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Chapter Author: Winfield W. Riefier, Chairman, David Friday, Walter Lichtenstein, J. H. Riddle

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B. CREDIT AND ECONOMIC ORGANIZATION

1. AMOS, J. E. [UNIVERSITY OF PITTSBURGH]

Economics of corporate saving

The explicit purpose of this study is to examine the extent, factors affecting, economic effects and theoretical aspects of corporate saving. First, the concept of saving and the place of corporate saving in it are analyzed. Second, a survey is made of available statistical materials from which corporate saving can be estimated. Third, several estimates of corporate saving and the methods used are critically reviewed; and the apparent amount of saving by corporations in the United States, 1922–32, is studied. Lastly, the factors affecting corporate saving, the theoretical consequences of this type of saving, and the effects of the surtax on undistributed earnings provided in the Revenue Act of 1936 are considered. The emphasis is on corporate saving as a special theoretical problem rather than on its more purely quantitative aspects as an element in the process of capital formation.

The study is to be completed and published as one of the Social Science Studies of the University of Illinois by late spring 1937.

See also IIC2 and 3; VB9

2. DUNCAN, A. J. [PRINCETON UNIVERSITY]

The process of trade adjustment,
South Africa, 1886–1934

Against a background of international financial theory, classical and modern, this study undertakes a comprehensive examination of the process of adjustment to capital movements and changes in international trade in the case of South Africa during 1886–1934. The first part is devoted to the adjustments of the South African economy to variations in the rate of foreign investment consequent upon the discovery of gold in 1886. In accordance with the requirements of the subject, it deals exhaustively with: (a) the volume of foreign investment from 1886 to 1913; (b) South Africa's balance of payments; (c) changes in South African trade, prices, and terms of trade, costs and incomes accompanying those in capital movements; (d) parallels with and differences between what happened under South African experience and what accepted theory would expect to happen. In the second half of the study, the analysis is concerned with the adjustments made to the decline in the world demand for gold from 1913 to 1920 and to the increase in the world demand for gold, 1930–34. The facts of the decline and revival of demand are carefully traced, and the concomitant adjustments described. The repercussions, on South Africa's financial and productive organization, of the widespread abandonment of the gold standard during the late depression are given special treatment in this part of the study.

At present in completed manuscript form, it is tentatively expected that this study will be revised for publication under the auspices of the International Finance

Section of the Department of Economics and Social Institutions in Princeton University during 1937.

See also IA3; VB7

3. HARRIS, S. E. [HARVARD UNIVERSITY]

Savings and investment concepts

This inquiry is an attempt to clarify the concepts of savings and investment that have played so prominent a role in monetary theory in recent years, and to appraise their usefulness for quantitative studies. Various available series that reflect the course and volume of savings and investments are being analyzed in terms of their relevance to various savings and investment concepts. The validity of certain theoretical hypotheses concerning the instability of the relationship between savings and investment and its significance as a factor in business cycles is to be tested.

See also IIC2 and 3; VB1

4. GILBERT, RICHARD [HARVARD UNIVERSITY]

International adjustment under inconvertible paper conditions

This study is directed to an analysis and description of price, income and trade adjustment patterns under conditions of flexible exchange rates. It is first, to reexamine different theories of the mechanism of adjustment under free currency conditions; second, to review the findings of such special studies as have been made of experiences of price, income and trade adjustments under fluctuating currency conditions; and third, to study especially these adjustments as associated with currency movements, during the recent depression, of England, France, the United States, and several other countries.

This is a long range project and is being financed by the Bureau of International Research of Harvard University.

See also IA2 and 6; VB8

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

The natural rate of interest

Concerned with the theory of the natural rate of interest, this study traces its historical background, notably the contributions of Wicksell and Böhm-Bawerk, and analyzes various conceptual aspects of the relations between the natural rate and market rates of interest from supply and demand angles. The purposes are to explore more adequately the meaning and implications of the natural rate concept, to determine the analytical usefulness of the natural rate in dealing with various theoretical problems, to ascertain the applicability of the concept of the natural rate in the formulation of banking and credit policies, and to compare bank rate policies based on the natural rate-market rate criteria with those based on other standards.

