Theory of currency

A fragment

From

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keel

Content: I. World money: i. The creation of world money; 2. The technique of transferring money: A. Book money as principal money; B. cash as principal money; 3. The effects of money transfer: 1st stage: immediate payment; 2nd stage: the final cleanup. - II. Teilgeld: 1. The creation of Teilgeld: A. with production costs; Without production costs; C. Abstract; 2. The technique of transferring money: A. without compensation; For example with top money; C. Abstract; 3. The effects of money transfer (The transfer problem with many money): A. Automatic peak compensation.

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Issues arise when there are different kinds of money. To see them clearly, we go the proven way from the simple to the difficult. We start out from an imaginary economy, in which only money circulates, and we are gradually approaching the real economy with its many types of money. In this simple way, we easily separate the effects of monetary difference from mere monetary problems.

I. World money

Imagine an economy in which there is only one kind of money. How can this money arise? How is it transmitted? And what happens?

Note of the editor: The manuscript of this work bears the note "aborted in January 1942". Obviously, it was not the intention of the author to hand over the present study to the public. On the other hand, the author has repeatedly referred in a personal conversation to this work and argued in the argument arguments that are reflected in the "theory of currency". On the manuscript there is also the note: "this copy has been reviewed by me", so that the transcript with the above restrictions can be regarded as definitive. No changes have been made by the editor. The marginal notes of the author have been included in the text with square brackets.

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i. Creation of world money

We ignore the historical development of money. This is indifferent to our train of thought. Rather, we start from an economy in which money already exists, so that the only question left to be resolved is how to increase or reduce the existing amount of money.

Was a commodity, ie z. For example, gold, money, so the production of additional money depends only on the cost of production and possibly the discovery of new deposits. The whole amount of money, apart from accidental losses, can only increase but not decrease.-The effective amount of money, moreover, varies according to whether money is withdrawn from traffic by hoarding, or redirected by abstaining, 1 but we can do so for the next refrain.

If, on the other hand, the money consists of notes or, in its purest form, even only bookings, then the agency empowered to create money can arbitrarily increase the money supply by simply printing new notes or increasing the credits of certain persons in their books. Those who receive this newly created money, apparently without immediate compensation, can thus buy goods and services beyond their income, and they must buy those goods and labor (at full employment) from others by driving up prices with their extra purchasing power , Of course, the central office will not favor any person in such a way, but rather limit this expenditure of money to essentially two cases: i. money-making for those governments that want to finance their unproductive expenditures, rather than through inflation taxes; 2. lending to governments and entrepreneurs who make such productive investments for which voluntary capital formation is insufficient. The creation of money meant a compulsory saving of the rest of the economy in favor of those enterprises 2 . Depending on whether the central office sets the monopoly price for these loans, the discount rate, more or less below the natural (corresponding to the voluntary saving) interest, the demand for it and thus the money creation will be more or less large. The poorer people are, the less they save voluntarily, the greater is the lure, the whip of compulsory saving[2] \* accelerate economic development. Of course, this remedy always works only temporarily. If the money supply is increased in such a way, additional money creation beyond the old scale is needed, in order to provide the economy with funds for new investments beyond the voluntary capital rebuilding. The fact that the old loans are repaid and re-issued to other entrepreneurs by the central office does not mean a new generation of capital, but merely the preservation of the old one.

2. The technology of money transfer

A. Book money as main money: a. Posting (rebooking): oc. A central office. Schumpeter once called the money a curious form of social settlement. In its purest form, we could easily think of this billing as centralized accounting for the whole world. Every natural person and every legal entity would have their account there, and if the employee had to receive A from his principal P on payday 200 JIJK, the central accounting would simply note in the usual way: principal: 200 JU ff, employee : 200 JUl , As soon as A spent his salary he would be charged again in favor of the landlord, the innkeeper, the tailor, and so on. Cash would be superfluous. All payments would be done through central reposting. So the simplest thing in the world - at least in thought.

ß. Hierarchy of the Central. - In fact, the central accounting has two disadvantages: For small and for remote payments, it would be too cumbersome. The payment between A and P would take weeks if they are far from the head office. This could be remedied to some extent by having central accounting establish branches all over the world, subordinating them to branches, etc., so that everyone has their account very close by. The lowest booking offices would then manage the individual accounts. Payments that remain within your account group, ie payments within a neighboring group, can be settled immediately. Payments that go beyond that, Femzahlen so run on the next higher headquarters. In this case, the lowest central office has a credit equal to the sum of the credits on all accounts managed by it. She simply credits a Fem payment to her supervisor's account and debits the customer's account as usual. Your entire balance will be reduced by the Femzahlung. The notification of the payment (sender, recipient and sum) now goes up the whole hierarchy from central, up to that

Location to which both sender and receiver belong, and then down the entire hierarchy to the lowest accounting location holding the recipient's account. However, the names of the actual confirmer and recipient do not appear in the books of all the parent control centers. They only keep the accounts of the next lower and their own account at the next higher head office. With all of them the Femzahlung appears only as a transfer between these centers.

b. Abbreviated booking (clearing). Nevertheless, any posting would be repeated at each level of the hierarchy over which the payment must be made, and only the name of the accounts would change. The speeding up of the near payments would be bought with a complication of the Femzahlung: This can be at least partially remedied by each center on the accounts of their customers only the balances, the balancing exits and inputs but against each other, so omitting. Completely, the payments would then appear only in the private accounting of the individual economic agents and in the circulating notifications. Already in the books of the lowermost headquarters, the balances would go to each customer alone. In the world's central accounting system, instead of billions of individual payments, only the few balances that result for the next lower centers would be recorded daily.

c. Cash as deputy money (mixed balance). - For the small payments of everyday life, even the shortened path through the local and regional booking offices and even the shortened technology of transfer posting by means of billing is still too cumbersome. At best, it is still important that (in our old example) the principal instructs the responsible central accounting department to transfer 200 JUl to the employee's account. On the other hand, it would be absurd if, in order to free a letter, he would have to send a second letter to the head office, so that it would debit the 12 Jipf from his 200 JUl in favor of the post office. Since most of our employee's expenses are made up of such small items, it is much more practical if he only deducts the large payments, the rent and the like, by rebooking, instead of the many small transfers once perhaps 100 JUl from his central credit and get a card with 100 points for it. Each point is worth one Reichsmark, and A cuts off a corresponding number of points in his purchases, as in his dress card during the war. It makes sense to completely eliminate the annoying truncation by providing the individual points separately from them. Even a smaller denomination and a more durable form are useful, and with that we have arrived at banknotes and coins, which in fact prove to be a particularly practical method of economic settlement in many cases.

