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HARVARD ECONOMIC STUDIES

VOLUME XLIV

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THE STUDIES IN THIS SERIES ARE PUBLISHED BY THE DEPARTMENT OF ECONOMICS OF HARVARD UNIVERSITY, WHICH, HOWEVER, ASSUMES NO RESPONSIBILITY FOR THE VIEWS EXPRESSED

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GERMAN MONETARY THEORY

1905-1933

BY

HOWARD S. ELLIS

ASSISTANT PROFESSOR OF ECONOMICS, UNIVERSITY OF MICHIGAN



CAMBRIDGE, MASSACHUSETTS

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TO LILAH

PREFACE

THE development of monetary theory in German literature during the past thirty years may profitably engage the attention of economists generally. In the first place, beginning with Knapp's challenging *State Theory of Money* in 1905, a spirited discussion arose as to the essential character of money and its value. Although the issues were not new, this preoccupation with metaphysical questions concerning money is without parallel in the history of economics. Portions of this literature are marred by polemics or vitiated by flagrant fallacies, but in the aggregate it yields definitely valuable results. The discussion of price level determinants, to which Part II of this book is devoted, presents some striking spectacles: the clash of quantity-theory, historical, institutional, and banking-school ideas; the rivalry of velocity and cash-balance approaches; the divergence of views upon the causal independence of velocity and upon the merits of general and special price indices. Because opinion upon these issues has been more evenly divided in Germany and Austria than elsewhere, we sometimes discover that the arguments are pressed farther, theoretical refinement being the gain and "logical conclusions" the drawback.

American and English students may be curious also as to the effects produced upon indigenous economic writing by the post-war inflation experiences. Here again a considerable part of the publication, particularly by lay pamphleteers, represents the pathological phases of theorizing, as might be expected from a period of popular excitement and confusion. I take account of this material briefly in Part III, but seek rather to compass fully the permanent results of serious discussion. It will be found that the purchasing power parity doctrine encountered a surprisingly vigorous opposition from the balance of payments school, but that the conflict contributed toward a synthesis. Finally, in Part IV, which treats the analysis of business cycles, there appear a number of ideas, widely accepted amongst monetary writers, which might almost be marked as "made in Germany"; or at least they were most widely propagated through the German literature. Such, for example, are the theories

of the "trailing bank rate," of "neutral money," and the emphasis upon economic innovations in cyclical variation.

The purposes of this book are two: to make available in summary form the content of a large literature from which many students are debarred by the obstacle of language or time, and to present critical comparisons and appraisals of its outcome in the light of monetary science generally. The term "German theory" indicates an organic whole characterized by a common language, but involving important writers outside the geographic area of Germany and Austria whose works belong to the German schools of thought. The nature of the subject matter and the magnitude of the undertaking have caused my critical observations to assume rather largely the deductive form, except in cases where empiric evidence is readily available in compact and unambiguous form. In the interest of fairness to the writers involved, I endeavor in most cases to hold the résumé of theories and the criticism separate. In each Part, I avoid, so far as possible, the introduction of my own judgment upon basic questions until a concluding summary chapter, leaving the issue unprejudiced until all the theorists can be reviewed. Criticism of each author takes on a rather too negative aspect in consequence of this method; but the advantage lies in clearing away difficulties peculiar to each author as the study progresses, so that the field may be clear at the end of each Part for a statement of positive results.

My greatest obligations as a student of economics belong to Professors F. H. Knight, F. W. Taylor, and F. W. Taussig. To the last I am indebted also for his benevolent and discerning guidance throughout the present undertaking; and to Professor A. P. Usher for his help during the process of publication. At Heidelberg, where the enquiry was begun during my tenure of a Sheldon Fellowship from Harvard University, I was aided by discussions with Professor Alfred Weber and Drs. Bergsträsser and Salin. I acknowledge with pleasure the suggestions made subsequently by European scholars elsewhere, Professor Gottfried Haberler, Dr. Oskar Morgenstern, and Dr. Melchior Palyi.

The greatest part of the reading and of the formulation of ideas has gone forward at Ann Arbor, where I have been encouraged and, at certain junctures, corrected by my associates in the University of Michigan: Professor R. G. Rodkey, Professor M. A. Copeland, and

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the late Dr. C. H. May. Professor I. L. Sharfman has liberally allowed me the maximum of free time and energy consistent with university teaching; to him I owe also the sincere respect of a student. More than anyone else, Professor Leonard L. Watkins has patiently considered with me the problems encountered in this study, indicating the way out of many a dilemma.

