

## THE LAW OF ACCUMULATION.

EVERYBODY knows that money makes money, but it is not everybody that pays attention to the *modus operandi* by which this is brought about, and to the practical consequences which follow.

Schoolboys are taught the rule of compound interest, but nine out of ten of them forget all about it for the remainder of their lives. Yet this principle has more to do with the accumulation of large fortunes than any other cause whatever, and it has bearings on the increase of wealth and on the ratio of expenditure, both personal and national, of which the practical character cannot be overrated.

We read in the papers a few months ago of the death of an eminent London capitalist, who left the enormous fortune behind him of three millions sterling. This old gentleman was over ninety years of age at his death, and it is pretty evident that he was a man of quiet habits and moderate expenditure, letting his capital accumulate from year to year by its own natural force. Now it is only when it has been in operation for a long series of consecutive years that we see what the force of compound interest is. For the first few years the augment is almost imperceptible, but when once the power of increase has become developed, it goes on at an augmenting ratio, until the results are almost incredible. There can be little doubt that in the case just mentioned, the wealth accumulated after the natural duration of life had been reached was far more than in all the seventy years previous.

If money can be invested at eight per cent, and the interest re-invested at the same rate, it will double itself in nine years. Allow ten years for this to take place, owing to loss of time in re-investing, and we reach the remarkable conclusion,—remarkable, we mean, to those who have not thought about it,—that if a man can lay by a thousand dollars at one and twenty, and let it accumulate at compound interest, it will amount to the enormous sum of thirty thousand dollars if he lives to the age of seventy, to sixty thousand at eighty, and to a hundred and twenty thousand at ninety. This is the secret of the large fortunes of the great bankers and capitalists of Europe, whose money goes on accumulating for generations, and augments with prodigious rapidity after thirty or fifty years have passed on.

The great house of Baring have kept a banking account with the firm of Martins, Stone & Co. for a hundred years back, and it was a well known saying of Mr Thomas Baring, that he made a point of never having less than a hundred thousand pounds at his credit.

The process, however, may be reversed. A man wastes or spends a thousand dollars needlessly, by the time he is one or two and twenty. What is the effect?—If he lives till seventy he will be thirty thousand dollars poorer for it.—Or—we will say—he will have lost the chance of being thirty thousand dollars better off than he is.

We then arrive at the general truth, that the younger a man is the more valuable money is to him.—We have seen that a thousand dollars is to a man of twenty-one, as the making of a fortune, but a thousand dollars to a man of fifty would be of comparatively small account.

Suppose a man begins life with economical habits, and by rigid self-denial accumulates five hundred pounds by the time he is twenty-five. That sum will amount to a competency by the time he desires to be free from the cares of business, and he can then (and indeed for years before) have the pleasure of laying out his money freely, and without fear, in gratifying his tastes or in doing good.

But if he is inclined to gratify his tastes when young—to buy—we will say—expensive furniture, or to mingle freely in society, so that he never saves at all until he is fifty and forty, what good will five hundred pounds do him then?—It is of course good in itself, but as the foundation of a competency it is utterly inadequate. It would only amount to two thousand pounds at sixty-five, and not to a competency till long after threescore and ten.

The points of the whole matter are therefore this:—Every dollar saved in youth is worth thirty dollars in old age; every hundred dollars spent in foolery or idleness before five and twenty is simply three thousand dollars thrown away of provision for the time when work must be a burden.

Let our young men of business think of this. They are exposed, on entering life, to innumerable tempta-

tions to spend. Let such be steadily resisted. The true course in youth is quick saving and careful economy. By and by a time will come when this will bear its legitimate fruits. Then is the time for open-handed freedom in expenditure, when the judgment is matured, when a knowledge of the world is acquired, and when capital has been accumulated to such an extent that even if there is no more saving, there need be no further anxiety.

We may extend the same principle, and it will apply with equal force to the finances of a nation.—When a community is young, every thousand dollars is of consequence, for a thousand dollars foolishly spent will amount to a burden of more than twenty thousand on the following generation. If a community has to borrow at six per cent, the accumulation of principal and interest will amount to thirty thousand dollars in fifty years. It is when we consider how young Canada is as a country that the amount of our debt becomes so very serious a matter. Every million of dollars foolishly or extravagantly spent, or spent in matters of an unproductive and useless character—and alas! how many millions have been so expended—will be equivalent to a burden of thirty millions of dollars within the life time of a number of our children. Doubt it as we may, pool-pool it as many may be inclined to—there is no possibility of escaping from the laws of finance, by which taxation for foolish expenditure goes on accumulating until it amounts to ten or twenty times the original principal, and augments to a greater ratio as time rolls on.

Take the Parliament Buildings as an illustration.—No one, we think, will question that those buildings are as good and as costly as the people of Canada, fifty years hence, would be entitled to. There can be little further question as to the fact that for a million of dollars less than the buildings have cost, every possible requirement of the present day could have been met. We have therefore anticipated the requirements of fifty years hence, and spent a million dollars for the convenience of a coming generation. But what is the effect of it? That coming generation will be some thirty millions of dollars poorer by reason of our thoughtless folly. That extra million will have drawn from the products of the pockets of Canada in fifty years as much money in the shape of taxes as would produce at least thirty millions if judiciously invested, and considerably more, if employed in business.

