

5503

Dhananjayrao Gadgil Library



GIPE-PUNE-005503

X61
F6

BY THE SAME AUTHOR

6

THE NATIONAL RESOURCES
OF SOUTH AFRICA.

(Johannesburg: University Press
London: Longmans. 1922.)

RESTORATION OF THE
WORLD'S CURRENCIES.

(P. S. King & Son. 1923.)

5503

Printed in England
At the OXFORD UNIVERSITY PRESS
By John Johnson
Printer to the University

P R E F A C E

THE treatment of money forms a more or less distinct chapter in economics. The phenomena involved are more easily observed and classified than most of the facts of economic life, so that some attempt to state them, and to discuss their theoretic basis, is found even in Greek and medieval writings. A body of theory has grown up, which, while fundamentally identical with the general theory of value, may be developed independently. This small book is an attempt to give enough information to understand the broad characters of the subject, but as it is intended for the non-technical reader, the argument is developed in a somewhat informal way. The aim has been to describe, first; to define and generalize only gradually, as need arises, a precise statement of theory being deferred till near the end.

Accordingly, the first six chapters deal with the ordinary facts about money; chapters seven and eight with important special features that affect the monetary system; chapter nine essays the general ideas necessary to bring the facts into a coherent whole, while chapter ten glances at the application of monetary science to the problems of the future.

R. A. L.

CONTENTS

| | PAGE |
|--|------|
| Preface | 3 |
| 1. Introduction | 7 |
| 2. Metallic Money | 11 |
| 3. Paper Money | 22 |
| 4. Bank Deposit Money | 36 |
| 5. Money as Standard of Value | 48 |
| 6. Social Consequences of Price Change | 64 |
| 7. Good and Bad Trade | 71 |
| 8. International Payments | 82 |
| 9. Theory | 95 |
| 10. Suggestions for Improvement | 104 |
| Index | 113 |

ILLUSTRATIONS

| | |
|--|----|
| Diagram of English wholesale prices, 1816-1916 | 59 |
| Diagram of English wholesale prices, 1913-1923 | 63 |

INDEX

- | A | C |
|---|--|
| <p>Advances, 39. distinction between legitimate and illegitimate, 43.</p> <p>Anderson, B. M., on control of output of gold, 108.</p> <p>Assignats, depreciation of, 33.</p> <p style="text-align: center;">B</p> <p>Balance of trade, meaning of, 88, 90.</p> <p>Bank of England, 27, 44, 45. regulation by, 108.</p> <p>Bank of France, 25, 31, 34.</p> <p>Bank credit, 42, 77, 100-1.</p> <p>Bank deposits, increase in turnover of, 103. loans, 37, 41. rate, regulation of, 108.</p> <p>Bank notes, 30. used to create money, 24.</p> <p>Banking, international organization of, 47.</p> <p>Banks, balance sheets of, 38, 44. distribution of assets, 39. failure of, 28-9. foreign branches of, 47. function of, 37. influence on trade cycles, 72. issue of paper money by, 27. policy during trade cycle, 74, 78. power to control trade cycle, 81. rate of discount, use of by, 80-1. solvency of, 38. utilization of resources by, 44.</p> <p>Bills, 45.</p> <p>Bills of exchange, 41. as liquid assets of banks, 39. nature of, 85. use of, 39, 81, 85.</p> <p>Bimetallism, 57. definition of, 13, 21.</p> <p>Britain, unfavourable trade balance of, 90.</p> <p>British currency notes, 26.</p> <p>Bullion, dealers, 23. report on high prices of, 30, 31.</p> | <p>Canada, unfavourable trade balance of, 90.</p> <p>Capital, loans of, 83.</p> <p>Cash reserve held by banks, 38.</p> <p>Central bank, 24, 29, 35, 43, III. organization of, 46, 47. regulation by, 109.</p> <p>Changes in value of money, causes of, 68. effects of, 68-9.</p> <p>Checkable deposits, 37-8.</p> <p>Cheque currency, 43. qualities of, 40.</p> <p>Cheque, payments made by, 35. system, development of, 35.</p> <p>Cheques, 24, 42. exchange on, 84.</p> <p>China, 14.</p> <p>Clare, G., 88.</p> <p>Clearing house, London, 45. system, 45.</p> <p>Coinage, development of standard, 11-12.</p> <p>Commercial banks, 29.</p> <p>Compensated dollar, Irving Fisher's, 106.</p> <p>Convertibility, conditions necessary for, 31.</p> <p>Cost of living, estimates of, 53, 54.</p> <p>Credit, 7, 37, 75. conversion into credit money, 42. definition of, 41-2. money, 41, 98, 100, 101.</p> <p>Cunliffe committee, recommendations of, 27.</p> <p>Currency notes, 32.</p> <p>Current deposits, 35.</p> <p style="text-align: center;">D</p> <p>Debt, redemption of, 35.</p> <p>Debts, influence on exchanges, 92.</p> <p>Deflation, definition of, 35.</p> <p>Deposits, 28, 75, 101. kinds of, 38. origin of, 40, 41. public and other, 46.</p> |

