

GENERAL RESULTS OF THE COMMERCIAL AND FINANCIAL HISTORY OF 1867

(From the London Economist.)

IN our review of 1866, we said that that year had "left behind it sinister influences which will penetrate far into '67 or perhaps into '68" and the events of the last twelve months have confirmed this expectation. Nearly the whole of 1867 has been occupied in converting the mistakes which preceded, and retrieving, as far as possible, the losses which were inflicted by the Crisis of 1866. The year has been, therefore, throughout its whole course, a period of arrangements, liquidation, compromise, retrenched expenditure, circumscribed trade, and general indolence to trust the future. It has been a year of strict supervision of all elements of cost—a year of declining wages and of stern comparisons between English and foreign capabilities of commanding neutral customers.

Except towards the end of 1867, foreign politics have given but little trouble. The invasion of the Papal States by Garibaldi in October, and the renewed French occupation of Rome, occasioned, for a few weeks, a degree of apprehension. But the larger danger of a quarrel between France and Germany subsided as the year advanced, and as it became more manifest that the German people, North and South, however divided among themselves on a few questions, would act as a single State in repelling a foreign enemy.

The war in South America, waged by Brazil, Buenos Ayres, and the Argentine Republic, against Paraguay and its Dictator, Lopez, has become more serious with the lapse of every month. Unless speedily terminated it will greatly cripple all the States engaged in it: and, as regards Brazil, may lead to most complicated evils. The practical inaccessibility of Paraguay and its immense distance from the coast, will probably compel the Allies to abandon the war. This South American conflict, disturbing as it does the progress and organization of large areas of production, is yet another example added to the long catalogue of wars which since 1851, have prevailed over the world, and entirely distorted the course of ordinary supply and demand. The insurrection in Crete, against the Turkish Government of the Island, has been too small an affair to lead to much mischief; and possibly it may produce indirectly, a great good, if it makes manifest to Western Europe the pestilential politics of the Greek Propaganda at Athens, and the utterly unscrupulous measures employed by them to irritate their nearest neighbour, and in many senses "their best friend."

The English Expedition to Abyssinia despatched to October, is a great misfortune. The system of the Foreign Office in permitting any persons to assume an official character in the dominions of a remote and savage ruler, deserves the most marked reprehension. If adventurous travellers think proper to risk their lives in African wildernesses, they must do so as private persons, and in no way under the Queen's commission. Instead of costing two or three millions sterling, this wretched squabble with King Theodore will certainly cost ten or twelve, and may expose us to formidable risks. The immediate effect of the Expedition was to find employment towards the end of the summer for a considerable number of vessels, chiefly steamers, then lying idle, and in this way to afford sensible relief to the freight market. The amount per month being disbursed for freight is said to be nearly half a million sterling.

There are symptoms, perhaps, that the condition of armed peace, under which Europe has laboured for five or six years past, is becoming too costly to be borne much longer. The burden is most acutely felt in France. The Army organization Bill, just passed after great delay and discussion by the French Chambers, is disliked in the provinces, and the loan of seventeen millions sterling, about to be raised by the Emperor's Government, is severely criticised as a desperate step to pay for the indulgence of military vanity. In North Germany, the events of 1866 have hitherto condoned the severe financial burdens arising out of them, but the extensive destitution prevailing in several districts, particularly in East Prussia, is creating a reaction in favour of retrenchment. In Italy, the Government is both too weak and too blundering to grapple with the excessive Army expenditure. But in Austria, one of the earliest results of a reform of the Army beyond any former precedent in that country, Russia is perhaps, more severely pinched than France by its excessive outlay on military and naval armaments, and, in spite of occasional spurts of arrogant interference, is not probable that real difficulty will arise from Russian politics. So long as the present Government prevails in France, and the external action of that country is dependent on the will, the varying health and the uncertain life of the Emperor, already aged and prematurely feeble, it is impossible to apply the ordinary rules of reasoning. But, apart from caprice, not to be foreseen, it is a possibility that the next year or two may witness a marked diminution in that extravagance of military equipment and expenditure which has been so great a hindrance to the increase of wealth during the last twelve years.

The harvest of 1867 was almost universally bad or indifferent. In the circuit quoted *passim*, Messrs. Horns give a full account of the extent and wide diffusion of the deficiency. The winter of 1866-7 was exceptionally severe, especially in this country, where in January (1867) there was for two or three weeks a depression of temperature equalled only at rare intervals of time. Over the whole North of Europe and a considerable part of Germany the grain crops of '67 were alarmingly deficient. The maize also failed to the extent of a third or even a half. In the United Kingdom the wheat crops, notwithstanding apparent strength before harvesting, have proved to be largely deficient, and the potato crop is reckoned the worst

since 1845-6. The harvest in the United States and Canada was regarded as highly favourable. But the threshing has revealed a more unsatisfactory result. The only really great crops have been in Hungary and along the lower Danube, and in these regions the increased demand and high prices have conferred the most solid advantages.

