

the futility of Government bank inspection, as a preventive of fraud and crime, can be found than is afforded by the history of banking in the United States down to the most recent case of Alvord.

THE QUESTION OF A MINT.

The announcement recently made by the Minister of Finance, that the Dominion Government has concluded negotiations with the British Government for the establishment in Canada of a branch of the royal mint is, in my judgment, a matter of large consequence to the banking interests of this country. An agitation for a mint has been afoot in British Columbia for two or three years past, stirred up by the increasing output of gold in the Yukon. Until now it cannot be said to have attracted any wide measure of popular support, or to have produced that strong political pressure beneath which the convictions of governments are said at times to bend. I fear that the decision to erect a mint in Canada has been reached without adequate consideration of the currency needs and conditions of the country, or of the consequences that may flow from the act. The earth hath bubbles, as the water has, and this is one of them. The popular fallacy underlying the demand for a mint is, that gold bullion in Canada now requires to be exported in order to give it a value as a coined metal, which it does not possess as a raw material. To an audience of bankers the fallacy needs no exposition, but, in the hope that my words may be conveyed beyond this room, let me briefly glance at some of the pros and cons of the question. The coinage of gold in Canada implies a gold currency. Are we prepared to revise and reverse our existing system? A distinguished American statesman has said: "He who tampers with the currency robs labour of its bread." Our currency system is unique. It has stood the test of time, the strain of adversity, the temptations of prosperity. Stable, safe, elastic and convenient, it adapts itself most admirably to the commercial requirements of our people, to the ebb and flow of trade, not only in recurring cycles of expansion and contraction, but in the changes of each passing year. Founded at its inception upon sound financial and banking principles, it has been strengthened from time to time by the introduction of safeguards suggested by practical experience, until it has become about as perfect a system of currency as the wit of man can devise. It is better than a gold currency, because with equal safety and stability there is conjoined greater convenience. But, it may be said, the coinage of gold in Canada can surely be carried on without disturbing the existing currency system. What harm, at the worst, can come from minting here our gold bullion, even if no distinct benefit is derived? Is not the sentimental advantage of possession a gold coinage of our own worth something? To all of which I reply: A disturbance of our present system is inevitable from the free coinage of gold, for this reason, if for no other: The Bank Act requires the banks at all times to hold not less than 40 per cent. of their cash reserved in Dominion notes, under a penalty of each and every violation of this provision. The enactment absolutely limits the amount of gold which the banks can hold to some 60 per cent. of their cash reserves, the balance being required to be in Dominion notes. Now, inasmuch as the volume of currency outstanding will always

be regulated by the requirements of trade, it follows as surely as that water will find its level that all the gold coin injected into circulation will either quickly return to the banks or displace a like amount of paper currency. In the latter event, the character of the circulating medium is wholly altered, while in the former contingency the banks are between the Scylla of refusing to accept the gold and the Charybdis of incurring the penalties provided by the Bank Act if they add the coin to their cash. Banks may, however, take all the gold coin offered them and export it as other commodities are exported, a recourse to which inevitably they will be driven sooner or later, according to the measure of time and the extent of the coinage. What then? The exchange value of gold may be, very often is, less than its face or legal tender value, and so the banker will be compelled to submit to a loss in the operation, or to demonetize the gold currency. I cannot but think that those who have urged the minting of gold in Canada, have fallen into the error of assuming that the process enhances the value of the metal, and in some subtle, mysterious way determines the channels of trade. The coinage of silver admittedly is a profitable transaction, since the face value of the coin is nearly double that of its bullion value, and this process of giving a fictitious value to the metal can, advantageously enough, be conducted up to the limit of the needs of the commerce of the country for subsidiary coinage, or, as we phrase it, small change. The Dominion Government reaps a profit, one year with another, of about \$70,000 annually from the coinage of silver and copper. On the other hand, the coinage of gold not only yields no profit, but entails an actual loss. The mints in Australia are conducted at a loss. Referring to the mint established at Perth, Western Australia, in 1896, the chief official of the British Mint recently remarked: "It is not evident how far the colony is the better for the establishment of a mint at Perth, or that it has gained anything by its large outlay on buildings, machinery and maintenance, which it could not equally have gained at smaller cost by the establishment of a local refinery under Government supervision."

GOLD AS BULLION AND AS COIN.

Now, the banks are prepared to pay the miner as much for his bullion as he can realize by shipping the metal to an American mint, or by converting it into coin in this country. Gold is not a commodity which enhances in value by the process of minting, as cotton, timber and wheat are increased in value when manufactured into fabrics, furniture and flour. The bullion and the coinage value of gold stand practically on a par, and, for purposes of international exchange, the metal is about as valuable in one form as the other. Our best security lies in not sowing the seed, the harvest whereof we know not, I make no apology for having somewhat lengthily dwelt upon this subject. In my opinion there is no question of the moment which more vitally concerns, not merely our own business as bankers, and the interests of the general body of shareholders whose trustees, we, in a sense, are, but the very basis of our banking and currency system, and through these the commerce of our country. The establishment of an assay office in British Columbia is not, perhaps, open to the objections I have urged against a mint, but I deem it