

Dhananjayrao Gadgil Library



GIPE-PUNE-010095

**WHAT
EVERYBODY WANTS TO KNOW
ABOUT MONEY**

U.S.A., 4,045

FRANCE, 3,254

U.K., 583

SWITZERLAND, 477

SPAIN, 436

HOLLAND, 415

U.S.S.R., 368

BELGIUM, 361

ITALY, 307

ARGENTINE, 249

JAPAN, 212

GERMANY, 192

INDIA, 162

CANADA, 84

SWEDEN, 22

GOLD RESERVES OF GOVERNMENTS AND CENTRAL BANKS

in millions of dollars

at the end of 1932

WHAT EVERYBODY WANTS TO KNOW ABOUT MONEY

A PLANNED OUTLINE OF MONETARY PROBLEMS

By

Nine Economists from Oxford

COLIN CLARK	E. L. HARGREAVES
G. D. H. COLE	R. F. HARROD
E. F. M. DURBIN	G. R. MITCHISON
H. T. N. GAITSKELL	E. A. RADICE
AYLMER VALLANCE	

Planned and Edited By
G. D. H. COLE

LONDON
VICTOR GOLLANCZ LTD
14 Henrietta Street Covent Garden

1933

X61
G3
10095

Printed in Great Britain by
The Camelot Press Ltd., London and Southampton

SYNOPSIS AND TABLE OF CONTENTS

Foreword by G. D. H. COLE, Reader in Economics, Oxford
University, and Fellow of University College, Oxford.

p. 15

Chapter I. What is Money? by G. D. H. COLE *p.* 21

Money is "what buys things"—Coins and what they are made of—Token coins and the process of coinage—What coins are used for—Paper money—Bank notes—Convertibility and the Gold Standard—Bank notes are token money—Paper money and inflation—Gold certificates—Bank notes and the volume of credit—The relation between currency and credit—Cheques, are they "money"?—Bank deposits as "money," the most important form of money in the modern world—Current and time deposits—Deposit interest—Of what do bank deposits consist?—The creation of credit by the banks—Cash and credit, as understood by the banker—How credit expansion affects the demand for currency—The industrial and the financial circulation distinguished—Central Banks, their powers and limitations—Can banks create prosperity?—Are trade bills "money"?—The Quantity Theory of Money considered—The Foreign Exchanges and the Theory of Purchasing Power Parity—The Quantity Theory and Inflation—Credit and employment—Reflation first considered—The choice between an "automatic" and a "managed" monetary system.

Chapter II. Money and the World Crisis by G. D. H. COLE *p.* 64

The world monetary situation in 1929—The post-war return to the Gold Standard—How the various countries went back to gold—Causes of disequilibrium before 1929—The fall in agricultural prices—The position in the United States—What should happen to prices when productivity is rising?—What is the "general level of prices"?—The relative falls in different kinds of prices—The advance of production in Europe and America before the slump—"Technological" and other causes of unemployment—Federal Reserve policy—The "wage-lag" in the United States—The inevitability of the American crash—The influence of speculation—The repercussions in Europe—American investments in Europe—The crisis in Germany and Central Europe—Farm mortgages and other debts—The banking situation in Europe—The European import of gold—The further fall in prices—The rise of tariffs and import restrictions—The control of foreign exchange—The British financial crisis of 1931—Great Britain goes off gold—The spread of

currency depreciation—The "sterling area"—The Gold Standard countries—The nominal Gold Standard countries—The United States financial crisis of 1933—The effects of America going off gold—President Roosevelt's policy considered—Motives for allowing the gold value of the dollar to fall—The reactions of American policy on the Gold Standard countries—What is President Roosevelt's object?—Stable prices or stable exchange rates?—Reflation and what it involves—The need for a balanced expansion of money, production and consumers' demand—The wages problem in the United States—The question of public works—Will the world come back to the Gold Standard?—Symmetallism and the silver question—Uncertainty of the present outlook.

Chapter III. Currency and Central Banking by R. F. HARROD, Student of Christ Church, Oxford. Author of *International Economics* p. 114

Kinds of money—Money as a means to freedom of choice for the individual—How much "money" are we "worth"?—Notes and coins and bank balances—The Gold Standard—Coinage—Convertibility—Regulations governing the issue of notes—Central Bank reserves—The position in various countries—Banking deposits and cash—What are a deposit bank's obligations?—How do they affect the Central Bank?—Causes of a withdrawal of deposits—Payments abroad and their effects—The genesis of banking deposits—The nature and effect of bank loans—The effects of Government borrowing—Bank loans and cash—How banks lend money—The cash ratio—Control by the Central Bank—The upward and downward movement of Central Bank reserves—Its effects on Central Bank policy—The trammels of the Central Bank—Internal and external drains—Federal Reserve policy in 1929—The Central Bank and interest rates—Bank Rate—Open market operations—Maintaining the Gold Standard—Beyond the Gold Standard—How far should banking be international?—Prices and interest rates in different countries—Money and the efficiency of production—The Exchange Equalisation Fund and its objects.

Chapter IV. Commercial Banks and Credit by E. A. RADICE, Magdalen College, Oxford, formerly Secretary of the New Fabian Research Bureau p. 162

Section I. General

What is a bank?—Commercial banks and other financial institutions—Banks and credit—Commercial banks and note-issue—The rise of the cheque system—A banker's balance sheet—Liabilities and assets—Bank assets analysed—Cash—Money at call and short notice—Bills—Investments—Loans and advances—Other assets—Factors governing banking operations—The desire for liquidity—The problem of liquidity and the spreading of risks—Banks and industry—Banks and National Planning.

Section II. *English Joint Stock Banks*

The position of London—The resources of the joint stock banks—The banks and the money market—The banks and industry—The lending policy of the banks in boom and slump—The banks and economic reconstruction.

Section III. *Commercial Banks in the U.S.A.*

Growth of the American banking system—The Federal Reserve Act and its effects—Bank deposits—Loans and investments—The present condition of American banking.

Section IV. *Credit Banks in Germany*

The growth of the Credit Banks—The Credit Banks and industry—The German banking crisis.

Section V. *Commercial Banks in France*

Les Grands Établissements de Crédit and the others—Provincial Banks.

Appendix

Movements of Commercial Banks' deposits and cash ratios during the depression.

Chapter V. Foreign Trade and the Exchanges by AYLMER VALLANCE, Balliol College, Oxford, Associate Editor of *The Economist* p. 226

Complexity of the mechanism of exchange—Why do men and nations trade?—Foreign trade and the division of labour—The terms of trade—Some fallacies about foreign trade—The relation between imports and exports—The technique of international payments—Bills of exchange—The discount market—Acceptances—Every purchase of currency involves a sale—Gold movements—In what sense can "money" enter or leave a country?—The foreign exchange market—Forward exchange and its uses—The Gold Standard—What determines the demand for and supply of a currency?—Seasonal influences—Price influences—The Purchasing Power Parity Theory—The balance of trade and the balance of payments—The "balances" of the leading countries—Foreign exchanges in the financial crisis—The Exchange Equalisation Account—How countries faced the crisis—The control of foreign exchange—The effects of currency depreciation on exports—The future of the foreign exchanges.