Of course, this useful shortcut to cash-carrying cash-overs now has side-effects that, as we'll see later, can turn out to be unexpectedly momentous. First, not all payments go through the central offices. Only for the large transactions, this form of billing remains superior to the decentralized delivery of cash. We have two types of money: cash and book money. However, book money is destroyed at the same rate as cash is created, and vice versa. The cash merely replaces the book money. In an initially harmless form, the unity of money is broken. Secondly, as a result of the emancipation of small payments, it is no longer possible to determine the total assets of each one centrally. The control over the individual is lost.

Thus, each step towards a more expedient mode of payment at the same time complicates the originally clear conditions of simple central accounting. With the spin-off of geographical groups from the world economic central accounting no more all payments run under the names of the directly involved by all books; with the introduction of shortened billing, all payments no longer run separately through the books; With the creation of cash, not all payments on the books run at all. With each easing, the payment process further slips away from the centralized grip and eventually becomes a direct transaction between individuals. But as long as nothing else happens than what we have described, the dangers of this development remain hidden, while their advantages are obvious.

B. Cash as principal: a. Shipment. - Now let's go to the other extreme and suppose there is only cash. Then, every payment basically settles like the local small payment transactions in daily life: the buyer hands over (retail) or sends (long-distance trade) the purchase price in cash. In place of the central accounting as other extreme occurs the individual dispatch.

b. Abbreviated shipment (clearing). - This simple, solid method is the most convenient for public transport. In long-distance traffic, however, it has the disadvantage that unnecessarily many costly cross-shipments occur. Between two places money is usually sent simultaneously in both directions. Many individuals send and receive money at the same time.

a. Free clearing. - Has the same date A to Q, B to C and C to A ioo JlJH to pay, so each of Dreie will instead send money, looking to exploit its demand to meet its obligation. A z. For example, C instructs C to pay JUC, which he owes him, to B instead of him. But since C has a claim of the same amount to B, he simply calculates both items against each other. As a result, any money is omitted. It is a true, although free, unregulated clearing. Everyone gets rid of his obligations to individual business friends by utilizing claims against others and, if this is not enough, by sending money. The total amount of his money transfers equals the surplus of all his obligations over his claims.

ß. Central clearing. - Free clearing works only within a small circle of those involved. As world clearing it fails because it is not possible to coordinate in good time the dispositions of millions of economic agents. While A notifies C that he may pay to B, a request from B to A may already be under way, A may pay his debt not to B, but to his creditor D. Then A has to give the C a new instruction, which may already be too late, and so on.

This can be remedied by the fact that special clearing offices in each case reduce the number of individual payments. Each one of them receives from them or has to pay them the balance of their demands or obligations and does not have to worry about the further. Higher-level clearing houses act exactly the same way with respect to the small ones, so that only the balances, and these only over short distances, need to be sent. The final piece of this hierarchy is a World Clearing House, where only those payments are made that are to be made between the territories of the next lower-level central offices. It would, like all other clearing houses, be only a transit point for cash. She would also run pure collection transactions, offset the same items in exchange with each customer and pay the balance in cash. Further, the simplification can not go under our assumption that there should be only cash.

c. Book money as deputy money (mixed balance). - The customers of the clearing houses will find the daily cash settlement in cash annoying. You can avoid it by depositing cash at your clearing house, thereby establishing a balance. This credit will then be increased or decreased by the amount of the collection balances, as the case may be. It is thus possible, within certain limits, to replace a cash settlement of these balances by reposting. In place of the cash and its delivery comes the book money and its rebooking. The clearinghouse becomes the bank. It differs from the central accounting office, as we have discussed above, only in that a credit is with her not legal, but only practical, private means of payment.

If the payment remains within their circle of customers, this book money is as good as money, ie since the payer only needs a debit and the recipient is satisfied with an increase in his bank balance, the bank's cash balance does not change at all, then it is necessary just a transcription in their books. If the bank itself retains a credit balance with the higher-level clearing house by transferring part of the cash paid in to it, it is possible that payments which go beyond its clientele can be made by mere reposting, without cash movement.

A certainty, however, that all payments made through the banks can be settled cashlessly, would only exist if all existing cash were ultimately paid into the World Clearing House. The cash would then be completely replaced by book money, our case B would have gone into case A. But it will not come to that, as we have said, cash is more convenient for a whole range of payments. As a result, on the one hand, it is never certain that the customer will not withdraw a portion of his bank balance in order to make such cash payments as, on the other hand, he does not hold his bank balance so large that it can handle all payments made through the bank without subsidies. Likewise, in the case of part of the balance of payments in excess of its clientele, the bank will sometimes have to resort to sending cash, namely when its credit balance with the higher-level bank is insufficient. But as their cash holdings -f central bank deposits diminish, so do the deposits of their clients. The private book money always moves at the same level as the cash, on the basis of which it was created. When cash is activated, book money is destroyed, and conversely, cash is withdrawn from circulation to create book money.

With this we have, from the cash, advanced to the same place as we have already reached, proceeding from the central book money: Practical expediencies push both times to replace one kind of money in part by the other. In addition to the small cash payment of the small, the central rebooking of large traffic occurs. In both cases a clearing develops, in which the reciprocal obligations are canceled out as far as they balance each other out, and only the balances are paid, soon by sending cash, sometimes by transferring book money. In all of this, the derivation from the individual as well as from the whole leads to the same result, as usually the irritating differences between extreme points of view in the practical elaboration blur. Nevertheless, even in science they tend to be equally popular with friend and foe, because they represent themselves as pathetically as they can effectively refute them.

