

## CURRENCY AND COMMERCE.

A letter written by Robert Benson, of London, appears in the *Economist*, of 1st August, dealing with some currency theories and instancing what disaster has come from artificially "regulating" the money market. The letter is as under:

We were recently told by a statesman that "a steady appreciation in the standard of value is the most deadening and benumbing influence which can touch the springs of enterprise in a nation."

A correspondent writing from the Stock Exchange to another journal, assumes the truth of the converse of this half-truth in saying, "The contemporary history of every silver-standard and paper-using country in the world to-day is incontestable proof that a depreciating currency is a stimulus to commerce."

His argument is not original. It is, at least, as old as Jay Gould and James Fiske, and in their hands led up to the famous Black Friday in New York, on September 24th, 1869.

Some entertainment and profit may be derived if you will allow me to recount the story, as told in Adams' "Chapters of Erie."

Starting from the fact that the price of wheat on the prairie was regulated in gold by the market in Liverpool, irrespective of fluctuations in the United States paper currency, Jay Gould poured into the ears of General Grant philanthropic arguments for the benefit of the farmer.

Gold was then, three years after the Civil War, at a premium of 34 per cent., compared with paper. Jay Gould argued that if it were possible to raise the premium by another ten points, a bushel of wheat would be worth \$1.40 in paper instead of \$1.30. The Western farmer would then hasten to ship it over the Erie Railway, and would distance and undersell the three hundred sail that were crowding from the Black Sea to supply the English market. The ratio of paper to gold, which was then as 134 to 100, must be raised to 145.

Fiske and Gould accordingly bought and bought gold, and their opponents sold and sold. Their chief fear was lest General Grant should order sales of gold from the Treasury at Washington.

The scheme may have been feasible. The farmer might have got his dollars, the Erie railway its freights, and Jay Gould his profits; but sooner or later the reaction from an artificial stimulant was bound to come, and the community to be injured.

Three weeks' trial was enough to burst the bubble and bring the crash. On Black Friday morning gold touched, momentarily, 162. It closed, amid the wreck, at 135, or about the figure from which it started. The futility of that attempt to control for three weeks the ratio between gold and paper currency was demonstrated. The two "reservoirs" (to use the bi-metallic metaphor) found their level automatically. Jay Gould did not go so far as to urge General Grant to fix a ratio between gold and paper so as to enable the western farmer permanently to get \$1.40 per bushel instead of \$1.30.

Thenceforward in America for nine years there was "a steady appreciation in the standard of value." "The springs of enterprise" ebbed and flowed, and after another panic in 1873 they ran low. Speculation was curbed, and the pace was steadied. Nevertheless, upon resumption of the gold standard in 1879, the world woke up to recognize, instead of industries deadened and benumbed, an unparalleled achievement in national progress.

The moral of the story goes further. "A depreciating currency" may be partly honest, partly fraudulent, but it is surely in the long run disastrous. As to its giving a lasting "stimulus to commerce" or agriculture, you might as well scratch the dome of St. Paul's to benefit the Dean and Chapter. If a depreciation of the sovereign be seriously desired, why not advocate some form of paper-money, whose quantity, unlike gold and silver, can be increased *ad lib.* by the fiat of law? I wonder what quantity of currency bi-metallists really want?

Again, there appears to be a false analogy in the famous reservoir and pipe argument. Silver and gold are already connected by sterling exchange—the best international "money" in the world. If you try and fix an artificial ratio between them you plug the pipe. After that the deluge.

Lastly, the story suggests the futility of another half-truth that "progress is most rapid when prices are stable or rising, and is

hampered by a continuous fall," as if it were possible to maintain a dead level, or good for us to have "ups" without "downs."

## FERRIES FOR A RUSSIAN LAKE, BUILT BY A DETROIT CONCERN.

Something like two and a half million dollars is the amount of a contract closed last week by the Detroit Dry-Dock Co. with the Russian Government. It is for the construction of three car ferries to cross Lake Baikal, in the middle of Siberia, and thus connect the two ends of the great trans-Siberian railroad, which that government is building to the Pacific ocean, and the primary purpose of which is to develop the great mineral and agricultural resources of that country. Each of the three boats will cost at least \$800,000.

From the time that the achievement of the ice-crushing car ferry "St. Ignace" on the lakes was announced to the world the Russian Government has had its eye on the device. Whatever may be the claims of others to priority in the idea of screws at both ends of a boat for ice-crushing purposes, it was first brought into practical use by Frank E. Kirby of this city, consulting and mechanical engineer of the Dry-dock Company. At all times has she responded when called upon to go through the blocked passages of the straits in the dead of winter. The increase of traffic of the three roads that own the "St. Ignace" necessitated the building of another and larger boat of the same type, called the "Ste. Marie," and like her predecessor she has accomplished all that could be asked in carrying cars back and forth between St. Ignace and Mackinaw City in all conditions of weather and water.

