

LETTER FROM ENGLAND
COMMERCIAL REVIEW.

(Special Correspondence of the Trade Review.)

[PER AUSTRALASIAN.]

ADVERTED in my last letter to several reasons for the anomalous position of the trade of the United Kingdom, and for the dullness which prevailed, notwithstanding the unprecedentedly large amount of the imports and exports. There is, however, one other cause, not at present a very active one, and which, by itself, would probably be nearly inoperative but which, taken in connection with other unfavourable causes, tends at least somewhat to aggravate them. I refer to the uncertainty of the business relations with the United States caused by the depreciation of the currency there. As this cause of our dullness may affect the trade of Canada even more than it does, or ever can, the trade of this country, I may be pardoned for making some reference to it.

Stripped of all superfluous coverings, the meaning of the currency and business transactions of any country being based on specie, is that the creditor can claim for his dollar a certain amount of specie, or, to speak more accurately, a certain weight of specie, for the Government, in issuing gold or silver coins simply guarantees that they shall contain a certain weight of the pure metal, mixed with a certain small amount of alloy. But it is quite open to people to make their contracts entirely independent of any considerations including the value of either or both of the precious metals. For example, many old contracts relating to real changes, as in England, are based upon the average price of grain, or rather upon the average yield per annum. It is also quite open to traders to make their contracts upon the price of Exchange bills or consols, and, in fact, many transactions are made upon this basis, or upon the Bank of England rate of discount. As a rule, however, traders everywhere prefer to use the standard of the precious metals, and the reason for this is simply that the value of the precious metals is, upon the whole, more uniform, and subject to fewer fluctuations than is the price of grain or consols, &c.

The suspension of specie payment is intended to and, in fact, nearly always does, lead to a great increase in the paper currency of the country, at first taking the place of specie. This paper currency is simply a promise to pay bearer on demand a certain sum in specie, and as soon as it is no longer necessary to pay in coin, the Government, or the bank or banks acting for it, issue large sums of money which are a legal tender, and can be used to pay off former debts. The paper currency being in excess of the requirements of the country, becomes depreciated, or what is the same thing, gold is at a premium, and the price of all commodities rises. In point of fact, the suspension of specie payment, however it may enable a Government at the moment to raise money, in its effect upon the commerce of a country, simply enables the debtors to pay their creditors with a less value than had been previously arranged for. The general tendency of this is to stimulate trade. The debtors are able to pay their debts easily, and the rise in the price of all commodities makes an artificial prosperity, in which every one appears to be getting richer without any trouble on his own part. Perhaps a still more powerful cause of this apparent prosperity is that as a suspension of specie payments can only be done by Governments, and is, in fact, nearly always done, in order to enable the Government to make a large expenditure more easily, so the Government demand for the munitions of war, provisions, &c., causes a great demand for commodities just at the time when the enlistment of soldiers diminishes the quantity of labour attainable, and so diminishes the production of commodities. The country is in these times living upon its capital. It is using up past accumulation, and using these up in a way which, however necessary it may be for the preservation of the State, is, in an economical point of view, the most injurious of all. Not merely is the labour of the soldiers non-productive, but it is often used so as to destroy future production. But at the time, this prodigal living upon past capital is always a pleasant process, and gives the impression of an almost boundless increase of the national wealth. In this country we had full experience of all the phenomena during the great war at the beginning of the century, and in the United States the same events "have repeated themselves" not upon a more gigantic scale, at least upon a more rapid one.

Of course, a return from paper money to specie pay-

ments presents many features exactly the reverse of this. In this case, the debtors in the community have to pay their creditors in a more valuable medium than that in which the debt was contracted. The price of commodities also falls, and trade becomes very much deranged. It was, indeed, customary in England to assert that the loss from the return to specie payments in 1815 was irreparable, and in many works, which, if not important, are at least voluminous, such as Maitland's History of Europe, the most extravagant account of the injury to both the mercantile and landed interests is given. No doubt the injury is considerable, but it is at least certain that it depresses trade less than the previous suspension had excited it. There are several reasons for this. The first is, that it is probable that scarcely any war on record, certainly no war in which the country was not occupied by the enemy, has actually diminished the capital of the country. Great though the expenditure may have been the accumulation of capital, stimulated by the prosperity of trade, will have more than made up for it, and the nation will, in ordinary circumstances, come out richer than it went in. It will thus have its full resources to enable it to re-commence the peaceful task of developing its resources. Another reason is to be found in the fact that the return to specie payments is always a gradual one, and that its successive steps can be pretty well foreseen, and, to use an Americanism, "discounted." A certain time is generally fixed at which specie payments will be resumed, and long previous to it, traders are arranging accordingly, whilst the banks or the Government are accumulating a stock of specie. It must also be borne in mind that a national debt, however severely it may press upon the patience of the tax payer, is in one sense different from an ordinary debt due by one person to another. Of course, the greater portion of the debt is always held by the citizens of the State, and the result simply is that one portion of the people owe another portion a certain sum, and it may be said, with some truth, that it is in this sense not a debt in the ordinary meaning of the word. The evil, so to speak of the debt, is not in the interest which the nation pays to certain creditors, but it is in the previous destruction of the capital; and when the war is over we know the worst. The country has had to bear the loss of at least a considerable portion of its accumulation. Many valuable and necessary works have been postponed. The country has not progressed as it should have done. But all this can be as it were counted and estimated. No further destruction of capital is necessary, and the people, stimulated by their wants, are ready to devote themselves more ardently than ever to recover the ground they have lost.