3. The effects of money transfer

(The transfer problem)

As sole money, we think of the same gold coins circulating throughout the world. Let us further assume that for every person (and therefore also for every geographically or politically determined group of persons, ie also for each country), their payment obligations to the rest of the world are as great as the payments which they have to demand; all balance of payments are in balance.

In this balanced state a disturbance burst: For some reason the payment obligations of the German factory A increase opposite the foreign factory B. The cause of the disturbance is - I contradict it the school of Freiburg - completely indifferent, because of it depends only the special form of the procedure through which it is overcome, but not its general nature. Although it would be clearer if we were to analyze a specific case of disturbance, nevertheless I only want to briefly report the general validity of the result, since the doctrine of trade is assumed to be not developed here[3] .

As far as the mutual payment obligations (between Germany and the foreign countries, especially between A and B) cancel, their clearing takes place simply by way of clearing. The remaining peak of payments, on the other hand, represents a difficult task, which is successively resolved in different stages and at the same time by several means.

1st stage: the immediate payment. - At maturity, the tip must be paid immediately and in cash. A sends to B a corresponding amount of gold coins. An everyday and seemingly completely unproblematic event. Alone so it is only private. Economically, it is neither a pure cash payment, nor is the whole process completed as soon as the German debtor has satisfied the foreign creditor. The last results in the presentation of the other stages, the first one will be readily apparent, if one wonders where the money for the private sector payment comes from.

a. Money dispatch. - Part of it probably takes A from his cash register, ie for the time being it reduces its normal existence.

b. Goods shipment. - The rest of the money A has already procured by increased export surplus, ie by real transfer. How did that happen?

oc. As a result of purchasing power shift. - The purchasing power of the debtor decreases, that of the creditor rises even before the action, with the mere expectation of payment. A restricts his expenses (or his loans), even if he still has the money to do so. So he ordered z. For example, he uses less raw materials than usual to fill up his warehouse. He refuses to cover the roof and refuses to loan a business friend. B, on the other hand, increases his orders and his purchases on credit early on, trusting that he will receive the payment of A by the due date. ^ So he orders, for example, a booking machine, starts an extension, offers a loan to a customer Reason of this already scheduled. Insofar as A reduces his purchases of goods and B may even order the new booking machine at A for delivery from his warehouse (which will of course be a stroke of luck), the export surplus of A will increase, partly by reducing its importation, partly by increasing its exports. In this way, A obtains at least a part of the money which he needs on the due date of his debt for the purpose of paying them.

ß. As a result of price shift: price waves. - The above-mentioned export surplus of A is independent of and before any price change[4] . As far as B does not simply buy that, which A does without, as long as it does not come to a direct and immediate compensation of purchasing power and purchasing power increase, but price shifts are the result of the expected purchase force shift. There is a price depression in the factual and geographical

Environment of the debtor and at a corresponding price to the creditor. High and low propagate in ring-shaped waves[5] . The beginning of this movement falls before the payment date. Insofar as the increase in purchasing power and the loss of purchasing power directly offset each other (by making purchases from the area of ​​the price peak in the area of ​​price depression), this is not a mere transfer, but a definitive transfer of real.

But not only the debtor (as a result of the failure of his demand), but also himself, prices will fall and conversely the creditor will rise. The debtor will seek to obtain additional funds by clearing his stock with the help of price reductions. Conversely, the creditor loses the need for forced sales.

c. Credit movement. Finally, the debtor can try to borrow part of the money he needs to repay his debt. How much that will be depends essentially on the interest rate that it is prepared to pay given the creditworthiness. The higher he goes, the more money he can get on credit. The creditor, conversely, in anticipation of the payment which will fill up his cash, may be more inclined to grant loans, indeed he will, if he does not need all the money in his business, look directly for an investment for the surplus funds. If he wishes to invest them close to mortgages, which is always a reasonable tendency of most creditors, he may even have to settle for a relatively low interest rate to find enough safe borrowers. Thus, credit flows away from the creditor and others to the debtor.

d. Result. - So we know the sources from which the debtor on the payment date, the necessary cash flows. He takes it partly from his cash register, partly by increasing his revenues (and not always by reducing his prices), partly by reducing his expenses, and finally lends the rest to him Reduced cash balance and lending it are only a temporary solution. After all, he must also repay the new loan once and bring his cash reserve back to normal. In that regard, he is - to speak in the language of transfer theory - the real transfer still ahead. He must, sooner or later, raise his export surplus for this purpose by selling more goods and limiting his expenses.

On the other hand, the creditor will by no means - as it first appears - see his reserve increased by the full amount of the repayment. As far as he has already increased his orders in anticipation of the payment, he will soon have to pass the money on to his suppliers. As far as he became willing to credit or more restrained in his product range, he will first fill up his fused cash. And only what is left is thickening his wallet. Insofar as this is the case, and insofar as he lends the new money, he also has the transfer of the real estate, ie the taking into the form of goods, still ahead of him.

Thus, until immediately after the payment of the debt, three things have happened: i. a punctual transfer of the nominal amount, ie a money transfer amounting to the full amount owed. 2. A partial real transfer, ie a payment in goods, but not in full amount of the debt. Insofar as the goods flowing away from the debtor went to initially uninvolved third parties or the goods flowing to the creditor came from initially uninvolved third parties, this is a continued real transfer, ie a transfer of goods always proceeding from the creditor and the debtor with the above-mentioned price waves is rolled on. Only as far as someone from the area of ​​the price increase wave (the creditor or a third party) with his additional buying power in the area of ​​the price reduction wave (from the debtor or a third party) buys goods and thereby compensates for purchasing power and purchasing power withdrawal - only so far does a final real transfer happen. The extent of the final real transfer is therefore initially smaller than that of the rolled-over. For creditors and debtors, however, the real transfer is done at the level of the last. There are other people who perform the final transfer of real estate between them. 3. A temporal shift of the real transfer, as far as the debt was not settled economically by commodity, but by monetary or credit movement.[6] of the first and third items, so the monetary and credit movements, is not made a start, rests the task of real transfer still unbroken the debtor and creditor, and only the nominal transfer is done without any remainder. After the payment is still pending: nothing more of the nominal transfer, a part of the rescheduled and most of the final real transfer.

