

# London Foreign Exchange Quotations

According to the British Coinage Act of 1870, the one Pound sterling coin, or sovereign, is to be of a gross weight of 123.-27447 grains, 7.98805 grammes, or 0.25682183 ounce troy, 11/12ths (i.e., 0.916-2/3) fine, with a fine weight or pure gold content of 113.00160 grains, 7.32237916 grammes, or 0.23542 ounce troy. The coin has been called the sovereign from the effigy of the monarch (a king or queen regnant) on the obverse or front side of the coin.

Great Britain went off the gold bullion standard on September 21, 1931, and, since then, the British legal tender paper currency Pound has been inflated and depreciated until now (as of London, January 23, 1937) an ounce of pure gold in the London bar gold market is quoted at L.7-1-10, that is..... 1,702.0000 pence  
as against its gold standard price of L.4-4-11.4545 that is 84.95454 shillings, or..... 1,019.4545 pence  
or a difference in price, per ounce pure gold, of..... 682.5455 pence

This means that the present British legal tender currency Pound has been devalued or depreciated to approximately 59.8974+ % of its former value while on gold standard, that is, it has lost a value of about 40.1026%. On this basis, the cable rates of London banks' selling foreign currencies, as of London, January 23, 1937, on the principal foreign world financial centres may be explained, as follows:

**LONDON on NEW YORK; 490 5/16 (that is, U.S. \$490.-3125 per L.100):**

The new U. S. standard gold dollar (proclaimed by the President of the United States on January 31, 1934) of 15-5/21 grains 9/10 fine, with a fine weight or pure gold content of 0.028571418+ ounce troy (i.e., \$35 per ounce), or 0.8886854 gramme, has a gold standard parity with the British Pound sterling, or sovereign, of.....(per L.1) U.S. \$8.2397  
London/New York cross-rate (London banks' selling U. S. dollars).....(per L.1) \$4.903125  
Difference.....(per L.1) \$3.336575

This means that the British Pound sterling has been devalued, or its legal tender paper currency been depreciated to approximately 59.51% of its gold standard value, that is, a devaluation or depreciation of approximately..... 40.49%  
while the old U. S. standard dollar was devalued to 59.06+ % of its former gold standard value, that is, a devaluation or a reduction of gold weight and value of approximately..... 40.94%

Devaluation of the old U. S. standard gold dollar exceeding the depreciation of the Pound by approximately..... 0.45%

While an ounce troy of fine gold in the London bar gold market is quoted at L.7-1-10, and is being bought by the U.S. government at \$35, the London/New York cross-rate parity is.....(per L.1) \$4.9354  
but the rate of London banks' selling U. S. dollars on January 23, 1937, was.... (per L.1) \$4.903125  
showing a difference of.....(per L.1) \$0.032275

This difference of \$0.032275, equivalent to about 0.65 of 1% on the above (gold bullion) parity rate of \$4.9354, should, at

least in part, be attributed to the cost of handling and profit charged by the London banks in the selling of U. S. dollars.

**LONDON on PARIS; 105-11/64 (that is, 105.171875 French Francs per L.1):**

The French gold Franc of 0.05895 fine gramme (by law of June 25, 1928) has a gold standard parity with the new U. S. dollar of \$0.066343 per Franc, and has a gold standard parity with the British Pound sterling, or sovereign, of.....(per L.1) 124.21343 Francs  
London/Paris cross-rate, Jan. 23, 1937..... 105.171875 Francs  
Difference.....(per L.1) 19.041555 Francs

This means that the French Franc has appreciated to approximately 118.09% of its parity or relative value with the British Pound; but as the Pound itself has depreciated to approximately 59.90% of its former gold standard value, therefore the French Franc has depreciated to approximately 70.74% of its own gold standard Franc value, as judged or measured by London gold market and the London/Paris cross-rate, above stated (118.09% x 59.90% = 70.74%).

**LONDON on BOMBAY; 18-9/64 (that is, 18.140625 pence per Rupee):**

The Indian gold Rupee (consisting of 16 annas=192 pies) of 0.5492 fine gramme has a gold standard parity with the new U. S. dollar of \$0.61799 per Rupee, but the Rupee is now on a gold exchange standard with the British Pound sterling at the rate of.....(per Rupee) 18.0000 pence  
London/Bombay cross-rate, January 23, 1937..... 18.140625 pence  
Difference.....(per Rupee) 0.140625 penny

This difference of 9/64 or 0.140625 penny per Rupee, amounting to but 0.78 of 1% on the parity rate of 18 pence, should be considered as cost of handling (including profit) charged by the London banks in selling Rupees, rather than as an appreciation or premium on the Rupee.

