16*. THE EXCHANGE EQUALISATION ACCOUNT. By N. F. Hall. 1935. (London: Macmillan. 8vo. x + 115 pp. 7*s.* 6*d.*)

MR. HALL has written a most lucid and interesting account of the operations of the Exchange Equalisation Fund, an understanding of which is indispensable for an intelligent opinion about the proper monetary policy of Great Britain. With a wholly admirable restraint he has avoided the pitfalls of excessive conjecture and guess-work based

on insufficient evidence. He has eschewed attempts at a precise estimate of the scale of operations. Instead he has given us a careful and conscientious piece of work, using all reliable sources of information. It may be claimed that he has successfully rebutted the accusations that the fund was manipulated in a selfish or predatory manner, though he holds the view that we might have done well to hold sterling at a somewhat higher figure in the early part of 1933.

Mr. Hall claims that he "makes no attempt to appraise British monetary policy since 1931." Running through his commentary, however, is the notion that there is a certain natural level for sterling exchange rates, determined by fundamental conditions. There is, however, another view, namely that there is at no time any unique natural level for sterling, but a number of different possible natural levels each appropriate to a different possible internal monetary policy and to the pitch of industrial activity associated therewith. To regard the rate, which market forces tend to establish in a short period, as natural, implies acceptance of or, anyhow, acquiescence in a given monetary policy as inevitable. Mr. Hall might defend the Exchange Equalisation operations as neutral in the sense that they did precisely take the actual monetary policy being pursued internally as given, and avoided using—probably rightly—the Account as an agent of policy.

In his later sections he propounds an ingenious scheme for amalgamating the Account with the Issue Department in such a way as to restore the automatic working of the gold standard, but with this additional device, that international short-term movements of funds could be offset, and could be seen by the public to be offset by reference to the published account. Thus an active balance due to fundamental conditions would lead to credit expansion in accordance with "the rules of the game," while one due to a movement of short-term funds would be offset. His proposals are neat and deserve examination. But a word of warning must be given. Those who hold that there ought to be a concerted international effort to secure stability in the value of gold could not wholly endorse his proposals. For there is a radical and unavoidable contradiction of principle between those who wish to revert to or to devise automatic gold-standard rules on the lines of Mr. Hall and those who wish to use monetary policy on an international scale to counteract the natural tendency of the monetary system to fluctuate. It is of the essence of the former principle that at any point of time some countries (those with an active balance) should expand credit while others (those with a passive balance—there must be some) should contract, while the latter principle demands that all countries should expand or contract simultaneously in accordance with the current phase of the trade cycle. Mr. Hall also presupposes that permanent exchange stability is desirable; at least he does not discuss the gadgets that have recently been proposed for introducing an element of elasticity at this point. But it would be going too far afield to join issue with him on this question.

R. F. HARROD.