To this it may be replied that the people would spend so much more if they were not taxed, and that for this reason the true increase is at simple interest, and not at compound. This however is a bare assumption. What we have to consider is the pure possibility of the case, and considered in this light, our conclusion cannot be questioned.

Let us never forget, in considering proposed expenditure, that Canada is a young country, nor fail to forecast its effects on the future. Nothing can be more fallacious than to compare ourselves with countries which have within themselves the accumulations of long generations, and no greater folly can be perpetuated than to measure ourselves by their standard. When we are fifty years older, we may do things with freedom which would ruin us now.

One word as to private saving before we close. Let not man starve either his body or his mind, for the sake of the accumulations of future years. That policy would defeat its own object. Neither let him refuse to give what may be righteously expected of him. That would be dishonourable.

## ONLY ONE COURSE OPEN.

OF the many important questions pressing for solution in the United States, there is none of more momentous importance than the conversion of the currency to a specie basis. Matters at present are in a very unhealthy, not to say dangerous position. The immense issue of paper currency during the war has produced its natural effects. Prices have become inflated to an extraordinary extent; speculation has become wild and reckless, and a false and delusive prosperity is beginning to affect the public morality. The danger of a financial collapse is daily becoming more imminent, and can only be prevented by the wisest legislation.

Under these critical circumstances—which may affect Canada as well as our neighbours—it is gratifying to think that there is a man at the head of the Treasury department at Washington, who seems to be equal to

the emergency. On the occasion of a banquet recently given to the Hon. Mr. McCulloch at Fort Wayne, he entered freely into the consideration of the state of the National Finances, speaking with a candour, patriotism, and ability, which prove him to be a statesman of no common order. He fearlessly told his audience that the business of the United States is in an unhealthy condition—that they are measuring values by a false standard—that an inflated currency is converting the business of the country into gambling, seriously diminishing the labour and industry of the people, and lapping the public morals! Nor did the Secretary of the Treasury stop here. American officials, particularly after a good dinner, notoriously paint public affairs with the *couleur de rose*. Not so, Mr. McCulloch. With rare but admirable candour, he pointed out that, unless a remedy were provided, this speculation and excitement could have but one end—a terrible financial crash! If Congress enacts proper legislation, to use the Secretary's own words, "we shall reach it probably without serious embarrassment to legitimate business. If not, we shall have a brief period of hollow and seductive prosperity, resulting in widespread bankruptcy and disaster."

Mr. McCulloch's remedy for the dangers which assail American business, is a reduction of the great volume of paper currency afloat, and a speedy return to the gold basis. Like the Hon. Mr. Galt, the Federal Secretary is a "hard money bigot." He denounced "an irredeemable paper currency as an evil," only to be adopted in extraordinary and unusual circumstances. "The present unconvertible currency of the United States," to quote from his speech again, "was a necessity of the war, but now that the war has ceased and the government ought not to be a borrower, this currency should be brought to a specie standard." He thinks this desirable result can best be attained by Congress adopting such measures as will "authorise the funding of the legal tenders." This being done, the work of reducing the volume of the currency must be gone on with resolutely but carefully and prudently.

Many of the leading financiers of Europe believe that our republican neighbours can adopt no expedients which will long stave off serious financial troubles. Mr. McCulloch takes a more hopeful view of the financial situation, and we sincerely trust that his expectations may be realized. The greater portion of his remarks at Fort Wayne are worthy of a statesman occupying his exalted position, and if the threatened financial tornado can be averted, he has certainly pointed out to his nation the true path to solvency and safety. American finances may at present be compared to a balloon, which, during four years of civil war, the Federal Government has inflated and re-inflated until its silken sides have strained and swelled nigh unto bursting. Mr. McCulloch perceives the danger, and hopes to prevent the threatened catastrophe by opening the safety valve, and gradually decreasing the expansion until the danger is past. This policy is begotten of a sound statesmanship, and if heartily sustained by the American Congress, may avert that financial storm, the dark clouds of which must soon dispel the artificial sunshine which momentarily envelops the land.

Those Canadians who advocate the issue of an unconvertible currency for this Province, will find very little comfort in Mr. McCulloch's views. So strong an advocate of a specie standard is that gentleman, that he went so far as to say that,—"I have myself no more doubt that these metals (gold and silver) were prepared by the Almighty for this very purpose, than that iron and coal were prepared for the purposes in which they are being used."

This is taking very high ground. We certainly approve of the gold basis, but we cannot subscribe to the doctrine that it is the only basis which could be adopted. The recent articles in *Blackwood's Magazine* abundantly demonstrated, that making the quantity of gold regulate the volume of currency in a country has its disadvantages as well as its advantages. We can easily understand how a nation like Great Britain could, in the way suggested by the renewer, issue a certain amount of paper currency without causing either inflation or speculation. To consider this point, however, would lead us into a vast field of thought, not contemplated at the beginning of this article; so we must leave its elucidation to some more favourable opportunity. We would only say, in conclusion, that while an increase of our circulating medium might be beneficial to Canada, we should be careful to avoid wild experiments in irredeemable paper.