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THE PROBLEMS OF THE
FOREIGN EXCHANGES



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THE PROBLEMS OF THE FOREIGN EXCHANGES

BY

L. L. B. ANGAS

Being VOLUME II of the Series

MACMILLAN AND CO., LIMITED
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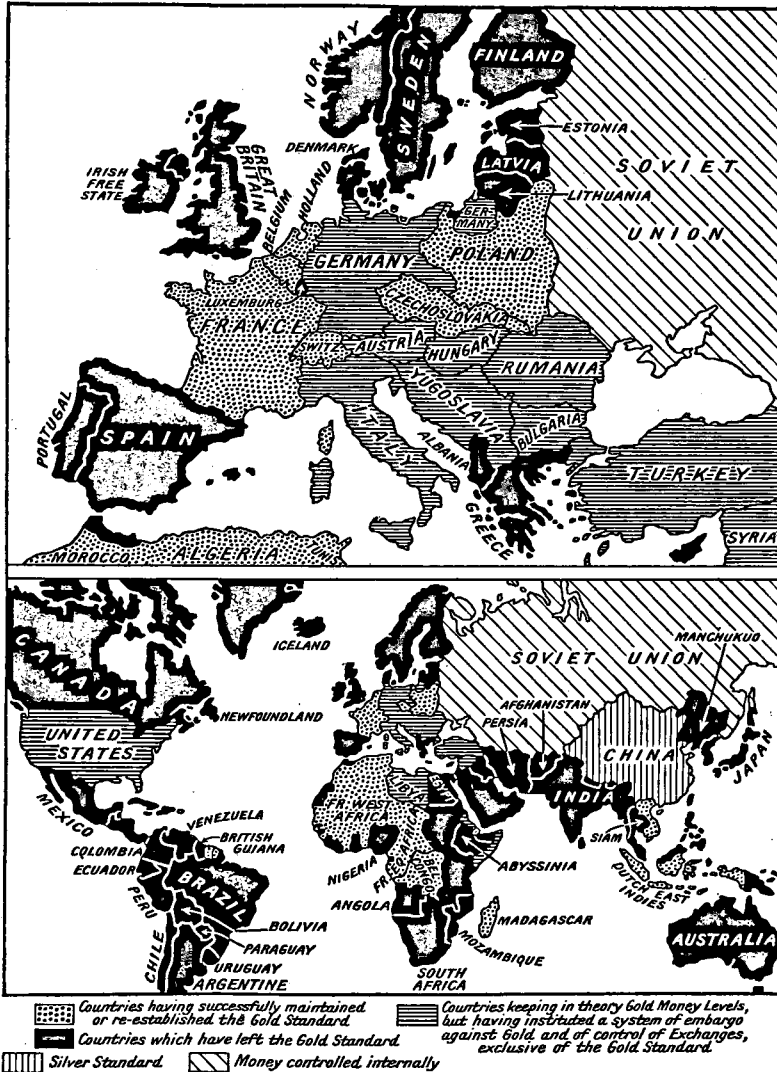
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This map is reproduced by the kind permission of the Editor of The Listener. Since its construction in 1934 Czecho-slovakia has varied her parity. America, though now on a full gold standard, is, according to the Secretary of the Treasury, only on "a Twenty-four hour basis."



FRANCE, 5,443

ENGLAND, 1,583

SPAIN, 740

U.S.S.R., 716

SWITZERLAND, 624

BELGIUM, 590

NETHERLANDS, 582

ITALY, 520

ARGENTINE, 403

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November, 1934

GOLD RESERVES OF GOVERNMENTS AND CENTRAL BANKS

In millions of gold dollars revalued at 35 dollars per fine
ounce, *i.e.*, one dollar = $15\frac{5}{16}$ grains of gold $\frac{9}{10}$ fine.

OTHER COUNTRIES

POLAND	95	YUGOSLAVIA	54	TURKEY	22
URUGUAY	82	AUSTRIA	45	FOUR OTHER LATIN AMERI-	
JAVA	77	GREECE	40	CAN COUNTRIES	20
PORTUGAL	67	GERMANY	32	BULGARIA	19
SIX OTHER EUROPEAN		CHILE	29	PERU	19
COUNTRIES	61	NEW ZEALAND	25	TWO OTHERS AFRICAN	
NORWAY	61	MEXICO	25	COUNTRIES	17
DENMARK	60	HUNGARY	23	TWO OTHERS IN ASIA AND	
EGYPT	55	COLOMBIA	22	OCEANIA	5

INTRODUCTION

THIS book, *The Problems of the Foreign Exchanges*, is the second of a Series. The two companion volumes are: I. *The Problems of Money*, and III. *Methods of preventing Unemployment and Bad Trade*.

In 1919 the Author retired from the regular army to study the problems of bad trade and unemployment. At that time, although several good books had been written on the subject, the problem of *general* trade fluctuation had not received the attention which its political importance deserved. The Author, therefore, decided to set himself the task of collecting further data on the subject, in the hope of being able to produce a "practical" treatise. His investigations naturally brought him into touch with numerous business men in the unemployed areas; but it soon became apparent that even if it were possible to produce an accurate analysis of the problem as a whole, it would meet with little attention from practical business men or politicians, for it was clearly the opinion of these groups that economic science was not yet sufficiently advanced to deserve serious attention from "practical" men. It therefore seemed necessary to anyone holding the belief that 'mere theory' was of more immediate value than was generally supposed, to make some attempt to demonstrate in practice the utility of applied economic principles. The most satisfactory method of making such a demonstration seemed to be to enter the investment field, where the proof of the pudding is in the eating—for in the investment market forecasting is necessary, and forecasts *must* be based on economic analysis.

In 1925 the Author published a preliminary pamphlet entitled *The Coming Collapse in Rubber*. This analysis was followed in 1930 by a purely theoretical treatise, entitled

Investment, on the art of forecasting profits and share movements. Subsequently further forecasts on the market were published, all of which, with one exception, have so far proved accurate.

Throughout these pamphlets the policy has been pursued of interspersing the various market forecasts with theoretical explanations of the causes of the movements in profits, trade, and employment. In all cases the public have shown a lively appreciation. Letters make it evident that, even among investors seeking personal profit, there is a widespread interest in the more fundamental social questions at issue.

As it happens, the problem which it was planned to study some sixteen years ago has now become the chief political problem of the day; the Author has consequently retired from active business in the City in order to hasten the production of these three volumes.

* * *

The general argument of this book is as follows :

The modern economic system suffers from six subtle monetary diseases; these diseases are undoubtedly the cause of unhealthy booms and depressions (see Chapter XII). To eliminate these diseases a deliberate form of monetary management is necessary. But to set in motion the necessary reforms is quite impossible under an *international* monetary system such as gold, for an *international* system requires that the internal supply of bank notes and credit shall be manipulated, not in order to help trade internally or to keep domestic prices stable, but in order positively to make prices *move*—so that the gold reserve shall be protected and the foreign exchanges kept at par. There is, in fact, an inherent conflict between the rigid gold standard and a stable internal measure of value. Unsound internal money, and trade fluctuation, are the necessary corollaries of fixed gold exchanges.

To the majority of people the desirability of fixed exchanges is so obvious that they immediately cry out for stabilisation.