The study is made up of a series of lectures delivered at the London School of Economics in 1933 on the theory of the natural rate, a special inquiry into the implications of the concept for credit and discount policy theory, and a series of essays dealing with special phases of theory of the natural rate in terms of its real capital aspects.

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

The theory of prices

Using Keynes' theory of the relationships of the bank rate to the quantity of credit as a point of departure, a part of this inquiry reexplores the *modus operandi* of the bank rate of interest. This necessarily occasions a reconsideration of the following problems: (a) the rate of interest in economic organization and the relationship of the bank rate to the market and 'natural' rates of interest; (b) the interconnection and priorities in changes in the bank rate, the quantity of circulating credit (M′), and prices; (c) the interrelations among changes in the bank rate and output, earnings, the structure of production, savings, velocities of different classes of deposits, and conditions in the financial markets; (d) the functioning of interest as a capitalization factor for future incomes affecting prices and conditions in the financial markets and as a cost factor affecting the rate of investment and thereby output; (e) the relations presumably obtaining among credit (M′), prices and output.

For other parts of this project see VA6 and C3

7. VINER, JACOB [UNIVERSITY OF CHICAGO]

Studies in the theory of international trade

Another of this series of studies reviews the history and present status of the theory of the mechanism of adjustment of international balances. Divided into two parts, the first considers the theory of adjustment as an automatic mechanism under the simplifying assumption of standard metallic money as the sole circulating medium, and evaluates critically the role of such equilibrating forces as: (a) relative changes in demand; (b) relative price changes and the terms of trade; (c) velocity of money; (d) exchange rate movements. The second part deals with the theory of adjustment in the light of modern banking processes and analyzes: (a) the difference between a modern system without central bank control and one with central bank management; (b) the objectives of central bank control; (c) the operation of the mechanism of adjustment under the application of alternative central bank objectives; (d) the role of short term international loans under modern banking processes; (e) the Canadian mechanism of adjustment, 1900–13; (f) repercussions of business cycles on the international mechanism.

This analysis of the history and present status of the theory of the mechanism of international adjustment is contained in the volume, recently published, under the above title.[1]

See also IA3, VB2

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

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

International monetary issues

Whether or not a return to an international gold standard system is desirable, in view of the fixed parities it requires, is the central problem to which this study is devoted. The scheme of its organization, therefore, conforms with the pattern of subissues that this main question raises. These include: (a) the international functions of money, and the role and effectiveness of the gold standard in performing them; (b) the behavior of foreign trade under fixed and variable exchange rates; (c) the relations of fluctuating exchanges to other balance-of-payments elements and to trade barriers and governmental controls; (d) the effects of currency instability on foreign investments; (e) the repercussions of currency instability on commercial and central banks. A final part of the study comprises a survey of the current international financial situation and an analysis of the changes in monetary organization that it seems to demand.

This study has recently been published as a book.[1]

See also VB4

[1] McGraw-Hill, New York, 1937.

9. WINAKOR, A. H. [UNIVERSITY OF ILLINOIS]

Dynamics of working capital finance

This inquiry's approach into the working capital aspects of corporate business finance is entirely from the standpoint of economic forces to which corporate entities are subject. Analysis is directed first to the concept of working capital with the object of effecting a reorientation in terms of economic theory, business practice and accounting methodology, and also showing its interrelationship with the composite income flow and capital turnover of corporations through time. This analysis is followed by a consideration of business outlays and their relationship to working capital and its changes, with particular attention to repairs, maintenance, depreciation according to the size of the enterprise. Problems and methods of financing working capital under various conditions and for different purposes, i.e., seasonal, cyclical and secular requirements, including requirements under both inflationary and deflationary conditions, are next taken up successively. Finally, analysis is made of: (a) the relationship of working capital to the capitalization and short term debt of corporate enterprise and its availability for capitalization changes and short term debt retirement; (b) special demands that may be made on working capital from time to time; (c) the relationship of working capital to dividend, surplus and corporate savings policies. The objective is to set in new perspective the determination of financial and credit structure of corporate enterprise, and to indicate some of the limitations of the conventional standards or norms of financial practice.

This study is in an advanced stage and is expected to be completed and published as a book in 1937.

See also IIC3