a. The complete advancement of the real transfer: a. The return of the cash. - Both creditors and debtors have an interest in bringing their cash balance back to normal levels. As a result, the debtor will continue to increase the export surplus by restricting his purchases and selling his sales, while, conversely, the creditor will award additional orders and will continue to be reluctant to enforce the disposal of his products by special advantages. The resulting continued import surplus leads to a cash outflow at the creditor, thus forcing its remaining increase in purchasing power (just as the debtor forwards his remaining loss of purchasing power). So money flows away from the creditor and towards the debtor, without the contact between these two flows of money being immediately established. It is the same process that we described in detail above for the part of the debt that is actually transferred before the payment date. The old purchasing power waves are followed by more.

ß. The return of the loans. - Also, the loans, by means of which both creditors and debtors have postponed part of the real transfer, will sooner or later be replaced by a transfer of goods. This can happen even before they are due, as their relatively unfavorable conditions make them eager to get rid of them as soon as possible. While at the first stage of the settlement of a value transfer money and credit movements bring the advantage that the goods movements do not need to be overstimulated so far, this deferred real transfer is gradually made up on the second stage following the nominal transfer.

Y. The continuation of the price waves. - The original purchasing power and the waves of buying power following for the reasons just discussed now continue the transfer of real. They spread in growing rings around the two trouble spots and run in all directions around the earth. For the areas they have already gone through, the real transfer is done (apart from diffusion phenomena), ie it has already passed a flow of goods equal to the payment due, in the direction away from the debtor and towards the creditor. The price waves, which accompany the purchasing power waves, continue to drive and suck these two flows of goods. First of all, these are two separate goods waves, which correspond exactly to the two purchasing power waves. One moves forward from the debtor, the other from the creditor. This consists of an abundance of goods (created by the loss of purchasing power), which seeks new markets at reduced prices, and this appears (in line with the increase in purchasing power) as a hunger for goods, which is covered elsewhere by rising prices.

b. The conclusion of the final real transfer. Meanwhile, these waves of purchasing power, prices and commodities are converging closer and closer, and it is increasingly common for demand from the price increase wave to go directly into areas of price depression and finally offset purchasing power and purchasing power withdrawal (final real transfer). Finally, the remains of the waves meet completely, it completes the final transfer.

The original troublemakers, A and B, have nothing to do with these recent transmissions. They are completely out of the transfer as soon as they pass it on to others. Even for the two countries to which they belong, the transfer is already done, not only when a purchasing power equalization across their border happens, but even if only one of the two waves exceeds the limit, so if it is only a passing , is not yet about a final settlement. The state aspect is thus much narrower than the macroeconomic one.

Part II

As simple as we have described so far, the processes are not really in reality. You become involved as soon as there is so-called partial money in addition to or in place of world money. Part-payment are means of payment that are valid only within a spatially or factually limited group of people.

i. Creation of partial payment

A. With production costs. - Such means of payment arise through particulate money creation. Suppose that the world money is gold, and that in a certain area another commodity, the silver, becomes a partial. This can not be done by replacing silver from current production with other products from current production. Such a natural exchange would have no influence on the general level of prices[7] . Only old silver, which comes from earlier production periods, can clearly be money. Whether it becomes that, whether the stocks of silver hoard or warehouses, money or goods, depends on whether they are usually liquidated against goods or whether they are liquidated for world money. In the second case, the silver warehouses face the unchanged purchasing power (active money supply) as an additional supply of goods that pushes prices, ie the exchange of goods for money. In the first case, on the other hand, the dissolved silver deposit increases the active money supply (the purchasing power), which drives up the prices, since the supply of goods is unchanged.

As a result, the import surplus of the silver area increases, and gold flows off as payment, until finally the entire gold stock of the area is exchanged for goods[8] . This exchange takes place under conditions which are relatively favorable for the silver area, since its prices have risen in proportion to those of the gold area. This improvement in the barter terms of trade and, in general, the exchange of gold for goods, is the counterpart to the reverse processes that took place when the gold standard was once reintroduced in the area in question. A real advantage does not accrue to the silver region, since now the goods exchanged for the gold have to be given to produce the necessary silver. Rather, there is a general disadvantage in that again productive forces must be diverted to produce instead of goods money. This disadvantage occurs in the land of gold, in the form of the loss of wealth redeeming the gold flowing back from the land of silver; In the case of Silver, the loss is shown by the fact that, in accordance with the general increase in prices, more silver must be produced than the quantity of gold previously circulating in the silver area.

But there is a certain advantage in the silver field for another reason, and in it one will have to see one of the reasons for the introduction of the silver as partial payment. The area where silver money will be conveniently used will be grouped around the large silver deposits and, accordingly, the gold area around the gold reserves. With the distance from the sites, the value of gold increases by the transport costs in the broadest sense, and accordingly the level of the remaining prices decreases with the distance (as long as new gold is produced at all). Thus, commodity prices are low in the area of ​​silver mines (remote from the gold discoveries), if gold is there, while they would be high if silver money rotates because its transport cost is lower. The surroundings of the silver mines achieve better exchange conditions in the second case. The advantage, however, decreases with distance, and a state of indifference is reached where the transportation costs of equivalent gold and silver quantities are the same. There, if not other factors (for example, the advantages of having world money in addition to partial payment, or the desirability of choosing metal of high value for more valuable coins, or metal of lower specific value for minor coins, etc.), there would still be one Role played, the border between gold and silver coins.

It should be noted that at every point between the gold and the silver mine equal amounts of silver or gold have to be given for equal quantities of silver or gold. The value ratio of the precious metals among each other but changes from place to place something. In principle, a different exchange rate applies to each geographic point.