But few ask themselves what internal monetary measures have to be taken to maintain stable exchange rates. Few realise the extent to which profits and employment are inevitably reduced by these necessary measures. It is also little realised to what extent the gold standard precludes the potential cures to bad trade and unemployment. In the opinion of an ever-increasing number of authorities, to get rid of the international gold standard must be the first objective of those who wish to cure recurrent unemployment and to prevent the anomaly of plenty causing want.

The Author has not hesitated to point out the various vested interests concerned, nor to show where the Power behind policy lies; and it is emphasised that although international bankers and traders think that the superficially attractive gold standard benefits them particularly, its secondary reactions often cause, in practice, a reduction in their aggregate business and a general diminution of their profits. Although *single* transactions in international trade and finance are made easier, the *total* volume is eventually reduced. International traders and financiers thus suffer at the hands of their imagined best friend.

The views expressed in this book will be regarded by many as unorthodox, but the failure of orthodoxy in practice to produce continuous prosperity justifies attention being paid to other constructive points of view. Even if the nations were willing to play the gold standard rules correctly, gold would probably not be the best form of currency; but since nations find it too painful to play the Spartan rules in practice, the case for new methods is further reinforced.

To range these matters in their proper perspective, from a nation-wide view-point, is the primary purport of this book.

L. L. B. A.

55 Onslow Gardens,
London, S.W.7.
March 1935.

PREFACE

To despise sound theory is entirely unpractical.

PART I

FIRST PRINCIPLES

- I. CRUCIAL PROBLEMS
- II. HOW EXPORTS ARE MADE TO BALANCE WITH IMPORTS
- III. WHY IT PAYS A NATION TO IMPORT
- IV. TARIFFS AS A CAUSE OF BAD AND GOOD TRADE

If the Reader has not already read Volume I of this Series, he is recommended to read the four Appendices before commencing Chapter I.

APPENDICES

- A. A METALLIC BACKING TO CURRENCY IS UNNECESSARY
- B. AN OUTLINE OF THE CAUSES OF BAD AND GOOD TRADE
- C. HOW TO CURE BAD TRADE AND UNEMPLOYMENT
- D. THE THEORY OF CONFIDENCE

APPENDIX A

A METALLIC BACKING TO CURRENCY IS UNNECESSARY

(The Theory of Money.)

1. Must money have any backing ?
2. The Medium-of-exchange demand for money.
3. The Store-of-value demand for money.
4. The influence of variations in total demand.
5. The influence of variations in supply.
6. How Demand and Supply determine the price level.
7. A gold backing for currency is unnecessary.

1. *Must Money have any Backing ?*

One very common argument against the abandonment of the gold standard is that if the metallic backing of a currency were withdrawn, there would be such a decline of confidence in the currency that its value would collapse and trade depression would ensue.

Some even say that the fall in the purchasing power of money would cause a reduction in public buying power and therefore a decline in total consumption.

These contentions need answering; indeed, so much of the argument of this book assumes that the internal money of a country does *not* need any metallic backing at all, that a page or two must be devoted to proving this contention, even though Volume I of this Series contains a full statement of the matter.

2. *The Medium-of-Exchange Demand for Money.*

The value of money, although *slightly* influenced by its gold backing, is determined *in the main* by demand and supply. Demand, however, is a complex conception.

As already stated, money is wanted or demanded by the

public for two reasons: (i) as a Medium of Exchange, (ii) as a Store of Value.

A man's Medium-of-exchange demand for money depends on the size of his income; on the frequency with which he is paid; and on the amount of payments he is likely to have to make before his next anticipated replenishment of monetary income.

Fundamentally, what each man wants is not so much a permanently fixed specific "number" of currency units, but rather whatever number will give him purchasing power over that basketful of commodities in general (*e.g.* bus tickets, lunches, clothes, etc.) that he can afford to, and may want to, buy before his next anticipated replenishment of monetary income. It is, in fact, effective monetary purchasing power over a quantum of miscellaneous *real* wealth that he really requires. This we shall call his "real" demand.

As regards a man's "numerical" demand for money units, so as to satisfy his "real" Medium-of-exchange demand, this will, of course, depend on the price level, on his wealth, and on his own currency habits, *i.e.* on his frequency of income receipts and on the normal punctuality of his bill-payments after receipt of income.

3. *The Store-of-Value Demand for Money.*

Besides his Medium-of-exchange demand for money a person may also have a Store-of-value demand, which will increase if he is nervous and wants to become liquid, or if he anticipates a general fall in the prices of commodities and securities; for he will then consider money as a better "investment" in which to place his surplus funds for the time being.

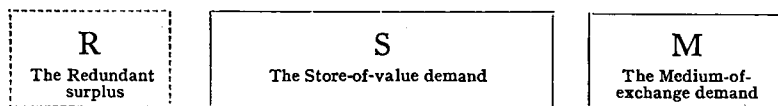
Nervousness, in fact, or the fear or hope of lower prices, may augment a man's aggregate demand for money, *i.e.* the proportion of his total wealth he holds in the form of money, which will tend to make him hang on to any income he receives, rather than spend it; while at the same time he will be inclined to sell his investments and hoard the monetary proceeds. Thus

the net result of an increased Store-of-value demand for money is to diminish the average velocity of money. Moreover, in so far as goods are pressed for sale, velocity of goods may increase while that of money declines, and prices may fall very sharply.

4. *The Influence of Variations in Total Demand.*

How then do the supply and demand for money react upon each other so as to produce, or create changes in, the general price level?

Perhaps the best way of explaining the demand for money in relation to the supply is to portray demand in the form of three rectangles as follows :



The rectangle on the right (M) represents a man's Medium-of-exchange demand for money, as determined by the factors discussed above.

The central rectangle (S) represents his Store-of-value demand for money, which will increase if he is nervous and wants to become as liquid as possible; or if he anticipates a general fall in the prices of commodities and securities and thus regards money as a better "investment" in which to place his funds.

On the left is a dotted rectangle which is meant to represent a man's actual holdings of money over and above his combined Medium-of-exchange and Store-of-value demands. It will, in fact, represent his Redundant surplus of money which he will discard at the first opportunity, *i.e.* pay away in exchange for such commodities, services or securities as he thinks are a *better* investment, from his personal point of view, than holding surplus margins of cash.

Now the growth, or disappearance, of rectangle R (the redundant portion) is a powerful influence on trade, for it will

largely determine the extent to which a man spends money on goods.

The ways in which rectangle R can be increased, in the case of any individual and of the community as a whole, by variations in either demand or supply, are as follows :

- (1) By a diminution of the Medium-of-exchange demand.
- (2) By a diminution of the Store-of-value demand.
- (3) By an inflation of the Supply of money as a whole.

Let us consider these points in order.

Clearly, if a man's currency-using habits change, or if prices fall, he will desire to hold less money for Medium-of-exchange purposes, particularly if his own income has fallen. And this Medium-of-exchange demand may further decline if there are any changes in his personal habits, or increments in the frequency of his income receipts or payments. He may thus (mentally) transfer a portion of rectangle M to rectangle R.

It is possible, however, that while a man's Medium-of-exchange demand is declining, his Store-of-value demand may be increasing owing to him either anticipating a prospective fall in general prices, or wanting to remain particularly liquid through fear. He may, in fact, mentally transfer part of his money from rectangle M into rectangle S.

