"Exchange Equalization Fund", which was created in the spring of 1932, has in fact been directly utilized in order to prevent such a rise in the dollar rate of exchange for the pound as might be considered detrimental to the British balance of trade. Similar endeavours have subsequently been made in other countries. When Australia, after great difficulties, had managed to stabilize the exchange value of the Australian pound in London at £1.25 to £1, New Zealand considered herself handicapped and resolved to raise her London rate of exchange to the same level. It was not long before another competitor, Denmark, followed this example.

Such a competition in exchange values is obviously quite incompatible with equilibrium in the international monetary system. This equilibrium imperatively demands that all currencies shall be valued in approximate correspondence with their purchasing-power parity. Therefore, if a world monetary conference is to achieve anything whatever, it is a sine qua non that an agreement should be reached to take no steps which aim at keeping the external value of a currency at a lower level than that which corresponds to the internal purchasing power of the currency.

On the other hand, it should be left to each country to determine the internal purchasing power which it desires to assign to its currency, in other words, the monetary unit which it desires to reckon with. International interests merely demand that this purchasing power shall, as far as possible, be kept constant. The time is not yet come for such a stabilization. What is of paramount interest at the present moment is first to get the purchasing power of money reduced, and thus to bring about a rise in the level of commodity prices. It would, of course, be a very great advantage if the countries could agree on such a policy, so that the level of prices could be raised simultaneously all round. But, as indicated above, there is but little prospect of a general agreement of this nature. In many countries, therefore, people have been hoping that England would take the lead in that part of the world which has abandoned the gold standard, and resolutely proceed to raise the level of prices in terms of the pound sterling. It seems fairly certain that such a policy would immediately win very wide adherence, and that in this way it would really be possible to create the much talked-of "sterling-area", within which stable money could afterwards be maintained.

The British Government has repeatedly given expression to its sympathies for a rise in the price level. The monetary negotiations at the Ottawa Conference were terminated with such a declaration of policy. On such questions, however, we do not get very far with a general expression of sympathy. Active intervention is required in order effectually to bring about a rise in the level of prices, and this intervention must proceed from a clear view of the problem as a purely monetary question. So long as people cling to notions such as that a rise in the level of prices could be promoted by restricting production and imports, nothing whatever can be achieved.

Nor, in the monetary sphere, should people content themselves with the consoling reflection that the rates of interest have been brought down. Low rates of interest will not bring about any rise in prices unless they lead to increased investments of capital. In such abnormal conditions as at present positive action with intent to increase the purchasing power will be necessary. The measure to that end which immediately suggests itself is that the central bank should buy bonds and thus force means of payment out upon the market. Had such a policy been adopted in time, and with the predetermined purpose of raising the level of commodity prices up to a certain limit it would no doubt have been successful. Under present conditions, however, it may be necessary to bolster up such a policy by the direct issue of central bank notes to meet the expenditure on such public works as are considered to be absolutely necessary in order to relieve unemployment. In such a case it is of vital importance that the normal budget should be balanced, so that the State will not find itself constrained to create means of payment to meet its current expenditure. Should the State be compelled to take such steps, there is no limit to the inflation which may ensue. It is essential that the