

GOLD THE STANDARD

2. *Gold the Standard.*—A reference to the chapter on "Barter and Exchange" in any text book on economies will show how gold gradually became the standard or common denominator of value in all civilized countries, and that each country adopted as its monetary unit a coin containing an unvarying weight of fine gold. Comparison between the coins of any two countries is therefore a matter of simple arithmetic, namely that of dividing the amount of fine gold contained in the monetary unit of one country into the amount of fine gold contained in the unit of the other. It must be remembered in this connection that equal weights of gold, whether in coin or bullion, are given or taken in exchange for each other the world over.

Canada, for instance, has adopted for its monetary unit the gold dollar weighing 25.8 grains, $9/10$ th fine, or containing 23.22 grains of fine gold and 2.58 grains of alloy. The value of the alloy is never taken into consideration, its purpose being to harden the coin, for if gold alone were used the coin would be too soft to stand the wear and tear of circulation.

The monetary unit of **Great Britain** is the sovereign, weighing 123.27447 grains, $11/12$ th fine, or containing 113.0016 grains of fine gold. To compare these two units, divide the weight of **fine gold** in a sovereign by the weight of **fine gold** in a dollar ($113.0016 \div 23.22$) and you will get \$4.86656 as the number of dollars contained in a pound sterling. Reverse the operation and you will get 49.316 pence, as the number of pence contained in a dollar. It is an unvarying principle among civilized nations that the monetary unit shall have an intrinsic value equal to the value stamped upon it. Melt down a sovereign and you will have a sovereign's worth of gold, in the same way the gold in the dollar is worth exactly one dollar.

In Canada, therefore, the value of everything we buy and sell is reckoned in gold dollars, or, in other words, in fractions or in multiples of 23.22 grains of fine gold.* As a matter of convenience, however, we

*If Brown in Toronto owes Smith in Winnipeg \$100 he pays \$100.25 to his bank in Toronto in order that Smith may receive \$100 in gold or its equivalent in Winnipeg. As a matter of interest we will work the transaction out in terms of gold.

Brown pays 2327.805 grains of fine gold (2322 grains plus 23.22 $\div$ 4 grains commission) in order that Smith may receive 2322 grains of fine gold in Winnipeg. Now, if we divide 2322 and 2327.805 grains by 23.22 grains, the amount of fine gold in the dollar, we get our original \$100 and \$100.25.

Similarly, in sterling exchange, if a draft costs, for instance, one cent per pound over par, we pay \$4.87 $2/3$ per pound sterling, or, worked out in grains of