Of the great road being built through Siberia much has been said in print. That it will develop as has the Canadian Pacific there can be little question, but thus far it is in embryo. Directly in its path lies the Lake Baikal, which, after the Caspian Sea and the Sea of Aral, is the largest body of fresh water in Asia. It is situated in the south of Siberia, in the government of Irkutsk, near the great military road between Moscow, Kiachta and the mines of Nertschinsk. It somewhat resembles the sickle in shape, and varies considerably in breadth. Its length is 400 miles, and its average breadth 45 miles, so that the idea of going around it is out of the question. It forms an important link in the chain of communication between Siberia and the parent country, and has two ports of considerable size.

At least three years ago the Russian government gave out its intention of building these ferries, and immediately all the ship-builders in Europe took the matter up and sent representatives to figure on the job with Russian experts. Of course the Detroit Dry Dock Co., as builders of the originals, was called upon to send in figures, and did so. Finally, the Russian government sent two of the experts to America, and about eight months ago they made their appearance in Detroit. The Detroiters alone had given a practical demonstration of the success of the scheme, and though other firms in this country and in Europe figured on the job lower than Kirby, the Russians rejected them all in their turn.

Several weeks ago the Russian government cabled across for the presence of Mr. Kirby, whose expenses it volunteered to pay, for the purpose of talking up the details of the job. Gilbert N. McMillan, secretary of the company, was also sent along to represent the McMillan, or controlling interest in the dry-dock company, in the deal. Word has been received from Mr. Kirby, by the officials in Detroit, August 6th, that the deal is practically closed, though he has not yet gone into particulars, so that the company does not know whether the boats are to be of wood, steel, or composite, all three of which had been figured on. It is the general belief here, however, that they will be composite, that is, a steel skeleton, or frame, with wooden planking, in which case they will be built in Wyandotte. It is known that they will be considerably larger than the "Ste. Marie," which is something over 300 feet long over all, and that they each will have about three times her horse-power, or 7,000. The reason for this great power is the heaviness of the ice through which they will have to pass, it being from three to five feet thick on the average in winter.

It is considered in local marine circles that the only parts of these boats that will be constructed in Detroit are the engines, six in num-

ber. The freight on these will be enormous, but that is all figured in the contract. It has been reported that the hulls would be constructed in Wyandotte in halves, and these towed through the Welland Canal, but their length precludes this possibility. It would be possible to build the boats in Detroit or Wyandotte in such a way that they could be taken apart, the pieces numbered, transported by railroad to the coast, then across the ocean, and after that they would have to be taken overland some 1,500 miles, part of the way over a mountainous district, to the lake. But this scheme is pronounced entirely impracticable, because of the expense, which would be a large part of the value of the boats. It is about a certainty that they will be built on the shores of the lake, and that Mr. Kirby will superintend the job. Mr. Kirby has meanwhile reached St. Petersburg.

## FIRE RATES AND DEFICIENT WATER SUPPLY.

The repeated fires of serious import reported from the neighborhood of Bermondsey have had the effect of causing the fire offices to revise their rates for lines in the district. We predicted this quite recently as the result of the painful weak supply of water available for extinguishing fires. The insurers in the district have certainly nothing to complain of at the action of the fire offices—the legislation was necessitated by the severity of the losses thrown upon the offices. To our mind there has been a serious lapse of energy with the public and the local authorities, and they are both now paying for their negligence and apathy. It would have struck an average-minded control that a reported weakness in the local water supply was worth at least an "inquiry," however perfunctory it might have been, either in instigation or development; but no, nothing was done, and the warehouses in Bermondsey were, and probably are, minus the protection of any water supply worth the name. If the fathers, however, were disposed to sit tight, the fire offices are not so minded. They found no reason why Bermondsey should figure as a drain upon their resources, and the latest tariff will come as a gentle reminder that the authorities may let the warehouses burn if they choose, but the district generally has now to pay for the amusement. None of the offices have escaped a serious loss in their underwriting in this district, and, if the non-tariff companies are disposed to go in, they have now an excellent opportunity of losing their money.—*The Citizen, London, Eng.*

## REPORTS OF TOBACCO SMUGGLING.

It is reported, in Montreal, that tobacco smuggling has been carried on between Montreal, Boston and New York for many months. The United States customs officials have a good case. The scheme is operated between La Colle, Stottsville and Rouse's Point. The tobacco, comprising Sumatra and Havana leaf, upon which the duty is \$1.50 a pound, is purchased from Montreal firms and carried over the border in fifty-pound packages on railway tricycles to Rouse's Point twice each night. At Rouse's Point the tobacco is forwarded to Boston and New York. Warrants are out for the arrest of a number of the smugglers.

—The Great Wheel at the Empire of India Exhibition, Earl's Court, was opened to the public on a recent Saturday, says *Engineering*. The top of the wheel is 300 feet above ground level. Around its circumference there are forty cars 24 feet long by 9 feet wide by 10 feet high, and weighing 5½ tons each. The axle on which the wheel is mounted is seven feet in diameter. A complete revolution is made in about forty minutes.

—The co-operation between the telephone and the telegraph in Sweden is being continuously extended since the State telegraphs have gone in for telephonic installations in almost all parts of the country. The most recent advance is an arrangement by which telegrams to subscribers at the state telephones need only be addressed to the name of the person in question, no further address being required. This not only simplifies matters, but it enables a telegram to be sent to innumerable places which would otherwise be outside the area of ordinary telegraphing.