

WHY IS GOLD EXPORTED ?

The United States Statistical Bureau has just issued returns of the exports and imports of merchandise, also of the precious metals, for the year ending 31st Dec. last, portions of which are published in the *New York Commercial Bulletin*. The figures suggest an enquiry as to the causes of the large exports of gold from the States last year, as the ordinary reason therefor does not appear from the trade figures.

In 1893 the total exports of goods from the States was \$876,148,023, the imports being \$776,456,811. This leaves a balance of trade in favor of the States of \$99,402,342. So that, if the States had had no foreign engagements prior to 1893, at the close of that year there would have been close upon 100 millions of dollars coming to the merchants of the States from those who, in foreign countries, had purchased their goods. If then the goods bought in foreign markets by United States merchants were more than paid for by goods sent into those markets from the States, why should gold to so enormous an extent have been shipped to the same markets—especially when it was so much needed at home ?

It would be a strange phenomenon indeed for a country having a large balance of indebtedness in its favor to be shipping gold to its debtors.

But the phrase, "balance of trade," is often a very misleading one, as a favorable balance of trade arising from the difference between goods exported and goods imported may exist, while at the same time some other international relations may cause that balance to be offset by engagements that create an adverse balance. England has always a balance of trade against her, because other nations have to send her goods to pay the interest on money borrowed from England, or to repay such loans. With the States, the reverse of this is the case, as the Republic has to send goods to pay the interest on its foreign loans, also for their redemption, and to meet the demands for cash needed by American travellers and residents abroad. Thus any balance of trade in favor of the States is largely offset by the payments for interest, loan re-payments, withdrawals of foreign capital, and other calls for American funds. When then there has been an absorption of the funds arising from sales of American goods abroad, exchange is not available or too dear, so recourse is made to gold, which is a very expensive medium for paying foreign demands. The exportation then of gold is evidence of the balance of trade having been absorbed, and a demand being made on the States by foreign creditors, in excess of the amount available for them from exports. The net exports of gold from the States last year were \$87,506,463, which runs up to within two millions of dollars of the enormous withdrawals of gold in war year, 1864. It is to be regretted that no official record exists showing the extent of the financial transactions between the States and Europe arising from the sales or purchases of American securities by foreigners, the investment or withdrawal of foreign capital from undertakings in the States, the money transferred in payment of interest and dividends,

and remittances to Americans abroad. The Secretary of the United States Treasury evidently believes in there having been, since the drain of gold set in during 1892, a large withdrawal of foreign capital invested in the United States. The gradual withdrawal of confidence which culminated in the panic of 1893 was indicated by large blocks of American securities being sent for sale in the States, which were far in excess of foreign investments in such securities. That is, there was going on a gradual unloading of American securities in the American market, which securities came from abroad, the proceeds of which had to be remitted in some form in goods or in gold. It is estimated that from January to August last year, some seventy-five millions of dollars worth of shares and fifteen millions of bonds were thrown on the American market by orders from Europe. The Secretary of the Treasury gives \$200,000,000 as an approximate figure for the aggregate of these transactions in one year, from Jan., 1892, to June, 1893. It is evident, therefore, that the large exports of gold in 1892 and 1893 were a direct consequence of the large imports of securities, and other forms of indebtedness, for liquidating which the States had not sufficient funds from their mercantile exports of goods. The "balance of trade" is only one factor in international finance, and liable to be very misleading. The term "balance of debt" is a more comprehensive and scientific phrase to express the financial relations of a country to the outside world.

OUR FIRE INSURANCE TABLES FOR 1893.

We have pleasure in presenting tabular statements elsewhere showing the results of the fire insurance business in Canada for last year. We are enabled to do this at so early a date owing to the courtesy of the companies in supplying us with their figures in advance. The returns show 1893 to have been a most unfavorable one. The net premiums received were \$6,740,958, and net losses incurred \$4,970,266, giving a loss ratio to premiums of 73.73 per cent. This is a worse exhibit than 1892, when premiums were \$6,715,471, and losses \$4,446,841, the ratio being, 66.22. If to this percentage an average of, say, 30 per cent. be added for expenses,—excluding those of Head Offices—it will be seen that the net result of the operations of 1893 is a large deficit. Yet while the companies have been losing money, the public seem to consider the rates too high. The result, however, shows in a most emphatic manner that the premiums charged are too low.

The P.E.I. Island Board of Fire Underwriters—

The Island underwriters held their annual meeting on the 13th January. The reports handed in for 1893 were very satisfactory, the premium income having increased about twenty per cent. over 1892, and the losses amounting to only thirty per cent. of the premiums. Several of the companies had no loss during the year. Charlottetown was almost free of fires, and the alarm had not been sounded for six months. Mr. Hyndman retired from the presidency of the Board, and Mr. W. H. Aitkin (agent of Guardian) was elected for the coming year.