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A. CONCEPTS OF MONEY, CURRENCY AND CREDIT

1. BRYCE, R. B. [HARVARD UNIVERSITY]

The demand for money and its influence

This inquiry is to consist largely of a reanalysis of available published statistics and descriptive materials and their interpretation within the framework of recent monetary theory. Theoretical aspects of the demand for money concept, notably as developed by Keynes, i.e., the concept of liquidity preference, are being explored at the outset. The significance of extant banking data is to be appraised subsequently in the light of this theoretical setting.

2. DALY, F. ST. L. [TUFTS COLLEGE]

The flow of purchasing power and the theory of neutral money [1]

This inquiry is concerned with flow of purchasing power concepts used in such theoretical studies as those of Foster and Catchings, Hobson, Keynes and Hayek. The object is to evaluate the flow of purchasing power concept in relationship to the terms, 'neutral money' and 'natural rate of interest', and so to enhance the analytical content of these terms for monetary theory and the formulation of credit and currency policies.

This study will probably be completed by late fall 1937.

[1] Ph.D. thesis, Harvard University.

3. EITEMAN, W. J. [ALBION COLLEGE]

The relation of bank credit to commodity prices

From a purely accounting approach to bank credit phenomena, this study is reexploring the relationships among the quantity of money, velocity of circulation and the price level. The approach involves: (a) a study of accounting methods of crediting and debiting deposit balances; (b) an analysis of the meaning of bank liquidity both for individual banks and for banks collectively in the purely accounting sense; (c) an analysis of the demands for and uses of bank deposits by deposit owners; (d) the meaning of the existence of deposits in an exchange economy; (e) the relationship of the quantity of deposits to prices, and particularly the influence of prices on the quantity of bank deposits. The study seeks to determine the general validity of conclusions reached with reference to the relation of brokers' loans to stock prices when the same type of analysis is applied to the relation of bank deposits to commodity and other prices.

This inquiry is as yet in a formative stage.[1]

[1] A partial development of the theory under examination was presented in an article, 'Stock Speculation, Bank Liquidity, and Commodity Prices', *American Economic Review*, December 1934, pp. 635–45.

4. FETTER, F. W. [HAVERFORD COLLEGE]

English theories of money, banking and international finance, 1800–1870

To interpret dynamically English thought in the formative period of modern financial organization, nineteenth century theories of money, banking and international finance are related to the political and economic changes and problems of the time. The following topics are among those receiving critical attention: (a) the opposition to the establishment of the gold standard and the agitation, 1820–50, for a paper or silver standard; (b) the relation between money and banking agitation and trade cycles; (c) the crystallization of orthodox commercial banking principles; (d) changing attitudes towards the monetary functions of banks; (e) theories concerning the effects of foreign investment on domestic employment, interest rates and prices. Finally the consolidation of English financial thought into a body of 'orthodox' principles in the second half of the period reviewed is to be studied in relation to the international dominance of England's finance growing out of her extensive foreign banking activities and her huge foreign investments.

It is expected that the various parts of this project will be published as articles in professional journals. Much of the material is to be gathered in England during the second half of 1937 under a grant from the Guggenheim Foundation.

See also IA4; VA8–10

5. LESTER, R. A. [PRINCETON UNIVERSITY]

Early American monetary experiments

To illustrate and test accepted principles with respect to the issue of paper money, this study analyzes approximately ten early monetary experiments. These experiments are selected mainly from Colonial monetary experiences and those of the revolutionary and post-revolutionary experiences of the New England and Middle Atlantic States. They include such examples as: (a) Quebec's issue of 'playing card' money during the French and Indian Wars; (b) Pennsylvania's use of currency issues to meet the depression emergencies of 1720; (c) early currency issues of Massachusetts and her experiment with the tabular standard after the Revolution; (d) California's adherence to gold payments during the 'greenback period'.

According to tentative plans this study is to be completed by late summer and published as a book in the fall 1937.

6. MARGET, A. W. [UNIVERSITY OF MINNESOTA]

The theory of prices

Recent controversy waged over central issues of the orthodox theory of prices affords justification for the reexamination of its postulates and methods undertaken in this inquiry. As a first step, the place and use of quantity equations in monetary theory and their relations to the quantity theory of money are reassessed. Charges that the older quantity equations are static in character and therefore inapplicable or of limited usefulness in dynamic analysis, as well as other criticisms, are fully considered and their validity tested. In this connection, Keynes' equations are analyzed and their limitations indicated, notably with respect to their applicability to dynamic conditions. As a second step of the inquiry, analysis is directed to concepts underlying quantity equations. This entails a thorough reconsideration of the meaning of the quantity of money and related concepts on which the validity of quantity equations ultimately rests.