- Depreciated currency, restoration of, 34.
 Depreciation, 30, 32, 33.
 on foreign exchanges, 31.
 Devaluation, 34-5.
- E
- English banking system, organization of, 43-4.
 English money, changes in value of, 59.
 wholesale price index, 59, 63.
 Exchange, 85.
 par of, 84.
 rates, relation to purchasing power parity, 93.
 banks, profits of, 87.
 work of, 86.
 Exports, 88.
 effect of surplus of, 93.
- F
- Federal reserve banks, 26.
 Fiduciary issue, nature and extent of, 25.
 proportional method of limitation of, 26.
 Forced paper currency, 34.
 Foreign exchange market, definition of, 85.
 Foreign exchange, transactions in, 86.
 Foreign exchange, quotations, 88.
 Foreign exchanges, 31, 83.
- G
- Genoa, International Conference, resolutions of, 111.
 Germany, Imperial Bank of, 31, 34.
 Gold, 38, 46, 98.
 as means of international payment, 29.
 as merchandise, 16.
 as standard of value, 50.
 as unit of account, 9.
 Californian discoveries of, 16.
 changes in supply of, 69.
 changes in value of, 47-50.
 consumption, 18.
 economy in use of, 102.
 effect on value of restrictions in use of, 31.
 export, 32.
 fall in value since 1914, 61.
 influence on value of money, 69.
 markets, 31.
 possibilities of control of output, 108.
 premium on, 32.
 production, 16-18, 49.
 purchasing power of, 51.
 relation of supply to value, 58.
 reserve, 30, 92.
 stock of, in 1920, 9.
 supply of, 56, 102.
 value of, 58.
 Witwatersrand discoveries, 17, 57.
 Gold Exchange standard, 15.
 Gold Points, 84, 87.
 Gold standard, 10, 35, 92.
 adoption of, by Germany, 57.
 as a check to the Trade Cycle, 78.
 cost of remittance under, 84.
 effects on relative values of currencies, 93.
 explanation of, 12.
 in relation to price, 49.
 influence on exchange transactions, 87.
 necessary measures for maintenance of, 13.
 plan to eliminate main defect of, 107.
 retained in California during Civil War, 33.
 Greenbacks, 32.
 Gresham's Law, 12.
- I
- Imports, 88.
 effects of surplus of, 93.
 Index number standard of value, use of, 106.
 Index numbers of prices, 51, 92.
 limitations of, 53.
 use of, 52.
 India, 28.
 Inflation, 60.
 Inflationary monetary proposals, 110.
 International accounts, balance of, 88-90.
 currency, 110.
 trade, theory of, 82.
 Investments, 45.
 Invisible imports and exports, 89.
 Irving Fisher on compensated dollar, 106.
- J
- Jevons on fall in value of gold, 61.
 on Trade Cycle, 72.

