

amount destroyed in the month of June that year, in which were included those by the St. John fire, which in round numbers were \$20,000,000, there remains as the losses for that year, \$5,443,300, from which the figures for this year thus far show a decline.

THE FINANCIAL EXAMPLE OF FRANCE.

We condense from the *American Bankers' Magazine* a translation of an article by Victor Bonnet, which appeared in the *Revue des Deux Mondes*, showing why the immense issue of irredeemable paper in France, during the Franco-German war, was not attended by any depreciation of that currency:

"The question is constantly asked, why it was that the great and rapid increase of paper money in France did not raise the price of gold, or cause a general inflation of prices, such as was produced by a similar increase of paper money in the United States. The reason has been substantially stated by Victor Bonnet, in his articles on the payment of the indemnity and the management of the circulation of the Bank of France. It is because the larger part of the money circulating in France before the German war, was metallic, and after the suspension of specie payments in July, 1870, the notes of the Bank of France merely took the place of gold and silver previously in circulation, without expelling those metals from the country. The precious metals were not expelled because the balance of foreign trade remained favorable to France. The creation of the large loans of 1871 and 1872, by means of which the payment of the indemnity of \$1,000,000,000 was principally accomplished, became a temporary, but only a temporary, indebtedness to the holders of those loans in foreign countries. The resources of the French people, and their confidence in the financial integrity of their Government are so great that the loans of 1871 and 1872 were no sooner made than the portions taken abroad began at once to be called back to France by a home demand for investment, until at length the whole amount is said to have been reabsorbed. These loans amounting in the aggregate to \$640,000,000 were negotiated respectively at 82½ and 84½ per cent., and they are now quoted at about 115.

Although the balance of trade is known to have been favorable to France, and therefore caused no flow of specie from the country, such as took place in the United States during the war and for many years afterward, it might be supposed that the payment of such an enormous war fine as a thousand millions of dollars to a foreign country, would have seriously drained it of the precious metals. Such, however, was not the case. The total sum agreed by the treaty of peace to be paid to Germany was \$1,068,151,771; of this \$65,000,000 was paid by transfer of railways lying within the ceded territory of Alsace and Lorraine; \$998,000,000 therefore remained to be paid in money, or money's worth. The actual payments were made as follows: \$102,500,000 in French gold

and silver; \$21,000,000 in German coin and bank notes, \$25,000,000 in notes of the Bank of France, and \$849,500,000 in bills of exchange on England, Holland, Belgium and Germany. The German money (coin and paper) had come into the country with the German army, and never formed any part of the specie properly belonging to France, and hence the return of it was no loss of coin. The French specie went out gradually, as the instalments of the debt were paid, during a period of about two years (June, 1871, to September, 1873,) and it is not probable that one-half of the whole amount paid (\$103,000,000) was ever out of France at any one time, inasmuch as the currents of trade brought it back again rapidly after each Government payment. Thirty millions of dollars were paid in three instalments, near the end of the liquidation, in the months of June, July and August, 1873. It was borrowed of the Bank of France, and all of it was repaid by February, 1874. Besides the indemnity paid by the nation, the city of Paris was condemned also to pay a ransom of \$40,000,000 of which \$10,000,000 were paid in specie borrowed of the Bank of France.

"There was at no time during the payment of the indemnity any great diminution of the large stock of specie habitually held in France. Out of a metallic stock, variously estimated at from \$750,000,000 to \$1,200,000,000, the temporary loss of \$50,000,000, or even \$100,000,000, would produce no effect whatever on the gold premium, nor on prices. The highest point which that premium ever reached was about four per cent. This was in November or December, 1871. At the end of January, 1870, the bank held 240 millions of dollars in specie, against a circulation of 294 millions; that is, all of its bank note issue except fifty-four millions of dollars, was covered by specie in its vaults. War was declared in July, 1870, and peace ratified in May, 1871, the preliminaries having been signed in February. Specie payments were suspended immediately on the outbreak of the war. The metallic reserve was somewhat greater in July than in January, but the amount of notes uncovered probably remained about the same. The minimum of specie held by the bank was reached on the 23rd of February, 1871, three days before the preliminaries of peace were signed, when it amounted to only \$79,750,000. The circulation at the same date is not given, but it was probably not far from \$400,000,000. At the end of December, 1870, it was \$345,000,000. Four laws were passed limiting the amount of the circulation under a suspension of specie payments, there being no limit under the French law so long as the notes were redeemed in coin. The law of August 12, 1870, fixed the limit at 340,000,000 of dollars; that of August 14, 1870 (only two days later), at \$480,000,000; that of December 29, 1871, at \$560,000,000; and that of July 15, 1872, at \$640,000,000. The maximum of the circulation was reached October 31, 1873, viz., \$614,382,400. The specie at that date was about \$160,000,000. On the 24th of January, 1875, the circulation had fallen to \$528,000,000,

and the specie risen to \$271,000,000. On the 27th of January, 1876, it was \$500,000,000, and the specie \$340,000,000. January 25, 1877, it was \$532,000,000, and the specie \$420,000,000. January 31, 1878, the date of the last report, it was \$502,000,000, and the specie \$395,000,000. In June, 1877, however, the specie was \$60,000,000 greater, and the circulation about \$25,000,000 less than in January, 1878, so that the paper money of France was then very nearly covered by gold and silver in bank. Specie payments were formally resumed on the 1st of January last, though for several years past, it has always been possible to procure specie at the Bank of France without paying any premium. During the year, 1877, in the face of a circulation averaging 2,400,000,000 francs, the Bank distributed to the public more than 1,000,000,000 francs in gold and silver; so that the resumption of specie payments was accomplished long before the period fixed by law, Dec. 31, 1878.

"Since the resumption of specie payments the circulation has declined about \$40,000,000, and the specie in bank increased by about the same amount. The latest statement (Aug 22.) shows the notes outstanding to be \$460,000,000, and the specie \$437,000,000. The Bank of England, at the same date, had a circulation of \$139,000,000, and coin and bullion of only \$109,000,000. Each bank is very strong in specie reserves in proportion to its circulation, but the Bank of France holds four times as much specie as the Bank of England, and has a circulation somewhat over three times as great,—having a monopoly of the circulation, while the Bank of England has not, and all the banks of issue in Great Britain (including the Bank of England) have together a circulation of \$222,500,000, about half that of the Bank of France.

"If the foregoing facts and figures are carefully considered, there will be no difficulty in understanding why specie did not rise to a premium in France in the face of a doubling of the bank-note circulation. The notes of the Bank of France—the only paper money of the country when specie payments were suspended in July, 1870—probably did not exceed a quarter of the stock of the precious metals held in that country, and the \$614,000,000 touched in October, 1873, did not probably exceed five-eighths of it."

INSURANCE NOTES.

FIRES AND INCENDIARIES.—Out of twenty-two fires occurring in Canada within the past ten days, ten are put down in the telegrams as "incendiary." A Western paper states that the losses by fire during the past three months in the townships of Windsor and Sandwich have reached over \$50,000, and with one or two important exceptions all these are put down to incendiarism. We do not agree however in the conclusion, although incendiaries are unhappily too numerous. Neither of these, nor of any other townships, could so sweeping an assertion be made, we believe, with truth. We constantly