Published Every Friday
by
The Monetary Times
Printing Company
of Canada, Limited

Publishers also of
"The Canadian Engineer"

# Monetary Times
Trade Review and Insurance Chronicle
of Canada

Established 1867 — Old as Confederation

JAS. J. SALMOND
Managing Director

FRED. W. FIELD
Managing Editor

A. E. JENNINGS
Advertising Manager

# Should Canada Retain Its Gold?

**SITUATION** *Created by the Present War Raises Question as to whether the Dominion should by Legislative Authority, keep in the Country the Gold from its Mines, to be Accumulated by the Government.*

IN view of the situation created by the present war, the question as to whether or not by legislative authority, the gold from Canadian mines should be retained in the country and accumulated by the government is of special interest, suggests the well-known Canadian economic authority, Professor Adam Shortt, C.M.G., LL.D., in an article in the Canadian Mining Institute bulletin. To present an answer to this question in the least complex form, it may be advisable to first consider the disposal of our Canadian gold under normal trade conditions, and then to ask what modification of this situation may be necessary under the circumstances of an international crisis, whether due to the outbreak of a great war, or to other causes seriously interfering with international exchange.

We have first to distinguish between gold as a raw material, and gold as a finished or refined product brought to bullion standard and ready for minting. As a raw material, the gold ore, or otherwise unrefined gold, like all other raw materials, bears a varying price, of which the chief factors are the cost of extraction, cost of insurance and transportation to a refining plant, and the cost of refining or manufacture into finished product. As a finished product, in the shape of standard bullion gold, its price becomes identical with the standard of value in gold standard countries. This does not prevent gold coin or bullion from having a special or variable price in local or national markets. In any particular locality, gold itself may be at a discount or at a premium. A bill of exchange, for instance, payable on demand, and whose face value represents standard gold at the place of payment, may be worth either more or less than its face or gold value at the point where it is drawn. Actual gold will be worth less than the face of the bill when it is necessary to ship the gold to the place of payment to balance exchange; because it will cost more, in insurance and transportation, to send the gold abroad than to send the bill of exchange. On the other hand, gold at the place where the bill is drawn will be worth more than the face of the bill when it is necessary, in cashing the bill abroad, to bring back the gold which it commands. These are conditions which materially affect a complete answer to this question.

Most of the raw gold produced from Canadian mines has been sent to American refineries, because the owners obtained there a better price for the product. They obtained a larger share of the refined gold than they could obtain in Canada or elsewhere. When we have in Canada sufficiently well-equipped and conveniently located refineries to treat our various forms of gold as a raw material, we may be able to compete with the United States in the treatment of our own raw materials.

To meet this requirement as completely as possible, the Canadian government has under construction and nearly completed, as a species of annex to the mint in Ottawa, what is expected to be a thoroughly equipped gold assaying and refining plant. At this assaying department of the mint, raw gold bullion will be treated on a liberal basis, which ought to attract a large proportion of the raw gold now being mined in Canada. Once gold has been reduced to standard bullion, the cost of its further conversion into gold coins is practically borne by the Canadian government, in conformity with the practice of Britain and other first-rate powers. Standard gold bullion and standard gold coinage are, therefore, of exactly the same value per unit of weight, and may, when necessary, be converted into each other with practically no additional cost.

Where paper currency is redeemable on demand in gold, the currency is of the same value as gold. As this equivalence depends upon the law of the country, an amendment or suspension of the law may destroy the gold value of any paper currency. Bills of exchange payable on sight or on short notice serve to link up the gold and convertible paper currencies of the leading gold standard nations.

Under normal conditions of international exchange, broadly, there is no special advantage in seeking to retain in one's country by legal enactment any gold which is mined there. Legislative interference with the freedom of disposing of the products of gold mines to the best advantage of the owners, might seriously discourage the gold mining industry of Canada as of any other country. The regulating of the amount of gold to be held in Canada is a matter to be dealt with partly under the Bank Act, but mainly in connection with the issue of Dominion government notes and the provisions made for their redemption. Dominion notes having been made legal tender for both the banks and the public, the chief burden of maintaining an adequate gold reserve in the country is thrown upon the government itself. The banks must maintain an adequate reserve in either gold or Dominion notes. In practice they choose to retain Dominion notes as more convenient, hence the obligation laid upon the government to provide gold for these notes in any quantity required.

When the gold mined in Canada is refined and coined there it does not pass into general circulation. It is simply deposited with the government or one of the Canadian banks. It, therefore, lies at the option of the bank or the government to hold it in its vaults or to use it for payments abroad or, in the case of the banks, for effecting call loans in the United States. Only when exported and loaned, does it bring a profit to the bank.

Reversing this, should a Canadian holder of raw gold from the mines find it more profitable to send it to the United States to be refined, when his gold is reduced to standard bullion and the cost of refining it deducted, he has the option of bringing the gold back to Canada, either as bullion or coin, or of purchasing with it exchange on Canada. The latter option will have the effect, upon the bill of exchange being deposited with a Canadian bank, of giving the bank a command upon the United States either for gold to be imported, or for the discharge of an equivalent amount of debt due by the bank in the United States. Thus, whether the Canadian owner of raw gold has it refined in Canada or in the United States, it ultimately falls to the lot of the Canadian banks or the Canadian government to determine whether the actual gold mined in Canada shall be retained here, or an equivalent amount of American gold brought