If the London banks were to buy in Rupees, they would probably deduct about 9/64 d. from the parity rate of 18 pence so that the London banks' rate for buying Rupees on Bombay would probably be about 17 55/64, that is, 17.859375 pence per Rupee.

The Royal Indian Currency Commission recommended, August 6, 1926, the adoption of the gold standard for India with the immediate stabilization of the Rupee at its then rate of 1 shilling 6 pence (that is, 18 pence, in lieu of then legally fixed ratio of 1s./4d. or 16 pence per Rupee), and the creation of a central reserve bank to hold the reserves of the Bank of India, carry all the government's accounts and have the sole right of issue of notes for 25 years. Establishment of the bank has been indefinitely postponed. The Rupee followed the Pound sterling off the gold standard on September 21, 1931.

**LONDON on YOKOHAMA (Japan); 14 (that is, 14 pence per yen):**

The Japanese gold yen of 0.75 fine gramme (of identical weight and fineness as the Mexican gold peso) has a gold standard parity with the new U. S. dollar of \$0.843943 per yen, and has a gold standard parity with the British Pound of.....(per yen) 24.5832 pence  
London/Yokohama cross-rate, January 23, 1937..... 14.0000 pence  
Difference.....(per yen) 10.5832 pence

This means that the yen (gold standard suspended since December 13, 1931) has depreciated to approximately 56.95% of its former rate of parity with the Pound; but as the Pound itself has depreciated, as above stated, to approximately 59.90% of its former gold standard value, therefore the Japanese yen has depreciated to approximately 34.11% of its former gold standard value, that is, a devaluation or a reduction of value by approximately 65.89%, as judged or measured by the London gold market and the London/Yokohama cross-rate above stated ( $56.95\% \times 59.90\% = 34.11\%$ ).

LONDON on MILAN (Italy); 93-8/16 (that is, 93.1875 Lire per £1);

The Italian gold Lira of 0.07919 fine gramme has a gold standard parity with the new U. S. dollar of \$0.089108 per Lira, and has a gold standard parity with the British Pound of.....(per £1) 92.46467 Lira  
London/Milan cross-rate, January 23, 1937. 93.1875 Lira

Difference.....(per £1) 0.72283 Lira

This difference of 0.72283 Lira amounts to but 0.78 of 1% of its parity rate with the Pound of 92.46467 Lire and, in a way, it may be interpreted to mean that the Italian Lira has depreciated to approximately 99.22% of its former relative value with the Pound; but as the Pound itself has depreciated, as above stated, to approximately 59.90% of its former gold standard value, it follows that the Lira has depreciated to approximately 59.43% of its former gold standard value ( $99.22\% \times 59.90\% = 59.43\%$ ), as judged or measured by the London gold market and the London/Milan cross-rate above stated.

All banks and corporations in Italy were ordered on December 8, 1934, to turn over all their foreign credits to the National Exchange Institute, and, along with all private citizens, to declare to the Bank of Italy all foreign or Italian securities held by them even if deposited abroad. The law of 1927 requiring the bank to hold a reserve of 40% was suspended July 22, 1935. The ratio on August 10, 1935, fell to 36.7%.

LONDON on BERLIN (Germany); 12.195 (that is, 12.195 Reichsmarks per £1):

The German gold Reichsmark (Rm.) of 0.3584222 fine gramme has a gold standard parity with the new U. S. dollar of \$0.40335 per Rm., and has a gold standard parity with the British Pound of.....(per £1) 20.42945 Rm.  
London/Berlin cross-rate, January 23, 1937 12.195 Rm.

Difference.....(per £1) 8.23445 Rm.

This means that the German Reichsmark, in terms of the Pound sterling, has appreciated to approximately 167.52% of its parity or relative value with the Pound; but as the Pound has depreciated, as above stated, to approximately 59.90% of its former gold standard value, therefore the present value of the Reichsmark is approximately 100.34% of its gold standard value ( $167.52\% \times 59.90\% = 100.34\%$ ). This 0.34% above par cannot, however, be called an appreciation of the Reichsmark but is rather to be considered as a handling charge for the London bankers selling the Reichsmarks.