But when his expectations concerning a further fall in prices eventually come to an end, or if his confidence is restored so that he no longer desires to remain as liquid as formerly, he will mentally transfer part (or all) of the money in rectangle S into rectangle R. In other words, he will decide that he has invested more of his wealth in money than is necessary or desirable; and that he would better himself by spending the redundant portion on pleasure-giving commodities or services, or on income-giving securities.

In this way, a change in mental attitude or confidence may stimulate—via changes in the mental rectangle S—the volume of his personal spending.

5. *The Influence of Variations in Supply.*

But these are only the demand factors in the monetary equation. The supply factors must also be considered.

A person may obviously come into possession of additional money as a result of his own individual exertions or good fortune. But the community *as a whole* can only come into possession of additional money, *at any given moment*, as a result of legal tender or bank credit inflation.

If the volume of money in a country is inflated by say 10 per cent., then, since all the money is held either by some person or by some company or corporation, people as a whole, including companies, will have 10 per cent. more money in their pockets and pass-books; which will mean that if their Medium-of-exchange and Store-of-value demands have remained stationary, they will now on an average be holding a redundant balance of 10 per cent. in rectangle R.

Take, for instance, the day on which the reader is reading this book. Let us suppose that this evening, somehow or other, the bank balances and the cash holdings of every person and corporation in the country were suddenly increased by 10 per cent. (without each person knowing that the balances of other people had been simultaneously augmented). The tendency of each such person or company would be to put the money into something or other, in the near future, which would show a yield either in consumption-enjoyment or investment-earnings, rather than to go on holding the redundant supply in non-interest-giving and non-enjoyment-giving idle money.

The result, not necessarily next day, but sooner or later, would be that individual after individual would begin to spend his surplus funds either on services, securities or commodities.

More commodities would be sold at retail, retail stocks would fall, increased orders would be given to producers, and more incomes would be paid out to workers. Prices *need* not necessarily rise, and indeed will not if, owing to the increased volume of trade being done, and owing to the rise in incomes,

the Medium-of-exchange demand for money increases sufficiently. Indeed, the inflation *may* be followed not by rising prices, but merely by more trade. Increased supply may, in fact, stimulate increased demand.

It is to be noted, however, that if people are fully aware that everyone else has had his cash balance increased by 10 per cent., a general rise in prices will become "anticipated" and that retailers and others will be more inclined to mark up prices than if they had been unaware of the general monetary inflation. Moreover, knowledge on the part of individuals that an inflation is occurring is likely to make them obey the Law of the Rising Market and to expect a rise in prices; this anticipation will automatically reduce the size of their Store-of-value demand for money.

The net result may be that, although their Medium-of-exchange demand has increased, their Store-of-value demand will decrease, perhaps to an *even greater* extent. Thus rectangle R (namely, the amount of redundant money they are holding) is augmented rapidly, not only by the actual inflation itself, but also by the diminution in the Store-of-value demand (rectangle S).

In this way, a 10 per cent. inflation of money as a whole, although leading to increased trade and therefore to an increased Medium-of-exchange demand for money, may nevertheless lead to a rise in general prices of *over* 10 per cent. owing to the Store-of-value demand for money being decreased even faster than the medium of exchange demand has increased.

* * *

Now it is important to note that each individual and each company is subject to these demand-and-supply forces in the monetary sphere. Admittedly an increase in the aggregate supply of money *can* be accompanied by such an increase in the Medium-of-exchange (or in the Store-of-value) demands that prices and trade do *not* rise; but if the increase in total supply continues *progressively*, and particularly if it is *expected* to continue, the increased supply of money will lead sooner or

later not only to an increased demand for goods but also to a rise in prices.

Conversely, deflation (especially if it is expected to continue), although leading to a diminution of the Medium-of-exchange demand, will probably lead also to an increased Store-of-value demand; thus prices will have a tendency to fall *even faster* than money itself is deflated.

6. *How Demand and Supply determine the Price Level.*

If we consider this process from the point of view of the community *as a whole*, what we find is as follows:

People want to have command over a certain quantum of miscellaneous commodities, and the amount of "real" purchasing power they will hold depends on their combined Medium-of-exchange and Store-of-value demands for money.

From time to time, of course, the supply of money and the combined public demands for money may get temporarily out of adjustment, either (*a*) because "real" currency requirements are altering, owing to changes in the volume of business, in currency habits or in sentiment; or (*b*) because total supply has been altered.

Economic forces, however, are always at work which tend to correct these temporary phases of disequilibria, and to give the total volume of money—whatever the name or the number of units composing it—that particular *aggregate* "commodity-value" over which the people of the country see fit to hold effective monetary purchasing power.

If, for instance, disequilibrium exists and people hold more money, in view of the existing price level, than they individually and collectively regard as necessary or convenient for effecting their exchanges, or for that matter as a store of value, they tend to spend their surplus balances.

This spending tends not only to augment the physical volume of trade but also to lower stocks-remaining-on-offer in the shops, and to send up prices; until at last, in view of the

rise in prices, more *units* of money are required "for convenience," *i.e.* so as to give to each individual that full "real" command over the *commodities* in general which his habits and circumstances require.

If, on the other hand, prices rise too far; or, alternatively, if there is a reduction in the quantity of money, and if people in general find themselves inconveniently short of money in their pockets or pass-books, in comparison with the market value of their total real wealth, the tendency is for them to hoard any new receipts of money without spending them so quickly (and to sell goods and securities so as to get in more money), with the result that money circulates more slowly, and the monetary demand for commodities is temporarily checked. Stocks-on-offer then pile up in the shops and prices consequently tend to fall.

Forces are thus always at work to produce that equilibrium in the price level which enables the members of the community to hold, in the form of all the money available, just that real purchasing power which they think fit, not only for store-of-value purposes, but also for effecting such expected and unexpected purchases of goods and services as may seem likely before the next anticipated replenishment of monetary income.

* * *

The above are the ways in which variations in either the Medium-of-exchange or the Store-of-value demand affect the price level. Precisely similar processes operate in the event of a change in the aggregate supply. Redundancy develops, and prices rise, just as if aggregate demand had fallen. But it is, of course, possible for the influence of an increase in aggregate supply to be more than counterbalanced by an increase in the aggregate demand, resulting from an augmentation of either the Medium-of-exchange or Store-of-value demands.

* * *

The above is perhaps rather a heavy statement of the true Theory of Money, but it is just because of its complexity that so many false (though simpler) theories have been seized upon,

appearing not only in economic text-books but also in the speeches of statesmen and bankers.

Indeed so widely accepted have certain false theories become that modern monetary policy is largely based on false theory—and therefore, of course, proves harmful in practice.

7. *A Gold Backing for Currency is Unnecessary.*

Having explained how the value of money is determined by demand and supply, let us now examine (i) whether or not the ratio of gold backing has any effect on this value and (ii) whether notes will remain unchanged in value even if the gold backing is suddenly withdrawn.

If, as we have stated, it is the aggregate “real” purchasing power required which gives the total money in circulation (whatever it is) its value, then it is obviously not a 20 per cent., or a 50 per cent. gold backing which fundamentally determines the price level, but rather the total supply of all forms of money units, in relation to the total “real” demand.

