

gold supplies has not kept pace with the normal increase in all other production, while no significant general changes have been adopted in the proportion of credit based on given reserves; and the fact that continued maldistribution of existing gold - a situation which has been but little relieved, if not intensified - has occasioned, in the countries with the chief holdings (particularly U.S.A.) the "sterilisation" of reserves, while increasing the relative shortage elsewhere.

The effects of this fall are not exhausted in intensifying the difficulties of exporting countries in marketing at a profit. A fall of general prices means that all creditors entitled from past contracts to receive from debtors a sum fixed in currency, actually receive a claim to an increasing quantity of commodities, while the real amounts paid by debtors are increased. In industry, the result of higher payments of rent and interest in terms of real goods, is to leave a smaller share available for division as profits and wages. The redivision of this share between employers and wage-earners is determined only as the result of considerable friction, but the net result is the same; if wage earners resist wage reductions so that wages become relatively too high, unemployment for some is bound to follow; if they suffer wage reductions, their reduced purchasing-power leads eventually to unemployment for others. And as for war debts and reparations, the largest among contracts, the situation becomes one in which Germany has to pay, i.e., to export, a continuously increased quantity of real goods, the efforts to do which must even further intensify the degree of competition in international trade, besides reducing her purchasing-power as a nation.

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