

CHAPTER II

WHAT MISLED MR. CHURCHILL

THE arguments of Chapter I are not arguments against the Gold Standard as such. That is a separate discussion which I shall not touch here. They are arguments against having restored gold in conditions which required a substantial readjustment of all our money values. If Mr. Churchill had restored gold by fixing the parity lower than the pre-war figure, or if he had waited until our money values were adjusted to the pre-war parity, then these particular arguments would have no force. But in doing what he did in the actual circumstances of last spring, he was just asking for trouble. For he was committing himself to force down money-wages and all money-values, without any idea how it was to be done. Why did he do such a silly thing?

Partly, perhaps, because he has no instinctive judgment to prevent him from making mistakes; partly because, lacking this instinctive judgment, he was deafened by the clamorous voices of conventional finance; and, most of all, because he was gravely misled by his experts.

His experts made, I think, two serious mistakes. In the first place I suspected that they miscalculated the degree of the maladjustment of money values, which would result from restoring sterling to its pre-war gold parity, because they attended to index numbers of prices which were irrelevant or inappropriate to the matter in hand. If you want to know whether sterling values are adjusting themselves to an improvement in the dollar exchange, it is useless to consider, for example, the price of raw cotton in Liverpool. This