own economic position. One result, however, has been to give a sharp reminder to all Canadian exporters to the United States market that it is they who must pay the price of the premium.

It is also a reminder of the additional hazards which would soon be created in international trade without reasonable stability in currency relationships.

Currency Convertibility—If multilateral trade is to be established on a satisfactory permanent basis, not only must currencies be reasonably stable but they must be freely convertible.

Unless the sterling-dollar gap can be bridged, we must resign ourselves to seeing the western world break up into trading "blocs".

To discuss this intricate and complicated question in all its phases is far beyond the purposes and scope of this submission.

Our purpose is to focus attention on one particular but important aspect of the problem, namely the role of gold in international trade.

It is our view, not that gold can of itself solve this problem, but that no satisfactory solution will be found unless the proper importance is attached to gold and its function and steps are taken to permit it to perform that function adequately.

The Role of Gold in International Trade—Gold is the traditional and the only universally acceptable medium of international exchange, as well as the common measure of value to which national currencies are related.

Because gold has been withdrawn from general circulation among most countries of the western world, its role as an international medium of exchange is commonly forgotten.

In effect, the International Monetary Fund established, with certain important limitations, an international gold exchange standard.*

Trade balances are settled in gold. One of the chief difficulties which multilateral trade is now experiencing is that national treasuries of countries other than the United States have not adequate supplies of gold. And for this the principal reason is that gold has remained priced at the figure at which it was pegged by decree of the President of the United States in 1934, at $35 (U.S.) per fine ounce.

One result has been the decline of the gold mining industry in all parts of the world. The question is of vital concern to Canada as the world's second largest gold producer.

All but a few of the 59 surviving gold producers (compared with 140 in 1941) are being maintained in existence by direct aid from the federal government. It is no exaggeration to assert that Canada is in serious danger of losing completely an industry which in former years accounted for much prosperity and progress and which pinoeered in the opening up and the settlement of the Canadian North where its mineral wealth is found.

Gold mining is a depressed industry everywhere and governments have resorted to various means of assistance.

Limited access under strictly controlled conditions has been granted to the "premium" markets. The restrictions however are such that this has not afforded help to any but a few Canadian producers.

Diversion of Gold from National Treasuries—Yet in spite of all attempts to prevent gold from getting into private hands, only a small percentage of the world's newly mined gold has been finding its way to national treasuries.

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* "There is nothing in the plan (i.e. the Bretton Woods Agreements) that in any way prejudices the prestige or usefulness of gold as a means of settling international balances. Gold is still the international exchange medium par excellence." W. T. G. Hackett, Economic Consultant, Bank of Montreal.