Let's summarize: i. A commodity becomes a part-payment, by waiving its consumption within a certain area and exchanging it regularly for other goods in later consumption periods. 2. This renunciation of consumption in the amount of additional money (at the level of its production costs, not its - as a result of the increase in prices caused by it - purchasing power) is final and is not compensated by anything. 3. The area of ​​application of the new partial allowance does not carry him alone, it spreads over the whole earth. The world monetary area participates insofar as corresponds to the purchasing power of the world money flowing out of the part-money area. The part-money area carries a. the cost of production of additional part-payment due to the price increase, b. the difference between the production costs and the purchasing power of the remaining part-payment[9] .

4. While the part-money area thus accounts for a relatively larger part of the cost of money creation, on the other hand it now receives foreign goods on more favorable terms (provided that currency metal is produced on an ongoing basis), since foreign countries are no longer part of an importation with newly produced world money can pay. It also saves on transport costs as the place of production of the part-fee is closer. Thus, the accumulation of the part-fee is only detrimental to the remainder of the world-wide coverage, while the benefit of the part-fee may outweigh the benefits.

5. As a result of the increase in money prices rise. If the money supply were only increased once, the prices would be uniformly higher everywhere after some time. But so they rise to the sources of money (the metal foundations). Most of them are rising at the production sites of the new part-money.

6. This price hike slows down the recovery of currency metal to an unknown degree.

B. Part-payment without production costs: a. Bank money: a. Causes of its generation. - A little different happens and affects the creation of Teilgeld, if the money instead of goods consists of bookings and banknotes. As we saw in the beginning, cash breaks down the unity of money and the central control of its transfer. This splitting of means of payment and payment makes it easy to create part-payment in addition to the central one. This partial payment can also be cash or book money. In a harmless form, as shown above, it arises by mere exchange for world money. World money then remains unused to the same extent, as part of the money is created. The banks are the most important bodies, often replacing one with the other because of technical expediency.

Things are very different as soon as the banks operate the loan in addition to the mere payment. First of all, they can lend back to them the amount of money they have paid over a shorter or longer period of time, or as equity for a similar period of time. In the process, they will find that a large part of this world money always flows to them or not at all, whether it is that the borrowers are satisfied with a transfer in the form of partial money (banknotes or bank balances) about which they do not initially or only to make payments to other clients of the bank; or is it true that while they pay non-customers of the bank (ie those who do not accept their partial payment) with the borrowed world money, they then give it back to bank customers, who then exchange it for partial payment, or is it finally that Although borrowed world money for the duration of the loan flows into the area of ​​other banks, but is replaced by an influx of world money, which comes from loans granted by those other banks. In short, because much of the credit is not used at all, only in partial or in world money that is being replaced, our bank's stock of world money does not diminish by the full amount of the credits granted. It can therefore make further loans, well beyond their original world money. However, she will not go that far until her entire stock of world money is exhausted. Because if you too

If one can count on a high probability of losing world money only for a certain part of the credit (yes, if it keeps the same pace with the other banks in the granting of the loan, almost no world money), the full possibility remains that it will coincidentally, once more, or even as a result of a sudden flare-up of panic mistrust in their part-payment, even once in the full amount of the credits must pay world money. By keeping a certain reserve of world money, it can deal with accidental demands, while there is no sure protection against the panic, unless the bank refrains from giving more and longer-term loans than are covered by the world money deposited with it. Neither the hope of being able to lend money from other banks, which are not affected by the panic, or by a superordinate bank (such as a national central bank), nor a high own reserve of world money is a reliable backup. Absolutely reliable and solid is only one hundred percent cover by world money. This applies to all producers of partial money, that is to say, to the national central banks issuing paper money, as well as to the private banks generating book money.

But before we continue on this track, we need to be clear about what is actually happening when lending to the banks from a macroeconomic perspective: 1. A loan brokerage. If there were no banks, individual economists would have tried to lend money that they did not need right now. The banks would only take this effort from them. - 2. A credit creation. The loans of the banks exceed this sum, just by the amount of the credit creation, ie the creation of additional credit. That is possible, a. because it is easier for the bank to find a suitable buyer for these unused funds than the individual, and b. because he also hands over part of his cash reserve, ie funds that he would not borrow at all, to the bank. Insofar as he makes payments to other customers of the bank, this does not require world money (unlike if he were to make the payment directly). It is enough to completely the book money of the bank. In that regard, the world money reserve by connecting to the clearing service of the bank is redundant, it can also be borrowed. For these two reasons, a credit creation already takes place, if the bank lends only as much as it gets in Weltgeld. That she c. In addition, we can create further credit from nothing, we have established above. - 3. Every credit creation takes place by means of an equally large money creation. And although it is now about creating an additional active money supply, so it is not sterilized as in the mere payment of world money in the amount of the newly created bank money.

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The extra money comes partly through activation of paid world money (as long as it would remain sterile in the coffers of the individual without the bank), partly - and this is what matters to us - by creating partial money (without a corresponding deposit of world money preceded).

Now we see clearly. In the course of credit creation, and only in the wake of credit creation, active money is being recreated. Only a part of this active money is book or paper money of the bank, thus Teilgeld. And not every new creation of partial money by the bank, not the mere payment, but only the credit creation, on the other hand increases the active money supply. The partial payment thus falls into alternative (replacing the world money) and active (increasing the effective purchasing power).

ß. The limits of the generation of bank money. - the creation of partial metal money is limited by the cost of production; What limits the creation of paper or book active active participation? Let's first look at the book money of a private bank. It is created by credit creation. So we have to clarify where it ends. This results from the analysis of the reasons why it is possible at all. The further the bank goes in the credit creation, the weaker are these reasons: The local price increase leads to the fact that the loans are exploited more and more rapidly; that less and less money is being used to make payments to other customers of the bank, that less and less world money is coming in or out of other places. As a result, our bank's reserve of world money is melting ever faster with continued credit creation. The risk that they are no match for accidental over-payments for payments to be paid in world money is growing ever greater. Increasingly, there is also the danger that one day there will be a panic change from partial to global money. Thus the conservative environment has a braking effect on the money creation of the individual bank.

