GOLD PRODUCTION EFFECT ON COST OF LIVING

Has Some Bearing on High Prices, But Extent is Very Much Exaggerated

In these days we hear much of the increased production of gold as the prime factor in raising the cost of living. The relationship, though real, has been greatly exaggerated. Indeed on few subjects, either from the platform or in print, has such a chaotic and indigestible mass of nonsense been handed out to an unsuspecting public by financial ignoramuses or by ambitious demagogues, who by startling statements hope to attract popular attention.

One day, we are told that the increased production of the yellow metal will probably necessitate a change in our monetary standard from gold to radium, or some other rare commodity. The next, that Western finance is in imminent danger of being overwhelmed by the drain of gold to India.

The public place the blame for the increased cost of living at the door ol the retailer; the retailer, indignant at the imputation, charges the wholesaler; the latter, protesting his innocence, arraigns the farmer; the farmer attacks the consumer; and the "vicious" circle is complete. All are jointly responsible, and by common consent gold is made the scapegoat.

The Actual Relationship.

But what is the true situation, and the actual relationship between increased output of gold and commodity prices?

Prices are merely expressions of the ratious between the values of other commodities and that of gold. An article worth five times as much as 23.22 grains of gold, as determined by actual exchanges, is said to have a price of $5, since $1 is defined as the value of 23.22 grains of pure gold. The value of gold, like that of any other commodity, is regulated by the forces of supply and demand.

Let us consider briefly the world supply of gold. Since the discovery of America in 1492 the production of gold is estimated at about $14,000,000,000. From this amount, losses must be deducted. In 1908 the total world stock was placed at not over $10,500,000,000. In the currencies of the world at the present time is gold to the value of $7,000,000,000. The arts and industries have absorbed probably $3,000,000,000.

To these amounts must be added private holdings, composed for the most part of bullion held by large private financial institutions, like the Rothschilds, which do not report to any government. These holdings may be set down at $1,500,000,000, bringing the total present world supply of gold to between 11 and 12 billion dollars.

Production on Increase.

The annual production of gold, which has increased very much in recent years, now stands at something in excess of $450,000,000,000, and, considering the present mining situation, is not likely to rise much above the half billion mark. Vast though this amount is, it represents but a small annual increment to the total world supply.

In other words, prophets of evil are predicting "blue ruin," when, as a matter of fact, our gold supply is only increasing at the modest rate, of 4 per cent. per annum. If the world demand, monetary and industrial, for gold increases in like rates, which may surely be expected, there is absolutely no danger of either a financial millenium or a radium regime in the monetary systems of the world.

But since 1895, the monetary demand alone has taken up the total annual production. Whenever there has been an arrival of gold in England, it has been the object of international grabbing in which nearly all nations have had a part.

East Absorbs Large Quantity.

Eastern countries, which with the exception of Japan have still a silver standard, have been absorbing large amounts of gold. The imposition of an import duty of 8 cents an ounce on silver by the Government of India in 1910 is having the desired effect in preparing India for a gradual change from a silver to a gold standard for internal circulation, as well as the "gold exchange standard" at present used in foreign trade, by shifting the demand of India for hoarding purposes from silver to gold.

The importation of gold into India, which prior to the enactment of the import duty on silver was only $20,000,000 per annum, last year amounted to $100,000,000, and for the first eleven weeks of this year averaged nearly $5,000,000 a month. India has an almost limitless capacity for absorbing the precious metals, but a change from a silver to a gold standard must of necessity be a process of many years' duration.

The South American States, too, have required and will continue to demand large amounts of gold in changing over from a silver to a gold standard.

The world's consumption of gold in the arts and industries is rapidly increasing, and now amounts to approximately $150,000,000 per annum. There can be little doubt that the world demand has more than kept pace with the supply.

Growing Use of Paper.

A factor of greater significance and potentialities is the growing use of paper, instruments, notes, cheques, drafts, etc., in place of the actual transfer of coin. In United States and Canada comparatively little gold is in circulation outside of the reserves of the banks. European countries still have large amounts of the yellow metal in their hand-to-hand circulation, and although the metal currency will be preferred by the common people for many years to come, the use of gold is being increasingly economized by the use of paper instruments.

A calm consideration of the facts would seem to show that the increased output of gold has been but a minor factor in the increase of commodity prices, and that the gold standard is in no immediate danger of being deposed.

THE MINING INDUSTRY AND T. & N. O. RAILWAY

As a Government enterprise the Temiskaming and Northern Ontario Railway has played a most important part in the development of the country that it serves. Just how important that part is, cannot be better realized than by a perusal of the annual report of the T. & N. O. R.'s mining engineer, Mr. Arthur A. Cole. Mr. Cole has long been the philosopher, guide, friend, statistician, and general information bureau of Cobalt. His activities often take a wider range, comprising Porcupine and the outlying districts.