H. S. E.

ANN ARBOR, MICHIGAN
August, 1934

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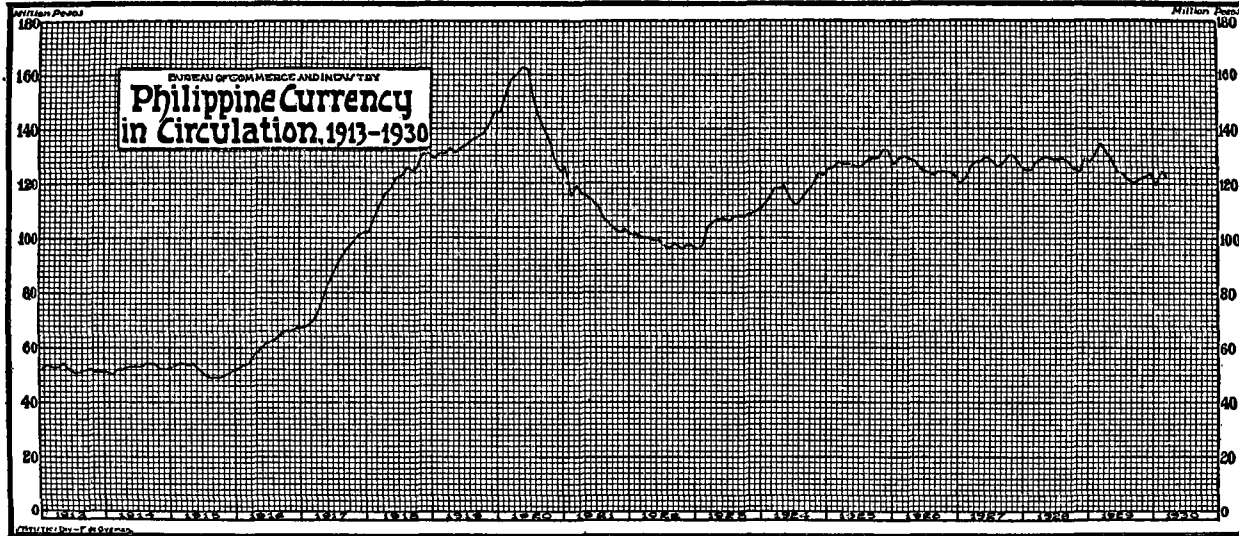
PHILIPPINE CURRENCY IN CIRCULATION 1913-1932
(ON DECEMBER 31 OF EACH YEAR)

YEAR	PHILIPPINE COINS		TREASURY CERTIFICATES		BANK NOTES		TOTAL CIRCULATION IN PESOS	INCREASE (+) DECREASE (-) IN PESOS	INDEX OF TOTAL CIRCULATION (1913=100)
	AMOUNT IN PESOS	PER CENT OF TOTAL CIRCULATION	AMOUNT IN PESOS	PER CENT OF TOTAL CIRCULATION	AMOUNT IN PESOS	PER CENT OF TOTAL CIRCULATION			
1913	17,892,303	35.3	27,428,714	54.1	5,376,236	10.6	50,697,253	-1,337,136	100.0
1914	17,144,332	32.6	30,025,914	57.1	5,404,872	10.3	52,575,118	+1,877,865	103.7
1915	16,693,916	32.6	29,286,856	57.1	5,304,135	10.3	51,284,907	-1,290,211	101.2
1916	19,442,529	29.0	41,775,333	62.3	5,841,327	8.7	67,059,189	+15,774,282	132.3
1917	22,931,257	22.3	69,511,699	67.8	10,137,358	9.9	102,580,314	+35,521,125	202.3
1918	25,669,148	19.6	95,112,523	72.5	10,370,212	7.9	131,151,883	+28,571,569	258.7
1919	24,178,945	16.5	99,529,635	67.9	22,868,376	15.6	146,576,956	+15,425,073	289.1
1920	24,745,083	19.9	66,475,215	53.3	33,368,942	26.8	124,589,240	-21,987,716	245.8
1921	21,812,452	21.0	39,611,616	38.2	42,237,752	40.8	103,661,820	-20,927,420	204.5
1922	19,787,534	20.3	36,038,354	37.1	41,391,580	42.6	97,217,468	-6,444,352	191.8
1923	19,590,310	17.8	49,470,183	44.8	41,328,837	37.4	110,389,330	+13,171,862	217.7
1924	19,822,340	16.0	62,853,582	50.7	41,304,059	33.3	123,979,981	+13,590,651	244.5
1925	20,933,677	15.8	71,646,912	54.2	39,620,984	30.0	132,201,573	+8,221,592	260.8
1926	21,154,459	17.1	66,482,914	53.8	36,011,683	29.1	123,649,056	-8,552,517	243.9
1927	21,210,934	16.6	75,557,456	59.3	30,677,699	24.1	127,446,089	+3,797,033	251.4
1928	21,673,281	16.7	84,053,032	64.8	23,904,872	18.5	129,631,185	+2,185,096 ^a	255.7
1929	21,587,550	17.4	83,378,320	67.4	18,844,805	15.2	123,810,675	-5,820,510 ^a	244.2
1930	20,418,479	18.8	71,195,566	65.6	16,904,359	15.6	108,518,404	-15,292,271	214.1
1931	18,940,439	19.1	64,781,483	65.4	15,324,415	15.5	99,046,337	-9,472,067	195.4
1932	17,855,195	20.2	54,353,268	61.5	16,233,772	18.3	88,442,235	-10,604,102	174.5

