The Gold Standard

What was the Gold standard?
1) It was good for trade
· Fixed exchange vate
2) Couvernments could not delase currency. Especially important during your
· Especially important during wow
Second like a good idea to fix the price of the convency to gold
Second like a good idea to fix the price of the convency to gold Not gold coins, but the banknots and coins could be directly exchanged at the bank
exchanged at the Vank
All of this is to prevent excess money supply
\mathcal{D}
There was a fractional resure system (90% 60%, 60% notes)
There was a tractional resure system (40% Gold, 60% notes) Wew money had to be backed by gold
Gresham's Law: Bad money will drive out good money
pad money will and sell gode money
The List country on the Gold Standard was the DV
The first country on the Gold Standard was the UK. They went on it by accident. They were on a Birnetallic Standard (Silver & Gold)
· They were on a Birnetallic Standard (Silver & Gold)
In 1717:
Isaac Newton was in change of the mint.
The exchange verte between silver and gold coins
was not at according to muchet rate, and thusly, the
silver supply "vanished" vecause of the cubitrage situation
Example:
Exchanse rate: Mouhet voite:
0 = 0000
l gold coin 10 sulver coins l gold coin 9 sulver coins
Everybooky buys silver with gold, smelts the silver and
gets a 10% projet by just exchanging currencys
5 Bad money diover out good money
(Gold) (Silver)

Many currencys fixed in Gold => Fixed exchange nates that did it function? 1) there: Price - Specie flow mechanism Balance of Payments deficit -> Gold outflow -> + Donestiffies & 1 Foreign Price 1- BOP e.g. BOT: "Gold Point" Create a wedge for foodus (securce of insurance when transporting gold) "Gold devices" VStill to beep Gold in London 2) Monotarist equation (Fisher & Friedman): MV = PY Mathemal Output What does - Monography Vstody of Creatation When the gold standard work? Short answer: Not exceeding We expect: M -> + + + + + + + + + + + + + + + + + +	
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AGOLD = DM and AGOLD is voundam	"vandom" like truding gold
	AGOLD = DM and AGOLD is voundam

Was the Gold Standard an automatic mechanism?
UND. (Gold dauces, gold points) (Mory's paper)
2) Core versus periphry
· If there is a large differer between two core countries in wheest vertes i.e. UK and Germany, Gold would flow to the place with higher interest
i.e. UK and Germany, Gold would flow to the place with higher insterest
' If a puiphual country raised intuist, gold would still flow to London Excause
litis a soute haven
Cove countries: Interested in v in other cove countries
Penphing: Coverage vatio
Penphung: Coverage vatio - Bagott. He said: "Lend for an internal drain, tight for an external drain."
Tarping Seed general seeds
GB coverage $\approx 25-30 \text{ k}$
Germany ≈ 40%
Chapper for the large nations,
because people trust them
3) The gold standard could be suspended at times of Jorce Majunces Who is They then returned at the <u>Old</u> painty
5 They then returned at the <u>Old</u> pounty
When II II - L - C - C - C - C - C - C - C - C - C
Why would the government want to limit themselves to gold?
Because, it pays to be an Gold: V on Bout debt 10.4% on amage for countries on the Gold standard
for countries on the Gold Stewdard
Why was penphay countries on the GS: They was borrowing a ton of money