

The Gold Standard Fund

By GEORGE H. HAYWARD

Since the adoption of gold as the basis of values for their money by most of the nations three different systems have been developed that are commonly designated as the gold standard. The first may be distinguished as a gold specie standard, and comprehends the free and unlimited coinage and circulation gold as money, either in metallic form or by certificates therefor. This standard was exemplified by the money system of the United States until a short time ago.

The second is the gold bullion standard. The pure metal is cast in bars of various sizes, ranging up to the largest, which is the usual size for transfer purposes between nations. This is about 6-3/4 inches long, 3-1/2 inches wide, and 1-3/4 inches thick, and at \$20.67 per ounce varies in value from about \$7,900 to \$8,200. In the United States the gold bullion standard has superseded the gold specie standard.

The third system is called the gold exchange standard. This is an exchange of credit through banks that specialize in that class of work, and deal in bills of exchange between nations. This standard is exemplified by the money system of the Philippine Islands, which system is attached to that of the United States. The value of the Philippine peso follows the value of the United States dollar, subject to minor changes from time to time, depending on the direction in which bills or debts of exchange predominate.

A few years ago the credit of the Philippine Islands was impaired, as was indicated by the depreciated value of its circulating medium as compared to that of other nations. The Insular Government reestablished the exchange value of the peso by paying the trade balance against the islands, and since that time it has maintained closer supervision of the exchanges.

The Philippine gold-exchange standard redemption fund comprises various tariff collections and excise taxes and other receipts deposited in the United States. They are of quantity sufficient to meet all probable demands. The Philippines do not own gold in the United States now, nor have they ever. They have what bankers term a gold account there, a credit measured in dollars. They have enjoyed unique privileges in connection with this fund. It has been invested to draw interest; it has been warranted against loss by the United States. When the gold content of the American dollar was reduced and the number of dollars represented by the deposited bullion was thereby increased, congress authorized a proportionate increase in the quantity of dollars in the Philippine gold-exchange standard fund.

This increase was allowed no other entity, no person.

The question rises:

Congress is asked to appropriate the increase granted the Philippine gold-exchange standard fund to the insular treasury, a singular benefit that no other entity or person will ever have. The money is there, in the exchange fund, a possible motive of congress being to create a larger potential sinking fund for Philippine public bonds; but that it should be taken out of that fund by specific congressional appropriation and used elsewhere, as in the general funds of the commonwealth, is somewhat open to debate. Many say that if this fund is due the commonwealth for its credit account, similar payment is due, and more emphatically, too, those who turned in actual gold and gold certificates. It is claimed that what is due one is due all; what is right for one is right for all. The Philip-

pines do not appear to have given anything for this \$23,000,000. They have sustained no loss.

We know so little that is definite in money theories, and the above paper being one side of a case, we would welcome something brief and cogent on the other side.—Ed.

Friends of the Journal: No. 6



DR. VICTOR S. CLARK

Dr. Victor S. Clark's oldtime Hawaiian friends in the Philippines include George H. Fairchild, Louis Weinheimer and Kurt Gronke, and the *Journal* suspects it gained his acquaintance through Senator Fairchild. At any rate, somehow he became an addict; and 12 years ago when he was in charge of *The Living Age* he was first American editor reg-

ularly to quote the *Journal*, the only publication in its field, it is believed, ever to have made notice in his magazine. What interested him, of course, were the stories of provincial travel through which readers were gradually introduced to all parts of the islands. He is kind enough to say now that these were first rate pieces.

Another tale he liked concerned the islands America had in temporary possession from time to time, and let slip away; and another was by Percy A. Hill, *A Philippine Pantagruel*. Economics equally interested Dr. Clark personally, for which he values the *Journal* still, but of course had small place in *The Living Age*. He retired from the editorship of this magazine when *The Atlantic Monthly* sold it, and has since used his time mainly at economics. Letters addressed to him in care of the Library of Congress finally reach him, but as likely as not, after his return to Washington from months of globe-circling. It was such a trip that recently brought him to Manila; he had been looking Manchukuo over and was on his way to India for observations on how the new India act is to work, it is assumed, and how matters go there generally.

Unmarried, Dr. Clark is 67 years old and has been interested in insular-affairs problems of the United States from the time he was the head of the educational system of Porto Rico under the military government there. From 1902 to 1909 he was engaged in investigating foreign and insular labor conditions for the United States; in 1910 he was in charge of the census in Hawaii, and during 3 years afterward was commissioner of immigration, labor, and statistics there. His editorship of *The Living Age* was from 1920 to 1928. He has published surveys of labor conditions in 9 different countries: Cuba 1902, the Philippines 1905, but he likes doing histories in Latin: *Colloquies of Erasmus*, *Eutropius' Historia Romana*. His *History of American Manufactures* ran 3 editions from 1915 to 1929, in which latter year he headed the Brookings Institution's survey of Porto Rico.

He lives at 3930 Connecticut avenue, Washington, where he knows everyone and has the attention of the wise.

Dr. Clark is more an observer of knowledge in conversation than an impartor of it. Nevertheless, some of his observations in Manchukuo were interesting. He found the currency stabilized, which was helping business, and railroad building very extensive, more than 400 kilometers of line completed since January. Banditry is as rampant as ever, and Chinese immigration significant. A good capital is being built, with beautiful buildings. Few trains in the world surpass the crack Manchurian ones. There is official bustle everywhere, anxiety when events break routine.

It is always a pleasure to have Dr. Clark in town, a quiet, gay and able spirit whose twinkling eyes reflect stores of information giving depth to sound judgment. He said we couldn't get a picture of him indoors with the little box camera, yet it shows him fairly well.

Gold Production-1935

December 1935 was the premier month in Philippine gold mining, output upping the year's insular output to more than \$32,000,000. Malatoc turned out \$1,232,596 or more than \$110,000 over its next lowest record. Benguet turned out \$236,921, its best month but one for the year. Ipo turned out \$90,311. Thus Benguet's 3 mines turned out 2/3 of the month's production. Antamok turned out \$209,674 of which \$12,167 from Gold Creek are under its milling contract with that company. December being the second month in 1935 when Antamok topped \$300,000. Marsman properties: Suyoc Consolidated, \$104,000; Itogon, \$200,000; United Paracale, \$50,000. The table published elsewhere in this issue lists everything.