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enon of the greatest significance to both Reserve Banks and commercial banks.

Fiscal policy is construed much too narrowly if we think of it independently of the circumstances in which it is expected to operate. Not the least of these external circumstances is the volume of circulating medium. At times like the present attention is inevitably directed toward short-run effects of our financial policies. It is scarcely less important, however, to remember that the policies of today are setting the stage for the policies of tomorrow. This is true in the realm of fiscal policy; it applies also with respect to central bank policy and to the policies of individual banks. We are helping to determine today both what must be done at some future time and how it can be done.

ADDENDUM: Monetary Expansion to June 1943

At the time this paper was completed data on deposits and currency were not available in final form beyond December 1942. The purpose of the present note is to indicate the magnitude of the growth of deposits and currency during the first half of 1943. The total volume of circulating medium at the end of June 1943 may be estimated at approximately \$80 billion. The increase of 46 percent during the fiscal year was equal to approximately 75 percent of the total circulating medium outstanding in June 1939.

As the following summary shows, the increase in total circulating medium in the first half of 1943 appears to have been only a little over half as great as in the preceding six months.

	<i>Total June 30, 1943^a</i>	<i>Increase Fiscal Year^a</i>	<i>Increase July-Dec. 1942</i>	<i>Increase Jan.-June 1943^a</i>
	(in billions)			
Circulating medium	\$80.0	\$25.5	\$16.6	\$8.9
Currency	15.7	4.8	3.0	1.8
Demand deposits, adjusted	56.0	14.2	7.0	7.2
Government deposits	8.3	6.5	6.6	—0.1

^a Estimated

Adjusted demand deposits increased about the same in each period while the increase in government deposits was exclusively in the first six months, a slight decrease occurring in the second six months. This was largely because government deposits were at a peak in December as a result of the first war

loan. It may be added that during the fiscal year 1942-43 time deposits increased by about \$2.7 billion to a total of \$30 billion. This increase, while small relative to the increase in circulating medium, compares with a net increase of only a half billion over the preceding three years. The increase in time deposits during the first half of 1943 was 50 percent greater than in the preceding half year.

The slower rate of growth in circulating medium in the second half of the fiscal year 1942-43 is partly the result of seasonal causes. A number of factors may be operating, however, to bring about a slower rate of growth, such as a reduction in the relative scale of Treasury borrowing from banks, a slackening in the rate of growth of industrial production, a slowing down in the expansion of the working population and the armed forces, and a decrease in the movement of American currency abroad for use of the military. The future course of monetary expansion, however, will be effected by many uncertain elements—the shaping up of military events, the success of price control measures, the fiscal policies of the government.