Chapter VI. Capital and Investment by G. R. MITCHISON, New College, Oxford, Barrister-at-Law p. 265

The mechanism of public issues by business concerns—Shares and debentures—Some American terms—An issue of shares in Great Britain—The Prospectus: legal requirements—Underwriting commissions—The persons concerned in the issue—Issues, offers for sale, and placing—Issuing Houses—Debentures—Loans of Governments,

Municipalities, and Public Boards—Trustee securities—Overseas issues—Reparation loans and the like—The Stock Exchanges—Stock Exchange transactions—Speculation—The Official List and "Leave to Deal"—Insurance Companies and Investment Trusts—Investment in land—Building Societies—Some general comments—Some foreign countries—The position in the United States—Banking groups and their risks and profits—The New York Stock Exchange—France—The *Banques d'Affaires* and the *Haute Banque*—Specialised credit institutions—The *Bourse*—The position in Germany—Conclusion and a suggestion—A National Investment Board?

Chapter VII. Money and Prices by E. F. M. DURBIN, New College, Oxford, Lecturer at the London School of Economics, Author of *Purchasing Power and Trade Depression* p. 314

What is money for?—The limit of productive capacity—The Quantity Theory and inflation—Definition of the monetary problem—The full employment of all the available resources throughout a long period of time.

Section I. Prices and Output

The Quantity Theory again considered—The circulation of money—Payments between producers and consumers—And between purchasers and producers—The relation between consumers' incomes and producers' receipts—The process of capital accumulation—Its effects on the structure of the productive process—Should we try to stabilise (a) prices; or (b) the quantity of money?—Or (c) the general level of money incomes?

Section II. The Problem of Policy

The proposal to stabilise the price-level considered—Would it work under capitalistic conditions?—The effect of producers' credits on the monetary circulation—Their influence on the direction of demand—Will a crisis ensue?—The dangers of inflation being cumulative—The proposal to stabilise the quantity of money—Why it will lead to deflation and depression—The proposal to stabilise the level of incomes—How it will avoid both evils.

Section III. Constant Consumers' Income and Foreign Trade

Effects of the proposed policy on foreign trade when a country is on and when it is off the Gold Standard—The policy is not, save by accident, compatible with a strict maintenance of the Gold Standard—The case for very slowly moving exchange rates.

Section IV. Conclusion

What the policy advocated involves after the depression is over.

Chapter VIII. Four Monetary Heretics by H. T. N. GAITSKELL, New College, Oxford, Lecturer in Economics at University College, London p. 346

Social credit—The views of Major Douglas—Is there a tendency to a deficiency of purchasing power?—How the deficiency is held to arise—The problem expressed in a diagrammatic form—"A" and "B" payments—The effects of bank credit—The effects of saving—Or of an increase in saving—The problem of capital and consumptive goods expressed in diagrams—The question of charges for depreciation—Output and costs—Why the Douglas theory appeals to the public—Major Douglas's positive proposals—How would they work out?—True and false criticisms considered.

The views of Professor Soddy—His criticism of the effects of bank loans—and of the methods by which the War was financed—Do bank loans cause depression?—National and international effects of inflation—Professor Soddy's proposals—The stabilisation of prices—The financing of industrial development—Unbalancing the Budget—Strength and weakness of his work.

Silvio Gesell—His conception of a "Natural Economic Order"—His hostility to Socialism—His proposal of "Free Money"—His theory of interest—And of trade depression—The effects of "Free Money"—The Gesell plan—A "Free Money" experiment.

Robert Eisler—The failure of consumers' demand—The theory of "under-consumption" considered—The relations between saving and spending—The proposal to institute two kinds of money—"Current money" and "money of account."

Conclusion—Why this chapter is difficult.

Chapter IX. Investment, Savings and Public Finance by COLIN CLARK, Brasenose College, Oxford, Lecturer in Statistics at Cambridge University, Author of *The National Income* p. 414

What can Governments do?—The Government's interest in the size of the national income—What is the "national income"?—The national income of Great Britain—The balance of payments and foreign investment—A definition of "investment"—How real "investment" differs from the common notion—The relation between consumers' expenditure and the sums available for investment—Why do consumption and investment tend to rise and fall together?—Public and private investment—The importance of public investment—Investment and the rate of interest—The special case of housing—How can investment be restored?—The Budget and the social services in relation to consuming power—The effects of public spending on employment—What is the optimum level of production?—The effects of increased purchasing power on prices—The relation between savings and investment—A plea for a big programme of public works to close the gap—The effects of unbalancing the Budget—The question of foreign investment.

Chapter X. Debt by E. L. HARGREAVES, Fellow of Oxford College, Oxford, and University Lecturer in Economics at Oxford. Author of *The National Debt*, etc. p. 4

How debts grow—The development of corporate debts—The form of debts: money obligations—Why does borrowing take place?—Individual and business debts—Productive and unproductive debts—The borrowings of public authorities—The debts of local authorities and their uses—War debts—Debt burdens in relation to prices—International debts, public and private—German borrowings from America—Reparations—Their relation to Inter-Allied Debts—The difference between Germany and other debtor countries—The relation between debts and international trade—The mass of private international debts—How interest rates affect private and public borrowers—The effects of changes in price-level on the burden of debts—Inflation and deflation—Bondholders as holders of shares or equities—Debts and other contractual payments—Long- and short-term debts—Short-term debts and the banking system—Frozen credits—The standpoints of debtors and creditors—The Floating Debt—How Governments can influence rates of interest—Under what circumstances should debt obligations be reduced?—And by what means?—Various means considered—The structure of debts must be adapted to the requirements of the economic situation as a whole.

Chapter XI. The Socialisation of Banking by G. D. I. COLE p. 4

Reason for the demand that the banks should be socialised—Banking as a "Key industry"—Non-Socialist demands for the socialisation of the Central Bank—Present semi-socialised condition of many Central Banks—Attempts to exclude political interference in the post-war constitution of many Central Banks—Interlinking monetary and governmental questions—Should the Government control the banks or the banks the Government?—Differing powers of Central Banks—In what ways does the public desire to influence banking policy?—Bankers repudiate control of industry: are they right?—The socialisation of Central Banking—How should a socialised Central Bank be governed?—To what extent should it be under the Government?—The socialisation of deposit banking—How credit affects all industries—The relations between deposit banking and a National Economic Plan—Why some Socialists are against immediate socialisation of the deposit banks—Will not Socialists advocate socialising the deposit banks?—Objects of socialised deposit banking—The planned distribution of bank credit—Deposit banks and the discount market—Should the discount and acceptance houses be socialised?—The provision of long-term capital—New issue houses—A National Investment Board—Should the amount and distribution of the national savings form part of a National Economic Plan?—The socialisation of insurance—Conclusion: socialisation of banking and of industry as elements in a Socialist programme.

SYNOPSIS AND TABLE OF CONTENTS II

Chapter XII. Conclusion: The Monetary Factor—and
the Other Factors *by* G. D. H. COLE *p.* 513

Nationalism and Internationalism in the monetary field—The demand for exchange stability—The demand for a stable price level—How far are they inconsistent?—Is a unified world monetary system desirable?—That is, in the absence of a unified economic system—The mobility of money—The immobility of men and things—What stimulates Economic Nationalism?—The effects of mechanisation on the mobility of labour—The creation of credit under conditions of advancing productivity—Credit and the Gold Standard—Differing changes in productivity in different industries and their effects—The consequences of price-stabilisation (*a*) under the Gold Standard; (*b*) off the Gold Standard—Rising productivity does not always involve falling costs—Costs and wages—What is the right price policy when productivity is increasing?—The importance of a rising wage-level—Price-policy in time of depression—Monetary management involves the control of other economic forces as well.

