

INFLATED CURRENCY AND INTERNATIONAL EXCHANGES

Akin to this increase in public debt is what is termed "inflation of the currency". Prices are the resultant of two factors considered in relation to each other: commodities on the one hand and currency on the other. The quantity of the precious metals remaining the same, an increase in the quantity of commodities means a decrease in prices; a decrease in the quantity of commodities, an increase in prices. If, in addition to gold, which is the basis of currency, the government of a country issues paper money redeemable in gold, in quantities which raise a doubt in the minds of any appreciable number of people as to the ability of the Government to redeem its paper in gold at the face value, then currency comes to have a less value than before; in other words, it becomes "inflated", and prices, being the resultant of the relation of commodities to currency, increase as the value of the currency falls. There are many who believe that this explains in considerable measure the fall in value of the English sterling, which is the same thing as a rise in prices with regard to those articles which a pound sterling will buy. This is a matter which affects each country in relation to its own currency. Inasmuch as it has a direct bearing on international exchanges, and through this medium on the volume of international trade, it must be noticed in any survey of causes affecting prices throughout the world to-day. It is a factor that needs ^{also} to be reckoned with, ~~but as regards our own currency is not one which need cause us concern.~~

CUMULATIVE EFFECT OF WORLD INFLUENCES
IN RESTRICTING PRODUCTION AND TRADE

Remembering, however, all these factors; the waste and loss of material wealth and human life in the war, the diversion during the four and a quarter years of war of production into abnormal channels, the capital that must be replaced and restored before production can resume its normal channels, the charge upon industry and trade which public debt and pensions will continue to impose, the inflation of currency and the vagaries of international exchange; and remembering also that the world's markets have become more and more one - let us realize at once that it will be a considerable time, no matter how rapid the recovery of the nations may be, before we may expect a return to the days when commodities were plentiful, and as a consequence obtainable at a moderate cost.