^a Computed.

Sources of data: Figures for 1916-1929 were secured from the *Statistical Bulletins of the Philippine Islands*, 1922, p. 115; 1923, p. 128; 1920, p. 227. The figures for the earlier and subsequent years were taken from the *Annual Reports of the Treasurer of the Philippine Islands*.

APPENDIX A
CHART VI¹



¹ Reproduced from *Statistical Bulletin of the Philippine Islands, 1929.*

APPENDIX B

TABLE XII

PHILIPPINE EXPORTS AND IMPORTS AND BALANCE OF TRADE, 1913-1932
(MILLIONS OF PESOS)

YEAR	EXPORTS	IMPORTS	BALANCE
			EXCESS OF EXPORTS (+) EXCESS OF IMPORTS (-)
1913	95.5	106.6	-11.1
1914	97.4	97.2	+ 0.2
1915	107.6	98.6	+ 9.0
1916	139.9	91.0	+48.9
1917	191.2	131.6	+59.6
1918	270.4	197.2	+73.2
1919	226.2	237.3	-11.1
1920	302.2	298.9	+ 3.3
1921	176.2	231.7	-55.5
1922	191.2	160.4	+30.8
1923	241.5	175.0	+66.5
1924	270.7	216.0	+54.7
1925	297.8	239.5	+58.3
1926	273.8	238.6	+35.2
1927	311.1	231.7	+79.4
1928	310.1	269.3	+40.8
1929	328.9	294.3	+34.6
1930	266.3	246.2	+20.1
1931	207.9	198.4	+ 9.5
1932	190.7	158.8	+31.9

Source of data: *Annual Report of the Insular Collector of Customs, 1932, p. 66.*

APPENDIX C

EXCERPT FROM THE OPINION OF THE JUDGE ADVOCATE GENERAL
OF THE UNITED STATES CONCERNING DEPOSITS FROM
THE CERTIFICATE RESERVE

WAR DEPARTMENT
OFFICE OF THE JUDGE ADVOCATE GENERAL
WASHINGTON

August 15, 1914

MEMORANDUM FOR THE SECRETARY OF WAR:

Subject: *Deposits in the United States of part of certificate reserve fund, Philippine Islands.*

1. The views of this office are desired on the question whether or not Section 8 of the Act of June 23, 1906 (34 Stat. 453), providing for the issue of certificates to circulate as money in the Philippine Islands—the same to be secured by deposits with the Treasurer of the Philippine Government of silver coins of the Philippine Islands or gold coins of the United States—can be construed to permit of the deposit of a portion of the certificate reserve fund in the United States in an appropriate account to the credit of the "Treasury of the Philippine Islands, Certificate Reserve," and held available at all times for use as a certificate reserve for the redemption of the certificates issued against such deposits.

4. The original Act authorized the Treasurer of the Philippine Islands to receive "at the treasury of the government of the said Islands or any of its branches deposits of the standard silver coins of one peso," and provided that "coins so deposited shall be retained in the treasury and held for the payment of such certificates, on demand, and used for no other purpose"; and the amendatory Act of June 23, 1906, authorized the substitution "for any part of such silver pesos hereafter deposited, gold coins of the United States legally equivalent in value"—with the limitation "that the amount of gold coin held in such reserve shall not at any time

exceed sixty per centum of the total amount of certificates outstanding."

