THE EFFECT ON PRICES OF RECENT GOLD DISCOVERIES.

There is much being said as to the probable effect on prices of the recent discovery of gold in the Klondyke region. It is estimated that the yearly supply of gold will be increased by from 60 to 70 millions of dollars. It seems a natural conclusion that the value of gold will be affected by this increased supply, unless other conditions arise to counterbalance the economic effect of the supply increasing while the demand remains stationary. There is an old fashioned theory, to which some still adhere, that the prices of merchandise of all kinds are bound to increase in the same proportion as the new supplies of the precious metals bear to the amount of them already in use. Some ground for this fusty theory has been found in the advances which took place in values following the

OPENING OF THE SILVER MINES IN POCOTSI

in 1545, which added 10 millions yearly to the stocks of that metal. The rise in prices after that period is an historic fact; it was felt in England as well as in Spain. The commerce of Europe in that era was developing rapidly, and the enlarged demand for goods and capital enhanced their value. There was no machinery for expanding production rapidly, such as now exists by which any suddenly enlarged demand is too promptly met to allow of an advance in prices. As trade is now organized, the demand and supply of manufacturers, and even natural products to some extent, act automatically on each other like the works of a watch so closely are they related. It was not so in the 16th century; the demand for goods increased beyond the capacity for an equal increase of production, hence an advance in prices. Just before the Potosi mines were opened England had sent her first merchant ship to India, and about the same time her first vessel to Russia sailed. The English trade also with Holland expanded largely at that period. The

PROTECTION GIVEN TO NATIVE INDUSTRIES

by anti-alien laws had given a stimulus to English enterprises by which the purchasing power of the country was increased with the effect of enhancing prices. We submit, therefore, that the increase of prices following the opening of the Potosi mines was part of a movement commenced prior to that event, and that the mercantile life of the age was better calculated to enhance prices than the additional supplies of silver. In the next century, Brazil added largely to the supply of the precious metals. At a later date the mines of Mexico added to the supply, until early in the last century the stock of gold and silver rose to $1,850,000,000, which is estimated to have been one quarter of the amount now in use. Mr. Conant, who discusses this question with much intelligence in the *Arena*, gives the

AVERAGE ANNUAL PRODUCTION OF GOLD AND SILVER

up to 1840 as $13,484,000, from 1840 to 1850 the yearly production rose to $36,390,000, and from 1850 to 1855 to $132,513,000. One year's yield of the Australian and Californian mines added 8 per cent. to the supply of gold. From 1850 to 1860 the addition aggregated $1,332,981, and from 1860 to 1870 about the same. Mr. Conant quotes estimates of the gold production in 1890 at $118,848,700; in 1891 as $130,000,000; in 1892 at $146,000,000; in 1893 as $157,000,000; 1894, $181,000,000; 1896, $206,000,000, and for current year, 1897, the gold production of the world is regarded as likely to reach $240,000,000. The gold currencies of the world are estimated at $4,359,600,000. In the last seven years the yearly supplies of gold have increased by about 22 millions of dollars, an advance of over 18 per cent. But, so far from prices having generally increased in this period, the contrary has been the case, wheat, the leading staple of commerce, having steadily declined since 1890, and is not yet as high as it was at this date seven years ago. Iron, another leading staple, which is nearer to being

A TRADE BAROMETER

than any other article, is also much lower in value than it was some years ago, when supplies of gold were one quarter what they now are. To the question, "Will an increased supply of gold enhance prices?" we submit this reply. The enormous additions made to the yearly supplies of gold by the mines opened in Australia, California and South Africa during the last half century have been coincident with a decline in the market values of the world's chief staple productions, and a decrease in the prices of goods along the whole line of manufactures, consequently we

DO NOT ANTICIPATE A RISE IN PRICES

as a consequence of the gold production in Alaska and British Columbia. The general movement which has been in progress for some years in all civilized countries to establish the national currencies and securities upon a gold basis seems to us a sufficient answer to Mr. Conant's question, "Will silver be displaced by gold for currency purposes?" It is being displaced systematically, even the silver-loving East joining in the displacement of silver as standard currency. The effect of the Klondyke, British Columbia, Ontario and Nova Scotia productions of gold and silver will be similar to that produced by opening new areas for growing grain. Our population will be enlarged, the effect of which will be an enlarged consumption of food and other products, which

WILL INCREASE THE GENERAL TRADE

of the country, unless we hand the key of our markets to Americans to shut us out or let us in as they think best for themselves. The excess of the marketable value of the gold we produce over the necessary costs of its production will be so much added to the capital of the country if such marketable value passes into Canadian channels. If, however, the gold produced in Canada is shipped bodily out of the country, leaving no deposit here save the outlays made by its