But how far is this environment conservative? It has often been argued, and for banks in the same place, this is most true that they must do it to the credit-creating bank. The latter is able to lower its prices, that is to say the borrowing rates, and thereby removes part of the business from the others. As soon as the other local banks follow, the domestic payments that the first-lending bank has to make claim less world money, as more payments are now made in the opposite direction. As the added value of all local banks collectively raises local prices, they all lose even more money abroad. This is likely to outweigh the local savings, slowing money creation earlier than if it had been undertaken by only one bank.

It is different when the money creation spills over from the source of origin to other places. This is less likely, because the foreign bank n the competition of the credit-scooping not so much feel and there the whole economic situation may be another. But after all, as far as it happens (and the possibility increases by the inflow of world money), the situation of the first bank improves. With the expansion of the area of ​​price increase, the possibilities to avoid it are reduced, the purchases in this area are increasing again, the borrowers are making more payments to other customers of the bank, more world money is pouring in from the other areas of the bull run: The leeway of Money creation is expanding again. So it makes a fundamental difference if the banks that mimic the money creation have the same or different locations.

The more the circle of money-collecting banks widens geographically, the more the possibilities of creating money increase. They are big for a whole nation and unlimited when the whole world is involved.

There remains one more question: If the credit creation has reached its limit, and is not extended further, but retains the extent once reached for a long period of time, does not always flow back world money, the loss is really only once or not rather running ? If you think carefully, you will find that this depends largely on what the loans are used for. Case a: They are unproductive, spent for pure consumption purposes. Even if at first use only a part of the purchasing power increase flows out of the clientele of the credit-creating bank and leads to a loss of world money at the bank, this loss continues in the following economic periods until the inter-regional price differences no longer increase are considered the cost of removal[10] . This point would be reached if the new purchasing power (and its corresponding world money) had spread evenly across the earth. Then the bank, which was unusually large in credit creation, would have lost almost as much world money as it was over-borrowing. This, however, exceeded her real supply of world money, as she went much further in lending, expecting to pay only a small part of it in world money. At first this expectation was confirmed. But as soon as later the after-effects of the already granted loans to others

As a result of monetary withdrawals, the bank will gradually be forced not only to refrain from further credit creation, but also to reduce some of the already completed credit. It can renew less and less credit, so that it may lead to a recession[11] . However, it would be wrong to conclude that the mechanism described excludes any credit creation at all. On the contrary, a particularly active bank can still grant further loans in excess of the world money that it will then have in addition to the crediting of only a small amount of world money and the usual credit creation. Case b: The loans are used productively to improve existing or to build up new economic sectors. In this case as well, the point of credit creation starts with a purchasing power wave, which would gradually deprive the responsible bank of world money almost in full from the new loans. But before this process has been completed, the new or discounted goods come on the market. Insofar as they are sold outside the circle of our bank customers, it again flows into world money, so that, on balance, it loses less world money than the amount of its extraordinary loans. Yes, if your customer base is small and the profits are high, it can happen that your stock of world money increases despite the high credit creation. In any case, in the credit creation for productive purposes the bank can go further than in the granting of consumer credit[12] .

It can be seen that it is completely wrong for a bank to place its credit creation according to a mechanical rule in a certain proportion to its [increment] supply of world money [but a firm relationship to the world money holdings makes sense. Of this, the degree of risk depends]. It must examine in each individual case how the credit affects the balance of payments of its clientele, which are the immediate and which the after-effects. It must in principle make considerations of the same kind as any central bank.

For what has so far been derived for the credit creation of private banks also applies to the issue of notes by the national central banks. They can provide more credit and spread the note circulation the broader their territory is, and they can maintain the volume of credit even if the loans through production improvements promote exports at least as much as they do through

the general increase in prices is inhibited. But even for the central banks, there is a limit to the creation of money, which is reached when their world money stock of a random Mehrbeanspruchung within the usual just grown. In contrast to the private banks, the central banks can indeed exceed this limit. One day, when their supply of world money and foreign credit assistance is insufficient, they can simply refuse (or change the way they do bankruptcy) the exchange of their part-money into world money or change the exchange relationship. The exchange rate of their part of the money falls, while a corresponding process for the book money of private banks, although not unthinkable, but in any case would be a novelty.

So there is partial payment of different quality and different function, there is, in short, a hierarchy of Teilgeld. The Teilgeld with a larger scope, such as the book money of a regional bank, can often for the local bank, the Teilgeld creates a small orbital range, and the Teilgeld with general national validity, namely the banknote he Central Bank, can always replace the world money as a reserve. This displacement of world money from national traffic and its accumulation at the central bank allow it, and thus also the subordinate banks, to create an even greater amount of money. Not only is the world money exchanged for new partial money, but in addition additional partial money is created at least at the same level. The possible extent of additional money creation is determined by the factors set out above. Your height is fixed[13] , regardless of how the partial money is distributed to banknotes of the central bank and book money of private banks. For example, only loans to consumers should be granted, so that the creation of partial money can only slightly exceed the supply of world money, because a deficit of foreign payments gradually arises in this amount and the world money drains off to cover it. Then it is clear that the central bank can not spend part of their world money money. On the contrary, it has to take into account that some of these new notes go to the private banks, which not only exchange them for their partial money, but also create additional book money on the basis of this reserve. Both together, the new paper money and the new book money, under the circumstances, can hardly be greater than the amount of world money stored at the central bank. If then the expected happens, the world money flows abroad, then as payment flows for it as much partial money back to its producers, ie it is destroyed again. So although the national money supply and thus the national

Price level has fallen almost to the old level, but the credit creation persists. It is not undone by the fact that its purchasing power has mainly flowed abroad. It remains true that borrowers received one-off more goods than their income, and the world's total money stock remains elevated for the duration of the loan.