Officially, the Reichsmark is stable at its old gold standard value. In practice, the Reich has six kinds of marks that cannot be converted into gold, but are (1) "old deposit", (2) "credit-blocked", (3) "note-blocked", (4) "securities-blocked", (5) "registered", and (6) "blocked", or "scrip".

LONDON on MADRID (Spain); 70 nominal (that is, 70 Pesetas per £1, nominal):

The Spanish monetary unit, the gold peseta of 0.2903225 fine gramme has a gold standard parity with the new U. S. dollar of \$0.32669 per peseta, and has a gold standard parity with the Pound of.....(per £1) 25.22154 Pesetas  
London/Madrid cross-rate January 23, 1937—nominal, due to Civil War conditions..... 70.00000 Pesetas

Difference.....(per £1) 44.77846 Pesetas

This means that the Spanish peseta, off the gold standard, has, in terms of the British Pound sterling, depreciated to approximately 36.03% of its parity or relative value with the Pound; but as the Pound itself has depreciated, as above stated, to approximately 59.90% of its former gold standard value, it follows that the present value of the peseta, nominally, is about 21.58% (that is,  $36.03\% \times 59.90\% = 21.58\%$ ) of its original gold standard value, that is, a devaluation or depreciation of approximately 78.42%, making the paper currency peseta worth, nominally, U.S.\$0.07050 as compared with its gold standard par value of U.S.\$0.32669.

LONDON on ZURICH (Switzerland); 21.41 (that is, 21.41 Francs per £1):

The Swiss gold Franc of 0.2903225 fine gramme (of identical weight and fineness as the Spanish gold peseta) has a gold standard parity with the new U. S. dollar of \$0.32669 per Swiss Franc, and has a gold standard parity with the British Pound of.....(per £1) 25.22154 Sw. Francs  
London/Zurich cross-rate January 23, 1937..... 21.41 Sw. Francs

Difference.....(per £1) 3.81154 Sw. Francs

This means that the Swiss Franc, now off the gold standard, has, in terms of the British Pound sterling, appreciated to 117.80% of its parity or relative value with the Pound; but as the Pound has depreciated to approximately 59.90% of its former gold standard value, it follows that the Swiss Franc has depreciated to approximately 70.56% (that is,  $117.80\% \times 59.90\% = 70.56\%$ ) of its original gold standard value, that is, a devaluation or depreciation of the Swiss paper currency Franc by about 29.44%, as judged or measured by the London bar gold market and the London/Zurich cross-rate as of London, January 23, 1937.

### The New Engineer . . . .

(Continued from page 30)

A doctor's prescription involving bismuth, subnitrate, tincture of opium, etc., for intestinal pain due to ptomaine or kindred poisoning.

Castor oil in addition to your pet laxative

1 pint brandy

2% antiseptic soap

A solution of 1 litre of alcohol containing 1 bichloride of mercury tablet for application to prickly heat, insect bites, and poisonous vegetation rashes.

Flit lotion for mosquitos, flies and nic-nics and if you have any space left fill out the case with your usual medicinal requirements. The case should be waterproof, and could be partitioned to facilitate keeping your drug stock in some degree of order. The occasion when such a case is left behind, or its stock allowed to dwindle, will likely be the time when it is most required.

Field equipment of a personal nature should include a cot, blankets, small pillow, and positively include a mosquito bar. Numerous changes of apparel are necessary, and these should be kept in a waterproof duffle bag. A bit of experience will guide one in selecting a field outfit most suitable to individual requirements. A bolo is handy and should be a part of every field outfit. A side arm, of heavy calibre if at all, may be of occasional use. Such are at once a burden and a source of continual attention—especially automatics—due to rust and corrosion of moving parts. In Mindanao, particularly among the wild tribes, and to a great extent elsewhere, a gun is a coveted article. These people will resort to theft, and some of them to ambush with spears, for the possession of a fire arm. There is only a remote chance of stopping a charging carabao with even a heavy-calibre side arm. They, more often, are the more infuriated by the stinging of bullets and smell of powder. It is the better part of valor to appropriate a near-by tree prior to any demonstration of marksmanship. These docile appearing animals should not be underestimated, inasmuch as they are savage when over-heated, or during periods

(Please turn to page 43)