Mining

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GOLD—its production and sale, is a subject of vital importance to Philippine producers. M. A. Kriz, economist for the Federal Reserve Bank of New York, reviewing present conditions and future trends, discerns three important developments. (1) In 1948, for the third year, the world's gold output showed a rising trend. (2) Foreign sales of gold to the United States slackened. (3) Legal open markets for gold were established in some countries. On these markets, as well as on the Far Eastern and Middle Eastern free markets, the price of gold tended, on the whole, to rise. The overall world increase in gold production in 1948 stemmed entirely from three countries: the Union of South Africa, Canada, and the Philippines.

Mr. Kriz states it is not yet possible to ascertain if, and to what extent, last year's output was affected by subsidies, tax reductions and other measures for stimulating gold production. In Canada, subsidies became effective on January, 1, 1948, for a period of three years. In Western Australia and in Southern Rhodesia they were established during the year.

The Canadian and Australian subsidies are not uniform payments for each ounce of gold mined, but are differential payments, designed to enable individual marginal mines to continue operations despite rising costs of production. In the opinion of the International Monetary Fund, which was first consulted by the Canadian and Australian Governments, such subsidies, where extended on the merits of particular cases and and in the light of special circumstances, are not to be understood as casting doubt on the uniformity of the monetary value of gold, nor as contravening the obligations from member countries to engage in gold transactions solely at prices based on the par values of members' currencies.

On the other hand, the original Rhodesian subsidy was a general subsidy on all gold produced. Indirect subsides, such as tax relief, preferential railway rates, government financing of technical research, etc., exist in a large number of countries. Import licenses for gold-mining materials and equipment are likewise administered in such a way as to aid the gold-mining industry.

The year 1948 saw the creation of legal open markets for gold in France (and Algeria, Tunisia, and Morocco), Italy, and Finland. At these markets, trading is wholly free and buyers and sellers need not even give their names, an aspect of the trade that has special significance under the conditions prevailing in these countries today. Export and import of gold continue to be subject to license, but according to various reports, there has been some international gold arbitrage through smuggling. No gold sold on the open market has thus far found its way into the French Stabilization Fund, which is of course precluded from buying gold at a premium.

Elsewhere in Europe, private business in gold has dwindled to an insignificant volume.

Very few countries, it appears, continue to attach importance to the domestic role of gold as a cover for legal currency.

On the other hand, gold continues to play a role as the final means of international settlement. However, under the circumstances of the present day dollar shortage, this role is of course, confined principally to use by foreign countries in making payments to the United States. Under the European Recovery Program, which became effective last April, two important developments have occurred in respect to the use of gold for international payments, the ultimate implications of which cannot yet be foreseen.

First of all, Marshall Plan dollars have enabled the participating European countries, Canada, and also some Latin American countries to have gold that otherwise would have found its way to the United States. By taking care of a large part of the requirements of ERP countries directly, or indirectly through off-shore purchases, the Marshall Plan has slackened the flow of gold to the United States.

In addition, European countries participating in the European Recovery Program are likely to have smaller recourse to reciprocal gold payments than a year ago. Under the post-war bilateral agreements, balances that accrued beyond a stipulated credit-ceiling were to be paid off by gold transfers. In contrast, under the intra-European clearing scheme which began operations in October, 1948, the financial barriers to foreign trade have been lowered, with the prospect that gold payments will become less frequent.

The European Recovery Plan has thus limited, for the time being, the international role of gold as a balance-of-payments settler. Yet, if the Marshall Plan succeeds in protecting the gold reserves of the participating countries or permits some accumulation of gold, conditions may be gradually be re-established under which gold, in conjunction with the additional source of funds that has been provided foreign countries through the creation of the International Monetary Fund, may again perform its traditional role of international medium of exchange.

In the United States, Representative Clair Engle, of California, has introduced a bill in Congress (H.R. 387) which would allow gold in any form to be bought, held, sold, or traded on the open market, and would allow export without the imposition of duties, excise taxes, licenses, permits, or "any restrictions whatsoever". Gold imported into the United States would be given the same rights as domestically mined metal.

Lumber

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LUMBER producers have been discussing the present alarming situation both in the local market and in the United States. Lumber arrivals in the city average 15,000,000 board feet per month against 7,500,000 pre-war, and apparently construction cannot absorb this increased amount notwithstanding all the building which is going on, a good share of lumber having been sold recently to the U. S. Army for export.

The United States market is at a standstill, caused likely by an expected recession in business. Most importers of Philippine mahogany have been caught with stocks which accumulated in their yards since the Pacific Coast strike and stand to lose money on them because of the recent serious drop in prices. Dealers in the Philippines are trying hard to cut down their inventories as their stocks are not moving as they should and most of them are overstocked. Apparently competitors from South