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THE
MEANING OF MONEY

By HARTLEY WITHERS

"Grau, theurer Freund, ist alle Theorie
Und grün des Lebens goldner Baum."
GÖTTE.

LONDON
JOHN MURRAY, ALBEMARLE STREET, W.

FIRST EDITION (Smith, Elder & Co.)	1909
SECOND EDITION	1909
THIRD EDITION	1909
CHEAPER EDITION	1916
<i>Seventeenth Impression</i> (John Murray)	1918
<i>Twenty-sixth Impression</i>	1926

X6
 F6
 8040

PRINTED IN GREAT BRITAIN BY
 WILLIAM CLOWES AND SONS, LIMITED, LONDON AND BECCLES.

PREFACE TO NEW EDITION

MUCH has happened in the Money Market since this book was written. The stress of the greatest war that ever deluged Europe in bloodshed has strained the strength of our credit system without breaking it; we know now that if the financial power of the country is husbanded with care and statesmanship, it will be our trusty weapon until a secure peace is won, and our mainstay among the new problems and difficulties that peace will bring with it. There never was a time when a clear understanding of our monetary system was more necessary to all who wish to form a reasoned judgment about matters of great moment to the nation's well-being; and if this book can help to throw light on this dark subject in this time of crisis, its writer will have earned a reward of which he little dreamt when he wrote it—most of it in Kensington Gardens—in the peaceful spring and summer of 1908.

It may be added that the chief thesis worked out in the book needs a slight extension in the light of the war's experience. That every loan by a bank to a customer increases the volume of banking deposits is now an acknowledged truism. But owing to the great extent of

vi PREFACE TO NEW EDITION

the investments made by the banks, in their patriotic readiness to finance the war by buying Government securities, we now have to recognize that investments made by banks have the same effect on their deposits as loans advanced by them. In days of peace their investments were a comparatively small and constant item in their balance sheets, and so the fact that additions to them would swell deposits was of little importance. Now they have been rapidly increased owing to reasons given, and have produced a corresponding increase in bank deposits, which has startled and puzzled some observers, who have regarded it as an evidence of a wonderful growth in the nation's wealth amid the stress and waste of war. It is, in fact, an increase of paper credit, and might have produced serious inflation, but for the care and self-restraint with which the bankers dealt with the danger, correcting it by a reduction of their loans and advances.

HARTLEY WITHERS.

6, LINDEN GARDENS,
February 13, 1916.

NOTE.—Since the above was written the policy of financing the war by banking credits has been continued, very much against the wishes of the bankers, on an increasing scale; and serious inflation has followed.

H. W.

November 20, 1917.

PREFACE TO THE FIRST EDITION

THIS book is designed to meet the difficulty experienced by the average reader in understanding that part of a newspaper City article which deals with the money market. It has been compiled with as little reference as possible to other books, and chiefly expresses views and facts gathered from practical men at work in the great machine which it describes, one of whom has kindly read the proofs and made valuable suggestions. The difficulties of the subject are very real to its writer, who has consequently aimed earnestly at clearness, risking platitude and iteration to achieve it. Its shortcomings will be pardoned, by considerate readers, on the ground of the limited leisure in which it was written.

January, 1909.

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