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**MONETARY POLICY
AND ECONOMIC STABILISATION**

**MONETARY POLICY
AND
ECONOMIC STABILISATION**
A STUDY OF THE GOLD STANDARD

BY
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TO
D. H. MACGREGOR

PREFACE

THIS book was written partly in England, partly in America. The study and observation on which it rests were made in about equal measure in both countries. Perhaps I may hope accordingly that its analysis and conclusions will also be found equally applicable to each of the two nations in whose hands the future world course of monetary events mainly lies.

The problem of economic instability and its effects probably transcends in importance any others of our generation. This book is an approach to that problem from the viewpoint of the functioning of the monetary mechanism. I do not believe the whole problem can be solved by monetary manipulation alone. For the monetary mechanism cannot be studied in isolation, divorced from the "non-monetary" factors with which in actuality it is inextricably intertwined. I do believe, however, that no solution whatsoever is possible so long as the monetary system continues to function as it has since the war. I have therefore not hesitated to draw concrete conclusions and offer specific suggestions for reform, despite the limited compass in which a subject of such large scope has been treated. In dealing with these problems the economist who, having ascended into the rarefied regions of pure theory, fails to descend again to earth and apply his findings to pressing practical affairs, fails, in my opinion, to give of his best. Thus I have striven throughout to avoid discussing the monetary mechanism as if it operated *in vacuo*, namely, in a non-existent world of perfect competition and complete flexibility. For it is with *this* world, with all its imperfections, that we have to deal, however much more desirable some other kind of world may appear to be, if the latter is unattainable or has passed beyond hope of recall. The emphasis is laid throughout upon interpreta-

tion and analysis rather than upon the presentation of descriptive matter, but in the interests of general intelligibility I have as far as possible avoided employing technical terminology. In striving after definiteness in advancing proposals for policy, I have been acutely aware of the bewildering complexity of the subject, the present somewhat limited state of our knowledge, and the chaotic condition of world economic affairs: but responsibility for the future cannot be evaded by a course of inaction.

Though not designed primarily as a text-book, I have been including most of the subject-matter of this study in a course on money and banking at Columbia, so hope it may be found useful to other college teachers of the subject as well as of interest to the professional economist and the general reader.

My debt to numerous works by writers both dead and living will be evident on almost every page. Where I have been able to identify it, I have made acknowledgment in footnotes.

In some places, mostly in Chapters I. to III., I have made use of certain passages from the four special reports which I contributed to *Economic Reconstruction, Report of the Columbia University Commission*, published earlier this year by the Columbia University Press, to whom my acknowledgments are due. Chapter X. is partly based on an extensive report, shortly to be published, which I recently had occasion to submit to the American government in a technical capacity.

I have to acknowledge the kindness of various colleagues and friends who were good enough to read parts of the study and offer suggestions for its improvement. In the preparation of the manuscript for the printer I have a heavy debt to my sister Anne Gayer for her generous and painstaking assistance. The credit for the excellence of the index belongs to my former pupil, Miss Anna Jacobson.

ARTHUR D. GAYER

LONDON, September 1934

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