It is true that if the gold backing were reduced, or if convertibility into gold were suddenly withdrawn, people *might* become somewhat afraid and less willing to use money as a “store of value.” Their aggregate “real” demand for money might thus decline in consequence of disappearing convertibility; but since they must have some form of money for exchange transactions—barter being virtually impossible—and since notes are legal tender, and since the law will still support the settlement of debts with legal tender paper, people will go on using the inconvertible and unbacked legal tender notes as a “medium of exchange” (and also the bank deposits which are convertible into them), even though they may hesitate to use quite so much of such money as a “store of value.”

If gold backing or convertibility is suddenly withdrawn, the value of paper money may thus fall somewhat; but it will not become “entirely worthless” as is often supposed; indeed,

its value will fall (if at all) only in so far as the Store-of-value demand diminishes.

If the people trust their governments and do not expect any *quantitative* inflation of money, experience shows that, even if backing be reduced or convertibility withdrawn, and even though gold-reserve-ratios may decline appreciably, the value of the money, and general prices, need not alter in the least. Indeed, since a loss of gold is often followed by high bank rates and credit deflation, the value of money often *increases* as gold is lost, instead of declining.

From this it can be (rightly) concluded that a metallic basis is unnecessary for currency for *internal* use, since its internal value depends on "real" Demand and Supply—not on what it happens to be made of, nor on its convertibility, nor on its ratio of gold backing.

* * *

What the great mass of modern people require, except those engaged in foreign trade, is that their money shall be convertible into, and have a fixed purchasing power, not over some rather useless metal like gold, but that it shall be convertible into, and have a stable purchasing power over, the things in general which they use and want—*i.e.* goods and services. Gold backing or gold convertibility is of virtually no importance.

Since in many countries bank credit currency is superimposed on gold in a more or less fixed ratio, it must be admitted that the volume of credit currency, and with it the value of gold coins, and prices, tend to be *governed by* fluctuations in the supply of gold. But that does not prove that it is the gold backing which *determines* the value of money *; but rather that gold is, under certain currency systems, the governing influence on the total supply of other forms of money—which supply, in conjunction with real demand, determines its ultimate value.

Indeed, even if the gold backing were entirely eliminated,

* Actually as the gold supply increases, credit tends to be inflated, and the value of money tends to *fall*, rather than rise.

the note and credit currency as such would still have a value and would continue to circulate freely: the value of each unit would be decided, as ever, by supply and demand, *i.e.* (*a*) by the total number of units of deposit-and-note-currency in existence; and (*b*) by the combined Medium-of-exchange and Store-of-value "real" demands.

A gold backing for internal currency is, I repeat, entirely unnecessary. Gold backing may make *some* difference, because of its influence on Store-of-value demands. Its influence, however, is usually unimportant; although if the withdrawal of gold convertibility is expected to be followed immediately by quantitative note inflation, the Store-of-value demand for money will certainly diminish rapidly and prices will rise quickly. But the cause of this rise will be, *not* the withdrawal of convertibility,* but the expected inflation of supply.

Indeed, the only reason for a domestic note issue having any backing at all—either of securities, or metal or commodities—is so that its total supply may be manipulated at will, so that, by selling to the public the assets behind the issue, the Manager of the Currency can effect whatever anti-inflationary measures seem necessary. Gold cannot be sold internally in this manner. Securities (and commodities) can; therefore they are better.

Bank credit currency needs a backing of securities or other assets so that the public may believe in the solvency of the *banks*; otherwise they will encash their so-called deposits for legal tender notes and the banks will collapse. But, from the *domestic* point of view, the *legal tender* note issue of a country needs no backing at all except for the purpose of having assets to sell when anti-inflationary measures become necessary.

Convertibility may be convenient for external trade; for internal trade it is entirely unnecessary.

* Further evidence on this point is, of course, contained in Volume I.

APPENDIX B

AN OUTLINE OF THE CAUSES OF BAD AND GOOD TRADE

1. The circuit flow of money.
 2. The motivating forces in trade.
 3. The influence of the six great economic groups on trade.
 - I. Consumers.
 - II. Retailers.
 - III. Wholesalers.
 - IV. Manufacturers.
 - V. Bankers.
 - VI. The Government.
- Summary.

1. *The Circuit Flow of Money.*

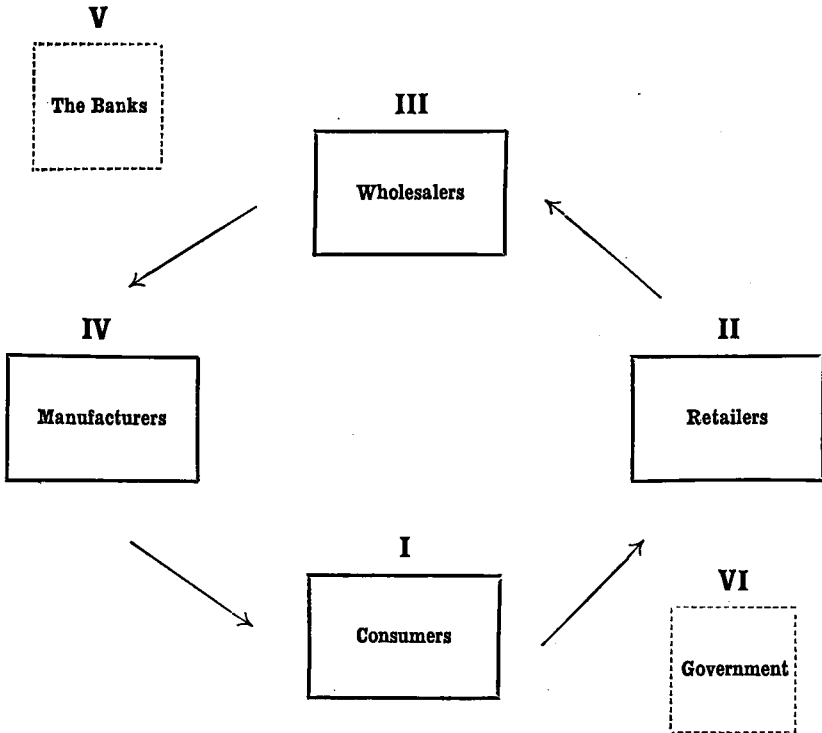
To obtain a clear picture of why trade becomes depressed in the Capitalist System, and of what factors can cause it to recover, it is desirable to visualise the circuit flow of money through industry via the four great groups of trading entities—namely Retailers, Wholesalers, Manufacturers and Consumers.

These four groups, all of whose members are holders of money and buyers and sellers of goods or services, can be represented diagrammatically by four rectangles as in the accompanying diagram.

The normal circuit flow of money is, of course, from South to East, to North, to West, and so round again. A few short circuits can however occur; *e.g.* some money drifts from retailers and wholesalers directly into the consumer rectangle, in the form of wages; while, conversely, some money in the consumer rectangle, instead of being directly spent in the shops, is saved and invested in buying more plant direct from manufacturers. The major part of the monetary flow, however, flows round the complete circuit.

In addition to the above four great groups of “trading” entities there are two subsidiary entities, namely, the Bankers

and the Government, who are also capable of influencing the general circuit flow of money and trade prosperity. These have been represented in our diagram by two dotted squares.