Short Book-List *p.* 529

Index *p.* 533

LIST OF TABLES AND DIAGRAMS

Gold Reserves at the end of 1932 *Frontispiece*

Chapter I.

Discount Rates of Central Banks at Various Dates	<i>page</i>	34
Deposits in Commercial Banks, 1928 and 1932		34

Chapter II.

Gold Reserves of the Leading Countries, 1913-1933	82
Gold Production, 1915-1932	83
Currencies in the World Depression	90
Wholesale Prices, Recent Movements	96
Wholesale Prices since 1913	96
Cost of Living since 1914	96

Chapter IV.

Typical Bank Balance Sheets, London, New York, and Berlin	170-1
Combined Balance Sheet of the Sixteen English Joint Stock Banks, Dec. 1932	184
Current and Deposit Accounts, London Clearing Banks, 1919-1932	186
London Clearing Banks, Averages of Weekly Figures, 1925-1933	187
London Clearing Banks, Proportion of Cash to Current Accounts, 1925-1933	188
Lloyds Bank, Distribution of Advances, 1928	191
Total Deposits of Banks in the United States, 1923-1932	205
United States : Member Banks' Deposits, 1923-1932	205
United States : Loans and Investments of Member Banks, 1921-1929	207

United States : Rates Per Cent Charged by Banks in the Principal Cities, 1929-1933	209
United States : Banks Suspended and Banks Re-opened, 1930-1933	210
Capital Reconstruction of German Banks	219
Movements of Commercial Banks' Deposits and Cash Ratios during the Depression	224-5
Chapter V.	
United Kingdom Balance of Payments, 1929-1932	249
United States Balance of Payments, 1929-1932	250
Summary of Balances of Payments, 1926-1929	251
Chapter VI.	
United Kingdom : Issues of Shares and Debentures, 1928-1931	276
United Kingdom : Industrial, Government, and Public Utility Issues, 1928-1931.	278
Capital and Reserve Ratios of certain French Banks, 1913-1931	306
Chapter VIII.	
Diagram illustrating the Stages of Production	351
Diagrams illustrating the Relations between Consumption Goods, Capital Goods, and Replacement : I.	359
II.	360
III.	361
IV.	364
Chapter X.	
The Growth of Public Debts during the War	440
The Fall of Prices, 1929-1932	453

FOREWORD

THE PLAN of this book differs from that of the ordinary text-book about money, because it is meant primarily, not for the student, but for the general reader. In these days, monetary questions crop up so constantly in the newspapers, form so large a part of the substance of political and economic controversy, and, above all, attract so many cranks that it has become indispensable for intelligent people to know something about them. But the ordinary text-books do not tell the ordinary person what he wants to know, at any rate in such a fashion as will enable him to understand it. I therefore planned this book, to be written by specialists for non-specialists, in such a way as to bring out into relief those aspects of the monetary problem which are most under controversial discussion to-day, and most relevant to the solution of the world's pressing economic problems.

There is accordingly more description of actual financial institutions and of their working—including not only banks but also more specialised institutions dealing with international trade, new capital issues, and other aspects of the "money market"—than most general books on money contain. There are also a discussion of some of the monetary aspects of the present world crisis, and special chapters devoted to the vital question of the "price level," and to certain of the outstanding exponents of monetary doctrines regarded as dangerously heretical in orthodox circles. I have also included a chapter on the socialisation of banking, which is already a very live political issue in Great Britain, and may perhaps very soon become one in the United States, where partial socialisation is already in being.

We shall begin with a preliminary attempt to define and delimit money, for the sake less of the definition than of getting clear the varying senses in which the word can be

used, and so getting on guard against that unconscious transition from one sense to another which so often makes nonsense of the process of economic argument. For the terms of monetary theory, as of all economics, are of necessity words in everyday use among business men and private persons as well as among economists; and much misunderstanding arises between the two groups from a failure to realise when they are using the same word to mean different things. In discussing whether cheques, bills and bank deposits, as well as coins and notes, are money we shall make a first nodding acquaintance with a number of leading points of monetary theory, including the well-known, and much abused, Quantity Theory of Money and its younger brother, the Purchasing Power Parity Theory of the foreign exchanges. We shall also begin, even at this stage, to raise some pertinent questions affecting the policy of "reflation" which has been attempted in 1933 in the United States.

From that beginning we shall proceed to a general discussion of the monetary aspects of the world crisis, considered in relation both to its causes and to the possible ways of escape, as far as these can be sought in the monetary field. But any conclusions reached at this stage will have to be purely tentative; for the main part of our task is still before us.

This is, next, to describe as plainly and objectively as possible the present working of the monetary system, with special reference to Great Britain and the United States, though not without a good many incidental remarks on conditions in other countries. We shall begin with Central Banks; for upon these the entire financial structure is now pivoted in the leading capitalist countries, and it is mainly through them, if at all, that the task of monetary "management" must be attempted, and a revised monetary policy put into force.

From Central Banks we shall pass on to the deposit, or joint stock, banks which are the chief holders of the short-term monetary resources both of business men and of

private persons above a low income level, and also the chief dispensers of "credit" to industry and commerce. At this point it will be of special importance to observe the wide differences between the banking institutions of the leading countries, and the influence exerted by these differences on their economic systems.

Next will come a treatment of two special aspects of the financial working of Capitalism which are largely in the hands of more specialised institutions, though the joint stock banks play a direct part in them, and the Central Banks also profoundly affect their fortunes. These are, first, the financing of foreign trade, with which is involved the entire question of the rates of exchange between different currencies. This is obviously a vital matter; for the demand for a return by the world to the Gold Standard is based largely on the view that stable exchange rates are indispensable as a basis for the rebuilding of international trade upon sound lines. Moreover, in this chapter we shall have to examine the difficult questions of the "balance of trade" and the "balance of international payments," which are always cropping up when countries propose to raise their tariffs, or in other ways restrict the quantity of their imports, and also in connection with such problems as the payment of war debts and the investment of capital abroad.

This latter question—foreign investment—as well as investment at home will be discussed in the following chapter, which deals with the Capital Market and describes how new capital investments are made, and how vital are the problems raised by the present unplanned arrangements for attracting money into business enterprise, both at home and abroad. In this chapter something will be said of the stock markets as well; for we cannot be concerned only with new capital, in a world in which dealings in "second-hand" capital, i.e. stocks and shares, are apt to play so significant a part in upsetting the equilibrium of the entire financial system.

At this point we shall have completed our broad survey

of the existing system ; and questions of policy and of the future will begin to loom larger, and difficult theoretical issues to be more frequently raised. The next chapter, on "Money and Prices," plunges us into the thick of the monetary controversy which most sharply divides the economists of to-day. For against the advocates of stable exchange rates are ranged the advocates of a stable internal "level of prices" ; and we shall have to master the principal arguments on both sides, and to decide which we prefer—if, indeed, we do not end by deciding that both sides are wrong, and that there is some third policy preferable to either of the familiar antagonists.

But before we can finally settle this problem, if indeed we can, there is more ground to be traversed. For at this point—enter the heretics, headed by Major Douglas, each with his own diagnosis of the monetary evil, and his own suggested remedy, guaranteed to set the world to rights. The author of this chapter has had the hardest task of all ; for he has been set to sift the grain from the chaff in a number of theories in which the two are very confusingly mingled. The object of this chapter is not simply to explore fallacies—for there is much of sound substance in what the heretics have to say—but, far harder, to appraise and disentangle where the matter is difficult and the exposition often harder still.

