

GOLD BONUS SUGGESTION.

The Equitable Trust Company of New York, in a publication on the "Gold Situation," just issued, prepared under the supervision of Henry E. Cooper, vice-president, favors the adoption of measures designed to stimulate the mining of gold with a view to assisting in the maintenance of the country's gold reserve. The present condition of affairs is thus described:

"Since the beginning of the war the demand for currency and credit of all sorts has increased in such a measure that ratio of gold reserve of the world has fallen far below that which centuries of banking practice has considered necessary for national solvency.

"But this is not all. The increased cost of labor, supplies, freight and insurance resulting from the war, which has sent skyward the market price of all commodities, has also manifested itself in the gold-producing industry. It now costs nearly twice as much to produce gold as in normal times. The gold miners, the price of whose product—gold—is fixed by an old-established international consensus, are thus facing the necessity of either closing down or working at a loss."

The company outlines the measures of relief for the industry that have been suggested in the following language:

"To alleviate the plight of the miners, the Priorities Board has recently resolved to accord to the gold-mining industry preferential treatment not only in the supply of tools, machinery, and equipment, but also in the supply of transportation service, fuel and labor. While this ruling is most commendable, it goes without saying that more must be done. The gold-mining industries have submitted many demands which can be summarized as follows:

"First. Rebate of the 25 per cent horizontal raise in freight.

"Second. Gold production to be relieved from the requirements of the war excess profits tax law.

"Third. Gold miners to be given at least deferred classification under the selective draft law.

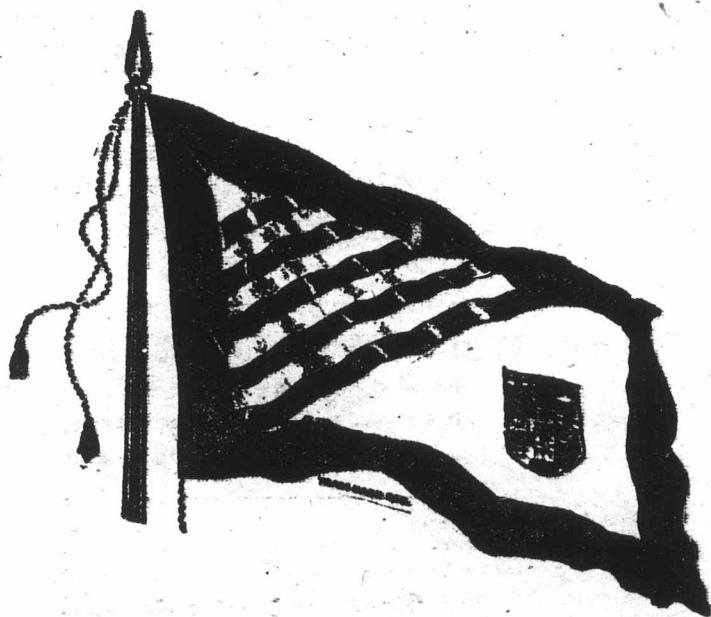
"Fourth. Payment of a government bonus of about \$10 per ounce on all newly produced gold. It is to be noted that the British miners of the Transvaal have also taken up with the British government this question of bounty.

"Finally, a more drastic measure has been advocated, that of an international revaluation of the price of gold proportionate to the general increase of price."

"We, therefore, believe that, aside from the minor demands expressed by the interests engaged in the gold industry, such as draft exemption of labor, rebate of freight rates or revision of the excess profits tax law, which, we feel sure, the government will take into serious and sympathetic consideration, a bounty or bonus should be paid by the government to the gold-mining interests for all new gold produced.

"However, to make this measure effective, an international agreement should be entered upon between our government and the governments of England and France. The bounty should be a uniform amount determined and fixed, in common accord, by the three governments as much as possible in proportion to the increase in the price of commodities. While this increase has amounted to about 165 per cent since 1914, we believe that a bonus of a lesser amount would be satisfactory both to the gold industry and to the financial circle. In order not to disturb the credit structure, the Allied governments should agree to maintain the circulation of currency within such proportions that the ratio of gold reserved to currency actually prevailing will not be lowered. In other words, the bounty paid for new gold should not be considered as an increased value of gold and, therefore, offer a basis for new issues of currency, but it should be regarded as a government expense similar to other war expenses at present figuring in the budgets. It goes without saying that under these conditions the purchase of all the new gold should be strictly prohibited, the governments alone having the right to purchase the total new output. It would probably be wise to decide that the amount of the bounty to be paid for new gold be subject to changes and limited, moreover, to the duration of the war, at which time the objections to a revaluation of gold having disappeared and the necessity of gradually liquidating public debts having arisen, a revaluation of the gold metal in conformity to the requirements of the time could be more easily and safely arrived at.

"In order to effectuate this, or any other reform aiming to bring a much needed relief to the present gold crisis, we cannot emphasize enough our belief in the necessity of creating a permanent governmental commission."

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