

It is, however, possible by appropriate banking policy to prevent greater reserves from affecting national monetary conditions, at least where the banking system is sufficiently developed. Higher reserves would, moreover, increase confidence in many currencies that have suffered repeated devaluations in the last twenty years. If such confidence reduced the fear that every exchange crisis would necessarily lead to devaluation followed by higher prices, the prevention of inflation would be facilitated.

"119. A higher gold price would, of course, stimulate gold production, and this would in a sense be wasteful. But only a small fraction of one per cent of the world's resources would be involved, and the loss would be offset many times over if higher reserves reduced the danger of international crises, trade restrictions and unemployment."

Having suggested that increasing the price of gold is one method of creating more adequate national monetary reserves, the report refers to political difficulties which might be encountered. What these difficulties are will be familiar to any who have followed many official and unofficial expressions of opinion in the United States.

The thesis that an increase in the price of gold is an indispensable condition of economic and commercial health in the western world is brilliantly argued by the South African economist, Dr. W. J. Busschau, in his book entitled "The Measure of Gold", (1949).

It is our belief that an increase in the price of gold is now coming within the range of practical politics.

It has been reported that several approaches have been made to the United States government on the question during recent years by the British, French and other governments.

We have no knowledge of the proposals which, resulting from the Commonwealth Conference of last year, are now under discussion between the United States Administration and the British and Commonwealth countries.

But we believe that an increase in the price of gold is one proposal which must have serious consideration.

Hon. Mr. EULER: What are the objections of the United States?

Mr. WANSBROUGH: The objections of the United States have pretty steadily increased and are, first, that an increase in the price of gold might well have an inflationary effect upon their domestic economy which they are not prepared to face; secondly, that it would lead to an equitable distribution of benefit—a greater benefit going to those countries which happen to be gold producers or happen to have the larger supplies of gold; thirdly, they are not at all sure whether it might not be putting an adequate weapon in the hands of Russia. Those are the usual stated objections.

The value of all gold stocks held by all countries would thereby be proportionately increased, and the United States would be in a position to give supplementary aid in the form of gold to countries who need it to achieve and maintain currency convertibility.

It is for such reasons as these, as well as for the welfare of an important Canadian industry, that this Association has consistently urged the Government of Canada to associate itself with other governments in pressing for an increase in the price of gold.

The proposal is not advanced as a panacea for the world's ills. But, to quote Dr. Busschau, "it is in the interests of all friendly nations to trade freely together in multilateral system and, if technical adjustments such as a rise in the price of gold can hasten the return of such an open system, all men of good will must examine the suggestions".

British Interests in Canada: During the past two years and particularly of recent months many important and highly competent British mining and