I do not find that there is any provision of law whereby any definite branches of the treasury of the Philippine Islands have been established, and I think that any authorized depository of Philippine funds may be regarded as a branch of the Philippine treasury within the meaning of this provision. Of course the deposits, whether in the Philippine treasury or in any of its branches, are required to be held solely for the redemption of the certificates issued against the same. I am, therefore, of the opinion that a depository of Philippine funds in the United States may be regarded as a branch of the treasury of the Philippine Islands, within the meaning of this legislation, and that a portion of the certificate reserve deposits may be carried therein in an appropriate account to the credit of the "Treasurer of Philippine Islands, Certificate Reserve," and held available at all times for use as a certificate reserve.

5. The Chief of the Bureau of Insular Affairs suggests that from an administrative standpoint the matter could be handled in any one of the three following ways:

(a) "\$1,000,000, gold, could be placed in one of the Philippine depositories in the United States to the credit of 'Treasurer, Philippine Islands, Certificate Reserve' and held to be used as such reserve."

(b) "\$1,000,000 could be placed in the treasury of the United States and be similarly held."

(c) "\$1,000,000 could be placed in a depository in New York City with instructions of the Treasurer of the Philippine Islands that it should be used by the bank for the payment of Philippine certificates on demand and used for no other purpose."

The views of this office are desired as to whether all of [*sic*] any of these methods are open to legal objection.

6. Under the views expressed above, I can see no legal objection to either of methods (a) or (c). Both methods, under the view expressed, meet the requirements of the law that the deposits shall be held for the payment of the certificates issued against the same, and for no other purposes; and in both methods the respective Philippine depository may be regarded as one of the branches of the Philippine treasury, within the meaning of said legislation.

7. As to method (b), however, I do not know of any authority of law for the treasury of the United States to act as a branch of the Philippine treasury, or as an agency of the Philippine treasury, for the redemption of the certificates issued against such deposits. I think, therefore, that there would be legal objections to this method of handling the matter.

(Signed) E. H. CROWDER,
Judge Advocate General.

APPENDIX D

STATISTICS RELATING TO THE PHILIPPINE NATIONAL BANK
STATEMENT OF CONDITION OF THE PHILIPPINE NATIONAL BANK
AS OF DECEMBER 31, 1920, AND DECEMBER 31, 1921¹

	(Thousands of pesos)	
ASSETS	1920	1921
Loans and discounts	151,507	122,032
United States and Philippine Government bonds	8,068	1,795
Bank site, furniture and fixtures	1,006	1,136
Exchange for future delivery	69,498	2,847
Due from branches	5,037	1,385
Due from banks and bankers	8,479	2,256
Cash in vault and with the Treasurer of the Philippine Islands	3,664	1,058
Customers liabilities L/C	16,674	7,481
Other assets	12,355	26,659
Deferred expenses	12,570
Bills for collection	11,978	3,412
Total assets	288,266	185,631 ²
LIABILITIES		
Capital	12,216	35,300
Reserve funds and surplus	9,784
Reserve for contingent liabilities	1,597
Reserve for taxes and fidelity bonds	345	248
Reserve for uncollected interest	5,392
Dividends unpaid	729	3
Circulation	24,196	32,705
Exchange contracts	69,498	2,847
Commercial credits	16,674	7,481
Deposits	134,729	84,390
Due to banks and other liabilities	5,836	13,853
Deferred incomes	684
Bills for collection	11,978	3,412
Total liabilities	288,266	185,631

¹ *Manila Times*, March 8, 1922.

² The sum of the items in this column does not agree with the total given. The error is in the original.

CONSOLIDATED STATEMENT OF CONDITION
OF THE PHILIPPINE NATIONAL BANK
AS OF JUNE 30, 1922^a

	(Thousands of pesos)
ASSETS	
Loans, discounts, overdrafts, and accounts receivable . . .	141,965
Bonds and other investments	2,876
Real estate, furniture and fixtures	1,145
Reserve cash	632
Checks and other cash items	547
Due from banks	1,859
Due from sugar shipments	3,710
Miscellaneous assets	443
Profit and loss (unrecoverable assets)	14,280
Total	167,457
LIABILITIES	
Capital Stock paid up	35,300
Deposits :	
Insular Government	47,544
Prov. and Munic. Govts.	15,282
Individual	10,591
Time	8,208
	81,625
Circulation outstanding	30,758
Reserve for taxes, etc.	399
Cash letters of credit outstanding	84
Acceptances outstanding	4,231
Due to banks	704
Due to branches and head office	3,942
Notes payable	9,647
Accounts payable	631
Miscellaneous liabilities	136
Total	167,457
CONTINGENT LIABILITIES	
Accepted time drafts outstanding	350
Customers' letters of credit outstanding	4,657
Exchange contracts	2,511
Items for collection	2,005
Total	9,523

