

Currency Stabilization Discussed by Royal Bank

One of the Most Important Factors Contributing To Delayed Recovery and Unrest Is Caused by Price Levels Being Apart

One of the most important factors contributing to delayed recovery, and incidentally, to social and political unrest in Europe is the deepening depression in the gold block countries resulting from the disequilibrium between price levels in those countries on the one hand, and the price levels in the United States and the countries which have abandoned the gold standard, on the other. Trade can only be resumed on a normal basis when these price levels come together. This cannot occur without further drastic deflation in the gold countries, or as the result of a great improvement in the volume of business and prices in the United States and the non-gold countries or a combination of both; or, finally, as the result of the revaluation of the gold currencies on a basis approximating the recent change in the value of gold in the United States. Deflation in the gold countries and inflation in other countries is proceeding so slowly that revaluation seems the most practical alternative. With revaluation accomplished, permanent exchange stability could be maintained.

It would be a long step in this direction if the United States government could state definitely that there could be no further change in the value of the gold dollar. A statement of this nature would tend to bring about a flow of gold toward the United States, both because of return of home capital from abroad and because of the fear on the part of foreigners that some of the gold countries would no longer be able to maintain their present somewhat precarious position. Without a statement from the United States, however, European countries, including the sterling bloc, are naturally hesitant to discuss exchange stabilization, although there is general agreement that the question is of profound importance to the world.

Under the heading, "Distribution of Gold," it will be shown that in most countries present gold supplies are adequate to permit a restoration of the gold standard. In point of fact, there are only a few countries in which the gold reserves are not larger than they were in 1913 and 1929. With stabilization on the basis suggested, i. e., with a 70 per cent increase in the value of gold, danger of hoarding would have passed and freedom of movement of gold in all the important countries, except Germany, could be restored.

So far as Canada is concerned, an agreement for exchange stabilization between Europe, including Great Britain, and the United States would constitute a basis for a sound, simple, and definite monetary policy. Until this is achieved, Canada can but "wait and see."

The world is in the recovery phase of the business cycle. To the extent that the depression has exceeded previous depressions in violence, it would have been reasonable to expect an accelerated recovery. In addition to the normal monetary forces tending to accentuate recovery, the proposal to make an effective increase of 70 per cent in the world's gold supply has added a factor of tremendous strength. The present world situation is somewhat analogous to the situation existing in 1896, which ushered in a long period of world development and prosperity. At the present time, however, if the example of the United States is generally followed, the potential monetary forces are much stronger than they were in that period of boom in gold production. It is clear of course that as expansion gets under way it must be held in stringent check and not be permitted to become an unbridled and destructive force. Let this new form of prosperity be gradually achieved; let the force of money exert a steady and persistent stimulus toward expansion in business activity and not be dissipated in an undue upward movement in price, or in an unhealthy volume of speculation.

Price Levels
The period from 1926 to 1929 was

If prices in the gold countries are to be brought down to parity with those of the countries which have abandoned gold, prices must come down to 59 per cent of those in the United States or Great Britain. This means that their prices indices and cost of living must come down to about 48 per cent of 1929 for parity with the United States, or to about 40 per cent of 1929 for parity with Great Britain. While this would imply only a further reduction of about one quarter in wholesale prices it would mean cutting cost of living by half. Parity can, of course be hastened by a simultaneous rise in index numbers of the last three countries, and a fall in those of the last three.

Distribution of Monetary Gold
It has been generally recognized that the United States of America and France hold about 60 per cent of the total monetary supply of gold and that the accumulation of gold in Switzerland, Holland and Belgium is disproportionate to the normal economic requirements of those countries. Yet, neither the total supply nor the distribution of the monetary gold is as abnormal as might be assumed from hasty generalizations on the subject.

