be strictly styled "income," and those that are casual, arising from loan operations. Nor is the line drawn sharply between items that cover current annual expenditures and those that are mere distributions of borrowed money. When the Budget Speech is published this point should receive the Treasurer's attention, as, until all items into which borrowed money enters, either its receipt or disbursement, it is not possible to judge accurately as to the exact effect of the policy of the government on the Provincial revenue and expenditure, and dealings with the debt. We note that while the interest on the debt in 1890-91 was \$1,271,506, it rose in 1892-93 to \$1,445,031.

The work of bringing the finances of the Provinces