^a *Wright Report.*

APPENDIX

The results of the revaluation of the assets of the Philippine National Bank as of June 30, 1922, by Wright and Martin were summarized as follows:*

	(Thousands of pesos)
Acknowledged losses in Profit & Loss Account	14,280
Loans to sugar centrals	14,974
Loans to coconut oil mills	14,728
Miscellaneous loans	16,001
Shanghai exchange losses	9,647
Losses at various branches, estimated	2,000
Losses on miscellaneous assets	1,108
	<hr/>
Total losses	72,738
Very slow loans	11,659
Doubtful loans	4,684
Long time loans	6,142
Loans on which no interest is charged	(22,155)
Ultimately solvent assets	72,234
	<hr/>
Total book assets	167,457
	<hr/> <hr/>
Deficiency of assets to meet liabilities (losses)	72,738
Losses estimated by Haskins & Sells as of May 19, 1921	75,089
	<hr/>
Difference in estimates	2,351
	<hr/> <hr/>

In the final report of Haskins and Sells the principal losses of the Philippine National Bank were summarized as follows:

	(Thousands of pesos)
Loans and Discounts	60,889
Exchange Operations—Shanghai	13,000
Losses on United States Liberty Bonds	1,200
	<hr/>
Total	75,089

* *Wright Report.*

The findings of Mr. Coates concerning the solvency of the Philippine National Bank, as quoted in the Wright Report, were as follows:

"A review of the Examiner's 'Digest and Summary of Values' on folio 13 will indicate that, on the basis of his estimates, the Surplus and Profits of the bank, aggregating	₱ 6,196,428
are entirely wiped out, by estimated losses aggregating..	10,697,166
thereby impairing the Capital Stock by	4,500,738
The paid and subscribed Capital of the bank is	12,980,000
Leaving a margin of Capital, unimpaired of	8,479,262
Against which is scheduled:	
Slow, non-liquid and questionable values..	₱ 8,550,107
Slow, non-liquid and problematical values..	6,926,530
Undetermined values	8,728,353
	<hr/>
Totals	₱ 24,204,990 ₱ 8,479,262
	<hr/>

"In addition to this, we have to consider that class of assets that is scheduled as 'Slow and Non-liquid but Ultimately Solvent Values' aggregating

and also non-liquidity represented by the depletion of (and the necessary future restoration of) the Cash Reserve Fund amounting to	30,000,000
and the Certificate Reserve Fund (of the Insular Treasurer) amounting to	80,000,000

"

APPENDIX E

TABLE XIII

INDEX NUMBERS OF UNITED STATES WHOLESALE PRICES, WHOLESALE PRICES OF UNITED STATES FARM PRODUCTS, WHOLESALE PRICES OF PHILIPPINE STAPLE PRODUCTS, PRICE OF DOLLAR EXCHANGE IN MANILA, AND PHILIPPINE CURRENCY IN CIRCULATION, 1919-1922 (BY MONTHS)