In spite, however, of these considerations, which may tend to mitigate the fears of those who only discover in a return to specie payments the certainty of a great reaction from the previous reckless inflation, it cannot be concealed that it must cause great immediate suffering. The debtors in the community are the sufferers, and they are, as a rule, the people who are most actively engaged in producing wealth, in augmenting the capital of the country. They are the enterprising merchants and manufacturers, and the active and improving farmers and an injury to them is one of the most certain means of depressing trade, and retarding, although it cannot arrest, the progress of the nation. It may be said, indeed, that, till specie payments are resumed, the full burden of the debt is not felt, in its pressure upon every class.

On the propriety of resuming specie payments, there can be no doubt. In the first place, the national honour is pledged to it. The Union has borrowed money cheaper than it otherwise could have done, on the faith of its promise, express or implied, to resume these payments. It is bound, therefore, to fulfil its engagements, and any failure to do so would result in the destruction of the credit of the nation, and in an inability to borrow at any future time, unless at ruinous rates. Then, again, a return to specie payments will ultimately benefit trade by making it steadier. A paper currency, the returns of which can be increased or diminished almost at will, never can be so steady in value as one of specie; and it is for this reason that, as we have seen, traders everywhere have selected specie as the basis of their transactions. A return, therefore, to a specie basis, which an universal experience has shown to be the best, cannot but be of use to trade. For this reason alone, it would be worth while to incur the temporary discomfort of a return to specie payments.

It will be seen from these observations that the

chief danger to traders in other countries, from a return to hard cash in America, will be in its effect upon traders there. No doubt, after a resumption of specie payments, trade will be dull. Stocks which will be reduced in price, will be of very slow sale, and many insolvent houses, and many houses whose fault has been overtrading, will be brought down. Great caution, therefore, will be required for a considerable time. As such a case admits of no rules which would apply to particular cases, all that can be done is to state the danger. Every trader must rely on his own sagacity for a delivery from the dangers which are around him, bearing chiefly in mind one of the most important business rules—never to trust any one person to such an amount as would be a serious injury in case his debtor should fail.

The returns from the Bank of England for this week are as follows:—

	Amount	Increase	Decrease
Public deposits	£ 7,588,000	£250,000	£
Private deposits	18,425,000	685,000	.....
Government securities	13,011,000	65,000	.....
Other securities	19,036,000	24,000	.....
Notes in circulation	22,041,000	.....	611,000
Bullion	13,551,000	315,000	.....
Reserve	11,468,000	937,000	.....

This return is favourable, and the reserve has not stood so high for eight years. It is not likely that the present rate of discount can long be maintained.

The following are the Bank of France returns:

	Increase	Decrease
	Francs	Francs
The Treasury Balance	2,005,000	.....
The Private Accounts	21,000,000	.....
The Commercial Bills	6,695,000	.....
The Notes .....	.....	4,663,000
The Cash	13,142,000	.....

The Cash has again increased, and is now about 60 millions francs higher than it was four weeks ago.

December 16th, 1895.

II.

Another New Gold Field.

An American paper states that a new gold field has been discovered about two hundred miles north of Fort Laramie, on the head waters of the Yellowstone and Cheyenne rivers in the Black Hills, and comprises a part of the Territories of Wyoming and Dakota. The Sioux Indians hold possession of this tract of country, and are very warlike. It is their hunting ground, abounding in countless herds of elk, deer and buffalo, and they are hostile to any trespass upon their land. Nuggets of gold, and rich specimens of quartz, were brought into Fort Laramie last summer by the Indians and traded for articles which they needed. A mining company has already been formed at the Fort, and will be ready for operations in the spring.

THE RECIPROCITY TREATY.

(To the Editor of the Trade Review.)

SIR,—I am indebted to some kind friend for a copy of your valuable Journal of Dec 15th, and to some unknown benefactor for a personal notice. I have not said, nor do I believe Canada would stand in the way of a new treaty, and most heartily approve of her reduction of 25 per cent. on all manufactures and advance of spirit duties, which I regard as ungracious measures. I now write to ask of what the increased shipments this year from Montreal to Europe consist. By your report they are 40,000 tons. Are they oats, barley, or flour? Are you packing much beef? What effect has our tariff on shipments of cattle and wool to the United States? Any light on these topics will oblige me, as I am preparing my report.

I do not believe in extravagance and dunes, and think that if Canada had not raised her duties after 1855, the treaty would not have been repealed.

I am, very truly,

E. H. DERBY.

46 Court St., Boston, Mass., Dec 26, 1895.

THE IRON TRADE IN ENGLAND.

THE iron trade has for some time been in a very unsatisfactory condition, especially in the Northern districts of England. Demand had very greatly fallen off, prices had declined, and iron masters found themselves compelled to reduce wages in order to be able to carry on operations at all. The men were unwilling to have their wages lowered, and "struck" work. The masters were firm, saw nothing in the existing state of the markets to justify them in paying the old rate of remuneration, and allowed their mills and furnaces to remain idle rather than yield the point to their employees. The production of iron in the district came almost to a stand still, but even with this decrease