war debts, due from one nation to another, are not paid in this way; for, in 1871, when France had to pay over to Germany the enormous sum of a thousand million dollars, it was but a very trifling part of this that changed hands in money.

For, in truth, the precious metals play no leading part in the payment of international debts. The imports and exports of gold are but insignificant affairs to a country when compared with the figures of its trade. It is very seldom that a country possesses more of the precious metals than it needs for its circulation and for use in the arts; and there is never so much gold exported as shall diminish in any alarming proportion the amount required by the demands of the circulalation. On the other hand, it is indubitably the interest of a country to retain no more gold than its trade requires.

The reason for this is very simple. In the one case, if there is a rather excessive exportation of the precious metals, the rate of interest rises at once, the price of goods falls, importation suddenly finds itself hampered and exportation stimulated, so that the equilibrium is soon re-established. In the other case, the comparatively trifling surplus of gold that remains in the country over and above the demands of its circulation, causes the rate of interest to fall, raises prices, restrains the exportation and stimulates the importation of goods, and thus creates rapidly a road for itself into foreign countries, where its value is greater.

Money is like water: it will always find its own level. It is like those pumps (*à balance*) that one meets with in the saloons; when the equilibrium is interrupted, a value opens, the liquid escapes, and the level is restored by its own proper action. The normal level of currency is automatically regulated by the demands of the circulation. When the amount of specie is insufficient, its value rises; when it is in excess, its value falls, and it escapes now inwards, now outwards, according to the case. So, it is clear that the exports and imports of gold from one country to another are governed by far other causes than the payment of international debts.

Thus, if it be admitted that no deficiency or surplus of the amount of specie required by the demands of the circulation can be anything but trifling and temporary, it must be concluded, as a necessary consequence, that the balances due from one country to another are liquidated, directly or indirectly, by goods and not by money payments, except occasionally, and then only in a very small proportion.

The truth of this proposition can be more easily seen by an instance drawn from our own trade. Since 1868, the Dominion has constantly had, except in 1880, the balance of trade against it, i. e., it imported more than it exported. It is only during the last five years that the proportion has been reversed; since 1895, we have been exporting more than we have imported. In other words, according to the common notion, the balance of trade has been in our favour. Does that mean that the balance has been paid in specie? A short examination of the figures will easily show the absurdity of this claim.

I will, first of all, take the period from 1884 to 1894, during which Canada bought more from, than she sold to, the foreigner. Here are the figures, in round numbers of millions:

	Total Exports	Total Imports	Exports of gold
1884	91	116	2
1885	89	108	2
1886	85	104	—
1887	89	112	—
1888	90	110	—
1889	89	115	2
1890	96	121	2
1891	98	119	1
1892	113	127	2
1893	118	129	4
1894	117	123	2
	1075	1284	17
		1075	

Excess of imports.......... 209 millions.

If the surplus of our purchases during that period had been paid for in money, we should have had to disburse 209 million dollars. Now, the total amount of gold we really sent out of the country was only 17 millions, besides I do not take into consideration the imports of gold, which in reality are very small. It is therefore quite clear that we must have paid for the surplus of our purchases otherwise than in money.

And this is still more convincingly shown by the figures of the period we are now considering: