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MODERN BANKING

BY

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LECTURER IN ECONOMICS IN THE
UNIVERSITY OF OXFORD

OXFORD UNIVERSITY PRESS
LONDON : HUMPHREY MILFORD

OXFORD UNIVERSITY PRESS
AMEN HOUSE, E.C. 4
London Edinburgh Glasgow New York
Toronto Melbourne Capetown Bombay
Calcutta Madras
HUMPHREY MILFORD
PUBLISHER TO THE UNIVERSITY

X62

G9

13076

FIRST EDITION 1938
Reprinted with corrections 1939
Reprinted photographically in Great Britain in 1941
by LOWE & BRYDENE, PRINTERS, LTD., LONDON, from
corrected sheets of the impressior of 1939

PREFACE

THIS book presents an exposition of modern banking in the light of current theory. It is addressed primarily to the university student who wishes to include in his honours course a study of banking sufficient to enable him to understand how this important part of the economic system really works nowadays. In writing a book with such a design the greatest difficulty is to maintain a consistent plane of exposition. This I know that I have failed to do: and I believe that any one who attempts to take the reader from the elementary stages to the heart of the matter is almost certain to do so. There is a marked change in the plane of exposition just over half-way through the book. Chapters I to VII are restricted to the simpler points, and the reader who is new to the subject is advised to make sure that he has understood those chapters before passing to the more difficult part of the book.

Some readers may be inclined to criticize the lack of factual illustration in a book which claims to be realistic. I have been tempted again and again to include many illustrations, making the book a comprehensive treatise on the subject. But the material for such a treatise—the details of banking systems and monetary events—change so rapidly that I am inclined to doubt the usefulness of a comprehensive treatise on banking. The subject is better covered by a continuous series of monographs. But if this is so, there is occasion from time to time for a book which sums up the present position and presents the contemporary structure briefly in the light of current theory. And that is what this book is meant to do.

Much of the exposition runs in terms of English institutions; but there are sections here and there explaining the main peculiarities of the American system. Other systems receive scantier reference, though Chapter XIII attempts

to remedy the deficiency by surveying systematically the peculiar problems of certain other important countries I feel somewhat dissatisfied with the references to American conditions: for on matters of the *constitution* of the banking system I have naturally given the current, Rooseveltian position, while for the *working* of the system I have necessarily had to refer mainly to pre-Roosevelt days. We cannot be at all certain that the Federal Reserve System is going to 'work' again just as it worked in the twenties.

Chapter XIV, on the Nationalization of Banking hardly fits into the general plan of the book, but I feel that at the moment a book on banking ought to provide some direct help on that subject. I have, of course, confined myself to setting forth what I believe to be the main issues.

I have attached no bibliography or formal advice or further reading. I hope that a reading of this book will be a useful preliminary to use of the really advanced works on money and banking. With that possibility in mind I have at various points indicated in footnotes the standard sources where the problems are more exhaustively discussed.

The book is mainly a summary and restatement of ideas which are the subject of agreement among most economists. By deliberately avoiding, in the first part especially, an analysis of the banking system in the light of its historical development I believe that I have been enabled to present the fundamental points in a more genuinely realistic way than has been done in many earlier books. But the basic notions are not new. Where I am not certain that my statements would command the general support of my fellow economists the reader receives a warning in the introduction of the pronoun 'I'. This may occur either because the views of economists on a particular point have not been circulated enough for me to know how far my thought is representative, or (more rarely) because I am in disagreement with an important body of

opinion. In the absence of the warning pronoun the reader may assume that I am, to the best of my knowledge, expounding the prevailing view of competent authorities.

In a book of this kind it is quite impossible to say at every point the source from which the writer derived inspiration. So far as published work is concerned, my greatest debts are to Mr. Keynes, Mr. Hawtrey, and Mr. Robertson; and to the papers of the Macmillan Committee. I should also mention, for special topics, the writings of Professor N. F. Hall on the Exchange Equalization Account and of Mr. Barrett Whale on the theory of the gold standard (my debt to his influence is far more extensive). I have had the advantage of reading an unpublished thesis by Mr. R. M. Goodwin of St. John's College, Oxford, who has submitted to a searching analysis English banking statistics, 1925-35. Also I owe so much to my teachers at Cambridge and to my colleagues at London and at Oxford that it is quite impossible for me to say which (if any) parts of the book are original.

R. S. S.

PEMBROKE COLLEGE,
OXFORD

November, 1937

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