K

- Keynes, J. M., on managed paper currency, 109.
on velocity of circulation, 99.

L

- Labour, 83.
Latin Union, 57, 84.
Latvia, restoration of currency, 35.
Legal tender, 8, 14, 24, 46.
notes, 37, 78.
London money market, 45.

M

- Managed paper currency, 109.
Monetary proposals, 109.
Monetary unit, definition of, 48.
Money, acceptability of, 33.
as standard of value, 48.
as wealth abstracted from other uses, 99.
circulation of, 103.
cost of remittance of, 111.
definition of, 7-8.
functions of, 8.
future of theory of, 111.
history of the value of, 55.
increase in stock of, 101.
meaning of, 38.
measurement of values of, 50, 52.
national characteristics of, 83.
of account, 8, 48.
of constant value, 104.
payments in times of good trade, 79.
possibility of regulating value of, 98.
possible improvement in system of, 104.
purchasing power of, 52, 95.
repudiation of, 34.
slow changes in value of, 69.
transport of, 83.
value of, 35, 36, 50.
Monometallism, definition of, 13.

N

- Napoleonic wars, effects of, 30, 60.
National bank, 29.
National credit, misuse of, 110.
Negotiable paper, in relation to credit money, 100.
Note issuing power, restriction of, 24.

P

- Paper currency, 79.
Paper money, 22, 35, 38.
as standard of value, 10.
convertible and inconvertible, 22, 28-30, 32, 60, 78.
Government issue of, 27, 28.
origin of, 10, 23.
smallest denomination of, 27.
varying value of inconvertible, 97.
use of, during the Great War, 20.
pound, 32.
Price changes, effects of, 65-7.
social consequences of, 64.
unequal effects of, 65.
definition of, 49.
fluctuations in war time, 64.
level, history of changes in, 55-7.
Prices, causes of variations in, 105.
effects of Great War on, 60.
Napoleonic wars on, 56.
Trade Cycle on, 59.
history of, in peace times, 61.
history of, in relation to supply of precious metals, 58.
in Middle Ages, 56.
in times of Roman Empire, 55.
periodic movement of, 71.
Purchasing Power Parity, principle of, 93.

Q

- Quantity theory of money, 95.
conclusions with reference to, 103.
historical confirmation of, 96-97.

R

- Remittance, cost of, 84.
Retail price index, 54.
Ricardo, writings of, 30.
Rising prices, effects of, 72.
Rupee, 14, 21.

S

- Sauerbeck's index number, 52, 59.
Silver, as unit of account, 9.
position in monetary affairs, 20.
Specie, 30.
Speculation, effect on foreign exchanges, 94.

Speculative dealings, 79.
 Standard of value, 48.
 Government regulation of, 70.
 Standard coin, definition of, 14.
 development of, 14.
 Standard gold coin for International
 payments, 84.
 money, 12.
 State Bank of Australia, 47.

T

Time deposits, 38.
 Token coin, 14, 22.
 Trade boom, nature of, 103.
 Trade Cycles, 62.
 causes of, 75.
 changes in fraction of wealth, used
 for money during, 102.
 control of by Central Banks, 78.
 course of, 71.
 description of, 72-3.
 effect on circulating medium, 78.
 effects of, 72-6, 105.
 influence of the credit organization
 on, 77.

influence of the rate of interest on,
 80.
 nature of the oscillations of, 77.
 Treasury Bills, 45.

U

Unemployment, 75-76.
 Unit of account, definition of, 9-10.
 United States treasury, 25.
 trade balance of, 91.
 Unspent margin, 99, 103.

V

Value, standard of, 48.
 Value, theory of, 82.
 Varying prices, effect of, 105.
 Velocity of circulation, 98.

W

War of Independence, 32.
 Wealth of the world increasing, 101.
 Wheat as standard of value, 51.
 Wholesale price index, 54.