France or Germany. One operation is as easily understood as the other, and yet foreign exchange is considered difficult! In this case the same monetary unit is employed in the United States and in Canada, a gold dollar 23.22 grains fine, hence the simplicity of the transaction.

With this example before us of the similarity between inland and foreign exchange we think that we can establish the following principles:

1. That if all the countries of the world adopted the gold dollar 23.22 grains fine as their monetary unit, foreign exchange would be elementary in its simplicity.
2. That the names of the coins are immaterial so long as their fine gold content is the same.

   (For instance, if we had an English "dollar" unit 23.22 grains fine it could be called the sovereign and the French "dollar" unit the franc, and so on, without affecting the situation.)
3. That foreign exchange would still be very easy if the gold contents of the monetary units were exact multiples or sub-multiples of each other.

   (If the sovereign contained exactly five times as much gold as the dollar and the dollar five times as much as the franc, and so on, it would be as simple as a universal unit.)*

SIMILARITY BETWEEN INLAND AND FOREIGN EXCHANGE

4. *Similarity Between Inland and Foreign Exchange.*—Now, if the above principles are conceded we should have no difficulty in dealing with the irregular weights of the monetary units in actual use, as the only difficulty presented is the fact that the arithmetic cannot be done mentally, but must be worked out. That is all the difference, and we can all do long division.

If foreign exchange is studied from this point of view, there should be no difficulty found in understanding its operations, especially after the explanations given hereafter are fully mastered.

REVIEW

5. *Review.*—The question naturally arises, "If exchange is so simple why are all these explanations necessary?" They are not necessary if you wish only to learn the mechanical working of exchange without knowing the reason for what you do. We can do all kinds of things in

*The British sovereign is not quite five times the value of the dollar by 13.3 cents, or 3.096 grains of fine gold, and the franc to be 1/5 of the dollar would have to be increased by 7/10 of a cent, or .161 grains of gold.