

Volume III

After the Gold Standard, 1931-1999

1932 July 11

Resolution of the Board of Directors of the Bank for International Settlements relating to the gold standard. The international conventional wisdom during the early 1930s favored a return to the gold standard. This resolution of the Bank for International Settlements reflects the financial orthodoxy of the day.

1. The Board of the Bank for International Settlements recognising the necessity of the reestablishment between nations of a monetary system with a common basis in order to facilitate international settlements under more stable and secure conditions, is unanimously of opinion that the gold standard remains the best available monetary mechanism and the one best suited to make possible the free flow of world trade and of international financing; it is desirable, therefore, to prepare all the necessary measures for the reestablishment of the functioning of the gold standard.
2. In order to render possible a general return to the gold standard, the Board thinks it first necessary that those measures should be taken by international collaboration and national efforts which will restore equilibrium in the economic and financial structure of the various countries.
3. The realisation of these measures depends in the first instance on Government action and, without that, is beyond the power of Central Banks. To enable the mechanism of the international balance of payments to work again in a satisfactory manner, it will be necessary to restore a reasonable degree of freedom in the movement of goods, services and capital; to complete the solution of reparations reached at Lausanne by a satisfactory solution of war debts; and to take the necessary steps in each individual country to restore and maintain equilibrium in the internal economy, not only as regards public revenue and expenditure, but also as regards the cost of production and organisation of the internal money and capital market.
4. Little or no progress can be expected in the monetary sphere, or towards the effective general restoration of the gold standard, as long as the main outstanding problems are not definitely dealt with by the Governments. As soon as sufficient progress is made in the settlement of these problems, concurrently with action on the interdependent economic problems, action in the monetary sphere can also begin. The Bank for International Settlements will be available to the Central Banks to serve as their common agency in the task of monetary reconstruction.

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5. The Board further wishes to record that it has found itself in substantial agreement with the conclusions of the Report of the Gold Delegation of the League of Nations of June 1932, as adopted by the majority of its members. These conclusions form a starting point for the elaboration of monetary principles, which may be given practical application in the future.

Source: *Bank of England Archives*, OV48/10, 1539/1, no. 40; for the French text, see *ibid.*, no. 15.