We have to distinguish between two things: if the participation money of a higher-level central bank replaces the partial payment of the private banks instead of the world money, the entire potential money creation in the area of ​​this central bank can be increased. If, however, the central bank first exists and one day private banks begin to create additional partial money of lower order on the basis of the part-money of higher order, then the total possible money creation in the area of ​​the central bank can not be increased. The world money reserve available for foreign payments does not grow in the second case, which is why the central bank must limit its circulation of notes in such a way that the sum of all partial money circulating in its district is not greater than the note circulation alone was before. It is not the partial reserve reserves of the private banks, but only the world reserve reserves of the superordinate central bank that determine the scope of the money and credit creation possible in their area. If somewhere a hierarchy of partial money arises, it only increases the possibilities of creating money if the hierarchy saves money. Where and to the extent world money is saved, partial money can be created.

Let's summarize: Anything that makes world money redundant promotes the issue of additional partial money, i. The non-use of the newly created purchasing power; 2. their use for purchases that can be paid in partial payment; 3. their use for purchases that must be paid in world money, but also bring world money back; 4. the creation of additional partial money elsewhere, thus compensating for the world money flows thus triggered; 5. the replacement of further world money by part-money; 6. The complete elimination of the world money also for the foreign payments of at least one particular area.

Conversely, everything that leads to an exchange of partial money into world money slows down the issuance of additional part-money: 1. The opposite of the six circumstances favorable to the creation of partial money 1 ; 2. increasing[14] [15]

Distrust of the partial allowance; 3. aggravating local price increases by creating money from other local banks; 4. after some time: passing on the waves of new purchasing power beyond the scope of the increased partial money.

b. Change. - We found that bank money arises on the occasion of a credit creation. Now there is another way of lending, with no credit creation and yet a money creation connected. This is usually the case when money is lent from private individuals (who can not create book money themselves) or a consignment is delivered on credit and the promissory note issued for that purpose (most often in the strict and therefore particularly secure form of a bill of exchange) his redemption as money circulates. Just as in the case of centrally issued paper money, since there is also a securitized claim (of the money owner to the money creator), the person of the creditor changes with each payment, while the debtor's remains the old one.

Why is one type of promissory note (the bill of exchange) paying interest, while the other type (banknote) remains interest-free? Obviously because the temporal, geographical and personal scope of the bill is much larger. It is either itself money of the highest order (paper currency) or is easily redeemable at any time. The private promissory note, on the other hand, is not first of all money for everyone and, moreover, is due only after some time. Who accepts it beforehand, the Ris'ko, not him, or at least not readily (ie without a deduction) to be able to give back in payment. There is also a certain amount of uncertainty as to whether the debt will be redeemed at the end. As a result, anyone who accepts such a private promissory note becomes a genuine creditor for the time he or she owns it, and wants (unlike the hoard of a bank note that can be used at any time and against anyone) to pay compensation for his silence. However, the interest is usually lower than a mere book loan, because it can be used much less easily by the creditor prematurely on payment instead.

As I have already said, this private loan is usually not an additional credit creation. Let's say an entrepreneur delivers goods to one of his customers for a change. As long as the entrepreneur keeps this change, this means that he grants the customer a trade credit. He can feed this loan from three sources: 1. he can refrain from granting another loan (eg invest the purchase price with his bank). In this respect, there is obviously a mere shift in credit, and instead of the bank, his customer is now in debt to the entrepreneur. A similar shift occurs when the entrepreneur himself resumes credit in order to pass it on. This first case should be the rule. 2. It may be that the trader supplied the customer not from his current production (or if he was a trader, from his current receipts), but by reducing his stock. Until now, idle goods have come onto the market without apparently changing their purchasing power. As a result, commodity prices are trending downward. 3. It may be that the entrepreneur withdraws the money for the production or for the purchase of the goods delivered to his customer of his cash, that is, as in case 2 his goods, so now reduces his cash reserves. So far fallow money comes on the market, without on the other hand, the product range would have increased. As a result, commodity prices tend to rise. - Although (as an exception to the rule) credit creation occurs in cases 2 and 3, their effects are quite different. Where previously unused goods are activated, prices fall; where previously idle funds are activated, they rise. - The normal case will of course be that the entrepreneur does not keep the bill until maturity. If he pays him to a supplier, then the same applies to him as before for the entrepreneur (passing on of the credit). But if he discounted it at his bank, he credits him with the equivalent value. It is not different at first, as if the bank had granted the entrepreneur a book loan. The same applies if the bank rediscounts the bill of exchange with the central bank. This could objectively, although perhaps not by statute, give credit to the private bank even without such security.

To what extent does the passing on of the bill of exchange, its use as means of payment, mean an increase of the money supply? Would anything be different if our entrepreneur simply supplied his customers with credit and had himself bought back at his suppliers on target or received a personal loan from his bank? In fact, no one's purchasing power would be different, and all commodity movements remained the same. The active money supply is therefore not increased as long as the bill goes around. The difference only becomes apparent when the customer's debt is due. If he has signed a bill, he pays his last owner, a Mr. Kraus. He can use the money immediately for new business. If, on the other hand, the customer has received a simple trade credit, he pays the entrepreneur on the due date, which covers his own supplier debt, and so the money passes through the entire chain of debtors and creditors until it finally arrives at Kraus. During this time it is not available for new transactions.

As long as the active, demand-unfolding money supply compared to the case of the bill of exchange credit is scarce. Only after redemption of the bill does it really turn out that he really was money. Only then does he increase purchasing power and prices 1 .

One sees in the case of the change, that it is expedient to make the following distinctions: The entire money-stock disintegrates into circulating and quiescent (hoarded) money. The circulating money shifts or exerts purchasing power (financial transactions) (demand for goods and services). Only the last we call active money. As long as the bill goes around, it is merely a means of payment and increases only the circulating, not the active money supply. Only after the redemption, if the bill itself ceases to exist as partial payment, does it have the effect of shortening the circulation time of the remaining money, thereby increasing the active money supply for a similar period of time and reducing the need for credit.

C. Summary. - We can differentiate between the following types of money according to their scope:

There are other types of money of lesser importance. More important than all its varieties is the existence of the part-money at all.