Chapter IX brings us back from general monetary theories to a more limited issue, raising the question of the part which States play, or should play, in the regularisation of monetary demand, both as taxing authorities and as great spenders, whose policy in the execution of public works and in the social services deeply affects the balance of the whole economic system. Here arises in a new form the problem of marrying idle money to idle resources of real capital and labour, of securing a right balance between spending, saving and investment, and of the general distribution of the national income as well as of its amount.

This consideration of public finance leads on naturally to a survey of debts, though private as well as public debts

have of course to be taken into account. We shall see here how disproportionate present debt burdens throughout the world are to the existing levels of incomes and prices, and how debts consequently stand in the way of the recovery of balance in the economic sphere and of the resumption of normal trading relations between countries. With debts will have to be considered interest-rates, for both long- and short-term loans, and their influence on the activity of business enterprise.

Last of all, we shall proceed to discuss the question of socialisation. Central Banks, we shall see, are in many countries already public or semi-public institutions ; but deposit banks and other financial agencies are, in all capitalist countries, left in private hands. We shall have to review the arguments for and against the socialisation of these various types of institution, especially in relation to the projects of "Planned Economy" which are now being so widely discussed in capitalist countries, as well as in Russia, and even put partly into practice, as in the United States.

Finally, there will have to be, not a summing up of the entire argument of the book, but at any rate an attempt to draw some of the threads together, and to estimate, in the light of what has been written, the relation between the monetary and the non-monetary factors in the world economic problem. For what the ordinary man wants to know most of all is how far the world's troubles are capable of cure by purely monetary remedies, or how far the other economic factors need to be radically handled as well.

As this book is the work of nine authors, it seems desirable to say something of how it has been written. For its arrangement and planning as a whole I am solely responsible. I drew up a general plan for each chapter ; and on this plan each of the contributors consented to work. I also sent out to them all, before making any definite arrangement, a letter setting out broadly the point of view from which the book was intended to be written, and the basic content of common doctrine which it was meant to embody.

Thereafter, each contributor was absolutely free to develop his part of the subject in his own way. I went carefully through each chapter when it was written, and made many suggestions to the writers—who accepted practically all of them. But I made no attempt to secure full agreement on secondary points, or to influence a contributor when his view upon a matter did not coincide with my own.

Each writer is therefore responsible for his own contribution, and for that alone ; and, as a contributor, I am in the same position as the rest. In addition I am responsible for presenting to the readers the entire book, as an exposition of the subject, but not for agreeing with everything that every contributor has set down. I think, however, I can reasonably claim that the book, despite the number of the authors, does work out as a reasonably rounded treatment of its subject, and does reveal a reasonable community of theory and outlook.

The contributors have this in common—they were all educated at Oxford. That now three of them teach Economics at Oxford, two in London University, and one in Cambridge, while one is Associate Editor of the most widely read of economic journals, one a barrister engaged in largely commercial practice, and one a Research Fellow in the United States who has been in a leading London financial house and subsequently my colleague in the New Fabian Research Department, speaks well for the growing diffusion of Oxford's influence in the theory and practice of Economics. If an editor and arranger may be permitted to dedicate other men's work as well as his own, I should wish this book to go out as dedicated to the growing band of Oxford Economists, Past, Present, and Future.

G. D. H. COLE.

Oxford, July 1933.

INDEX

- ACCEPTING HOUSES, 234, 502
- Agriculture, bank loans to, 191
- effects of American slump on, 81
- in America, position of, 72
- prices in relation to manufactures, 66, 69
- protection for, 84
- America. *See* United States
- South. *See* South America
- Argentine, balance of payments, 251
- depreciation of currency in, 90
- foreign loan rates, 284
- gold reserve of, 82
- Australia, balance of payments, 251
- depreciation of currency in, 90, 91
- gold reserve of, 82
- public debt of, 280, 448
- Austria, balance of payments, 251
- collapse of banks in, 87
- depreciation of currency in, 90
- discount rates in, 34
- effect of crisis in, 262
- financial crisis in, 399
- foreign loan rates, 284
- "free money," experiment in, 399
- BALFOUR NOTE OF 1922, 443
- Bank Act of 1844, 119
- charges, 134
- credit, 164 ff., 182
- planned distribution of, 499
- deposits and importation of gold, 142 ff.
- as money, 33 ff., 123 ff.
- classes of, 35
- external drain on, 128, 129, 138, 145
- genesis of, 129
- in America, 204
- interest on, 36, 185
- internal drain on, 127, 138, 146
- movements of, 224
- ratio between cash and, 138
- Bank deposits total of, 168, 185
- withdrawal of, 124 ff.
- for International Settlements, 108, 156, 442
- interest on loans, 47, 136
- investments, 137
- loans, 39, 132, 135 ff., 167, 190
- in America, 207
- in France, 222
- objection to, 377
- notes as money, 30, 116
- causes of demand for, 41
- distinction from cheques, 32
- effect of, on inflation, 30
- fiduciary issue of, 30, 119
- issue of, 27, 119, 165
- in Scotland, 181
- regulations for issue of, 119
- of England, buying and selling of gold, 117, 122, 158, 241
- deflationary policy of, 193
- Issue Department of 122, 129
- loan policy of, 140
- notes, 29, 119
- policy of, 88
- during the crisis, 254 ff.
- rate for bills of exchange, 148
- relationship of banks to, 43
- to Treasury, 483
- socialisation of, 487
- of France, 119, 122, 304, 479
- of Italy, 122
- overdrafts, 136
- rate, 148 ff.
- in America, 209
- reduction of, in the crisis, 256
- Bankers, conception of "cash," 41, 43
- Banking a key industry, 477
- Act of 1933, (U.S.A.) 212
- concentration of commercial, 180
- crisis in America, 51, 125
- in Germany, 217
- deflation, 485
- in relation to industry, 492
- operations, factors governing, 174
- socialisation of, 477

- Banking system in America, weakness of, 497
- Banks, American commercial, 198 ff., 303
- and capital issues, 296
 - and long-term debts, 460
 - and short-term debts, 458
 - as dealers in foreign exchange, 238
 - assets of, 172, 189
 - balance sheet of, 168
 - borrowing by American, 203
 - Central. *See* Central Banks
 - claims on, 130 ff.
 - classes of American, 201
 - clearing, cash at, 140
 - — names of, 182
 - collapse of European, 87
 - commercial, in France, 219, 314
 - credit, in France, 307
 - — in Germany, 213
 - definition of, 162
 - deposit, and discounting of bills, 501
 - — socialisation of, 490
 - deposits in commercial, 34
 - discount rates of central, 34
 - effect of American slump on European, 80, 84 ff.
 - — of loss of confidence in, 125
 - function of commercial, 163
 - in relation to industry, 177 ff.
 - industrial specialisation of German, 177, 217
 - influence on economic life, 174
 - investments by, 173, 187
 - — by American, 208
 - joint stock. *See* Joint stock banks
 - leading British, 182, 184
 - — French, 220, 304
 - — German, 215
 - liabilities of, 168
 - policy of money supply, 54
 - private, in France, 305
 - problem of liquidity, 165
 - provincial, in France, 223, 307
 - relationship to Bank of England, 43, 44
 - reserve funds of, 168
 - spreading of risks, 176
 - State control of, 180
 - suspension of, in America, 210
- Banque d'Affaires, 305
- de l'Union Parisienne, 306
 - de Paris et des Pays Bas, 305, 306
 - Nationale pour le Commerce et l'Industrie, 305
 - Pitrard, 307
- Barclays Bank Ltd., 182, 184
- Baring Bros. & Co. Ltd., 184, 273
- Belgium, discount rates, 34
- gold reserve of, 82
 - National Bank of, 122
- Berlin banks, 215
- Bill brokers, 233
- Bills of exchange, acceptance of, 234
- definition of, 172
 - discount rates for, 148, 150, 173
 - in international trade, 232
 - price of, 233
- Brazil, depreciation of currency in, 90
- gold reserve of, 82
- Bright, John, 386
- British banks, 182, 184
- Broadcasting Corporation, 489
 - Mutual Banking Co., 184
 - Shareholders Trust Ltd., 274
- Brokerage, 269
- Budget, cause of an unbalanced, 439
- effect on consumption and saving, 415 ff.
 - unbalancing of, 433
- Building Societies, 293
- Bulgaria, default of, 285
- restriction of foreign exchange, 90
- CANADA, balance of payments, 251
- depreciation of currency in, 90
 - gold production in, 83
 - — reserve of, 82
 - issue of bank notes in, 28
 - suspension of gold standard, 89, 259
- Capital accumulation and output, 366
- and consumption goods, 359
 - increase of "real," 151
 - investment in foreign countries, 299 ff.