For other parts of this project, which is in preliminary form, see VB6 and C3

7. MARGET, A. W. [UNIVERSITY OF MINNESOTA]

The velocity of circulation of money

Differences in meanings attached to the concept of velocity of circulation by various monetary and credit theorists, their recent tendency to break down their general velocity concepts into special classes of velocity types, and the unflagging efforts of statisticians to develop measures of velocity of circulation and its quantitative importance, are the subject of this inquiry. Generally speaking, the concepts advanced fall into one of two classes: [a] motion or flow theories, or [b] cash balance theories. These two classes of theories are subjected to intensive analysis to determine their validity and usefulness, for both theoretical and quantitative work. The section of the study devoted to motion or flow concepts deals with: (a) the quasi-motion theory; (b) the frequency of purchase concept; (c) the unit of work concept; (d) the circuit velocity concept; (e) the time of turnover and related concepts. The part concerned with the cash balance approach analyzes: (a) the cash balance concept and its corollaries, money in circulation and out of circulation; (b) the real balance concept; (c) the absolute and the relative cash balance approaches; (d) the subdivision of cash balances into consumers' and traders' balances, reserve funds and the like. Factors presumably determining the size of cash balances relative to expenditures are studied in some detail. Finally, measures of velocities of circulation are surveyed and their adequacy in terms of the velocity concepts they represent appraised.

An appendix is planned listing recent literature on the velocity of circulation of goods and its relation to the velocity of circulation of money.

For another part of this project see IIA15

8. MINTS, L. W. [THE UNIVERSITY OF CHICAGO]

Aspects of banking theory in the United States and Great Britain [1]

With the object of ascertaining the influence of conflicting theories of banking and credit in the various provisions of the Federal Reserve Act, the development of American and English banking and credit theory is being traced. Theories of especial interest to the study are: (a) those pertaining to the question whether banks create a circulating medium and if so how the quantity of bank currency is limited; (b) those which affirm the need for elasticity of currency and the ways suggested for attaining it; (c) those relating to the need for and manner of providing liquidity for commercial banks. American and English banking theory is being intensively studied up to 1913.

Completion of the study is not expected before 1938.

See also IA4; VA4, 9 and 10

[1] Ph.D. thesis, The University of Chicago.

9. VINER, JACOB [THE UNIVERSITY OF CHICAGO]

Studies in the theory of international trade

This series of studies[1] has been prepared with the expressed object of tracing the origin and development of classical trade and monetary theories at the hands of English and American writers. Of particular relevance to the present inventory are the studies reexamining the bullionist and currency controversies of the last century. The first is concerned with monetary controversy in the English inflationary period following the suspension of specie payments in 1797 and extending to 1815. It contains a critical exposition of both bullionist and antibullionist doctrines advanced in this period. The second study is devoted to the controversies that accompanied the ensuing deflation precipitated by measures and policies to reestablish specie payments, finally accomplished in 1821. The third study traces the currency-school banking-school controversy, 1825–65, its impact on the Bank Act of 1844, and the subsequent discussions concerning the role of banking operations, specie movements and Bank of England policies.

See also IA4; VA4, 8 and 10

[1] Published by Harper and Brothers, New York, 1937.

10. WADLEIGH, M. L.

The currency-banking controversy, 1820–1860[1]

Because of the lasting imprint made by the currency-banking controversy, waged in England during the first three-quarters of the nineteenth century, on financial thought and institutional forms, this study is reviewing this controversy anew with the object of systematizing points of view expressed on different aspects of the currency and banking problems. The first half of the study is devoted to the Currency School and traces the ascendent influence of its views on English banking system and the Bank of England. The second half is concerned with the rise of the Banking School, and the gradual penetration of its theories into monetary and banking policies.

June 1937 is the date set for completion of this study.

See also IA4; VA4, 8 and 9

[1] Ph.D. thesis, The University of Chicago.

11. WHITTLESEY, C. R. [PRINCETON UNIVERSITY]

Neutral money and neutral exchange rates

Concepts of neutral money are examined with a view to their bearing on the problem of neutral or equilibrium exchange rates. The object is to develop a more meaningful definition of exchange equilibrium and to establish criteria for judging departures from a position of neutrality, commonly described as undervaluation or overvaluation.

This study will appear as an article in a professional journal in 1937 or 1938.