

THE GROWTH OF MONEY AND EXCHANGE

Relative Values of Foreign Coins — Britain May Adopt a Decimal System

(This article is a continuance from last week of an address given by Mr. Ewing Buchan before the Pacific subsection of the Canadian Bankers' Association.)

"The instance of the standard gold par value of the sovereign and the dollar of America (I use the word in its broad sense) is applicable to all foreign money. French francs, German (pardon the name) marks, Danish crowns, Dutch guilders, Russian roubles, Spanish pesetas, etc. The following are the several values:—

Franc	19.3 cents
Mark	23.8 "
Crown	26.8 "
Guilder	40.2 "
Rouble	51.5 "
Peseta	19.2 "

"The methods of quotation vary, as you gentlemen know, francs being in the number of francs to the dollar, marks in the number of cents to 4 marks, the others being in the number of cents to the foreign piece mentioned, the rates of conversion being above or below the par value, as the case may be.

The Rate of Exchange.

"The rate of exchange between any two countries, would, under normal conditions, be generally governed by the cost and facilities for exporting or importing gold, barring transactions in securities. When I was in business in Toronto, the figures as between America and Britain were normally 8½ or 4.84 for import, and 10¼ or 4.90 for export, but under present abnormal conditions, making it impossible to import gold from Britain in settlement of large trade balances, following enormous exports of supplies and munitions, sterling exchange rules at a figure far below the normal gold import basis, and I doubt if you gentlemen can say what its future course will be.

"The other side of the question is presented in the abnormal premium you are paying to place funds in New York, it being impossible to ship gold to cover the trade balances against unprecedented imports, the cost of which, in ordinary times, would be considerably less than ¼ of 1 per cent. between financial centres of Toronto or Montreal and New York.

Mexican and Oriental Exchange.

"Mention has been made of some Oriental funds in which the Mexican dollar, having a par value of 47.7 cents has been and is yet a large factor, Mexico being one of the oldest and chief silver producing countries in the world. Hongkong has its own currency in dollars. That exchange has advanced about 60 per cent. since 1914 proportionately to silver bar. The young gentlemen, no doubt, have quite enough to do with the versatile Mongolian, during business hours, when he purchases his Hongkong exchange or gold, if he can get it, and I would spare them any further reference. The tael obtains largely in China with a value varying from 64.8 to 72.2 cents according to local conditions and the price of silver in London. Japan used the yen, having a standard gold value of 49.8 cents.

Silver and Gold Standards.

"Oriental and Mexican exchanges, not being all on a gold basis, have been and are subject to severe fluctuations, and students of monetary systems have advocated the use of silver as a standard. One of the noted advocates, as some of you will remember, was defeated in an election to the presidency of the neighboring republic on a platform of a dual standard of sixteen to one for silver and gold respectively, the value of the former to be sustained by the government purchasing silver for coinage purposes, or the issuance of certificates against it.

"In the year of that election, the average price of silver in London was 29 pence per ounce, and it stood thereabouts until 1915, since which time, as I have said, it has risen about 60 per cent. Present London quotations are about 43 pence, though it touched 55 in the interval, but at 43 it bears a ratio of 21½ to one, as compared with the Bank of England's buying price for gold. In view of Canada being the world's third

largest producer of silver, there would have been a profit in silver, for coinage purposes, at 21½ to 1, or even 16 to 1, which would make the most astute banker blush.

"But greater authorities than the silver-tongued pacifist have given the world their views on the much debated subject of 'bi-metallism,' such, for instance, as Sir Thos. Gresham of the 16th century, whose conclusion was, that, under the dual standard of gold and silver, the cheaper metal would displace the dearer, from time to time, as governed by supply and demand, and there would thereby be an alternating standard, which, though variable, would lead to greater stability and a more equitable monetary system than a single gold standard.

"Viscount Goschen, who passed away in 1907, leaned somewhat to the same view, believing that gold, as the sole standard throughout the world, would surely cause a severe monetary crisis.

"Mr. Moreton Frewen, a present-day authority, who addressed our Canadian Club in 1909 on the subject of our exchanges with Asia, holds similar views of thought, and looked to the free coinage of silver as a panacea for all monetary ills.

"Silver is, of course, more or less in use in every country, but under the gold standard, it is only token money, not representing the intrinsic value of the coin and only legal tender to a limited extent, as you gentlemen all know. But, if silver were purchased by governments and coined without limit, one would think it might lead to a depreciated currency, with a result somewhat akin to the currency of the United States during the civil war, when greenbacks declined in value until in 1864, they were only worth 38 cents on the dollar, driving gold out of sight, to be bought and sold as a speculative commodity, reaching a corresponding price of 263. The value of currency was only restored to par in 1879, when gold payments were resumed and a stable currency was established.

Reasons for Use of Gold as Standard.

"My own opinion, if I may presume to offer it, is that there can be only one standard to insure stability, and gold has proved to be the choice from long experience. It is the most beautiful, and the most treasured of all metals. It is almost imperishable, and requires very little alloy to give it sufficient hardness for coinage purposes. It is of little bulk, and therefore easily transported. It is known as the royal metal.

"Gold is the only commodity in the world, the value of which, under normal conditions, is established by law. No matter how great the volume produced may be, the Bank of England, the world's banker, is empowered to buy with its notes at 3 pounds, 17 shillings and 9 pence per ounce, 11/12 fine. The bank may pay more, but never less. It might be interesting to note the holdings of gold, per capita, in some countries as they were shortly before the beginning of the war:—

Australia	33.19
France	23.57
Argentina	23.30
United States	18.58
Germany	17.23
Britain	12.65
Egypt	12.50
Canada	11.05

"The world's output of gold in 1913 was estimated at \$455,000,000, and the average for 12 years has been \$409,910,000 per annum with a minimum of \$298,812,000 in 1902, and maximum \$474,333,000 in 1912.

"Political economists, some of whom I have mentioned, have expressed varied opinions on the gold standard, and it would be a very interesting subject for debate in your association, as to whether gold has depreciated, and all other commodities have correspondingly increased in value; though, gold is harder to obtain now, than, perhaps, at any other time in the world's history.

Some Pioneers in Canadian Banking.

"My early reference to the bank managers in Toronto, 30 years ago, brings to my mind the passing away of some notable men, such as R. H. Bethune, Duncan Coulson, John L. Brodie and Daniel R. Wilkie, men of outstanding character and originality. Let me relate a little personal incident regarding the last-named gentleman. He always asked me what was the news, when I would go into his office, and we would exchange ideas on the affairs and the finances of the day. On one occasion after the ending of the last Riel Rebellion, Mr. Wilkie called me in and whispered in my ear: 'Did you