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GOLD—THE SUPPLY AND DEMAND.

If it be true that the demand for gold is outrunning the supply, it must follow that gold will appreciate and that appreciation will show itself in a fall of prices. This is a principle on which it is safe to rely; for its operation may be counted on with as much confidence as the rising and the setting of the sun. The attempt to trace an actual fall in prices to this source may be open to objection, because, so complex are the phenomena to be dealt with, the fall of prices may often be in part due to other causes. The causes that have made gold relatively scarce lie on the surface. Chief among these is the extraordinary demand that has arisen in the United States, Germany, Italy, and Holland for gold. The demonetization of silver lies at the bottom of this demand for gold. Within ten years, the extra demand has been nearly equal to $1,000,000,000. During this time, the total production has been $100,000,000 a year, of which one-half is consumed in the arts which minister to the luxuries of life. At least these are the figures on which Mr. Goschen relies. The estimate of the amount of gold consumed in the arts is one which the late M. Lavaleye, no mean authority, accepted. It is not probably an over-estimate. Twenty-five years ago, M. Chevalier put the amount of consumption of gold in the arts nearly as high as this (1,236,653), ounces). The amount must have enormously increased, in the interval. In 1827, Humboldt put this item down at only 325,100 ounces. If these two estimates be near the truth, that of M. Laveleye—$50,000,000 a year—must be rather above than below the mark.

The extraordinary draft on the gold supply of the world arising from the demonetization of silver, by several countries, will not be repeated. An increasing amount will, however, be required. The demand for consumption in the arts will continue to increase. There is still to the good $50,000,000 a year, in the annual production, over and above what is required in the arts. In the last ten years, the demonetization of silver has caused a demand for gold coin equal to twenty years' supply, over and above what was used in the arts. The gold supply is short, as compared with what it was ten years ago, by $500,000,000. This is the net result of the estimates.

It is something to know that we must now be at the worst we are likely to experience for some years. $50,000,000 of gold is not a large surplus of production over the demand in the arts. From this the wear and tear of the world's gold coinage has to be deducted. On the whole at the end of ten years, the gold supply, relatively to the demand, will, at the present rate of production, probably not be much different from what it is now. The great strain has come, and no one can say when it will cease. That a fall of prices, from the level of 1872, was inevitable, from the appreciation of gold, is not doubtful. But the figures given by Mr. Goschen, to prove that such a fall was actually taking place, are of no value. The only fall of prices that could take place, from this cause, would bear a direct relation to the appreciation of gold. If one kind of tea has as is alleged, fallen one-half in price, the fall must, in the main, be due to some other cause. The same must be said of the fall of the price of English lead from £21.10 to £13.15 a ton, in copper from £91 to £65 a ton. Nor could the fall in the price of coal from £1.10 to 18/a ton, be held to mark the appreciation of gold. The fall in the price of wheat from £2.16 to £2.0.6 a quarter, must be mainly due to some other cause; such as improved communications which have brought virgin soils, in distant parts, of the world into cultivation. Still it may be that, allowance being made for extraneous causes, the appreciation of gold manifests itself in a decrease of prices. Some skill must be used in making a comparison of prices, at different periods, if we would avoid misleading results. An inflation of prices, caused by speculation and overtrad-trading, is always followed by a rebound; and if we want to see what influence the currency has on prices, we must make the comparison with two similar periods of equal inflation or equal depression. Lower prices always accompany the rebound that follows inflation. A bad harvest, if general, causes a rise of agricultural produce; but now the sources of supply are so numerous and the means of communication are so good that a general failure in the harvest of the world is impossible. And an increase of agricultural produce, relatively to the demand, leads to a fall of prices, such as has taken place. But some part of that fall may be owing to the appreciation of gold.

Whether the appreciation of gold is to continue will depend upon the future supply and demand. In 1857, the increase of gold production created some alarm. The Dutch demonetized gold and Chevalier called upon France to do so too. The premium on silver, in France, was four per cent. A few years before, gold had been at a premium. These fluctuations cannot recur, so long as silver remains demonetized, by the nations that have adopted the gold unit. Gold may appreciate, silver cannot.

The present annual supply of gold may either decrease or diminish. The diminution has recently been marked. From 1852 to 1856, it was $150,000,000 a year; in the next five years it sank to $123,000,000 a year. The decline went on until, as we have seen, it is now only $100,000,000 a year. Should this decline continue, the appreciation of gold must become marked, by a sensible fall of prices. But should the present production remain stationary, the supply would not long keep up with the demand. More gold will be absorbed in the arts; wear and tear of the currency will go on, and a progressive demand for gold currency will keep pace with increased population and enlarged commerce. It is possible that new discoveries of gold, or better methods of extracting the ore, may add to the present yearly product; but this is uncertain: all that is positively known is that the annual supply is declining.

There can be little doubt that an appreciation of gold has commenced, and if it should continue to go on, it will alter all the relations of debtors and creditors; all engagements, national and individual will be affected. Those who have debts to pay will be losers; those who have fixed incomes will be gainers. A given amount of money will buy more; and the payment of a given nominal amount will impose a greater burthen, because more commodities will have to be given for a sovereign or a gold eagle—Canada has no gold of her own mintage—than before. The same nominal wages will mean higher wages, if they do not already. The bond-holder will, from the same nominal amount, be in possession of a larger income. The mortgagee will get more from the same nominal rates; the mortgagor will pay higher. Especially will this be true upon existing mortgages: future rates may adjust themselves to the altered state of things; and even the holders of three per cents. may have to take a lower rate of interest. In the transition period, the effects of the appreciation of gold will be felt. In time, the dollar would be recognized as having a new and increased value. The sovereign might come to have the purchasing power that twenty-five shillings had before. Other values would have to adjust themselves to the new standard; and the transition period would be beset with difficulties and hardships.

AMERICAN FOREIGN COMMERCE.

A nation which sells to and buys from its neighbors to the extent of five million dollars every working day, may lay claim to a very considerable business. This, in effect, is what the foreign commerce of the United States amounts to, for its aggregate during the fiscal year ended 30th June last was $1,547,014,570. This does not equal in extent the previous year by nineteen millions, and is far short of the 1,675 millions of 1880-81, but it represents an internal trade equal to thirty-one dollars per head of the population. The total value of exports of foreign merchandise from that country was $19,610,024 in 1882-3 and $17,302,525 in the 1881-82. Domestic merchandise, that is, goods of home raising or home manufacture were exported to the value of $804,223,632 last fiscal year; similar exports for the twelve months preceding reached $733,239,731 in value; while imports were in value almost identical with those of the previous year, viz: $723,180,914 against $724,639,574.

It is to be remarked that the domestic exports of the year were largely in excess of the imports of merchandise; so that while the purchases of the United States abroad were almost as great as in the year preceding, the shipments of their own produce or manufacture were $81,042,718 more than their pur