

available in case of need. There is no doubt that one of the reasons for the intensity of the depression of the 1930's was the additional complication of the liquidity crisis of 1931. It should not be forgotten that the losses suffered in particular by the economy of the United States owing to the extreme severity of the great depression have been estimated at something like \$200 billion (at the prices prevailing at the beginning of the 1930's, which were lower than those ruling at present).

Should it be decided in the near future or at a later date—in the event, for instance, of a deflationary fall in prices—to increase the world price of gold (as provided in the Articles of Agreement of the International Monetary Fund), then part of the revaluation profits would probably in any case be used to provide resources for Convertibility Funds. In the absence of a change in the gold price, it would seem appropriate to finance the proposed Funds by allocations of specially created government securities, such as that made in the 1930's in Great Britain and the Netherlands.

The effectiveness with which these Funds will create confidence in the various currencies of the western world will depend to a very considerable degree upon their size; for the very knowledge that there are substantial resources which may be called upon in case of need will have a reassuring influence.

To sum up, the attitude of the International Chamber of Commerce on the convertibility of currencies is as follows:

- (a) That the present balance of payments position presents an opportunity for decisive measures to be taken towards convertibility.
- (b) That for countries working their way back to convertibility the primary requisite is the restoration and maintenance of their internal financial stability.
- (c) That as soon as the reserve position makes it possible, effective foreign-exchange markets be re-established under which a pattern of rates can be reached which corresponds to economic realities.
- (d) That countries with convertible currencies and ample reserves should,
 - (1) Liberalize their trade. There can be no hope of a restoration and maintenance of convertibility without a lowering of trade barriers resulting in an expansion of world trade. The creditor nations have a special responsibility in this respect.
 - (2) Establish convertibility funds sufficiently large to ensure the revival of confidence. The convertibility funds would serve the purpose of increasing international liquidity, which is needed not only to buttress the newly freed exchange markets but also to provide countries seeking to achieve convertibility with the necessary means of action in case of future temporary difficulties from which the world is never safe. These funds should be authorized to undertake appropriate transactions, and in each case sufficient safeguards must be designed to ensure that the country granted facilities by the convertibility funds will take all the necessary steps promptly to restore its internal and external balance. The activities of the various funds which are established must be duly coordinated.
 - (3) *Take other measures to relieve the foreign exchange markets*
An example of this would be the willingness of a creditor government to accept payment in the currency of the other