

CURRENCY AND CREDIT

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BY
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SECOND EDITION

LONGMANS, GREEN AND CO.

39 PATERNOSTER ROW, LONDON, E.C. 4 .

NEW YORK, TORONTO

BOMBAY, CALCUTTA AND MADRAS

1923

X6

F3

10521

Made in Great Britain

PREFACE TO THE SECOND EDITION.

IN this new edition Chapters XIII. and XIV. (War Finance and War Inflation) have been in great part re-written. Chapter XX., which was in the nature of a forecast of events "after the War," has been left unaltered, but to it has been appended a Note dealing at considerable length with the actual course of events. The second part of the Note is devoted to a theoretical examination of the problem of international indebtedness, which has acquired so much importance since 1919.

Apart from these Chapters the alterations are not extensive. I have endeavoured to correct various defects and inaccuracies, some of which have been pointed out by critics, and in one or two places minor alterations have been made to bring matters up to date. When the first edition went to press in June, 1919, the transition from war to peace had hardly begun, and I then assumed the gold standard to be the normal condition of things. In this respect I have made no alteration. It is reasonable to regard the abandonment of the gold standard, which has since occurred in Europe and elsewhere, as a temporary aberration. But of some other pre-war conditions it no longer seems natural to speak in the present tense, and the present tense has accordingly made way in this edition for the past.

R. G. HAWTREY.

May, 1923.

PREFACE.

To add yet another to the legion of books which have been written on Currency is an act which almost requires an apology. But extensive and complex as the subject has always been, every year that passes brings new developments which add to its extent and its complexity. A subject which grows in this luxuriant fashion opens up a corresponding variety in the methods of theoretical approach. The present work is not intended to set up one particular method to the exclusion of all others. Still less does it exalt any single practical measure as a panacea of currency disorders. Its purpose is rather to present a systematic analysis of currency and credit movements, and especially to avoid that phrase, "other things being equal," by which it is so fatally easy for theory to step straight from premises to conclusion.

Scientific treatment of the subject of currency is impossible without some form of the quantity theory. Two forms of this theory, both rigorously true, will be found enunciated in Chapter III. But the quantity theory by itself is inadequate, and it leads up to the method of treatment based on what I have called the consumers' income and the consumers' outlay—that is to say, simply the aggregates of individual incomes and individual expenditures. This method has been employed throughout the succeeding pages.

It will be found that pre-war institutions and conditions are often referred to in the present tense. This is no more unreal than to speak of them in the past,

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