If one considers the distribution of gold in 1913 as reasonably normal under the conditions which then prevailed, it may be of some interest to follow the developments which have occurred in the intervening years. In the course of the war, large amounts of gold were used for payment on account for supplies for the warring nations, and by the end of the period of post-war inflation there were disproportionately large accumulations of gold in the United States, Latin America Spain and Japan, and a general increase in the amount held by relatively small countries. At the present time there are only a few countries in which gold holdings are substantially smaller than in 1913 and in each instance the explanation is almost self-evident. These countries are Austria, Germany, Russia, Turkey and Australia. In most of the other countries the increase in gold supply has been at least proportionate to the increase in the gold holdings of France and the United States from 1913 to 1934 amounted to 3,430,000,000 old gold dollars. Switzerland, Belgium and Holland gained \$945,000,000. Austria, Germany, Russia, Australia and Turkey between them lost \$2,122,000,000. Together, these gains amount to \$4,375,000,000 and the losses to \$2,122,000,000. This means that the countries which have increased their holdings of gold have absorbed the loss mentioned and cut into the supply of new mined gold by \$2,253,000,000, but there is more than a billion dollars of new mined gold which has been distributed between the other nations in such a manner that there are very few of them which do not hold a volume of gold more than sufficient to constitute an adequate reserve against any possible requirement, if the world were in a frame of mind to cease hoarding and resume gold payments on something like a normal basis. Moreover, since a very large proportion of the world has de-valued currency, when this de-valuation takes full effect the present gold holdings will be very large as compared with the volume of currency, or the total volume of credit which exists in the individual countries.

Prices are in a state of far greater disequilibrium in the gold countries. As compared with 1929 the wholesale price indices of France, Belgium and Switzerland, heavily influenced by prices of international commodities, are 56, 55 and 63, but cost of living figures are 92, 81 and 80. If this analysis is carried a little further it becomes clear that the situation in the gold countries is even more anomalous than these figures suggest. If the gold countries are to continue to deflate until their price levels stand in the same relation to the countries which are off gold as does the value of their money, it follows that both wholesale prices and cost of living must come down to 59 per cent of 80 for parity with the United States, or 59 per cent of 70 for parity with Great Britain. In wholesale prices this means a further reduction by one-quarter, and in retail prices it means that the cost of living must be cut in half before harmony is restored. This is only intended as an approximation of the situation. These price indices are not in themselves sufficiently accurate nor sufficiently comparable to warrant final statements on the subject.

Under any theory which suggests that restoration of harmony between various types of price level within a country is a pre-requisite to recovery, it follows that the situation in the gold countries is much less healthy than in the other countries. While few countries have shown substantial improvement this winter, it is only in the gold countries that conditions have become steadily worse.

Wholesale Price Index Cost of Living
1929-100 1929-100
Oct. 1934 Oct. 1934

United States	80	81
Canada	75	79
United Kingdom	70	87
France	56	92
Belgium	55	81
Switzerland	63	80

By all statistical measures the international value of the United States dollar is relatively low in comparison with its present internal purchasing power, and a general return to the gold standard at present exchange values would be the signal for a flow of gold to the United States. The first

few paragraphs of this Monthly letter are a recognition of the consequences of the relationships which must be achieved between gold holdings and price levels if the gold standard is to be restored. It is evidently desirable that in a return to gold each country choose a value for its currency which will obviate the necessity for further deflation at this time. By adopting this criterion for their basis for return to the gold standard, the need for any immediate large international movements of gold would be obviated. After quoting figures as to gold holdings and unemployment in Canada the report says:—

Manufacturing in Canada in 1934.

From the low level of manufacturing operations in February 1933, as indicated by the official index of 58.7, published by the Dominion Bureau of Statistics, conditions improved until September of that year when the index reached 97. The usual seasonal slackness followed during the winter months but operations expanded with the approach of spring. In May, the volume of production attained the average recorded for the base year 1926, and later in August stood at 100.7. Some recession followed but during the last eight months of the year production was well maintained, closely approximating the average level for the year 1926.

The importance of manufacturing is shown by the weight given this industry in the index of general employment in Canada, where it accounts for practically 50 per cent of the total. The improvement in manufacturing operations has resulted in a rise of more than 25 per cent in the index of the number reported as employed in manufacturing. From a low of 74.4, recorded in January 1933 (1926-100), this index reached 74.4 in October last year. This improvement was not shared by the different branches of the industry in equal proportion. Moreover, the time when operations first showed marked improvement has varied considerably. The low and high figures recorded in the indices for employment in the various branches of manufacturing, together with the dates at which these were attained, are given in the following table. From this it will be seen that employment in automobile manufacturing was at its lowest as early as October 1932, while the electrical apparatus industry did not reach its nadir until June 1933. On the other hand, employment in textile mills was at its greatest in May 1934 and in the manufacture of non-edible plant products in December of last year.