To study the causes of good and bad trade, *i.e.* of a large or small circuit flow of money on to goods, and on to labour, the following is a convenient method, particularly if we aim at instituting cures.

Take each of the six groups separately and consider what particular actions on its part will, by stimulating or checking the circuit flow of money, cause either good or bad trade. We shall thus have a bird's-eye view of the factors influencing trade as a whole; we shall also discover useful clues as to what should be done by each group, or by the government or the banks, so as to stimulate business activity.

2. *The Motivating Forces in Trade.*

But before studying each of these groups in detail the following observations on the two motivating forces in trade, and in the circuit flow of money, are necessary :

I. Whether or not *Consumers* will part with any of the money they hold, depends on whether they think the goods in the shops are worth more to them than the money asked. If they do not think this, *i.e.* if they do not consider the bargains offered them good enough, consumers will hoard their money (*i.e.* continue to hold their wealth in the form of idle money rather than in consumable goods or real capital) and general incomes will come to a standstill. *Attractive bargains* must be offered to consumers or otherwise they will hoard.

II. Whether or not *Producers and Distributors* will part with their money in exchange for services and goods, thus propelling it onwards in its circuit flow, depends on whether or not they anticipate a profit from doing so. If they anticipate no profit they will cease buying goods and labour; and reproduction and general industrial incomes will soon come to a standstill. *Prospective profits* are therefore essential to the continued activity of retailers, wholesalers and producers.

As regards the three profit-seeking groups, *i.e.* retailers, wholesalers and manufacturers, it is important to notice that non-anticipation of profits on the part of *any* of the three groups may bring the circuit flow of money *as a whole* (and of goods) to a standstill; for it will mean that incomes cease at one point in the circuit flow and will not flow onwards afterwards as usual.

* * *

To understand the general problem of good and bad trade, however, it is desirable to examine the six main groups of business entities—namely, retailers, wholesalers, manufacturers, consumers, bankers and the government—in succession, with a view to summarising what series of actions on the part of each will influence the circuit flow of money, either favourably or unfavourably.

Let us turn first to the Consumer group.

3. *The Influence of Group I, i.e. the Consumers.*

(i) *Hoarding*.—Consumers derive their incomes from wages, salaries, interest, rents, dividends and doles; and obviously consumers hold a large proportion of the total bank credit currency and legal tender in existence.

If they decide to hoard money, and do not spend it at retail, or invest it, the amount of money *moving* in the circuit flow is reduced. Hoarding is stimulated by either fear, the expectation of lower prices, or the recent satisfaction of existing wants.

Conversely if they reduce their average holdings, *i.e.* dishoard, the circuit flow of money is increased. Disharding is stimulated by optimism concerning their own future incomes, by the expectation of higher prices, or by gradual attrition of goods already in use.

(ii) *Bank Borrowing*.—Consumers can, however, influence the total amount of money in the Flow by borrowing from their bankers, either to buy goods at retail or to subscribe to new security issues (with the result that the money will be spent by the borrowers and thereby injected into the circuit stream of money either in the construction of new factories, bridges, houses, etc., or in the production or purchase of more goods or labour).

Consumers may also influence the circuit flow of money by borrowing to speculate on the Stock Exchange, the probability being that sooner or later most of the money thus borrowed will filter into the Industrial Flow either in the form of subscriptions to new issues by the investors who have recently sold securities to the speculators, or in the form of Stock Exchange profits spent on consumable goods (such profits being particularly likely to mature if more money is speculatively spent on securities).

Incidentally, if consumers borrow from their bankers in order to pay taxes, extra money is likely to enter the Flow (unless the government uses the proceeds for paying off its own past bank loans).

(iii) *Instalment Buying*.—Another factor influencing the amount of money in the circuit flow is the buying of goods by the hire purchase system. Such purchases are usually financed by the retailers borrowing the unpaid portion of the amount outstanding from their bankers, and handing on this sum, coupled with the instalment already paid, to wholesalers. Thus the volume of hire purchase may itself be a powerful influence on the quantity of money in the circuit flow.

The Influence of Group II, i.e. the Retailers.

(i) *Stock Policy*.—If retailers decide to let their stocks run off, through political uncertainty, or because they expect a lower volume of sales, or because they anticipate a fall in prices, they will give fewer replacement orders to wholesalers, and wholesalers will give fewer orders to manufacturers. Manufacturers will therefore reduce their outputs, and since they will pay out less wages, consumers will not be able to buy so much at retail as before.

Thus a change in the retailers' stock policy can reduce the circuit flow of money. Incidentally, it implies that the money which is not spent by the retailers on goods from wholesalers will be hoarded, or alternatively paid back to the banks.

Conversely, if retailers increase their stocks they will give more orders to wholesalers, and wholesalers will give more orders to manufacturers, so that the circuit flow of money will increase—the increase being financed either by dishoarding of previously hoarded money on the part of retailers, or by additional borrowing on their part from the banks.

(ii) *Wage Scales*.—Another factor capable of slightly affecting the circuit flow of money is the payments by retailers of lower wages and salaries, for less of their own money or of borrowed bank money will be paid out into the circuit flow, and the size of the consumer demand will be thereby diminished.

(iii) *Reduced Bank Loans*.—It should be noted that if the banks call in loans from retailers the latter will be forced to

reduce their inventories, and also to give fewer orders to wholesalers; thus the squeezing of retailers by the banks will itself affect the circuit flow of money.

(iv) *The Hoarding of Profits.*—A minor point is that if retailers, after making profits, fail to pay out any dividends and hoard the money in their banks, the circuit flow of what would otherwise have been dividend-money will be reduced owing to the hoarding of their profits by retailers. (This, of course, also applies to wholesalers and manufacturers.)

The Influence of Group III, i.e. the Wholesalers.

The motives which cause wholesalers to reduce or increase the circuit flow of money are virtually the same as in the case of retailers, *i.e.*—

- (i) A change in stock policy owing to fear or confidence, or owing to the expectation of lower or higher prices;
- (ii) Increased or decreased borrowing from their bankers;
- (iii) Lowering or raising wages;
- (iv) Hoarding, or full distribution, of profits.

The Influence of Group IV, i.e. the Manufacturers.

(i) *Inventory Policy.*—In so far as manufacturers make for stock, without securing orders in advance, a change in inventory policy on their part will alter the volume of their manufacture and will consequently alter the amount they pay out in wages, salaries and other costs. Here, again, fear or confidence, or the expectation of lower or higher prices, will play a powerful part in governing their behaviour.

(ii) *Wage Scales.*—A second factor influencing the total amount that manufacturers pay out into the circuit stream of money is an alteration in their scale of wages and salaries. A reduction in wage rates implies that the manufacturers hoard money, or borrow less from their bankers, and that the

subsequent circuit flow to consumers is, in consequence, reduced.

(iii) *Hoarding profits* has a similar net effect.

(iv) *Bank-borrowing*.—Obviously in so far as manufacturers increase or decrease the amount they borrow from their bankers, either for manufacture itself or for repair of machinery, advertisement, or for paying taxes, the amount of money which they inject into the circuit stream will be influenced.

The Influence of Group V, i.e. the Bankers.

The influence of the banks on trade can be either (i) Passive or (ii) Active.

