

BANK OF MONTREAL  
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scarcity of gold in the rest of the world has caused a decline in the volume of international trade and the tremendous fall in prices. A lowering of tariffs and a realization of the fact that, to export, a nation must also import, would greatly facilitate a saner redistribution of the world's gold supply and a revival of international trade.

Despite the official refusal of the United States to recognize the inter-relationship of reparations and inter-Allied war debts, the Allies have been meeting their war debt payments out of reparations receipts from Germany. The fact that President Hoover's moratorium extended to both reparations and war debts indicates their close relationship. By the Balfour Note of 1922, Great Britain voluntarily reduced the reparation payments from Germany and the debt repayments from her allies to the amount annually required to meet her payments to the United States. If the United States were to cancel war debts the way would be paved for a cancellation of reparation payments. But so long as these debts exist and payment is necessary, and so long as the creditor-nations maintain tariff barriers compelling payment in gold instead of goods, the economic situation of the world will remain disturbed, and it will be hypocrisy to expect Europe generally and Germany, in particular, to meet their obligations. Creditors as well as debtors are bound to suffer. The Wiggin Committee, which investigated Germany's credit requirements after the Hoover moratorium, concluded that "Germany has provided a forcible illustration of the fact that the world has been endeavouring to pursue contradictory policies in developing a situation where annual payments of large sums have to be made by debtor to creditor countries, while at the same time putting obstacles in the way of the movement of goods with which to make such payments. Financial remedies are powerless to restore economic prosperity unless there is a radical change in this policy.