

country, compared with the world cost-price structure. These general forces would tend rather promptly toward equilibrium. So that the movement from equilibrium to disequilibrium and back to equilibrium, in concept, in the old gold standard, was one which could operate very swiftly indeed.

Now, whether it did or not is a matter of a lot of controversy. Some men have written good books to show that it did work that way, and others have written equally good books to show that it didn't work that way. But in any event there was in that system the mechanism of adjustment which did operate quite powerfully.

The more nearly countries have moved away from a species standard into a managed standard, a managed currency both at home and internationally, the more that judgment has entered into the operation of economic affairs, the more complicated economies have become, the more conflicts of national policy have arisen--powerful labor unions with their wage pressures, powerful farm lobbies that have built farm-support policies, and so on--the more all these things have happened the more sluggish the mechanism of adjustment has tended to become. We can therefore now see all around us in the world cases of disequilibria in balances of payments which very obviously reflect a great deal of lag or friction arising out of a set of accidental circumstances or a set of deliberate policies which mean that countries can for a long time be in a situation of disequilibrium which can result in exchange fluctuation and exchange depreciation, in exchange controls, as the country squirms and struggles