

APPENDIX No. 1

Q. And still you are not anxious to carry on this business?—A. No, I am not. I would rather have our note circulation on a purely gold basis.

Q. That is the reason why you made that other statement?—A. That is the reason, personally, I would like to see our circulation on a gold basis.

By Mr. Benoit:

Q. One hundred per cent of gold currency?—A. No; the gold basis does not mean dollar for dollar.

By Mr. Coote:

Q. Will you explain what a gold basis is, Mr. Saunders?—A. In England it is considered that 37½ per cent is a percentage of gold to outstanding notes that would warrant going on a gold basis.

The ACTING CHAIRMAN: Gentlemen, I am going to make two requests. The first is for the witness to just cast aside his usual modesty and speak out loud. The second request is that the Committee preserve a religious silence. Will you please repeat the question, Mr. Coote?

By Mr. Coote:

Q. What would you consider a Canadian gold basis?—A. Before the war we were over 70 per cent of gold to notes outstanding. To-day we are about 72 per cent of gold to notes outstanding against gold. You see, we have notes outstanding against gold, and notes outstanding against securities, and combining the two we would be about 42 per cent.

By the Acting Chairman:

Q. Of gold?—A. Of gold against the whole thing. I may say to the Committee that personally I have advocated going on a gold basis.

By Mr. Coote:

Q. Would you explain to the Committee just what that would necessitate, going on a gold basis?—A. Freeing gold.

Q. I think you should explain that a little.—A. I will tell you. You see, when you are on a gold basis, gold will move when the exchange rates get too high. For instance, take my own case. We have large commitments in New York yearly; perhaps I have to put over there twelve million or thirteen million or fourteen million dollars a year. I have been enabled to do that without meeting these heavy exchange rates that have been against us in the past by moving gold. You can ship gold for five-eighths per cent. In ordinary business, when you are on a gold basis, when the banks or whoever controls exchange should say, "Here, I want 1½ per cent to put these funds in New York," you would say, "No, I want gold for these notes of mine," and you take the gold and ship it at say five-eighths per cent, and you would get your money cheaper. Do you not see that when gold moves, exchange cannot go above the cost of moving the gold, very much. That is the principle of the gold basis.

By Mr. Benoit:

Q. There is no premium on the exchange of gold?—A. No.

By Mr. Coote:

Q. We were on a gold basis before the war?—A. Yes.

Q. Why did we not stay on it?—A. To conserve our gold supplies. As soon as the War came on, if you remember it, Germany was trying to get gold, and we had the scare ourselves, that some of it was slipping through Van-

[Mr. J. C. Saunders.]