YEAR AND MONTH	PHILIPPINE WHOLESALE PRICES	UNITED STATES WHOLESALE PRICES	WHOLESALE PRICES OF UNITED STATES FARM PRODUCTS	PRICE OF DOLLAR EXCHANGE IN MANILA	CURRENCY CIRCULATION IN PHILIPPINE ISLANDS
1919					
Jan.	190.2	198.8	224.1	100.5	255.8
Feb.	195.6	193.4	216.1	100.5	259.2
March	208.3	195.9	223.6	100.7	259.2
April	230.1	198.7	230.0	101.5	262.6
May	225.5	202.2	234.1	102.5	258.8
June	270.5	202.8	226.4	103.0	263.1
July	318.0	212.0	241.2	103.0	264.9
Aug.	306.9	215.9	241.6	104.2	269.6
Sept.	268.8	210.3	225.5	104.5	272.0
Oct.	271.3	211.3	227.4	104.5	273.1
Nov.	290.2	217.1	236.9	102.0	278.1
Dec.	301.7	223.4	242.2	104.0	289.1
1920					
Jan.	335.4	233.2	247.0	105.0	289.9
Feb.	333.4	232.4	237.3	103.1	300.8
March	308.9	234.4	237.4	102.1	313.4
April	325.9	244.6	243.1	102.0	316.2
May	345.0	246.7	240.7	103.0	322.4
June	367.6	243.3	237.3	104.4	320.5
July	353.4	240.7	232.5	107.4	300.9
Aug.	336.3	231.4	218.3	107.3	287.8
Sept.	297.1	226.2	210.2	108.3	277.0
Oct.	254.4	211.3	187.4	108.3	269.2
Nov.	209.8	196.4	173.2	109.1	255.3
Dec.	175.7	179.2	152.2	111.7	245.8
1921					
Jan.	175.3	169.8	143.4	112.5	248.6
Feb.	160.1	160.1	132.8	112.7	228.7
March	152.0	155.4	127.0	113.7	235.2
April	141.0	147.9	116.6	113.1	229.0
May	127.2	145.5	117.8	108.3	228.6
June	128.4	141.6	113.7	112.5	223.6
July	119.7	141.0	119.0	111.8	220.0
Aug.	121.4	141.5	123.1	107.1	212.7
Sept.	117.5	141.5	124.3	106.0	208.7
Oct.	116.9	141.6	124.3	103.3	205.0
Nov.	122.3	140.7	121.3	103.3	202.8
Dec.	124.5	139.8	120.4	108.6	204.5

TABLE XIII—Continued

YEAR AND MONTH	PHILIPPINE WHOLESALE PRICES	UNITED STATES WHOLESALE PRICES	WHOLESALE PRICES OF UNITED STATES FARM PRODUCTS	PRICE OF DOLLAR EXCHANGE IN MANILA	CURRENCY CIRCULATION IN PHILIPPINE ISLANDS
1922					
Jan.	121.3	138.3	121.8	104.4	199.3
Feb.	119.9	141.4	130.6	103.1	200.0
March	117.4	142.2	130.0	103.4	198.8
April	115.0	142.6	129.2	102.8	197.9
May	116.5	147.6	132.3	103.0	197.2
June	123.0	149.6	131.4	102.3	196.7
July	129.9	154.9	135.3	102.0	191.6
Aug.	137.8	155.0	130.8	102.2	191.2
Sept.	135.5	153.3	133.4	101.9	194.6
Oct.	139.5	154.1	137.7	102.1	190.4
Nov.	143.0	155.5	143.3	101.9	192.9
Dec.	144.3	156.2	144.9	101.0	191.8

Sources and Description of data: *The index number of Wholesale Prices of Philippine Staple Products was computed by weighting the index numbers for rice, hemp, sugar, coconut oil, copra, tobacco and maguey, given in the *Statistical Bulletin of the Philippine Islands*, by the total value of the product for the years 1919-1922. 1913=100 in each case. Rice includes value of rice imported as well as produced. The index numbers for copra and coconut oil were weighted according to value of exports instead of total value of the product.

^bThe index numbers of United States Wholesale Prices and of Wholesale Prices of United States Farm Products are those of the Bureau of Labor Statistics, Department of Labor. 1913=100. *Bulletin of the United States Bureau of Labor Statistics*, No. 415, October 1926, pp. 20-1, 26-7.

