There is first, the breakdown of a large part of the world's machinery of exchange of commodities and services, reflecting itself strongly, as is to be expected, in currency, the instrument with which we account for our commercial transactions.

There is secondly, the evil caused by the fact that while the world has reached a marvellous degree of perfection in its industrial processes, it has not yet in the sphere of the measurement of material values emerged beyond the somewhat primitive stage of employing a measuring rod which expands and contracts under the influence of the commodities which it measures.

The first problem is one of restoration of economic health in a world which has, in the last quarter century, engaged in practices which have materially undermined its physique. The second is the more difficult problem of the invention of machinery which will be as great an advance on the present measures of value as the steam engine was an advance on the animal-drawn transport which preceded it. If the world cannot invent a more perfect standard of value, we shall be forced to put up with the best we have. But if the world is to go on enjoying a high degree of material civilization, it will be necessary to concentrate all our attention on the subject of the restoration of economic health, the convalescence to which is proving to be such a long and painful process. We consider therefore that the first approach to the solution of our present monetary problems should be by way of a restoration of world confidence, "a clearing out of the channels of trade" as Mr. Baldwin has so well expressed it.

We are all oppressed by the phenomenally low level of commodity prices. We all desire higher prices, but what we mean is not that cheapness, or in other words, plenty, is an economic evil, but that having made all our dispositions on the level of values of say 1928, we find that all our machinery is out of gear when we have to sell at the prices of 1932.

But must we act on the assumption that this state of affairs will continue indefinitely? What are the great economic factors in the world to-day?

We have plenty of commodities, and the power of producing much more if need be.

We have millions of people desiring those commodities but lacking in an effective demand for them. We have millions of money, seeking safe investment, and unwilling to assume the risk of carrying out its normal function, which is to link up the commodities with the people requiring them.

But we lack the gear-lever which will link up the machinery of production through universal joints to the differential of consumption which will set in motion the wheels of progress.

In less metaphorical language we have blocked up the channels of trade, we are labouring under a heavy burden of war debts and reparations, and we go on spending huge amounts on armaments. Let us resolutely face the fact that all this is uneconomic. It may be difficult to understand just exactly in what way all this has a reaction on our economic machinery. The economic system which makes possible the maintenance of a high civilization is so exceedingly complex that even the best experts find it difficult to measure all the strains and stresses which are set up by the actions of political communities. But any plain man can understand that in the long run no good can be done by improving our technique in one direction, and then setting up as many barriers as we can to full utilization of the products of that technique. We are therefore of opinion that the most hopeful approach to the monetary question is that on which this Conference, and other Conferences in Europe are at present engaged, namely that of reviving world confidence and re-opening the channels of trade. Once our economic system functions again, once consumption is linked to production, a rise of prices must result from the enhanced demand of millions who are in dire need of consumable commodities.

We hold the view therefore that to blame the monetary part of the economic machine for not having stood the strain when the whole machine broke down is to make a false, and therefore misleading approach to the subject.

As I indicated in my address at the Opening of the Conference, we are of opinion that a re-establishment of at least that degree of certainty, which is associated with the use of one commodity as a measure of value, will help materially to revive trade.

We realize the difficulties with which many states will be faced for some time to come in restoring the gold standard. We realize too that the old parities are no longer sacrosanct. We consider, however, that if the states here repre-