world, peopled by City Editors, members of Cunliffe and Currency Committees *et hoc genus omne,* where the necessary adjustments follow " automatically " from a " sound " policy by the Bank of England.

The theory is that depression in the export industries, which are admittedly hit first, coupled if necessary with dear money and credit restriction, *diffuse* themselves evenly and fairly rapidly throughout the whole community. But the professors of this theory do not tell us in plain language how the diffusion takes place.

Mr. Churchill asked the Treasury Committee on the Currency to advise him on these matters. He declared in his Budget speech that their Report " contains a reasoned marshalling of the arguments which have convinced His Majesty's Government." Their arguments—if their vague and jejune meditations can be called such—are there for anyone to read. What they ought to have said, but did not say, can be expressed as follows:

" Money-wages, the cost of living, and the prices which we are asking for our exports have not adjusted themselves to the improvement in the exchange, which the expectation of your restoring the Gold Standard, in accordance with your repeated declarations, has already brought about. They are about 10 per cent. too high. If, therefore, you fix the exchange at this gold parity, you must either gamble on a rise in gold prices abroad, which will induce foreigners to pay a higher gold price for our exports, or you are committing yourself to a policy of forcing down money wages and the cost of living to the necessary extent.

" We must warn you that this latter policy is not easy. It is certain to involve unemployment and industrial disputes. If, as some people think, real wages were already too high a year ago, that is all the worse, because the amount of the necessary wage reductions in terms of money will be all the greater.

" The gamble on a rise in gold prices abroad may quite likely succeed. But it is by no means certain, and you must