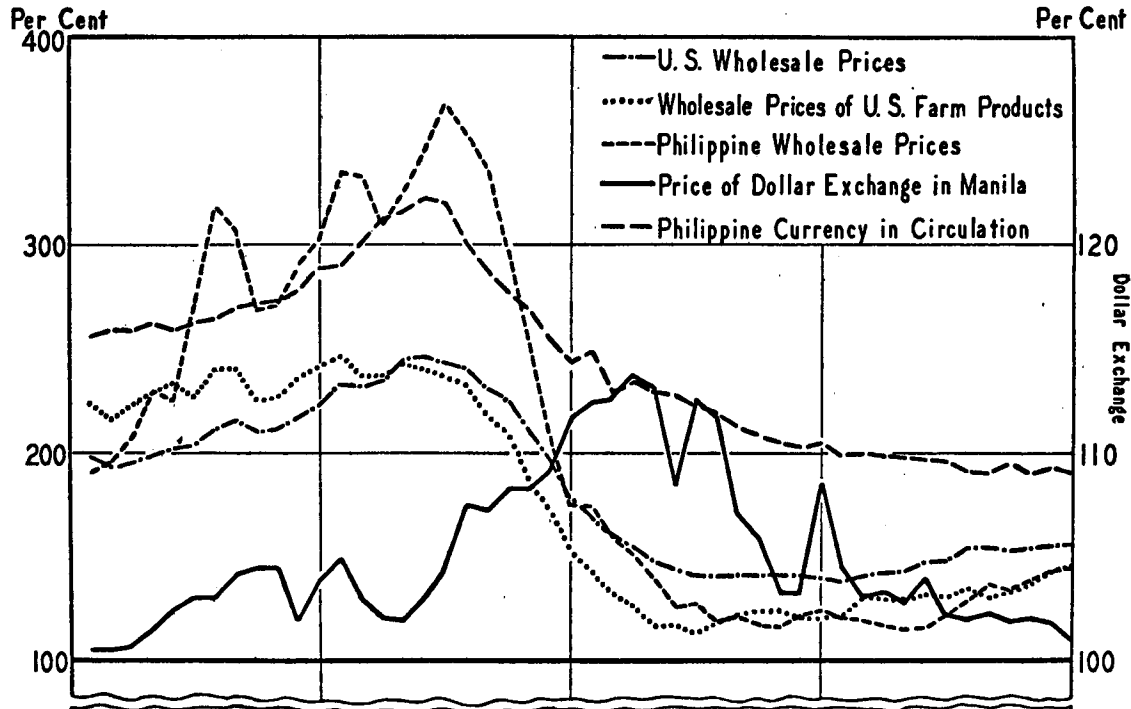
*The index number of the Price of Dollar Exchange for 1919 was computed from the quotations given on p. 51 of *Exchange Rates of the World*, Vol. III by Emil Diesen. Those for the subsequent years are to be found on p. 129 of the *Statistical Bulletin of the Philippine Islands* for 1923. Par of exchange equals 100. Numbers greater than 100 represent the premium on the dollar. For example, 110 represents a premium of ten per cent for dollar exchange, or \$1.00 = ₱2.20.

^cThe index number of the Currency Circulation in the Philippine Islands refers to the end of each month and was computed on the basis of the circulation on December 31, 1913=100. Figures are from the *Annual Reports of the Treasurer of the Philippine Islands*.

APPENDIX E

CHART VII

INDICES OF UNITED STATES WHOLESALE PRICES, WHOLESALE PRICES OF UNITED STATES FARM PRODUCTS, WHOLESALE PRICES OF PHILIPPINE STAPLE PRODUCTS, PRICE OF DOLLAR EXCHANGE IN MANILA, AND PHILIPPINE CURRENCY IN CIRCULATION, 1919-1922 (BY MONTHS)



**APPENDIX F
TABLE XIV**

**CASH BALANCES OF THE GOLD STANDARD FUND AND THE TREASURY CERTIFICATE FUND 1923-1932
(ON DECEMBER 31 OF EACH YEAR)**

	CASH IN TREASURY VAULTS		BANK DEPOSITS ^a UNITED STATES CURRENCY	TOTAL EXPRESSED IN PHILIPPINE CURRENCY
	UNITED STATES CURRENCY	PHILIPPINE CURRENCY		
1923 Gold Standard Fund.....	\$4,260,068.30	₱1,068,736.18	\$2,020,977.72	₱13,630,828.22
Treasury Certificate Fund.....		18,551,659.00	21,766,564.50	62,084,788.00
1924 Gold Standard Fund.....	2,037,671.60	956,082.01	5,096,652.47	15,224,730.15
Treasury Certificate Fund.....		22,198,196.00	27,122,064.50	76,442,325.00
1925 Gold Standard Fund.....	1,778,446.24	397,323.56	7,040,509.98	18,035,236.00
Treasury Certificate Fund.....	1,850,000.00	17,820,276.00	36,537,553.50	94,595,383.00
1926 Gold Standard Fund.....	1,815,314.57	2,773,437.04	7,346,252.19	21,096,570.56
Treasury Certificate Fund.....	1,850,000.00	15,713,145.00	32,687,553.50	84,788,252.00
1927 Gold Standard Fund.....	1,704,973.18	4,728,203.37	8,030,167.44	24,198,484.61
Treasury Certificate Fund.....	1,850,000.00	13,594,425.00	34,687,553.50	86,669,532.00
1928 Gold Standard Fund.....	1,803,835.85	4,141,339.45	9,855,644.85	27,460,300.85
Treasury Certificate Fund.....	1,850,000.00	14,149,900.00	37,062,553.50	91,975,007.00
1929 Gold Standard Fund.....	2,254,151.16	1,653,115.33	12,324,883.06	30,811,183.77
Treasury Certificate Fund.....	1,850,000.00	16,650,743.00	42,062,553.50	104,475,850.00
1930 Gold Standard Fund.....	2,016,162.11	6,437,853.60	11,886,016.50	34,242,210.82
Treasury Certificate Fund.....	1,850,000.00	13,007,289.00	40,607,553.50	97,922,396.00
1931 Gold Standard Fund.....	3,892,064.37	8,031,926.91	11,562,166.17	38,940,387.99
Treasury Certificate Fund.....		12,806,496.00	38,163,803.50	89,134,103.00
1932 Gold Standard Fund.....	1,683,328.45	13,531,394.55	12,831,449.00	42,560,949.45
Treasury Certificate Fund.....		7,968,211.00	37,163,803.50	82,295,818.00

