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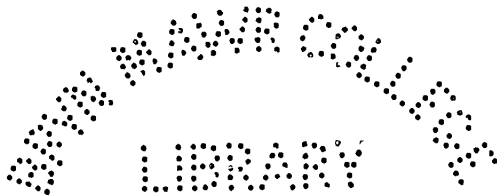
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The Effect of War
on
Currency and Deposits

CHARLES R. WHITTLESEY



OUR ECONOMY IN WAR

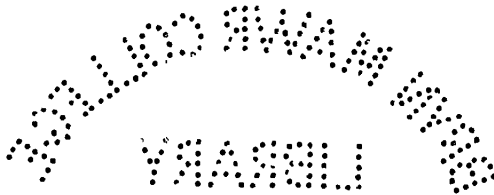
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Preface

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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