

## CONSOLS.

The word "Consols" is the most familiar one in financial circles, for no other form of security is so well known, so widely distributed or so closely watched. In the latter respect, however, Consols have not the importance they had some years ago, when there were far fewer classes of securities available for investors than at present, and when those of the British Government were more sensitive to political, and other influences, which affect the money market, than is now the case. The title, Consols, partakes somewhat of the character of slang; it came into use shortly after several sections of the British national debt were consolidated by an Act of Parliament in 1757, by which different parts of the debt were grouped as one fund bearing a uniform rate of interest, viz., 3 per cent. Prior to that consolidation, there were various parts of the national debt, each having special conditions, and different rates of interest, which had been changed from time to time, by the Government, which borrowed money according to the demands of the financiers who made or who negotiated public loans. It is remarkable that the national debt of England, which is represented by Consols, originated from the pressure of money held by private persons seeking some safer receptacle than a strong box. Two centuries ago there was an enormous quantity of gold and silver hoarded in private houses, as there were no banks to receive deposits, and what openings there were for investments were very few and very dangerous. When money was needed by Governments, they raised it by taxes. These, at last, became so intolerable that in Jan., 1692, a Bill was passed authorizing a loan of \$5,000,000 (£1,000,000) to be raised by life annuities, for the payment of which new taxes were imposed on beer and wines. That Act founded the National Debt of England, which, in a few years, rose to \$400,000,000. Those special taxes which were levied for the express purpose of meeting the interest on the money borrowed, and providing a Sinking Fund for its repayment, created a fund which was termed the "Consolidated Fund." This term is used to this day, but its meaning has been extended, as it now includes the funds raised by various forms of taxation to meet the current expenses of Government in all its branches. The earliest loans were for fixed periods, like modern debentures or bonds. As these had to be paid, or renewed, at times when money was scarce and dear, the Government took power to pay its debts whenever it was convenient. Hence, Consols to-day are not payable at a fixed date. This feature of Consols creates no difficulty, as they are very readily negotiable by transfer from one owner to another, at the current market price. When a succession of wars had swollen the debt of England to a quarter the size it attained a few years later, "the most profound political economist of his time," according to Macaulay, wrote, "Better for England to have been conquered by Prussia

or Austria than to be saddled with a debt of one hundred and forty millions." Another highly distinguished writer, when the debt rose to 200 millions sterling, said: "Such a burthen cannot be regarded without terror." Even the great Adam Smith said in his "Wealth of Nations" that, "any increase of England's national debt would be fatal." These foolish ideas as to the dangers of national debt inspired an attempt to place part of the burthen on the American colonies, increased England's debt by another hundred millions sterling, and lost her, forever, the colonies she had sought by force to share her debt. It was owing, to some extent, to the general prevalence of erroneous ideas as to the supposed danger of the national debt, an echo of which is still heard at times in Canada, in regard to our own, that Consols remained for so great a length of time below par, and sank to such low prices when a foreign war was increasing the debt. To show how distrustful of Consols the financiers of Great Britain were, for a prolonged period, we have compiled the following exhibit:—

Table shewing the price of Consols, the bullion held by the Bank of England, its circulation, deposits and rate of discount for a series of years from 1778 to 1871.

Rate	Consols	Fullion	Circulation	Deposits	Rate
		\$	\$	\$	
1778	69½	10,050,000	17,200,000	23,310,000	.....
1788	75½	28,710,000	47,800,000	25,830,000	.....
1798	49½	29,140,000	65,470,000	30,700,000	.....
1808	63½	39,470,000	90,900,000	59,800,000	.....
1818	79½	50,470,000	138,880,000	39,987,000	.....
1828	83	51,700,000	109,900,000	45,990,000	.....
1844	100½	76,500,000	107,470,000	80,350,000	24
1845	97	69,470,000	115,760,000	67,500,000	3½
1847	88	56,230,000	104,070,000	77,500,000	4
1847	80	41,560,000	101,370,000	66,700,000	8 to 5
1848	82½	79,360,000	96,100,000	79,000,000	5 to 3
1856	86	52,080,000	101,000,000	88,000,000	6 to 7
1857	89	35,800,000	100,900,000	91,000,000	10
1863	90	65,000,000	101,000,000	108,000,000	8
1866	86	65,780,000	111,700,000	96,000,000	10to3½
1867	94	114,600,000	120,900,000	127,000,000	3½ to 2
1871	92	132,000,000	117,000,000	147,000,000	5 to 2½

The lowest point reached by Consols in the last hundred years was on Feby. 28, 1798, when the price was 49 1-2. The first time they reached par was on 28th September, 1844, when the quotation was 100 1-8. During the rest of that year they stood at from 99 7-8 to 100 3-4, then, in Jan., 1845, they dropped a shade below par, and remained so for seven years, until 29th May, 1852. For one year they ranged from 99 1-4 to 100 3-4, until 28th May, 1853. From that day onwards, for about 20 years, Consols kept below par. Another reason which, at one time, made Consols very sensitive to political events, such as wars and rumours of wars, was the fact that they were held on an enormous scale by a class which is very numerous in the old land, that is, persons who are living upon a small, inherited fortune, who are very timid and little acquainted with financial affairs. It will be noticed in the above table how low Consols were when the rate of money was very high, which