

by the Textile Commissioner. Movement of cotton within a State or between the States has been restricted except under a permit. The quota will be staggered with a view to minimise the risks of competition.

Traders are allowed to ply their useful role but it remains to be seen whether the machinery for purchases will work efficiently though a Board of the representatives of trade and industry will supervise and even scrutinise purchases. In the meantime, the Government of India's announcement of further measures is awaited keenly. Unless the remaining measures are announced, permission to trade in new crop contracts will not be granted. Hence business in the spot market remains patch/ on account of lack of new quotas which still remain to be determined. The trade appears to be still pessimistic about the effective implementation of all these control measures.

Among the foreign styles imported into Bombay during the season 1950-51, Americans accounted for 528,700 bales as against 77,700 in 1949-50, East Africans 269,950 as against 380,800 and Sudans against 202,850, Egyptians 293,400 against 49,860 as against 37,500 and Pakistan only 1,400 bales as against 204,800 bales.

The Brazilian Sao Paulo cotton crop this year is estimated around 8,55 000 bales of 400 lbs. each as against previous year's production of 1,153,000 bales.

Exports of cotton from Egypt during the year 1949-50 amounted to 1,211,411 bales as against 1,044,423 bales in the previous year. These were distributed as follows:

	1949-50	1948-49
U. K.	.. 210,761	322,936
Continent	.. 587,925	410,467
U.S.A.	.. 169,812	6,051
India and		
Far East	.. 242,913	304,961

The Egyptian cotton crop during the current season is estimated around 1,551,600 bales of 730 lbs. each with an acreage of 1,974,559. In order to encourage production of food grains, acreage is likely to be reduced next season.

The Sudan crop for the year 1949-50 is estimated at 1.34 million cantars which is 8 per cent higher than that of the previous year. New crop Sudans will be available next spring,

## Money Market

# Speculation on Gold and Dollars

THAT the International Monetary Fund would reject South Africa's plea to step up the United States Treasury's buying price for gold was a foregone conclusion. A higher dollar price for gold may help gold-producing countries like South Africa, but a lower dollar may have serious consequences for the world currency.

For one thing, it might offset the advantages accruing to the non-dollar area through devaluation of currencies in relation to the dollar. In the twelve months since devaluation of world currencies, the non-dollar area's dollar position has improved considerably. It is difficult to be dogmatic about whether the narrowing dollar gap of the world is due to devaluation or to stock-piling by America.

Whatever be the main reason for the betterment in the world's dollar position, depreciation of the American currency in relation to gold is likely to reverse the position inasmuch as it would affect the non-dollar area's exports to America while stimulating the latter's exports to the former. That the "free" price for gold is far above the official price of 35 dollars an ounce, is a fact. That this also proves that world currencies, including the dollar, have ultimately to be aligned to gold at a new level, may not be denied. But the World Fund argue that the time is not opportune.

As an alternative to a higher dollar price for gold, South Africa made a request to the Fund that she should be allowed to sell newly-mined gold at premium prices in "free" markets. That this demand, too, would be rejected by the Fund was also a foregone conclusion. To allow premium sales of gold at above the official level would not only involve acceptance of the system of multiple exchange quotations, but would also disturb the whole pattern of exchange parities as fixed by the Fund at the time of the devaluation of world currencies.

Because of the decision of the Fund to maintain the *status quo*, the price of gold in "free" markets has not experienced any violent fluctuation. There is evidence of a

mild set-back in "free" market prices. Apparently, those who purchased in anticipation of a higher price for gold, sold out when the Fund's decision became known. Hence the irregularly downward trend in gold, though it is arguable that the Fund's rejection of the South African plan to sell gold at "free" markets should have had a sustaining effect on prices.

Despite the adamant attitude of the Fund in relation to the official buying price for gold, subsequent events indicate that the Fund's *obiter dicta* about the non-dollar area's improving dollar position has encouraged exchange gamblers to bull up sterling. On the argument that if the dollar is not to be allowed to depreciate, the major currencies of the world should gradually appreciate in terms of the dollar as the trade "gap" narrows down.

So much was so badly stressed during the Paris meeting of the World Fund about rearmament's repercussions on the dollar and on the world's dollar shortage that exchange speculators jumped to the conclusion that, as American stock-piling would continue, the world currencies would gradually firm up in terms of the dollar. Some time in the earlier half of the week, sales of dollars against purchases of sterling assumed such proportions as to compel the British Treasury to deny rumours about a possible appreciation of the pound in terms of the dollar.

Yet, strange as it may seem, these exchange reverses and speculative activities had no appreciable effect on the price of gold in "free" markets. If and when the dollar is depreciated in terms of gold, "free" market prices for gold are likely to appreciate. But this week's developments lend colour to the suspicion that the possible appreciation in the "free" market price for gold may not fully conform to the eventual depreciation of the dollar in terms of gold, as the latter process implies an automatic appreciation in world currencies in terms of the dollar, on the assumption that the present gold parities of the world currencies remain unchanged.