The heavy industries are usually slow to share in any business revival and feel the result of any depression for a protected period. Increasing activity in these industries may therefore be regarded with special satisfaction. For the three months, March, April and May 1933, production of pig iron in Canada was at a standstill.

(continued on page three)

URINARY IN CONTINANCE

(Bedwetting). You can cure yourself of all habits. Why not of this unhealthy, unsanitary and unspeakable habit? A little patience and attention will do it. Many an otherwise perfect marriage ended on the rocks owing to the parent's failure to effect a cure at an early age. Why risk your child's happiness in later life? INURIN, used universally for several decades, will shortly correct this bad habit, affording more results than attempt to cure by means of corporal punishment. No more getting up at nights. No more soiled linen. Send for a full treatment of INURIN today, which costs for children below five \$5.00; over five but above ten, \$7.50; for adults \$10.00. But, it is worth its weight in gold. State age and sex when ordered. To insure absolute freshness, INURIN is not sold in drug stores, nor is it sent C.O.D. Sold only by The Royal Laboratory. (Include your key number), Royal Bldg., Box 104, Windsor, Ont. (Suggestion: Clip and put this advt. away right now, before reading further—it may come very handy some day.

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NOTICE OF LEGISLATION

NOTICE IS HEREBY GIVEN that the City of Fredericton will seek legislation at the next Session of the Legislative Assembly authorizing the said City to issue debentures in a sum not exceeding SIXTY THOUSAND DOLLARS (\$60,000.00) for the purpose of constructing permanent pavement in the said City.

Dated the Eighteenth day of January, A.D. 1935.

F. I. HAVILAND,
City Clerk.

THE PARASITE

Many men, women and children sufferers are being treated for other diseases without results, when their real trouble is the tape-worm. Sure signs of it is the passage of small particles of the parasite. Suggestive signs: loss of appetite with occasional greenness, coated tongue, heartburn, pain in stomach and intestines, pain in back and limbs, dizziness, headaches, exhaustion, feeling faint with stomach empty, emaciated, dark rings under the eyes. The process of digestion are usually interfered with. The patient becomes irritable and restless at night. There is much dizziness, raising of constant obstruction in throat, gnawing sensation in stomach with voracious appetite—and at times loathing of sight of food. The breath becomes offensive, the face flushed—at other times very pale; heaving as if something were moving in the bowels; heartburn with palpitation; obscure pains in the limbs; delusions of the senses; defection of the speech; sudden colic, insomnia; Melancholia, hysteria and some authors claim epileptic fits and even insanity.

These monster parasites, the size of which it is claimed, sometimes reach as high as 45-50 feet, must be eliminated from the system—at all costs. Only with the greatest possible precaution and skill can they be removed from the system however. But to allow a tapeworm to live untampered in the human body is almost akin to taking small doses of poison, increasing same daily—until the patient actually commits suicide—figuratively speaking. The formula of Tanex is used for the elimination of this terrible monster—And most successfully in obstinate cases. Tanex is prepared to such manner that it cannot harm any of the sensitive internal parts of the human system, and may be safely given in proportional parts to children. Tanex is not harmful in the sense that it may poison the individual harboring a tapeworm—nor is its effects harmful on those who take it where there is no worm. Tanex does not kill the monster tapeworm, as killing it necessarily means the taking of poisons in sufficient quantities to poison the patient. Tanex renders the worm insensible only, so that it loses its power to grasp on and hold to the intestines. The purgative ingredients in tanex then quickly eliminate it. Great care must be exercised however, to permit its passage in accordance with the directions (sent from Tanex), otherwise he had may re-enter the alimentary canal—which means, that another dosage will be necessary.

Tanex may be taken any morning and as it leaves no effects at all, will not necessitate the staying away from work. One hour is required for it to attain full effect.

Tanex, is not sold in drug stores—to insure absolute freshness to the patient. Nor is it sent C.O.D. The treatment costs \$5.00, with full instructions. If you want to be rid of this monster parasite—send for Tanex today. Sold only by The Royal Laboratory, 768 Royal Bldg., Box 104 Windsor, Ont. (Clip this ad out now and put it away, it may come in very handy some day. Show it to some all-grateful to you for doing so.) ing friend—he may become forever

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