- Capital issues, control of, 312, 313
 - raising of, 264 ff.
- Capitalist depression and producers' credits, 329
- Cash, ratio between bank deposits and, 139
 - seasonal fluctuations in, 127
- Cassel, Professor Gustav, 246
- Central Electricity Board, 489, 504
- Chamberlain, Neville, 415
- Chase Securities Corporation, 303
- Cheques, clearing of, 56, 124, 166
 - distinction from bank note, 32
 - nature of, 165
 - object of, 31
 - system of, effect on inflation, 30
 - objections to, 378
- Chile, depreciation of currency in, 90
- China, depreciation of currency in, 90
 - effect of rise in silver on, 112
 - retains silver standard, 64
- Coins, causes of demand for, 41
 - "token," 23
 - types of, 116
 - use of, 22
 - value of, 24, 116
- Colombia, depreciation of currency in, 90
- Colonial share issues, 279
- Commodities, price fluctuations of, 318
- Companies, formation of, 267
 - Insurance, 290
 - limited liability of, 266
 - public issues by, 265
 - Public Utility, 276, 277
 - total issues of, since 1928, 276, 278
- Company directors, 268, 271
 - shares. *See* Shares.
- Comptoir National d'Escompte de Paris, 305, 306
- Consumers, incomes of, 405
 - and foreign trade, 340
 - and total costs, 326
- Consumption goods, just price of, 373
 - problem of, 359 ff.
- Consols, 463
- Contango, 288, 298
- Cost of living since 1914, 96
- Coutts & Co., 182, 184
- Central Banks, 28, 43 ff., 54, 64, 101
 - and a silver standard, 111
 - and foreign payments, 152
 - and importation of gold, 142
 - and interest rates, 148 ff.
 - and price of gold, 110
 - control of circulating medium, 140, 179
 - control of foreign currency, 260
 - co-operation among, 108
 - gold reserves of, 82
 - liabilities of, 119 ff., 125
 - loan policy of, 140
 - proposed international, 156
 - sale of securities, 148, 150
 - socialisation of, 478, 486 ff.
- Credit banks in Germany, 213
 - contraction of, 381
 - creation of additional, 518 ff.
 - cumulative inflation of, 331
 - for low-price sales, 370
 - provision of short-term, 502
 - policy and stabilisation of incomes, 337
 - problem of, 324
 - rationing of, 499
 - social. *See* Social Credit
 - to producers, 325
- Crédit du Nord, 307
- Foncier de France, 307
- Lyonnais, 304, 306
- Creditors, rights of, 436, 437
- Currencies, exchange of, 235
 - in the world depression, 90
 - purchase and sale of foreign, 237
 - relative value of national, 58, 59
 - supply and demand, 244
- Currency created out of debts, 165
 - distinction from trade bills, 49, 50
 - effect of economic activity on, 42
 - hoarding, 36

- Currency, inflation of, to pay debts, 471
- notes, depreciation of, 391 ff.
- substitutes for, 51
- Current accounts, 35 ff.
- Czechoslovakia, balance of payments, 251
- discount rates in, 34
- restriction of foreign exchange, 90
- DARMSTAEDTER BANK, failure of, 177
- Dawes loan of 1924, 300
- plan of 1924, 66, 79, 441, 442, 446
- Debentures, nature of, 266
- security for, 276, 454
- Debt conversions, 424
- general forms of, 437
- nature of, 436
- Debtors, policy of, 461
- Debts between allied nations, 443
- growth of public, during the war, 440
- international, 441
- methods of paying, 445, 449
- of local authorities, 426, 439
- on capital investment, 454
- payments of, 449 ff.
- private, 454 ff., 474
- problem of reducing, 466
- productive, 438
- rate of interest on, 437
- short-term, 458
- unproductive, 438, 461
- valorisation of, 441
- Deflation and payment of debts, 452
- process of, 152
- Denmark, abandons gold standard, 259
- balance of payments, 251
- depreciation of currency in, 90, 91
- loan of 1933, 282
- Deposit accounts, 35 ff., 123 ff., 185
- banking, socialisation of, 490
- banks. *See* Banks
- Depreciation, charges for, 369
- Deutsche Bank, 214, 215
- Discount Houses, 149
- — socialisation of, 501
- Discount rates, distinction from rates of interest, 173
- — of central banks, 34
- District Bank, Ltd., 184
- Dividends, 266
- Dollar standard, definition of, 117
- Dominion share issues, 279
- Douglas, Major C. H., 347 ff.
- Dumping, 97
- Durbin, E. F. M., 351
- ECONOMIC ACTIVITY, effect on currency, 42
- development, banking and, 492
- exchange, nature of, 52
- instability in America, 93
- life of the country, influence of banks on, 174
- — of the individual, 114
- nationalism, 516 ff.
- reconstruction, policy of joint stock banks towards, 195
- stability, demand for, 513
- Economics, psychological movement in, 434
- Eisler, Dr. Robert, 401 ff.
- Employment, relationship to monetary system, 127
- Estonia, depreciation of currency in, 90
- Europe, borrowing from America, 78
- Central, collapse of banks in, 87
- effect of American slump on, 80
- debts to America, 66, 78
- effect of American boom and slump on, 78, 80 ff.
- flow of gold into, 85
- proposed consortium of countries of, 84
- revival of prosperity in, 66
- Exchange, basis of, 227
- bills of. *See* Bills of exchange
- Equalisation Fund, 101, 160, 161, 238, 256 ff., 434
- foreign. *See* Foreign Exchange
- rates, fluctuations in, 240
- — "forward," 238
- stability, demand for, 513 ff.
- Exports, basis of, 228
- factors determining, 244
- "invisible," 243, 418