The present report, for the calendar year 1911, is noteworthy for its fund of statistics and information, and, incidentally, for several references to the relation of farming to mining. To these we shall refer later. Meanwhile, let us glance over some other salient points.

In the Cobalt district, and this includes Gowganda and South Lorrain, silver to the value of $16,500,000 was produced in the year 1911. The total production to date is valued at about $65,000,000. Thus in eight years Canada, through the mines of Cobalt, has assumed third place in the list of the world's producers.

The largest yearly tonnage of ore shipped was reached in the year 1910, when, roughly, 34,000 tons were transported from the camp. The corresponding figure for 1911 was 24,921.71 tons. The current year will probably witness a further diminution of tonnage. The explanation is, of course, obvious. The operation of more and more concentrators, and the increasing tendency to reduce rich ore to refined bullion, are the factors in the case. Whereas in 1910 only $501,815.33 was shipped as bullion from the district, during 1911 the bullion shipments amounted to $2,012,428.95. Formerly, too, low-grade ore was shipped in quantities about twice as great as the shipments of high-grade.

Last year the opposite was the case, 283 cars of high-grade ore (ore containing more than 500 ounces) being shipped as against 140 cars of low-grade. During the year, 381,870.97 tons of ore were milled, the concentration ratios ranging from 18.1, to 108.1. Fifteen mills were in operation, and two are under construction.

In Mr. Cole's opinion, and he is well qualified to judge, Cobalt is on the crest of a wave that will not subside for some years to come. The subsidence, when it begins, will be gradual. Much depends, naturally, upon the condition of the silver market, which market has been favorable for some time. What a good price for silver means to Cobalt may be judged from the fact that a rise of one cent in the market quotation adds to the camp's income at the rate of about $325,000 per annum.

Dividends paid since the birth of Cobalt reach the grand total of $31,671,622, to which amount the mines contributed $8,958,047 in 1911.

Freight rates to Canadian smelters work out at from $4 per ton to $10 per ton. To United States smelters the charges are correspondingly higher. From Cobalt to Hamburg, Germany, the seasonal rates range from about $13.50 per ton to about $15 per ton.

The smelting situation is practically unchanged. Canadian smelters treated 34.02 per cent. of the ore, all of which was high-grade. United States smelters purchased 65.13 per cent. of the ore, which proportion included the remaining high-grade and all the low-grade. Only a small quantity was shipped to Germany, and none at all to Great Britain.

The advantages of cheap hydraulic and electric power are seen when it is noted that the coal cunsumption in Cobalt has been cut from 105,416 tons in 1909, to 44,216 tons in 1911.

Mr. Cole makes brief references to Porcupine, in which he points out the debt owed by that camp to Cobalt. He adds a paragraph on the healthy progress being made in Swastika, Munro, and Larder Lake.

In his concluding remarks Mr. Cole alludes to the fact that Cobalt was opened up by a railroad intended to exploit the farming lands of the north. "If the railroad," he continues, "had been entirely dependent for its tonnage on the agricultural resources of the country, it is quite probable that the train service . . . would consist of a mixed train every alternate day, instead of, as at present, two through passenger trains daily, with sleepers and cafe-cars and local trains where required. The reason for the difference lies in the fortunate discovery of productive mining camps in the vicinity of the railway."

The prospector "is the true pioneer, ... his word acts like magic in calling to his side a host of eager followers. Along with these, or closely following, comes the miner. All these men together form an army that is absolutely dependent on outside sources of supply. As such, it forms a strong magnet for a farming population, if only the right kind of land can be found in the vicinity. . . . . What greater inducement could be offered to a farmer than rich land in the vicinity of a large cash market, where good prices are paid for a good article supplied. These are the conditions that rule in the Cobalt district."

Further to illustrate this point, Mr. Cole adduces figures showing that food supplies to the value of $485,593 were used at the mines of Cobalt alone during 1911. Since there were 3,020 employees, this implies that the cost per man per day was 44 cents. In addition, the sum spent on the horses used by the mines was $17,391. It is to be noted that the miners form but a relatively small part of the population, and that there are many other towns and mining camps to be supplied.

In the statements quoted, Mr. Cole is making no special plea; he is merely presenting facts. It is beyond question that Northern Ontario owes its prosperity to the prospector and the mine. Mining is the industrial skeleton of the region. Farming will clothe that skeleton with flesh. Mining has rendered necessary the construction of well-equipped railroads. The farmer will reap the full benefit when, in years to come, his markets expand.

The obvious moral is that the Government can best assist the whole community by making easy the way for the prospector and the miner.

Mr. Cole's report is timely. It should be given wide publicity.—Canadian Mining Journal.

W. H. Lewis, of Haileybury, so well known throughout the North Country, was a guest at the King George hotel last week.