^a On deposit in the United States with member banks of the Federal Reserve System.
Source of data: *Annual Reports of the Treasurer of the Philippine Islands.*

APPENDIX G

DATA FROM HEARING BEFORE THE COMMITTEE ON INSULAR AFFAIRS, HOUSE OF REPRESENTATIVES, 73RD CONGRESS, 2ND SESSION, ON H.R. 9459, A BILL RELATING TO PHILIPPINE CURRENCY RESERVES ON DEPOSIT IN THE UNITED STATES, MAY 9-11, 1934. WASHINGTON: GOVERNMENT PRINTING OFFICE, 1934

The author received a copy of this hearing after the present work had gone to press. The following notes contain data pertinent to some of the matters discussed in Chapter XI.

NOTE I

On page 23 of the hearing there is a table showing that the total money of the Government in circulation or available therefor was 112 million pesos on January 31, 1934. The total cash in the Gold Standard Fund and Treasury Certificate Fund amounted to 138.2 million pesos, of which 112.6 million pesos (56.3 million dollars) consisted of deposits in banks in the United States. Total reserves thus amounted to one hundred and twenty-three per cent of the money of the Government in circulation or available therefor, the same ratio as at the end of 1932. The dollar deposit part of the currency reserves amounted to one hundred and one per cent of the money of the Government in circulation or available therefor as compared to ninety-nine per cent at the end of 1932. The amount of United States currency held in the currency reserves in Manila is not given.

NOTE II

On January 31, 1934, the Gold Standard Fund amounted to 40.3 per cent of the money of the Government in circulation or available therefor. (See page 23 of hearing.) This was 17.1 million pesos in excess of the optional maximum of twenty-five per cent

NOTE III

An additional reason for the strong support of this bill by the Administration is suggested in the following excerpt from the

statement of Lt. Col. Edward A. Stockton, Jr., Assistant to the Chief of the Bureau of Insular Affairs :

Colonel STOCKTON. . . .

Since the fall of 1932, before we had revaluation of the dollar, the Philippine government was much concerned as to whether it could actually get its currency reserves in gold. The matter was thrashed out with the Treasury Department by the War Department and the Philippine government was told that its deposits in the United States banks could be taken in gold whenever it wanted them so long as the United States was on a gold standard. That satisfied the Philippine government for the moment. Then came the bank crisis of 1933, when the Philippine government said it though [*sic*] it would like to withdraw its money in gold. The War Department and the Treasury Department got together and determined that such action was inadvisable. The Philippine government could have gotten its money in gold, but the War Department and the Treasury Department thought that the withdrawal by the Philippine government of \$50,000,000 or \$60,000,000 would precipitate more of a financial crash, and they advised against it.

The CHAIRMAN. Had the Philippine government withdrawn its funds in gold, it would have this credit we are asked to give it.

Colonel STOCKTON. It would have had \$39,000,000.

The CHAIRMAN. But they could not do so because we would not allow it.

Colonel STOCKTON. They could have withdrawn their money, but our Government prevailed upon them not to do so.

Colonel STOCKTON. All during 1933 the Philippine government could have withdrawn its money. All that was required was administrative action by the United States Treasury in earmarking the gold. I have here [indicating] a record of page after page of their efforts in 1933 to get that amount of gold earmarked; but the Administration did not care to do so. It is not the fault of the Philippine government that it did not have this money in gold. This bill is designed to rectify that.

See pages 69-70 of hearing.

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