

EXCHANGE RATES

(Continued from page 7)

might account for it) that he was living on borrowed money, and you would if you could sell your I.O.U. for less than its face value.

Confidence, or the lack of it, is similarly the fundamental factor governing the price paid for bills of exchange—which thus becomes the concrete expression of a nation's credit. Actually, the rate is regulated by supply and demand. In the circumstances above mentioned New York and London will be full of French I.O.U.'s and in the absence of a demand for these documents, which were normally purchased to pay for goods bought from France, they will be a glut on the market, and nobody wanting them, these I.O.U.'s (i.e. Bills of Exchange) will fall in price. As the farmer puts it: "When I go to the market with two pigs and there is only one buyer, pigs is cheap; but when I go with one pig and there are two buyers, pigs is dear."

Thus, there being at present far more owed by France to Great Britain than Great Britain owes to France, and consequently a poor demand for French bills, a Frenchman who buys a consignment of, say English boots, has to pay over 50 francs (instead of about 25 francs only as in pre-war days) for every sovereign's worth. The financial position of France is a matter of grave concern to the capitalist nations. She owes enormous sums to the Allies, and as a result of the war is not able to manufacture and export goods to anything like the extent she formerly did. It therefore becomes a debatable question if she will in fact be able to pay her debts. This means that her traders' promises to pay are discredited, and this accounts for her attitude regarding indemnities and her stand at Genoa.

Similarly, England is under a disability in trading with America, for she is importing more goods than she exports to the U. S., added to which, the British Government owes America £860,000,000 sterling.

There are floating around in the U. S. more British bills of exchange (or orders to pay pounds sterling in London to the credit of American merchants) than they need for the purpose of meeting their obligations to Britain. Consequently, the English pound does not now buy \$4.86, but only \$4 or, in other words, it is 3s 4d below par. England cannot get out of the difficulty by shipping gold as it does not exist in sufficient quantities, and there is as a result a premium upon that metal. Great Britain's promises to pay are being regarded as in a way open to question, and the facts justify the differentiation against her that exists in the U. S. Is it not a fact that her capitalists hardly know how to pay for the upkeep of the country, loaded as they are with debt and still spending money at an enormous rate?

Loans and Investments

It is impossible in the space at my disposal to do more than touch upon the various other factors that influence the exchanges but it is desirable to understand that loans to other countries are equivalent in their effect upon exchange rates to exports from the borrowing country; for the borrowing country has exported securities and is a creditor until it receives the proceeds. The sale of investments in foreign countries will also tend to improve exchange. The political outlook is another and very important influence upon a country's credit and exchange rate.

If there be any doubt concerning the integrity, from the capitalist standpoint, of any party likely to come into power, e.g., as to whether it will (as Russia has done) repudiate the obligations entered into by the preceding government, the risks attaching to trading will be regarded as formidable by the bourgeoisie, and this affects the exchange, as note the fall of the rouble.

Paper Currencies

Formerly, rates of exchange were markedly unfavorable to those countries where the currency consisted of paper not convertible into gold. Gold stood and still stands at a premium in paper currency countries—for the trader wants gold or paper that can ultimately be exchanged for gold for his

goods. In the case of paper currency countries where there is no gold in the country, the limit to the adverse movement of the exchange is "commodity" point, or the point at which it would pay better to take payment in goods (i.e., barter) than to negotiate a bill of exchange.

But during and since the war paper money has been created in such quantities that this factor does not operate to the extent it did, as the pound has been superseded by a piece of paper known as a "Bradbury," the purchasing power of which is less than a gold sovereign. In other words England is now only nominally a gold currency country. Whereas the value of the currency formerly rested on its gold contents plus British credit, which was high, it now rests practically upon credit only, and that is not so good as it was. The rebellious attitude of the slaves is doing much to undermine capitalism, and anyone in Britain who looks below the surface can see that the system is doomed.

The Russian delegates at Genoa are likely to be able to advance the economic programme of that country much further than the most sanguine of us anticipated. (*) The complications due to the exchanges will assist them. The refusal to pay the debts of their predecessors will enable them to make a fresh start, as it were, and build on a foundation while their enemies are wallowing in the intricacies of the web the downfall of capitalism has caused them to spin.

The British slave is the last thing in ignorance, but he is compelled now to move or die and signs are appearing on every hand that indicate he is getting steam up. The Russian revolution was a sort of preliminary. The main bout is going to commence. It will take more than one round to knock capitalism out, but the muddle of the exchanges, the fiasco of Genoa, and the general situation causes one to say to the class-conscious proletariat:

Stand by!

(*) This article was written before the Genoa Conference adjourned.—Editor.

HERE AND NOW

WE'll never let up on the art of grumbling, for the reason that the figures won't let us.

While these figures continue to present so sorry an appearance as is shown Here and Now, in view of the job to be done with their aid they register about as much efficiency as a logger with a wrist watch or a miner with a top hat. Their total, viewed among items of importance on the order sheet of human interest, present about as attractive an appearance as the record of a lecture on the food values allegedly contained in soft drinks or a dissertation on the nature of the holy trinity.

Loggers, miners, wrist watches, top hats, soft drinks and Biblical mysticism don't look quite right to us viewed all at once. But the figures! Look at 'em! They're as right as the figures. Fix them and forget the rest.

Which means to say: We need the money—Here and now—and if this plaintive cry falls on deaf ears then for sure we are undone.

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