- FEDERAL RESERVE ACT, 1913, 28,
201, 202, 479, 482
— Banks, 43, 119, 126, 129,
147, 150, 201
— System, 43, 73, 77, 126, 150,
201, 479
Fiduciary issue, 30
Finance Act of 1915, 162
— in relation to politics, 481
— Macmillan Committee on In-
dustry and, 119, 139, 191, 274,
282, 347, 349
Finland, balance of payments, 251
— depreciation of currency in,
90, 91
Fisher, Professor Irving, 100, 385,
400
Floating Debt, 462 ff.
Foreign countries, capital invest-
ment in, 299
— currencies, sale and purchase
of, 237
— exchange, banks & dealers in, 238
— — basis of, 235
— — control of, 90
— — effect of prices on, 58
— — effects of crisis on, 254 ff.
— Equalisation Fund for, 101,
160, 161, 238, 256 ff., 434
— — factors determining, 59
— — future of, 263
— — in relation to prices, 101
— — transactions, 237
— loans, 281, 283
— payments, 128, 148, 152
— share issues, 273
— trade, effect of decline in, 340
— — financing of, 173
— — practice of, 228
France, assets of banks in, 221
— balance of payments, 251
— bank loans in, 222
— banking control in, 479
— capital investment in, 304
— commercial banks in, 219
— cost of living in, 96
— deposits in commercial banks
of, 34
— depreciation of franc in, 98
— discount rates of, 34
— effect of slump on banks in, 85
— flow of gold to, 85
France, gold reserve of, 82
— leading banks in, 220, 304
— movement of bank deposits in,
224
— note issue in, 119
— provincial banks in, 223
— stabilisation in, 65
— wholesale prices in, 96
GAS COMPANY SHARES, 277, 278
George, Henry, 387
Germany and Jewish control of
finance, 311
— balance of payments, 251
— — of trade in, 443
— — sheet of a bank in, 171, 217
— bank resources in, 183
— banking control in, 479
— capital investment in, 309
— Central Bank of, 121
— collapse of banks in, 88, 177, 218
— control of banks in, 180
— cost of living in, 96
— deposits in commercial banks
of, 34
— discount rates in, 34
— effect of American slump on,
79, 81
— foreign loan rates, 284
— — investments in, 443
— function of banks in, 163
— gold reserve of, 82
— growth of credit banks in, 213
— imports into, 442
— investments of, abroad, 443
— leading banks in, 215
— movements of bank deposits in,
224
— relation of banks to industry, 215
— reorganisation of banking
system in, 218
— reparations problem, 66, 236, 442
— restriction of foreign exchange,
90
— return to gold standard, 65
— revival of prosperity in, 66
— valorisation of debts, 441
— wholesale prices in, 96
Gesell, Silvio, 385 ff.
Glass-Steagall Act, 212
Glyn, Mills & Co., 182, 184
Gold, Bank of England dealings
in, 117, 122, 158

- Gold, certificates, 29, 116
 - changes in price of, 110
 - importation of, 142
 - price of, 117, 241
 - and payment of war debts, 446
 - production, 83
 - reserves of Federal Reserve Banks, 147
 - of leading countries, 82
 - required, 118
 - standard, arguments for and against, 343
 - automatic working of, 144
 - basis of, 236
 - countries remaining on, 90, 91
 - definition of, 116
 - effect of abandoning, 154
 - identification with Dollar Standard, 108
 - maintenance of, 152
 - management of, 107
 - meaning of, 27, 57
 - post-war return to, 64
 - question of future return to, 107, 109
 - restoration in 1925, 117
 - suspension of, 89
- Goldenweiser, E. A., 202
- Goldsmiths as bankers, 164
- Government borrowing, 134
 - control of banking, 479 ff.
 - of public works, 105
 - debt conversions, 424
 - influence on trade, 414
 - investment, 422
 - loans, 276
 - long-term finance, 502
 - stocks, control of, 296
 - interest on, 284
- Granberg, Mr., 302
- Great Britain and the Gold Standard, 117
 - balance of payments, 249, 251
 - balance sheet of a bank in, 170
 - bank rate in, 148
 - banking policy in, 176
 - common monetary standard with America, 160
 - control of credit in, 182
 - Great Britain, cost of living in, 96, 453
 - definition of banks in, 162
 - deposits in commercial banks of, 34
 - depreciation of currency in, 90
 - discount rates of, 34
 - effect of slump on banks in, 85
 - financial crisis of 1931, 88
 - gold reserve of, 82
 - internal financing of trade, 421
 - issue of bank notes in, 28
 - of shares in, 267
 - joint stock banks in, 43, 119, 181 ff.
 - monetary system in, 116
 - movements of bank deposits in, 224
 - national income of, 415
 - note issue in, 28, 119
 - optimum level of production in, 430
 - post-war debts of, 440
 - returns to gold standard, 65, 122, 246
 - short-term money rate, 158
 - socialisation of banking, 478
 - standard of living in, 340
 - suspension of gold standard, 89, 121, 155
 - tariffs in, 87, 447
 - total banking deposits of, 142, 168
 - trade balance in, 425
 - use of cheques in, 166
 - war debts settlement, 443, 444
 - wholesale prices in, 96
 - Greece, default of, 285
 - depreciation of currency in, 90
 - Guaranty Co. of New York, 303
 - HAMBROS BANK LTD., 273
 - Haute Banque, 305
 - Hawley-Smoot tariff, 447
 - Hawtrey, R. G., 331
 - Hayek, F. A., 329
 - Hire purchase system, 326
 - Hitler, Adolf, 311, 486
 - Holland, discount rates in, 34
 - effect of slump on banks in, 85

- Holland, gold reserve of, 82
 Hoover, President, 442
 Housing, effect of interest rates on, 424
 — municipal expenditure on, 423
 Hungary, balance of payments, 251
 — foreign loan rates, 285
 — restriction of foreign exchange, 90
 Imports, basis of, 228
 — factors determining, 244
 — in relation to prices, 341
 — "invisible," 243, 418
 — opposition to, 229
 — payment for, 231
 — restrictions on, 86, 87
 Income, abolition of unearned, 386
 — conversion of money into, 414
 — definition of "national," 416
 — level, stabilisation of, 337
 India, balance of payments, 251
 — discount rates in, 34
 — gold reserve of, 82
 Industrial companies. *See* Companies
 — costs, raising of, 524
 — depression, 380, 390, 396, 402
 — Recovery Act, 97
 Industry, bank loans to, 178, 190 ff.
 — banking in relation to, 492
 — central banks in relation to, 177 ff.
 — effect of American slump on, 85
 — financing of, 52, 176
 — indebtedness in, 454 ff., 471
 — joint stock banks in relation to, 190
 — Macmillan Committee on Finance and, 119, 139, 191, 274, 282, 347, 349
 — provision of capital for, 503
 — relation of German banks to, 215
 — reserved profits in, 504
 — socialisation of, 495, 508
 Inflation and payment of debts, 452, 471
 — effect of, on prices, 60
 — factors contributing to, 30
 Insurance Companies, 290
 — — socialisation of, 506
 Interest, Gesell's theory of, 388
 — on debentures, 266
 — — — cover for, 454
 — on Government stocks, 284
 — payment of, 367
 — rates of, 393
 — — control of, 148, 157
 — — distinction from discount rates, 173
 — — in America, 209
 — — in relation to investment, 423
 — short-term rates of, 465
 International co-operation, benefits of, 157
 — objects of, 159
 — debt charges, 441
 — monetary system, 516
 — note issue, 156
 — Settlements, Bank for, 108, 156, 442
 — trade. *See* Trade
 Internationalism *v.* Nationalism, 513
 Investment adjusted to savings, 429
 — by banks, 173, 187
 — definition of, 417, 419
 — in land, 293
 — interest rates in relation to, 423
 — restoration of, 425
 — scope for public, 432
 — security of, 276
 — total of national, 418, 423
 — Trusts, 290 ff.
 Isle of Man Bank, 184
 Issuing houses, functions of, 272, 297
 — — types of, 273
 Italy, deposits in commercial banks of, 34
 — discount rates in, 34
 — gold reserve of, 82
 Japan, abandons gold standard, 259
 — balance of payments, 251
 — depreciation of currency in, 90
 — discount rates in, 34
 — gold reserve of, 82
 Jobbers, 285
 Joint stock banks, 43, 119
 — — — and economic reconstruction, 195
 — — — and short term credit, 197

