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Volume Title: The Effect of War on Currency and Deposits

Volume Author/Editor: Charles R. Whittlesey

Volume Publisher: UMI

Volume ISBN: 0-87014-326-3

Volume URL: <http://www.nber.org/books/whit43-2>

Publication Date: 1943

Chapter Title: Front matter to "The Effect of War on Currency and Deposits"

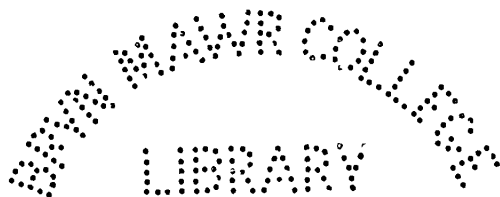
Chapter Author: Charles R. Whittlesey

Chapter URL: <http://www.nber.org/chapters/c5866>

Chapter pages in book: (p. -5 - 0)

The Effect of War  
on  
Currency and Deposits

CHARLES R. WHITTLESEY



*OUR ECONOMY IN WAR*

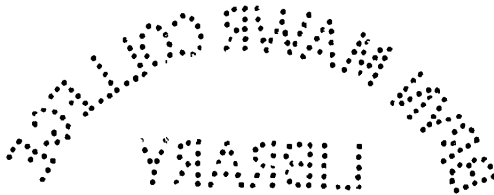
Occasional Paper 11: September 1943

NATIONAL BUREAU OF ECONOMIC RESEARCH

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## Preface

THIS PAPER is the third in the National Bureau series entitled "Our Economy in War" and the second prepared by Dr. Whittlesey.

The special studies in the series dealing with the effect of war on banking, prepared under the Financial Research Program, have been made possible by grants from the Association of Reserve City Bankers and the Rockefeller Foundation.

The present paper, *The Effect of War on Currency and Deposits*, is on a subject of vital interest to every citizen. It provides measures of the growth of the circulating medium since the outbreak of war; explains the processes, long familiar to students of money and banking, by which this growth has been brought about; considers the problem of the ownership of the increase in circulating medium; reviews ways in which currency and deposit expansion may occur in a period such as the present; and relates the wartime expansion of currency and deposits to the question of wartime inflation. The objective of the study is to provide perspective for consideration of wartime and postwar monetary developments in the United States and to indicate problems that may press for solution.

A preliminary draft of the study was circulated for technical criticism to a number of individuals cooperating in the Financial Research Program. The present study has benefited from their many suggestions.

Dr. Whittlesey is Professor of Finance and Economics in the Wharton School of Finance and Commerce of the University of Pennsylvania and Economic Consultant to the Penn Mutual Life Insurance Company. As in his earlier study, *The Banking System and War Finance*, he was assisted by Edith Elbogen and Willis J. Winn, both research associates of the Financial Research Program. Dr. Lorine Pruette was in charge of editing the manuscript.

RALPH A. YOUNG

*Director, Financial Research Program*

September 1943

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