If we take the *Gazette* average price of wheat in England in the last week of October—that is, at a time when the character of the harvest had been generally ascertained—for the last five years, we shall the better understand the deficiency of 1867. The figures are—

	s	d	
1867-26 Oct	7	8	For Imperial Gr.
1866-23 Oct	52	6	"
1865-24 Oct	42	4	"
1864-23 Oct	38	6	"
1863-26 Oct	40	0	"

The very unfavourable character of the harvest of 1866 made itself felt in a sensible degree before the end of that year—for, on the 23rd of December, 1866, the average price had risen to 60s. and it gradually advanced till, at the end of May, 1867, it stood at 65s. 3d. In the year and a half, therefore, which have elapsed since July, 1866, we have had in this country a price of wheat from 60 to 80 per cent above the prices which prevailed in the three years, 1863, 1864, and 1865,—and the same remark holds good of a large part of Europe and America. In the wide diffusion of a calamity of this magnitude, there is afforded at once an explanation of a large part of the difficulties of 1866-7, and the present time.

The revelations necessarily arising out of the sinister events of the last two years are gradually enabling us to understand, with tolerable precision, the causes which produced the inflation of the prosperity years, 1863, 1864, and 1865. The commencement of the American war on a large scale in 1861 saved the Lancashire manufacturers from losses of the most extensive kind on the enormous production of the previous year 1860. Instead of the shipments to India and elsewhere being sold at prices far below cost, they produced returns in many cases of extravagant profit. All this unexpected cash, added to the temporary cessation of the mills in consequence of the dearth of cotton, produced such a plethora of unemployed capital in Lancashire and other parts as had not occurred before. In 1863 came the enactment of limited liability, and with it the expectation of large profits by the application of the new law to ordinary partnership concerns. The result was, the rapid limited liability companies during 1863, 1864 and 1865. Fostering and aggravating the tendency of these events, there was the reckless financing of Overend, Gurney & Co., the Joint Stock Discount Company, and a variety of other financial institutions of the same order. The facility of raising money started forward in accelerated motion the whole tribe of Railway Contractors, Projectors, and Schemers; and so it came to pass that for three or four seasons, railway bills were passed by the hundred, and production and wages of all kinds raised step by step, until the rate of discount was maintained at eight and ten per cent for months together, and, until at last, the process could be carried no further, and the crisis came in the early part of 1866.

Since that catastrophe, we have been painfully retracing our steps. The channels of trade have been largely purged of the needy and incompetent people who suddenly became apparently rich in the prosperity years, and embarked in large ventures, because Overend & Co., and other similar "institutions of credit," gave them almost unimpeded assistance. The Railway Contractors and Schemers have been dispersed by the operation of the same causes, and the limitation of demand has gradually led to a fall of prices and wages, until a point of depression has been reached almost as low as in 1860, and, in some cases, as low as in 1857.

The slack trade of the last two years has brought to a stern test the pretensions of the Trades Unions in this country. During the prosperity years, these combinations were almost supreme. The competition of employers enabled the Unions to substantiate one claim after another, until a point had been almost reached when the discipline of large bodies of workmen became impossible. The mere mob law of the majority of idle noisy, and unskilful hands, was fast becoming the rule in every trade, and was driving ability and capital out of the field. The panic has effectively corrected this evil, and has, in truth, saved the industry of the country from one of the greatest dangers which ever beset it. Strikes have been organized during the last two years, in almost every considerable trade—in some cases, as among the non-workers there has been a series of strikes—but in every case they have failed. Where a demand did exist it has been destroyed by the strike, and the men have been taught by the kind of rough experience which, in their present temper, is the only kind of lesson they seem able to understand, the wages are not even to be procured at all much less raised, by mere combination. The Royal Commission on Trades Unions, under Sir Wm. Egle has already rendered great service, by bringing to light the atrocities of the Trade Committees at Sheffield and Manchester, and by collecting from all quarters evidence of the "fraternal and mischievous regulations enforced by the leaders of the Union movement."

The inquiry into the state of Industry, Trade Regulations, and Technical Education abroad, entrusted by the Government to Mr. B. Samuelson—himself largely engaged in the iron manufacture—will also lead to useful results. Looking at the evidence he has collected and still more at the satisfactory results as regards British Industry of the Paris Exhibition of last year (1867) there is no escape from the unwelcome and urgent conclusion that the foreign trade of this country must be prepared to sustain itself against a competition of the most searching character. Foreign capital, capital, science, and organization, are now fully

able to dispute the supremacy of this country in several important kinds of manufacture, and we must either improve our means of production, or see our exports and therefore its means of finding employment and paying wages, diminish, and, as a result, the pressure of poor rates and destitution increase. Sovereign as has been the suffering of the last two years it is clear that no experience less impressive would have sufficed to correct effectually the previous errors and extravagance.