- Joint stock banks and the money market, 186
 ——— assets of, 189
 ——— balance sheet of, 184
 ——— central control of, 196
 ——— deposits of, 185
 ——— growth of, 181
 ——— in relation to industry, 190
 ——— liabilities of, 183
 ——— names of, 182, 184
 ——— reserves of, 185
 ——— resources of, 183, 189
 ——— socialisation of, 492, 497
 ——— subscribed capital of, 183
 ——— use of resources of, 187 ff.
- KAHN, OTTO, 302
- Keynes, J. M., 156, 159, 336
- Kindersley, Sir Robert, 419
- LABOUR GOVERNMENT DOWNFALL OF, 481
 — Party plans for socialisation of banking, 487
- Land, investment in, 293
 — nationalisation of, 386
 — proposals for free, 386
- Latvia, restriction of foreign exchange, 90
- Lazard Bros. & Co. Ltd., 273
- Lever Brothers Ltd., 274
- Life insurance, 291, 299
- Lloyds Bank Ltd., 182, 184
- Loans by Central banks, 140
 — by commercial banks, 167
 — by mortgage, 294
 — control of, 137, 296
 — fictitious, abolition of, 382
 — effects of, 379
 — Government, 276, 296
 — Municipal, 276, 296
 — overseas, 281
 — reparation, 283
 — types of, 136
- London Merchant Bank Ltd., 184
- McKENNA, REGINALD, 191
- Macmillan Committee on Finance and Industry, 119, 139, 191, 274, 282, 347, 349
- Man-power, international transference of, 518
- Manchester County Bank, 184
- Marx, Karl, 386
- Marshall, Alfred, 111
- Martins Bank Ltd., 182, 184
- May Committee on National Expenditure, 88, 89
- Mechanisation, effect on output, 518
 — the cause of lower purchasing power, 343 ff., 402
- Mexico, depreciation of currency in, 90
- Midland Bank Ltd., 182, 184
- Mitchison, G. R., 512
- Monetary system, common world, 154, 159
 — international, 516
 — relationship of prices, employment etc., to, 127
 — types of, 116
- Money and the world crisis, 64
 — available supply of, 54
 — bank deposits as, 33 ff.
 — bibliography on, 529
 — cheques not regarded as, 32
 — circulation of, 319, 322, 397
 — coins as, 22 ff.
 — control of, 63
 — conversion into income, 414
 — economic uses of, 314
 — effect of issuing more, 59
 — of, on prices, 414
 — expenditure, control of, 332
 — for capital expenditure, 265
 — "free," 387 ff.
 — experiment in, 399
 — freedom of movement of, 516
 — function of, 114
 — hoarding of, 335, 393
 — income, accumulation of, 321
 — and purchasing power, 405
 — stabilisation of level of, 323, 340
 — international value of, 57
 — issue of new, 377, 392
 — mal-distribution of, 62
 — market, short-term rates in, 465
 — nature of, 21
 — notes as, 27 ff., 116
 — provision of, 114
 — quantity of, in relation to prices, 317
 — Quantity Theory of, 51 ff., 57 ff., 316

- Money, State issue of, 377
 - "strike," 396
 - trade bills as, 48
 - velocity of circulation of, 55, 397
- Morgan, J. P., & Co., 206, 300, 301
- Morris, Sir William, 320
- Morrow, Dwight, 303
- Mortgages, foreclosures on, 474
 - on land, 293
- Municipal housing, 423
 - loans, 276, 296
- Mussolini, Benito, 486
- NATIONAL BANK ACT, 202
 - City Co., 300
 - Currency Office, 392
 - Debt Commissioners, 503
 - — interest, 416
 - — Royal Commission on, 420
 - economic development, 492
 - income, definition of, 416
 - Investment Board, 180, 313, 503 ff.
 - planning in banking, 179
 - Provincial Bank Ltd., 182, 184
 - savings, estimate of, 420
- National bank, failure of, 177
- Nationalism *v.* Internationalism, 513
- Netherlands Bank, 122
- New York Stock Exchange, 303
- New Zealand, balance of payments, 251
 - — depreciation of currency in, 90, 91
- Norddeutsche Wollkaemmerci, 177
- Norway, abandons gold standard, 259
 - balance of payments, 251
 - depreciation of currency in, 90
- OLD AGE PENSIONS, 416
- Output, effect of mechanisation on, 518
 - in relation to prices, 366
 - — to productive capacity, 430
- Over-production, 402
- PAYMENTS, BALANCE OF, 247 ff.
- Pease, Beaumont, 191
- Peel, Sir Robert, 119
- Poland, balance of payments, 251
 - — discount rates in, 34
 - — Politics in relation to finance, 481
 - — Post Office expenditure, 423
 - — Savings Bank deposits, 494
 - — Preference shares, 266
 - — Price, meaning of, 316
 - — Prices, agricultural, in relation to manufactures, 66, 69
 - — and a common world monetary system, 159
 - — causes of fall of, 390
 - — effect of inflation on, 60
 - — of money on, 414
 - — on foreign exchanges, 58
 - — forced reduction of, 370
 - — general level of, 73, 77, 317, 520 ff.
 - — in relation to output, 367
 - — level of, in relation to production, 68 ff.
 - — post-war fall in, 67
 - — relationship to monetary system, 127, 317 ff.
 - — relative, changes in, 318
 - — rise of retail, 408
 - — stabilisation of, 101, 323, 324, 338, 379 ff., 392, 485, 520
 - — under slump conditions, 62
 - — wholesale, 96
 - — compensation of, 409
 - — fall in, 453
- Producers, credit to, 325
- Production costs, analysis of, 349
 - — and consumers' income, 326
 - — payment of, 320
 - — effect of slump on, 66
 - — financed by savings, 382
 - — limited capacity of, 315
 - — optimum level of, 429
 - — post-war advance in, 71
- Productive capacity in relation to output, 430
- Promissory notes, 203
- Public Boards shares, 277, 278
 - — works, expenditure on, 423
 - — Loans Board, 503
 - — need for extensive, 432
 - — schemes, 104, 156
- Purchasing power and unemployment benefit, 426
 - — deficiency of, 348 ff.
 - — in relation to savings, 429

