

INTERNATIONAL GOLD STANDARD

CHARACTERISTICS OF INTERNATIONAL GOLD STANDARD

- (i) It was not essential to keep gold currency in circulation in this system but the value of the prime currency was fixed in gold.
- (ii) Import and export of gold was free. The government provided gold at the certain rate for the foreign payment.
- (iii) Due to the dependence of the currency of the country on gold, the amount of currency had to be increased in the case of import of gold and decrease in the case of export of gold.

(iv) There was no fear of inflation in this system but the amount of currency as compared to the needs in the countries adopting 'Gold Standard'.

(v) Gold Standard was generally automatic, but it was managed by the central bank.

(vi) People retained faith in currency under gold standard because there were not much fluctuation in the internal and external value of currency.

FUNCTIONS OF INTERNATIONAL GOLD STANDARD

1. Convenience in international payments : The most important function of the international gold standard was that It made international trade very easy because the payment for the import and export could be made without any difficulty. The countries having gold standard could make their transactions very easily.

2.Fixation and Stability in exchange Rates : It was very easy work to determine the rate their currencies for the countries adopting 'Gold Standard'. The values of their currencies were fixed in gold. The exchange rates of the currencies were fixed in the equivalent amount of gold and there were not fluctuations In these.

3. International Stability : It was essential for the countries adopting 'Gold Standard' to keep a gold reserve for currency. So it was not possible to have inflation because more gold had to be kept in the reserve for issuing more currencies. So, there were not more fluctuations in the value of currencies of the countries adopting 'Gold Standard' and there also remained sufficient stability in the prices of gold.'

