

same period, there was a corresponding fall in the United States from 247 to 138.¹ As a result of this approximation in the purchasing power of the two currencies, sterling then stood at about 90 per cent. of parity in terms of the dollar.² Despite temporary reactions from time to time, this movement towards parity between the British and American currencies was steadily maintained throughout the years 1923 and 1924. The two main dynamics to be detected in this movement towards the recovery of sterling were, first, the depreciation of gold itself, which, owing to the inflation in the United States, was worth only 60 per cent. of its pre-war value; and, secondly, the relatively greater degree of inflation that was forced on in Britain.

At this stage, prompted by the knowledge that the *Gold and Silver Export Prohibition Act* was about to lapse and that some statement of government policy was demanded, the British Government set up a committee,³ in June 1924, on the currency and exchange question. This body brought in a report of which the main findings were that the sovereign was only 1½ per cent. away from parity with the dollar, and that the moment was favourable for clinching the return to parity by the restoration of the gold standard. The Baldwin Government thereupon adopted the recommendations of the committee, a decision to which it was urged by British financial opinion and by the banking authorities of the Dominions. The Chancellor of the Exchequer (Mr. Churchill) announced the decision in the House on 28 April 1925, a step which 'represented the definitive shifting of the balance of power in the sphere of monetary policy'.⁴

But the new situation differed in several important respects from that which pertained prior to 1914. Both the Home and the Dominion authorities took steps to discourage domestic circulation of gold, although free exports of gold were resumed from the United Kingdom after the beginning of 1926. The close co-operation of the monetary authorities of the English-

¹ The position of Great Britain immediately before the decision to return to gold is reviewed at greater length in Gregory's *First Year of the Gold Standard*, p. 39.

² For international exchange purposes the value of the English and of the Australian pound may be regarded as identical; and what is postulated concerning the one may be assumed as approximately true of the other.

³ *Committee on the Currency and Bank of England Note Issues*.

⁴ Gregory, *The First Year of the Gold Standard*, p. 1.