- Purchasing power in relation to value of currencies, 58
 — — methods of increasing, 370
 — — need for stability in, 515
 — — of the unemployed, 70
 — — parity, 58, 246
 — — reduction of, 402, 404 ff.
 — — tokens for, 23
QUANTITY THEORY OF MONEY, 51 ff., 57 ff., 316
RAILWAY COMPANY SHARES, 277, 278
Reconstruction Finance Corporation, 93
 Reflation policy, dangers of, 102
 — — definition of, 156
 — — in America, 97 ff., 112
 — — in relation to wages, 104
 — — objects of, 103
Reichsbank, 121
 — — control of, 479
 Reparations, loans for, 283
 — — problem of, 65, 156, 236, 442
 — — value of German, 442
Ricardo, David, 387
Roosevelt, President, 95, 97, 99 ff., 106, 107, 113, 210, 324, 483, 514
Rothschild, N. M., & Sons, 273
Roumania, default of, 285
 — — restriction of foreign exchange, 90
Royal Commission on National Debt and Taxation, 420
Russia, control of banks in, 180
 — — debt repudiation in, 468
 — — economic policy in, 112
 — — gold reserve of, 82
SALTER, SIR ARTHUR, 386
 Saving, effects of, 358 ff.
 Savings, adjustment to investment, 429
 — — definition of, 421
 — — estimate of national, 420
Scandinavia, depreciation of currency in, 90
 — — foreign loans rates, 284
 — — suspension of gold standard, 89
Schroder, J. H. & Co., 273
Scotland, Investment Trusts in, 293, 299
 — — joint stock banks in, 181
Scottish Bank Notes Act, 181
Seigniorage, 24
Share issues, Colonial and Dominion, 279
 — — foreign, 273
 — — in Germany, 309
 — — new, 295
Shares, American terms for, 266
 — — issue of, 267, 270
 — — leave to deal in, 290
 — — overseas issue of, 280
 — — prospectus of, 268
 — — speculation in, 287
 — — types of, 266
 — — underwriting of, 269, 300
Sight drafts, definition of, 172
Silver, effect of rise in price of, 112
 — — exchange standard retained by China, 64
 — — standard, definition of, 116
 — — question of, 111
Sinking fund, provision for, 426, 433, 468
Small Dwelling Acquisition Act, 1899, 295
Snowden, Philip, 415
Social credit, basis of, 348
Socialists and control of banks, 476
Société Centrale des Banques de Province, 306
Soddy, Professor F., 375 ff.
South Africa, balance of payments, 251
 — — gold production in, 83
 — — suspension of gold standard, 91
South America, effect of American slump on, 86
 — — indebtedness of, 473
Spain, depreciation of currency in, 90
 — — gold reserve of, 82
Speyer & Co., 302
Stamp, Sir J., 401
Standard of living, reduction of, 340
Statisticians, bureau of, 382
Sterling, official valuation of, 117
 — — standard, definition of, 117
Stock Exchange, bear accounts, 288
 — — bull accounts, 289
 — — function of, 285

- Stock Exchange, New York, 303
- — Official List, 290
- — Paris, 308
- — phraseology of, 288
- — transactions of, 286
- Stockbrokers, 269, 270, 285
- in America, 303
- Strong, Governor, 147
- Surplus Value, abolition of, 386
- Sweden, abandons gold standard, 259
- balance of payments, 251
- depreciation of currency in, 90
- discount rates in, 34
- gold reserve of, 82
- Swiss National Bank, 122
- Switzerland, discount rates in, 34
- effect of slump on banks in, 85
- gold reserve of, 82
- Symmetallism, 111
- TARIFF TRUCE PROPOSALS, 87
- Tariffs resulting from slump, 86, 447
- Taxation and stable prices, 392
- on industry, 525
- Royal Commission on National Debt and, 420
- Tietz, Leonard, 301
- Trade and exchange fluctuations, 245
- balance of, 247, 424
- bills as money, 48
- — discounting of, by deposit banks, 501
- — distinction from currency, 49, 50
- — held by banks, 190
- cycle, abolition of, 386, 388, 397
- depression, causes of, 380, 390, 396, 402
- dislocation of international, 86
- Facilities Act, 433
- financing of foreign, 173, 231
- Government influence on, 414
- "invisible," 243, 418
- reason for international, 227
- Union movement in America, 78
- Unions and the wage question, 70, 71
- visible, 247
- Trading companies. *See* Companies
- Treasury bills, 136, 149, 189, 460, 463
- notes, 134
- relationship to Bank of England, 483
- Trustee securities, 277
- Turkey, depreciation of currency in, 90
- UNDER-CONSUMPTION, 402 ff.
- Unemployment benefit and purchasing power, 426
- in America, 72, 74, 76
- public works schemes for, 104, 105
- Union Bank of Manchester, 184
- United States of America, balance of payments, 250, 251
- — — balance of trade in, 92
- — — balance sheet of a bank in, 170
- — — bank deposits in, 34, 168, 204 ff.
- — — — interest rates in, 150, 209
- — — — loans in, 207
- — — — banking control in, 479, 483
- — — — crisis of 1933, 51
- — — — policy in, 176
- — — — reform in, 211
- — — — system in, 199
- — — boom in, 71
- — — cause of fall of dollar, 94 ff.
- — — — classes of banks in, 201
- — — — commercial banks in, 198
- — — — common monetary standard with England, 160
- — — cost of living in, 96, 453
- — — debt reduction in, 469
- — — depreciation of currency in, 90
- — — — discount rates of, 34
- — — — dumping by, 97
- — — — economic policy criticised, 95
- — — — effect on Europe of boom and slump in, 78
- — — — European debts to, 66, 78
- — — — expansion of credit in, 207
- — — — fall in exports of, 79

- United States of America, Federal Reserve Banks in, 43, 119, 126, 129, 147, 150, 201, 479
- — — Federal Reserve System, 28, 43, 73, 77, 150, 201, 479
- — — flow of gold to France, 85
- — — foreign loans of, 283
- — — function of banks in, 163
- — — future course of events in, 107
- — — gold certificates in, 29, 116
- — — — production in, 83
- — — — reserves of, 82
- — — industrial activity in, 102
- — — industrial collapse in, 75
- — — Industrial Recovery Act, 97
- — — instability of economic system, 93
- — — internal financing of industry, 421
- — — issue of loans in, 300
- — — — of bank notes in, 28
- — — lesson of collapse of, 77
- — — loans to Europe, 78
- — — movements of bank deposits in, 224
- — — national income of, 415
- — — policy of reflation, 97 ff.
- — — position of farmers in, 72
- — — present banking position in, 210
- — — price-level in, 73, 77
- — — private banking by industry, 206
- — — production in, 71
- — — proposal for "compensated dollar," 100
- — — "prosperity psychology" in, 71, 76
- — — public works in, 104
- — — Reconstruction Finance Corporation, 93
- — — retail trade in, 102
- — — settlement of debts to, 236, 443
- — — short-term money rate in, 158
- — — speculation in stocks, 72, 76
- United States of America, stabilization of internal prices, 1485
- — — Stock Exchange in, 5
- — — suspension of banks 210
- — — — of gold standard, 91
- — — tariffs in, 447
- — — Trade Union movement in, 78
- — — types of shares in, 267
- — — unemployment in, 72, 76
- — — use of cheques in, 166
- — — wage rates in, 74
- — — weakness of banking system in, 497
- — — wholesale prices in, 96
- Uruguay, depreciation of currency in, 90
- Venezuela, depreciation of currency in, 90
- Vickers, V. C., 401
- WAAGES AND PURCHASING POWER, 70, 71
- effect of rise in, 104
- in relation to costs, 524
- method of paying, 41
- revision of rates of, 456
- War debts, growth of, 440
- payment of, 236, 283
- loans, conversion of, 470
- financing of, 378
- Water Company shares, 277, 2463
- Ways and Means advances, 463
- Wealth, expansion of, 377
- Westminster Bank Ltd., 182, 1
- Whale, P. Barrett, 214
- Williams Deacon Bank, Ltd., 18184
- Wörgl "free money" experiment 399
- World crisis, money and the, 64
- Economic Conference, 99, 10435, 514
- production of gold, 83
- YOUNG PLAN, 66, 108, 156, 44446
- Yugoslavia, depreciation of currency in, 90