

wondered whether his grocer would honour it, for the sufficient reason that the paper pound being legal tender, the grocer had no option. Since September 21, 1931, it has not even been possible to obtain a bar of gold, but, again, there has been no wild panic.

It is difficult to understand what satisfaction the public are supposed to derive from knowing that a third of the note issue is "covered" by bars of gold, which in no circumstances can be touched, and that the other two-thirds are "covered" by securities which could not be realized in the event of a collapse of confidence and credit so complete that citizens would refuse to take one another's paper pounds in spite of the legal obligation to do so. In normal times nobody wishes to convert his money claims into gold. In time of crisis when, in theory, everyone might be expected to want to do this, it becomes mathematically impossible. In practice the nation always comes to the rescue of the system in times of crisis by declaring a moratorium. This was done in 1847, 1857, 1866, 1914, and again in 1931.

It will be seen that every assumption upon which the gold standard system rests is a fiction, and yet its supporters have the temerity to defend it on the ground that it ensures "sound" money. Whatever else may be claimed for the system this cannot be substantiated.

Now, the London Chamber of Commerce proceeded to attack this system, and has continued to attack it in a series of articles which I recommend to the committee. I suggest they write to Mr. A. de V. Leigh, the secretary of that body, and secure a sufficient number of copies so that every member of this committee may have one. You can cable for them to-day and they will be here inside of a week. Let me just draw your attention to a few extracts from what they have to say. On March 25, 1933, they say:—

Next, the money of the country is supposed to be convertible into gold. To show that this is pure fiction it is merely necessary to state that the paper note issue of this country is, in round figures, £400,000,000, and bank money £2,000,000,000, whereas the gold into which this sum of £2,400,000,000, is alleged to be convertible is £166,000,000. Under normal conditions the people do not wish to convert their money into gold, and in abnormal times, when they might be supposed to desire to do so, it is clearly quite impossible, and a moratorium is invariably declared.

Gold is also believed to act as a regulator for the currency by ensuring that it shall be expanded only when the Bank of England acquires gold. Apart from the fact that, as a regulator, the fortuitous arrival and disappearance of gold is completely unscientific and has little, if any, connection with the needs of producers and consumers, the open market policy is now a regular feature of the system.

And is operated without any relation to the amount of gold in the possession of the banks.

Another popular fiction is that the fluctuations in the international exchanges truly reflect the trading position of the nations. The recent experience of this country should have exploded this theory. But for the vigorous use of the Exchange Equalization Fund, sterling would have risen by leaps and bounds merely because the citizens of the United States, having lost confidence in their own currency, were selling dollars and buying pounds. This had nothing whatever to do with the trade position of this country, nor for that matter with the trade position of the United States, but was due solely to monetary causes.

And to the detriment of the real trade of both nations.

[Mr. G. G. McGeer]