

Gold Mining

governor of the international monetary fund, Dr. J. K. Holloway. He has this to say on that point:

It is perfectly true that, until the price of gold in a free market becomes reasonably stable, a government cannot restore convertibility. Convertibility assumes a definite figure at which the unit of money of account can be converted into gold. That figure cannot be fixed until the price of gold has been determined by the arbitrament of a free market, the only agency that can now determine it. There would, therefore, be an interval during which dealings in gold would be free but the right of the citizen to demand gold for paper could not yet be exercised. But no government, intent on monetary reform, would render itself more vulnerable to a demand for gold at such times as the right to demand it is restored, by inflating its currency during this interval.

Now I come to the question of the value of the free market in bullion form in Canada, which I have advocated for a number of years in this house. The question of whether it would assist the mines is not as important as whether it would assist international trade. The four proposals put forward by the Ontario mining association should, I submit, have received more consideration by the government, and I sincerely believe that their adoption would be helpful to the country as a whole. They were as follows. One, spot delivery from stock of 22 carat gold. That means that the mines would be allowed to store 22 carat gold for sale on spot delivery, immediate sale, whenever the demand, or whenever the sale could be put through. The form "spot delivery" is a technical one. Two, to sell fine instead of debased gold. Three, allowing Canadian gold in Canada to be held for foreign account. And, four, the repeal of section 28 (2) of the Bank of Canada Act. The first was granted and the others were refused. I believe that the opinion of the Ontario mining association and the gold mines in question should have been given more consideration. However, the government, through the Minister of Finance (Mr. Abbott), turned the proposal down, and I think a retrograde step was taken.

The question of a free market, however, involves two considerations. First, would it bring about an established price for gold in terms of our currency; and second, would it bring about a degree of international free currency exchange in Canada? The only way to arrive at a price for gold is by the operation of the law of supply and demand; but certain conditions must exist. The gold must be freely and openly purchased and sold. It must have no restrictions on it with regard to export and import, and it must be allowed to be stored within Canada.

One of the reasons today that gold is selling for only between \$38 and \$40 on the free market is that it must be held by its owners in countries whose political stability is certainly questionable. I ask any hon. member whether he would be happy in holding gold in such places as Tangier, or for that matter, in Paris, even though it were held in a Canadian bank. I have been informed that there are a number of Europeans who have deposited their securities in the North American continent for this very reason. Therefore the security of the bullion is a paramount matter to the holder, and were we to allow private individuals or corporations to hold gold in Canada, or in Canadian banks, I am convinced the procedure would be very attractive, and in consequence the price would unquestionably advance.

The other point concerning currency is, however, more important. It is here, I believe, that the establishment of a free gold market in Canada would be of greatest use. The owners of soft currencies today are prohibited from using them outside the boundaries of their own countries, except under government control or for certain rigidly prescribed purposes. No one, however, has ever thought of restricting anyone from purchasing anything and paying for it in gold. If therefore the owners of the soft currencies were provided with the machinery by which they could exchange these currencies, through the medium of our gold market, into gold they would have a much more useful counter, no matter what it was called. There would have to be of course a buyer for the soft currencies, but the productivity of the sterling area in itself indicates a market for those currencies for those who wish to buy in that area.

I do not say or claim that this would overcome the embargoes, or the currency restrictions, but I believe it would be a step along that path, which although small and possibly halting to begin with, would lead to further lifting of restrictions. There is no simple way out of the impasse, Mr. Speaker. The steps will be halting; progress will be slow; but, as I hope to show in a minute, the way to begin is to begin.

We in Canada are in a peculiarly advantageous position in the matter. Establishment of a free market would also make Canada one of the great international banking centres of the world. We are today the world's greatest traders on a per capita basis. Our chartered banking system is international in scope. It has been nurtured on world trade. Let us give it the opportunity of making Canada one of the world centres of banking and exchange. Some of the functions carried on so profitably