WHAT IS A DOLLAR?

(From the N. Y. Sun.)

THE bonds of the United States are promises to pay \$100,000, \$500,000, \$1,000,000, or 5,000,000 dollars, as the case may be. The legal tender notes are likewise promises to pay 1, 2, 5, 10 dollars, and so on. In order then, to ascertain what the nation must do to meet its pecuniary obligations, we need first to know what a "dollar" is.

The word itself is of German origin. In the 16th century, the counts of Schlick, in Bohemia, coined pieces of silver of 1 oz. weight, which, from the name of the town in which the mint was located, Joachimsthal, were first called *Joachimsthaler* and afterwards, for shortness, "thaler." As pronounced in German, this word sounds nearly like our "dollar," and was soon changed into it by writers and speakers of the English language. The coin proving convenient and popular, the pattern of it was adopted with more or less variation, by other countries, and among them Spain, which from the abundance of silver produced by its Mexican and Peruvian mines issued the greater part of the dollars which found their way into circulation. The Spanish dollar thus became a sort of common standard of value for commercial purposes and is constantly spoken of as such in subsequent history.

When our Congress in 1792 established a mint, and directed the coinage of a national currency it adopted as the unit of value "the Spanish milled dollar as the same is now current," and directed that it should contain 371½ grains of pure silver, and that halves and quarters should weigh in proportion. At the same time, however, provision was made for the coinage of a gold piece to be called the eagle, of the value of \$10, which, it was enacted, should contain 247½ grains of pure gold, thus making each grain of gold equivalent to 16 grains of silver. At that time this ratio was a correct one, but a subsequent change in the value of silver rendered it necessary to reduce the weight of pure gold in the eagle, and it was finally fixed in 1837 at 231 grains and a fraction over of pure gold, while the silver dollar was made as before, to contain 371½ grains of pure silver thus establishing the value of silver at one-sixteenth that of gold. This again, was too low a valuation, and our silver coins were bought up and melted down or exported. To remedy this evil Congress enacted in 1853, without changing the weight of silver in the whole dollar, that the half dollar should contain only about 133 grains of pure silver, and the smaller fractions a proportionate amount. A dollar then made up of those fractions, contains about 24 grains less of pure silver than the standard dollar, which last, of course, ceased to be any longer coined.

At the time of the first issue of our present legal tender notes, therefore we had two units of value in dollars—one of silver and one of gold. A gold eagle or \$10 piece was a coin containing 232 grains, or thereabouts, and the double eagle, or \$20 piece, 464 grains of pure gold. Consequently, a dollar was worth 37½ grains of pure silver, or 23½ grains of pure gold. As the silver dollar was worth the more, the gold standard was alone in practical use, but that a dollar meant anything less than a dollar of gold never entered any one's imagination.

Interpreting the contracts which the nation made in issuing both bonds and currency by this plain and well-understood signification of the term dollar, what becomes of the proposition to pay the national debt in any thing but gold or its equivalent? If it be said that greenbacks were the currency received for the indebtedness, what then? The greenbacks are nothing but promises to pay dollars. In another form, and if we issued a thousand millions of them we should no more pay our debts than a merchant would if he issues new notes in exchange for those already out. If we mean to be honest at all, there is no escaping payment in specie. Anything else is repudiation, disguise it as we may.

A singular action was, a few days back, brought before the Tribunal of Commerce, Paris. Mr. Louis M. P. Sir Drummond Wolff, and two or three other English capitalists, together with M. Erlanger, banker of Paris, represented that they had, some time ago, sent M. Merton, who is well known on the Paris Bourse, to Constantinople, to obtain for them the operation of converting the Ottoman debt, and to make for them certain financial combinations, and they confided to him a large sum of money—22,000,000 francs—it was said—for the purpose of securing the co-operation in their projects of influential personages of the Turkish Government. It was understood that M. Merton was to dispose of this money according to his discretion, and not give any account of it. But circumstances had occurred which made them desire an account, and they prayed the Tribunal to order that M. Merton should produce one. M. Merton represented that the terms of the agreement between him and the plaintiffs did not permit the action to be maintained. The Tribunal held that what the parties had done was contrary to morality and public order, and that a convention "which had for its foundation the accomplishment of an illicit act was null in itself," and could not be maintained in a court of law. The action was accordingly dismissed.