

GOLD SCARCITY AND GENERAL PRICES.

The interest which for a long while past has been directed to currency matters by the bimetallic agitation has, during the last two years, been stimulated by a succession of events, inevitably intensifying the general concern felt in reference to the subject. During the prosperous period of trade which culminated in 1889 demands were repeatedly made that steps should be taken to augment the gold reserve of the Bank of England, upon which the enormous wholesale trade of the country ultimately rests, and, although the matter has dropped during the recent period of easy money, it will certainly be revived before very long. The imminent repeal of the Sherman Act, and the closing of the Indian mints to private coinage, have together led to a disastrous depreciation of silver, in its turn creating such general apprehension as to be mainly responsible for the recent panic fall in Stock Exchange securities. Such ascertained results stimulate interest in the future as the difficulties and complications surrounding currency questions tend to discourage inquiry into more or less remote contingencies connected with it. But among the questions to which existing circumstances give rise, an examination into the probability of an appreciation in the value of gold, and a concomitant fall in general prices, holds a foremost place.

It is notorious that the great Powers on the Continent have for a long while been making persistent and strenuous efforts to amass larger sums of gold. These accumulations have now reached a very high total, greatly in excess of the amount which, in any possible contingency the demands of trade can require, and it is fully recognized that they have been made with a view to provide a war-chest in the event of hostilities breaking out; and consequently the amount of standard money in circulation in gold using countries has been seriously encroached upon. The Bank of France holds over 62 millions sterling in gold; the Imperial Bank of Germany no less than 35 millions, while at Spandau a war chest has been formed of considerable dimensions. The approaching resumption of specie payments by Austria-Hungary has necessitated a new loan of several millions, the proceeds of which must, of course, be taken in the form of gold; while the Russian Government has already a hoard of over 100 millions sterling of the metal, and neglects no opportunity of adding to it. Moreover, the Bank of France has been empowered to increase its note issue to the extent of 20 millions sterling, and so far as it can get these into circulation it will displace coin previously circulating, and therefore the gold accumulations of the Bank may, not improbably, soon rise to 80 millions sterling.

The closing of the Indian mints to private coinage will probably have the effect of diminishing the exports of India, while tending to increase the importation of gold. Exports from that country have been in part paid for by imports of silver bullion, hitherto freely coined by the Mint, but, this being now discontinued, exports will be checked, and payments hitherto

made in silver will be made in gold. For the past thirty years India's demand upon the total world's production of the yellow metal has averaged about 3½ millions sterling per annum, but it seems almost inevitable that this absorption of gold must be largely increased in the future. Another consideration not to be altogether ignored is the possible dissolution of the Latin Union, comprising France, Italy, Belgium, Switzerland and Greece, with the result that the silver coinage, hitherto maintained in circulation at gold parity by all five countries, will be demonetised. In that event each country would return all the coins it held of the others, and take back those of its own which might be circulating abroad, paying or receiving the balance in gold. This would necessitate payments of considerable magnitude; it is, for example, calculated that Belgium would have to pay France about five millions sterling, and in order to discharge such a debt it is probable that a loan would be issued in order to acquire the requisite sum in gold. In face of these facts and likely contingencies, the conclusion almost compels acceptance that the supply of gold threatens to prove inadequate for all the requirements of internal and international trade, and that an appreciation in its value must be seen.

Gold being the medium of exchange and the standard by which the value of other commodities is measured, any rise or fall in its own value can only be exhibited by the greater or less quantity of other things for which it will exchange; consequently, an appreciation in its own value is shown by low prices for all other commodities, or, in other words, by a larger quantity of other things being given for it. We are inclined to think that the fall in general prices, which, on the whole, has been so noteworthy a feature of the latter quarter of this century, is to be attributed to a growing scarcity of gold consequent on the ever increasing requirements of the world's trade. But the financial methods adopted by all highly civilized nations preclude the full effects of any such insufficient supply from completely displaying themselves. The use of gold is now so largely supplemented and surpassed by instruments of credit, such as checks, bills of exchange, and even mere book entries, that the state of general credit has come to possess a far greater influence upon prices than the quantity of gold, either in circulation or held in the bank reserve. It is to the confidence begotten by a high state of credit that enterprise and speculative activity are due.

But although the influence of the quantity of gold upon prices is now to a considerable degree of only a secondary character, it still produces its natural effect by controlling the extent to which credit operations are carried. Bankers and others grow alarmed when they begin to suspect that the superstructure of credit may have grown to a height out of proportion to the metallic basis upon which it ultimately rests, so that an increasing scarcity of gold is operative by preventing credit speculation from carrying prices to the highly inflated level almost inevitably attending a more redundant circulation, consequently, a contracted metallic currency makes the average prices of commodities

lower over a term of years; and this indirect influence of a diminished supply of gold is, of course, amplified by its direct influence on many retail transactions. For the reasons stated above, we anticipate that the supply of the metal is likely to be encroached upon to an extent appreciably curtailing the amount which legitimate trade requirements would freely demand, and, therefore, as a necessary corollary, it seems to follow that lower prices are likely to rule for all things in the near future, and for Stock Exchange securities among the rest, except for those in which the speculative element is entirely absent, and which return fixed and assured dividends. In these the increased purchasing power of the annual interest will enhance the value of the investment, counteracting the tendency towards the decline in price otherwise to be expected. —*London Financial Times.*

PERMANENCY OF LOCATION.

It is but seldom that any advantage is gained by moving from one location to the other, or by selling out your business at one place with the purpose of commencing business elsewhere. Permanency of location is as much a gain to a young dry goods merchant as is the profit he makes on his goods. With some young merchants it has become second nature to be ever dissatisfied with the location in which they are engaged in business. They are either looking for a place to start a new store or else they are looking for a purchaser for the one they already have. In this manner, they constantly continue until their money is gone, and then they find themselves without either store or credit, as even the wholesale merchants who have formerly supplied them with goods lose faith in their stability and consider it too great a risk to extend credit to them.

In proof of the injury that a constant moving about is to a storekeeper, one needs only to follow up some of those who practice it. Men who were formerly in the dry goods business may be found in every walk of life, but when one is found who is poor, very few questions will have to be asked before it will be ascertained that he belonged to the class that believed in frequent changes of location while he was in business. Those who have made a success of the retail business will generally be found to have started business in a certain location and remained there until they amassed sufficient wealth to either go into the wholesale business or else retire altogether and live upon the fruits of their early labors.

Though at the first start the receipts may be small, and business may even continue slow for some time, as is generally the case when a business is first commenced, it is far better for a young man to remain in the one place and do the best he can in the way of gaining the good will of neighbors and probable customers than to be always changing stores, thereby lessening his chances of ever establishing a permanent trade, and ruining his prospects of eventually obtaining the confidence of wholesale merchants, without which no retailer can ever expect to become successful in his business.