important currencies of the world—are not the least important of the available indications of a strained position in international finance. * * *

Commodity Prices

"This world-wide financial crisis has been heralded by the customary fall in the price of a number of sensitive key commodities in which a speculative market exists. Among these might be mentioned the substantial falls that have taken place in the prices of tin and copper, of sugar, wheat, rice, and rubber. There is about the present position every appearance of a major deflation crisis, and if 'natural forces' are allowed free play we may rest assured that the cycle will pursue its course and will lead to a further general fall in commodity prices and to a restriction in commercial and industrial activity. It is, therefore, high time that the purely financial or monetary factors which played their part in giving the downward phase of the economic cycle its initial impetus should be reversed. Once the forces of deflation have been set in motion they gather momentum by the psychological reactions which they themselves create. If the policy of stabilizing business conditions and credit is to be maintained, it cannot be too soon for money rates throughout the world to adjust themselves to an appreciably lower level than has obtained in recent months. The lead in this movement should, of course, be taken by the U. S. A., and the Federal Reserve Bank of New York this week signalized the new trend in its policy by lowering its buying rate for bills in the open market * * * and by reducing the official rediscount rate. * * *"

Arbitrary Conditions

The same financial review, in commenting upon the action of the Bank of England in raising its rate for rediscounts in September, 1929—a course which was criticized in many quarters in England because of the business depression already existing—expressed its views as to events in earlier months, saying:

Artificial Credit Conditions

"The Bank of England, however, appeared to look farther than its critics. It saw that America was not "playing the game" demanded by the normal functioning of the international gold standard. In their attack upon the supposed evils of stock speculation, the Federal Reserve authorities were creating artificially stringent credit conditions in the United States, and were effectively sterilizing any gold that was arriving in that country. Our own difficulties arose directly out of the abnormal conditions obtaining in the United States. * * *

"The Bank rightly considered itself to be protecting the interests of Europe against those of the United States in resisting as long as was feasible the pressure on sterling exchange. * * * The most serious aspect of the high Bank rate, from the point of view of trade and industry as a whole, is that it strengthens the forces of credit and price deflation which have been rampant throughout the gold standard world during the past ten years. The curtailment in purchasing power and the fall in prices likely to follow the more restrictive credit policy must hamper business activity far more seriously than the relatively insignificant factor of the higher price paid for borrowed money. The circumstances which forced the Bank of England to impose virtually a panic rate when every index in the domestic situation calls for easier credit conditions is a damning commentary on that intelligent cooperation between central banks which is supposed to be taking place and which should render the gold standard an effective and equitable basis of world values. The cooperation of this kind that has

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