

moment to provide for? The cruder and simpler principle may suit us best for the present and immediate future. We, barbarous mankind, are still divided into suspicious and malevolent tribes, occupying territories which we regard as our tribal properties. There is not the least chance of the various nations agreeing on any uniform system of limitation of currencies by prices which would give us the stability of international exchanges which we possessed before the war. On the other hand, there is every probability of a general return to the gold principle, which would give us that stability. On this I think Mr. Keynes was unquestionably right when he said in the *Manchester Guardian Reconstruction Number* of April 20, 1922, "I see no other solution of stabilization" (international exchange stabilization, that is) "except this traditional solution—namely, a gold standard in as many countries as possible."

For the advantage of exchange stabilization we ought to be prepared to sacrifice a good deal of the other kind of stability—stability of domestic prices between one time and another. Particularly should we be ready to do so if we happen to belong to a small country with a large foreign trade and extensive financial interests outside itself.

But it is difficult to believe that we should in actual fact sacrifice *any* internal stability by readopting the "barbarous" principle of limitation by parity with gold rather than the more refined principle of limitation by general prices. The limitation by gold can be enforced by convertibility in a simple and straightforward way, as it was in the past. I am inclined to admit that the paper pound might conceivably be made convertible in a roundabout way into the large basketful of commodities which serves as the basis for an index-number of prices, but the proceeding would be complicated, unintelligible to the ordinary mind, and liable to be thrown out of gear by changes taking place while the necessary statistics were being made up. It seems to be admitted by the best exponents of the general-prices system that the necessary measures would have to be taken by anticipators rather than by clerks working on statistics collected some days or weeks ago. So long as the anticipators were honest and intelligent and anticipated correctly, things would go well, but we may be permitted to doubt whether on the whole the short-period vagaries and the long-period general biases of the