

TREASURY ADVISED TO REFUSE A SUBSIDY.

The Committee presided over by Lord Inchcape, which was appointed last September to consider and report upon the effect of the war upon the gold production of the British Empire, with reference particularly to the treatment of low-grade ores and how far it may be of importance to the national interests to secure the continuance of the treatment of such ores, and generally how to stimulate the production of gold, has submitted its report to the Treasury. The Committee says it is not prepared to recommend any bounty or subsidy for the purpose of stimulating the gold output of the Empire. Gold being the standard of value, no more can properly be paid for it than its value in currency.

In 1917 there was a reduction as compared with the previous year in the value of the gold produced in the Empire of £3,429,415, and in 1918 a further fall of £4,652,207, as compared with the 1917 production, is anticipated. The decline in the Transvaal last year was due to a combination of shortage of explosives and shortage of labour and in 1918 mainly to the shortage of labour, not due to any large extent to the war. The decline in Australasia in 1917 and 1918 was normal and due in the main to natural causes, but it was accelerated by the increase of costs and decrease in the efficiency of labour caused by the war up to the date of the Committee's appointment.

The treatment of low-grade ore in the Transvaal has not to any extent which could be determined been reduced by the war. From the point of view solely of gold production the abandonment of the treatment of low-grade ore in favour of higher grade ore will not within any measurable period reduce the total output of the Empire, and the continuance of the working of low-grade mines which are unable to work at a profit to themselves is not therefore a matter of any great importance to national interests.

SUBSIDY WOULD ENHANCE PRICES.

A subsidy for the production of gold appears to the Committee to be fundamentally unsound. Gold has been adopted as the standard of value because by reason of the operation of natural causes it is available in such quantities and at such a cost of production in terms of other commodities as to give it a more or less stable value. Its value in terms of commodities is directly influenced by the laws of supply and demand. Periods of increased gold production, following the discovery of further deposits of gold capable of extraction at a low cost, have been marked by an increase in the price of commodities. The exhaustion of these sources of supply has been accompanied by a decline in the price of commodities. The intention of the subsidy suggested by the gold producers is to enable gold to be produced which otherwise would not, conformably with the economic laws of supply and demand, be produced at all. Other things being equal, the result would be that the purchasing power of the whole of the world's gold would be diminished pro tanto. The value in terms of gold of the commodities for which it is exchanged would rise.

GOLD RESERVES AND FOREIGN TRADE.

It is undoubtedly desirable (The Committee go on to say) that considerable gold reserves should be held in this country, but in our view the most important function of a gold reserve is that it should be available for export at the standard price when required to meet foreign indebtedness. We think it essential to preserve a free market in gold, but clearly it would not be a business proposition to do so if we had to pay £4. 10s. 3d. for an ounce of gold in order to export it at £3. 17s. 10½d. We can only maintain our gold reserves if the value of our exports, visible and invisible, exceeds on the balance the value of our imports.

The London Chamber of Commerce apprehend that prices may fall rapidly at peace, with disastrous results to industry, and contend that it might be in the public interest to take steps to prevent the rapid fall in the price of commodities by stimulating the production of gold at the expense of the taxpayer. We neither share their apprehension nor accept their contention. We have no reason to believe that there will not be forthcoming from the British Empire on a parity basis as much gold as we shall need for the purpose of strengthening our gold reserves, but in any case the additional amount of gold which at best we could hope to secure by a subsidy would, in the opinion of our witnesses, be of no advantage to this country for building up reserves unless we can afford to keep it.