We have already described the *passive* part which banks may play in influencing the total stream of money by granting extra loans, on request, to retailers, wholesalers, manufacturers and consumers; and it follows that if at any time these four groups *voluntarily* repay outstanding loans from bankers, the quantity of money in the circuit flow will be thereby reduced, *unless* the bankers *actively* inject it into public circulation once again by deliberately increasing the quantity of their investments. Indeed it is mainly by changing the volume of their investments that the bankers *actively*, as distinct from *passively*, increase the total volume of money in the circuit flow.

Likewise the banks can *actively* reduce the total amount of money in the circuit flow by calling in loans—either because their cash reserves have fallen, because gold is being lost abroad, because the market value of collateral is shrinking, or because they are nervous about the future standing of their clients or about the future of prices.

It is sometimes said that the banks cannot *actively* influence industry and the price level, and that instead of their actions governing trade, they are merely governed by it. This is not true. They can, and do, at times, play an active, as well as a passive, part in industry.

The Influence of Group VI, i.e. the Government.

The government can influence not only the quantity of money in the circuit flow, but also its Velocity.

(i) *The Quantity of Money.*—Assuming a country is not on the gold standard, and that the government controls the note issue, it can inflate the latter and inject extra money into general circulation either by increasing its total expenditure or meeting its budgetary deficits by the injection of inflationary notes into general circulation.

Similarly, by borrowing from the banks a government can influence the total quantity of money in the general circuit stream.

On the other hand, a government can, by increasing taxation or by borrowing money out of the *bona fide* savings of the public, withdraw currency notes, or pay off bank loans, thereby reducing the quantity of money in the stream.

(ii) *The Velocity of Money.*—As regards the speeding up of the Velocity of circulation of existing money, it is to be noted that, if investors in general are too nervous to purchase anything except government securities, a government can, by floating loans for public works, make the *bona fide* savings of the public (which would otherwise have been hoarded) flow more actively through general industry.

Summary.

Reviewing the circuit flow of money as a whole, the following points are worth noting :

(1) General trade, *i.e.* the movement or circuit-Velocity of money, can be stimulated (as well as checked) by action taken at *any* of the four main points of the compass on our diagram : *i.e.* by Retailers on the East ; Wholesalers on the North ; Manufacturers on the West ; and Consumers on the South.

(2) Each of the four trading groups has it in its power to

affect, not only the Velocity of the money in the circuit flow (by either hoarding or dishoarding), but also the total Quantity of money in the circuit flow, either by increasing or decreasing the amount it borrows from its bankers.

(3) It is also to be noted that the bankers themselves, without waiting *passively* either for voluntary repayments of old loans, or for new demands from business for extra loans, can *actively* influence the amount of money in the circuit flow by varying the volume of their own investments in securities and property or by calling in loans.

(4) Furthermore, by inflating paper currency or by borrowing credit currency from the banks in order to balance its budget or to finance public works, etc., the government can also actively influence the total Quantity of money in the general circuit flow. Velocity can also be influenced by the expenditure of loans raised from the public.

(5) Although one or more of the six important groups (*i.e.* consumers, retailers, wholesalers, manufacturers, bankers and the government) may be doing something which tends to diminish the flow as a whole, the other groups may simultaneously be doing something which tends to increase it.

(6) Further, if the six groups are all doing something which augments the general flow, trade will be good; while if all six groups are doing something harmful, trade will be bad.

(7) Finally, since trade in general can be made good or bad either by a change in the Velocity of the money already in the circuit flow, or by a change in its Quantity, the latter factor may be used to counteract the former. Monetary management, in fact, may be used as a weapon to stabilise prices, and to iron out such industrial fluctuation as is due to variations in the demand for money or in Confidence.

APPENDIX C

HOW TO CURE BAD TRADE AND UNEMPLOYMENT

1. Democratic governments are usually afraid of pursuing the policies necessary to capitalism. The voting masses suffer.
2. Profit margins must be protected.
3. The two cardinal principles of government policy.

1. *Democratic Governments are usually afraid of pursuing the Policies necessary to Capitalism. The Voting Masses suffer.*

Much of the depression which occurs in modern industry could be prevented if democratic governments, who express themselves as profoundly concerned with the problem of bad trade and unemployment, would realise that, although they are democratically elected and depend for their votes on a public which, for the most part, are not capitalists except in a very small way, their industrial systems are nevertheless still highly capitalistic.

Although they declare themselves anxious to improve trade and employment, most governments are so busy keeping an eye on the votes of the masses that they either cannot or will not see that what would really improve the condition of the masses most under Capitalism is a highly capitalistic policy calculated in the short run to lose votes.

Any government wishing to stimulate trade and employment in the capitalist system must appreciate that business men will not employ workmen unless they expect profits; and that, therefore, the first essential for curing widespread unemployment is to create the belief among business men, not only that high profits will be made, but also that the business men will be allowed to retain them.

To the unemployed workman it may, of course, appear

that a policy of enriching the capitalist, prior to enriching the unemployed, is immoral and unsound; and many politicians, in their desire to please the electorate, hesitate to advocate any policy which is deliberately aimed at augmenting profits.

But the fact is that we still live under a capitalist system, and so long as this Profits System endures, governments must take the world as it is and *always* pursue a policy promising high profits to capitalist employers. Nor, in the long run, does this apparently unfair policy of favouring the capitalist matter either to consumers or wage-earners.

In the long run, capitalism, by its process of competitive investment, will always tend to reduce profits in any industry to a minimum; for if any one industry becomes abnormally prosperous and makes high profits, new capital, unless monopoly exists, will be attracted into it; and as soon as the gestation period of new plant is over, additional goods will come on the market. This augmentation of supply in a competitive market will soon reduce both profits and prices in that industry, so that the consumer will benefit in the wake of the capitalist.

Similarly as regards wages: other things being equal, employers are anxious to keep wages at a minimum in their *own* businesses. But if an industry, and industry in general, is making high profits, production will expand and more men will be wanted. Competition for men will grow, and trade unions will be able to obtain higher wages for their workers. Capitalists, however, *must* be making high profits *before* the wage-earners have a chance of higher wages. To amplify profits is, under capitalism, the latch-key to high wages and full employment.

2. *Profit Margins must be Protected.*

Therefore if wages and profits at any time are low, and unemployment is rife, the first duty of a government, under the capitalist system, is to create a profit reflation: an enlargement of profits is the *first* goal at which to aim.

Socialists may object, on political principle, to profits as such, and possibly to the social injustice of such a plan; but they must agree, on economic principle, that so long as capitalism endures, this is the most effective policy for governments to adopt, even though they may lose some votes on the part of those who think that all profits should be prevented by government intervention, and that the quickest way to secure socialism is to smash capitalism or let it smash itself.

* * *

The restoration of profit margins may be obtained after a period of deflation (during which most prices have fallen to below the relatively undeflatable cost level, thus showing losses to most business men)—by a process of reflating the price level by monetary means.

This rise in prices may admittedly lower the real value of certain wages, and thus be at the expense of certain workers; but the fact remains that if the current wage level is at present too high for capitalists to make encouraging profits, trade will continue to stagnate, unemployment will increase, and money wages will have to be lowered eventually. The essence of the matter is that employers must see the chance of good profits before production, employment and wages can expand; and if profits have recently been deflated they must clearly be reflated to obtain these objectives.

3. *The two Cardinal Principles of Government Policy.*

The policy of the government should, in fact, be as follows :

(1) That general profit margins should be prevented from falling—and this condition can normally be attained by preventing a fall in the general price level; * and

(2) That if condition (1) above has, for some reason or other, not been observed (*i.e.* if the price level has been allowed to fall), or if the profit margin is declining for some other reason and men are being thrown out of employment, the central

* Volume I explains this in full.

currency authority should aim at immediately reflating the profit level—which can normally be done by reflating the price level through monetary expansion.

A government in a capitalist country should first aim at maintaining a reasonable general profit level. As a general rule (as Volumes I and III will show) this can be obtained by keeping the price level stable.*

* The kind of index to use is discussed in Volume I.

APPENDIX D

THE THEORY OF CONFIDENCE

SUPPORTERS of the gold standard often argue that the abandonment of gold would be followed by loss of confidence in the money of the country, and that the economic results would be disastrous. The orthodox argument is that prosperous business depends very largely on Confidence (correct so far) and that anything which upsets Confidence (a word not usually carefully defined) is bad for business.

But the orthodox party repeatedly reach false economic conclusions because they do not always realise that there are four different sorts of confidence, namely:

- (i) Confidence in government finances, *i.e.* in a balanced budget;
- (ii) Confidence in the banks, *i.e.* the places where people keep their money;
- (iii) Confidence in money itself; and
- (iv) Business confidence.

Let us consider these four forms of confidence in sequence.

(i) I hold no brief for unsound government finance, and believe that all unbalanced budgets are dangerous.

(ii) Confidence in the banks is, of course, essential to trade; otherwise the public will encash their deposits for legal tender and cause, first credit restriction and deflation, and then perhaps a run on the banks.

(iii) As regards confidence in money: it looks, at first

sight, as if the more a government could increase the confidence of the public and of foreigners in the national money, the greater would be business confidence, and the better in consequence would be the state of trade. But this, as it happens, is not so.

To increase confidence in money implies creating the general belief that money itself will appreciate in value rather than depreciate; which (i) from the domestic point of view implies the belief that prices will fall rather than rise, *i.e.* that a deflation will occur, and (ii) from the foreign point of view implies the belief that the currency of the country will appreciate over the foreign exchanges.

Neither of these beliefs is good for home trade. Nothing is worse under the Capitalistic system, motivated as it is by Profits, than the prospect of declining prices; while an appreciating exchange-rate stimulates imports and checks exports, thus reducing profit margins and upsetting Business confidence.

The ideal, of course, is a suitable confidence in money, but not *increasing* confidence. The practical question is one of moderation and degree—for obviously *complete* lack of confidence in money should be carefully guarded against.

(iv) As regards Business Confidence: Business Confidence emanates from the belief among business men that they will be able to make profits; and such a belief is largely fostered by the anticipation of a rising, rather than a falling, price level. In other words, Business Confidence can to some extent be engendered by *slightly* destroying Monetary Confidence. It may sound criminal to make this remark; it is, however, entirely true.

As regards the inter-relationship between business confidence and monetary confidence: I am far from saying that all prospective rises in prices are healthy. If, however, the general price level has recently been deflated below a relatively un-deflated cost level, definite reflation on the part of the government is the only wise and sensible policy—even though, in

ms of words, such a policy can rightly be stigmatised (sic) as destroying Confidence in Money.”

If, on the other hand, the price level has *already* been re-
lated into line with the cost level, I am *not* in favour of further
lation—*i.e.* reducing Confidence in Money still further;
if such a policy were pursued it would set up new dis-
equilibrium in the opposite direction. The fact remains, how-
ever, that at certain stages of the business cycle it *should* be the
policy of the government to reflate prices—*i.e.* to destroy, rather
than to increase, monetary confidence! [But such a policy, of
course, should not continue *for ever*; for just as a man can
never eat healthily or over-eat, so can a government reflate
healthily or over-inflate. Inflation should cease when the
price level is again in line with the relatively rigid cost level.]

The government should, however, realise that, in so far
as its spokesmen declare that they are anxious to restore business
confidence by raising prices, it is merely the same thing as
saying that they are anxious, for the time being, to reduce
(destroy, if you like!) Confidence in Money. To talk other-
wise is sheer nonsense.* And it is particularly nonsensical to
say, in a country which is anxious to raise its internal price
level, as in Central Europe to-day, that the withdrawal of gold
convertibility will, by destroying Confidence in Money, upset
business confidence and engender bad trade. So far from this
being the case, trade will actually benefit from such a policy.

The essence of the matter is that Business and Monetary
confidence are largely in conflict. Confidence in money is
created by Deflation, which destroys business confidence.
Business confidence, on the other hand, is created by (mild)
inflation and reflation.

* Unless it is regarded as sensible to raise prices by creating general scarcity.

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Neither of these beliefs is good for home trade. Nothing is worse under the Capitalistic system, motivated as it is by Profits, than the prospect of declining prices; while an appreciating exchange-rate stimulates imports and checks exports, thus reducing profit margins and upsetting Business confidence.

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terms of words, such a policy can rightly be stigmatised (sic) "as destroying Confidence in Money."

If, on the other hand, the price level has *already* been re-flated into line with the cost level, I am *not* in favour of further inflation—*i.e.* reducing Confidence in Money still further; for if such a policy were pursued it would set up new disequilibrium in the opposite direction. The fact remains, however, that at certain stages of the business cycle it *should* be the policy of the government to reflate prices—*i.e.* to destroy, rather than to increase, monetary confidence! [But such a policy, of course, should not continue *for ever*; for just as a man can either eat healthily or over-eat, so can a government reflate healthily or over-inflate. Inflation should cease when the price level is again in line with the relatively rigid cost level.]

The government should, however, realise that, in so far as its spokesmen declare that they are anxious to restore business confidence by raising prices, it is merely the same thing as saying that they are anxious, for the time being, to reduce (destroy, if you like!) Confidence in Money. To talk otherwise is sheer nonsense.* And it is particularly nonsensical to say, in a country which is anxious to raise its internal price level, as in Central Europe to-day, that the withdrawal of gold convertibility will, by destroying Confidence in Money, upset business confidence and engender bad trade. So far from this being the case, trade will actually benefit from such a policy.

The essence of the matter is that Business and Monetary confidence are largely in conflict. Confidence in money is created by Deflation, which destroys business confidence. Business confidence, on the other hand, is created by (mild) inflation and reflation.

* Unless it is regarded as sensible to raise prices by creating general scarcity.

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A Study of the Causes of Trade Fluctuation.

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" X. The Influence on Trade of the Rate of Interest.
" XI. The Case for Monetary Control. Its Technique.
" XII. The Case Against Stabilisation.
" XIII. How to Cure Unemployment.
" XIV. The Scale of Wages and its Influence on Trade.
" XV. Problems of Industrial Disequilibrium.
" XVI. Speculative Booms: Their Consequences and Prevention.
" XVII. The influence of Tariffs and International Loans.
" XVIII. Survey of the Problem of Industrial Fluctuation.
" XIX. The Art of Curing Slumps.

Probable date of Publication July, 1935.

BY THE SAME AUTHOR

Out of Print

The Coming Collapse in Rubber

Published in the rubber boom of 1925-6 when rubber stood at twenty-five times, and rubber shares at five times, the levels subsequently reached.

The Coming Rise in Gold Shares

A pamphlet published in February 1931. Gold shares subsequently rose 150 per cent.

Inflate or Perish

A plea for the reflationary monetary policy since adopted in both England and America.

The Course of the Coming (English) Boom

This pamphlet, published two days after the departure of England from the Gold Standard, analysed the industries which would benefit and suffer from the devaluation of sterling. Since publication the averages for English shares have risen 60 per cent.

The Coming Rise in Wall Street

Published April, 1933. The Dow Jones Index of American Industrials rose 90 per cent. within four months.

Reparations, Trade and Foreign Exchange

Germany and Her Debts

These two books published in the early 1920's forecast the subsequent currency collapse in Europe.

Copies still available

The Coming Collapse in Gold

Publishers : St. Clements Press, Kingsway, W.C. 2.

Price 5s.

This book was published in November 1933, two months before America returned to gold. At that time the London price of gold was determined by the over-valued sterling franc exchange, with the result that if the franc declined 15 per cent. to its proper level, the price of gold in London would collapse 20s., which fall would make all sterling-area gold shares at their then prices heavily over valued. It was emphasised, however, in Chapters XIII and XXX that if any important country returned to gold at an *undervalued* exchange rate (as America has done) there would be a further (temporary) upswing in sterling-area gold shares.

The Coming American Boom

Publishers : St. Clements Press. 28th Thousand.

Price 5s.

This book discusses the manner in which Mr. Roosevelt's monetary policy will set a boom in motion. Since this book was written in July 1934, the Dow Jones Index for Industrials has risen from 86 to 107, *i.e.* 24 per cent.

Gold : Boom or Slump

Publishers : St. Clements Press.

Price 5s.

A critical examination of the outlook for sterling and gold shares. March 1935.

SIXTH THOUSAND.

INVESTMENT

A Study of the art of investment with a view to capital profits.

By

L. L. B. ANGAS

This book has become the accepted text-book on the subject of investment with a view to capital appreciation.

Although temporarily out of print, a revised edition will appear in May 1935

“Investment” is not a treatise on abstruse economics; nor an essay on Stock Exchange routine. It is a book on the strategy and tactics best employed by investors as regards both the choice and timing of their Buying and Selling.

It is a practical guide through the complex paths of exploiting

- (i) The cyclical swings in single industries;
- (ii) The business cycle as a whole; and
- (iii) The short-run swings in the Market.

CONTENTS

Chapters:

- I. The elimination of risk.
- II. The business cycle.
- III. Fluctuations in single industries.
- IV. When to buy on long-run principles.
- V. Spasmodic rises in single groups of shares.
- VI. Short-run cycles of market activity.
- VII. Plan of campaign.
- VIII. Shares to choose, and when to sell them.

Appendix:

- A. Manipulation.
- B. Bear operations.
- C. How to forecast a change of trend in the profits of single industries.
- D. How prices are actually determined in the Market.

Chapters:

- IX. Recapitulation.
- X. The tactics of buying and selling.
- XI. Occasions for special caution.
- XII. Cyclical Stock Exchange Slumps.
- XIII. Policy to be followed by Trustees and other safety-first investors.
- XIV. Systems.
- XV. The human factor.
- XVI. Survey of rules for investing in Ordinary Shares.

Appendix:

- E. Notes on the reading of share charts.
- F. A method of analysing securities.
- G. Suggested rules for buying and selling.
- H. Synopsis.

	Popu- lation (ooo,ooo).	Gold Holdings (in mil- lions of \$).*	Area (ooo sq. kms.).†
I. EUROPE :			
Germany	65	32	469
Austria	6.8	45	84
Belgium	8	590	30
Bulgaria	5.5	19	103
Denmark	3.6	60	43
Spain (incl. Canaries)	24	740	503
Estonia	1.1		48
Finland	3.5		388
France	42	5,443	551
Greece	6.2	40	130
Hungary	8.7	23	93
Italy	41	520	310
Latvia	1.9		66
Lithuania	2		56
Norway	2.8	61	323
Netherlands	7.9	582	34
Poland	32	95	388
Portugal	6.4	67	89
Roumania	18	103	295
United Kingdom	46	1,583	244
England and Wales	40		151
Scotland	4.8		79
Northern Ireland	1.3		14
Irish Free State	3		69
Sweden	6.1	160	449
Switzerland	4	624	41
Czechoslovakia	15	112	140
Yugoslavia	14	54	249
Turkey in Europe	1	} 22	24
Turkey in Asia	13.8		739
U.S.S.R. in Europe	116	} 716	5,999
U.S.S.R. in Asia	25		14,993
" in Transcaucasia	5.8		185
Total for Europe	515		11,420
Total (excl. U.S.S.R.)	384		5,420
Europe plus the entire U.S.S.R.	549		26,596
II. AFRICA :			
Egypt	15	55	1,000
Ethiopia	5.5		900
Union of South Africa	8.3	173	1,222
Belgian Congo	10		2,385
Nigeria	19		877
Kenya	3		583
Uganda	3.6		244
Sudan	5.6		2,611
French Africa	36		10,400
Italian Africa	2.3		2,250
Portuguese Africa	7.3		2,070
Mandated Territories (incl. Tangan- yika)	13		2,460
Total for Africa	144		29,956

* November 1934. Revalued dollars on the basis of \$35 = 1 fine ounce of gold.
† Sq. km. = 0.3861 square mile. Sq. m. = 2.5899 sq. km.

	Popu- lation (ooo,ooo).	Gold Holdings (in mil- lions of \$).*	Area (ooo sq. kms.).
III. AMERICA :			
NORTH AMERICA :			
Canada	10·7	133	9,542
United States	123	8,132	7,839
Total for North America	136		19,635
MEXICO AND CARIBBEAN :			
Mexico	17	25	1,969
Cuba	4		114
Guatemala	2·2		110
Haiti	2·6		26
Total for Mexico and Caribbean	36		2,764
SOUTH AMERICA :			
Argentine	11·8	403	2,793
Bolivia	3		1,333
Brazil	44		8,525
Chile	4·4	29	742
Colombia	8·8	22	1,150
Ecuador	2		307
Paraguay	0·9		458
Peru	6·6	19	1,249
Uruguay	2	82	187
Venezuela	3·3		912
Total for South America	87		18,143
Total for America	259		40,541
IV. ASIA :			
China	450		11,103
India	359	275	4,675
Japan	66	392	382
Persia	9		1,626
Turkey in Asia	13·8	22	739
" in Europe	1		24
U.S.S.R. in Asia and Transcaucasia	30·8	716	15,178
" in Europe	116		5,999
Ceylon	5·4		66
Malaya	4·2		136
Philippines	12		296
French Indo-China	22		737
Korea (Chosen)	22		221
Formosa (Taiwan)	4·9		36
Netherland Indies	62	(Java) 77	1,900
Total for Asia	1,113		41,900
Asia excluding China	663		30,800
V. OCEANIA :			
Australia	6·6	nil	7,704
New Zealand	1·5	25	268
Total for Oceania	10		8,550
WORLD TOTAL	2,041	21,636	132,360
WORLD TOTAL (excluding China)	1,592		121,260

All figures from the League of Nations Bulletin.

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