How does the creation of partial money relate to changes in the money supply? If not all payments need to go through a top center, the unit of money and control over its amount are at risk. It can then i. (2) fluctuations in the active money supply, which are not simply dependent on the will of a central office (but on anonymous conditions that affect the cost of production of the commodity, or the particular credit facilities and liquidity needs of subaltern centers, or the liquidity aspirations of individuals, or even changes in the velocity of circulation of money). The two processes are not necessarily connected. The active money supply can be increased (through new production, dehusking or reduction of the circulation time in financial transactions), even if there is only world money. On the other hand, partial money can be spent in exchange for world money without changing the active money supply (deputy partial payment). In addition, however, there is now the third possibility that the active money supply increases just by the creation of partial payment (additional partial payment). How is it to create part-payment of this kind?

It is possible where payments are not centralized.

It is rewarding for the money-creator if he redeems more than the cost of production (if he spends the money)[16] or if he receives an interest (if he borrows the money). It can also be rewarding for those who accept the partial payment. They redeem more for their goods (metal and bank money); they receive additional and cheap credit (bank money); their need for credit decreases (change). For the territory in which the partial money is circulated, its creation is probably probable in the case of commodity money, and certainly advantageous for bank and change. The advantages consist in the exchange of goods for world money (which, however, in the case of commodity money is the production cost of the new money); in the improvement of the natural conditions of exchange with respect to the rest of the territory of the former world money; In addition, in the case of credit creation and reduction of credit requirements, it is still cheaper to produce.

The disadvantage is the creation of partial payment for all who hold the world money: For the environment, if the partial money for a particular area becomes the sole means of payment (the environment must exchange the outflowing world money for goods); even within the part-money area for consumers - especially those with fixed incomes - who are more expensive for entrepreneurs provided with additional purchasing power (compulsory saving in the case of credit creation); for the savers, because the real value of their assets decreases because prices rise and the interest rate decreases because the supply of credit increases (bank money) or the demand for credit is reduced (change).

Emergence: Additional goods money arises through consumption waiver, additional bank money by credit creation, additional change by changing the payment technique.

The partial money either comes into circulation by being issued by the money-maker or borrowed by him. Both are possible with all types of partial payment. However, borrowing money comes from savings, with bank money as credit creation, as well as the spending in the first money type preceded by a consumption waiver, not the second. -

The particular money creation is promoted by everything, which reduces the production costs of the partial money, saves world money or spreads the form of payment of the change.

The creation of partial cash by the individual money maker is slowed down by the rising costs with the amount of production in the case of commodity money, in bank and change by the need to exchange at least part of the partial money in world money (internal braking). The number of those who can provide partial allowances is also limited in various ways. Since the creation of partial payment is advantageous for the one who undertakes it, there is, of course, a tendency on the one hand for all the world to obtain part-payment. But the more this tendency spreads, the more the advantages on the one hand merge, on the other hand the stronger the internal braking effect[17] , the greater the damage and therefore the resistance of those still holding onto the world money, the savers and the consumer. Only with change, these external brakes do not work, but the number of those whose circulation are capable of circulation, is anyway already limited to those who are considered creditworthy to another circle.

Macroeconomic effects: Prices are rising everywhere, first (and always with constant money creation) the most to the Teügeldquellen. Due to the increase in prices, which caused them, but also the Teilgeldschöpfung brakes (certainly in goods and with restrictions on bank and especially with change) itself.

The total production (without money) is reduced when new goods are created, when new money is created (at least if it is used productively) and similarly when change is made.

The total income is not only changed, but also redistributed. Direct consumption is reduced in all cases. Personnel diminish in bank and change creation the nominal income of the capital owners and on average also the real income of the workers. Regionally there is always a shift in consumption at the expense of the remainder of the world money, which exchanges world money for goods in favor of the sub-area.

All in all, in spite of some uniformities, the causes and effects of its formation differ according to the nature of the part-money.

Of course, most of these phenomena would have occurred even if additional world money of the same kind had been created. What happens in particular when, in addition to the world money, you still have to pay part? Exactly what happens when dependent or even rival ancillary centers step next to a hitherto ruling center: the power and advantage of the old center are reduced to the benefit of the new centers. So here too: The power and advantage of the creation of money are spread over several, for the benefit of the new, to the detriment of the old. For bank money z. For example, for the benefit of credit to the advantage of credit creation (which they would have enjoyed if additional world money had been created), the additional advantage would be that more credit will be created and that it will be more likely to flow into them as the next party than in world money. that the interest paid for it to remain in their midst that improve the prices of their products over those of the environment that they superfluous world money for goods order can swap - benefits to which corresponding disadvantages relative or absolute scale for those facing that on world money and especially at the old central office, which until now had the monopoly of money creation. Part-payment is thus created for personal and regional special advantages. This certainly triggers opposing forces that limit the number of money types and their uneven increase, that is, the one-sided pursuit of special interests.[18]

are payments that go from the scope of one money type to another?

This is different, depending on whether there is only partial or world money. In order to see how the technology of money transfer changes, it is sufficient to analyze the two typical situations (illustrated by Case 1 and 2 in Diagram 1): one, in the only part, and the second, in any one Compensation (world money or even partial pay of higher order) exists. For from these two simple ones, all the more complicated layers are put together. Now, as in case 2a in diagram 1, it may be a multi-level hierarchy

GRAPH 1

W

m m

T T

I W I

i . only partial payment 2.

Partial and world money 3. only world money

Errors

of partial and world money, or (as in the case ia) hierarchies of partial money, which then necessarily lack a common top (which could only make world money). In this last case, for example, a transfer from the scope of the lower part of Tn x to the part of Tn 2 corresponds entirely to case 2. For, as in this world money, the higher-order part-payment forms a bridge between the two lower part-money types. Such a bridge does not exist between Tn x and Tn 3 , which is why a payment between these two areas has the same functions as in case 1 in Diagram 1.

A. Without top money: a. Free clearing. - The first question that needs to be answered in case 1 is: in what kind of money do payments become

done externally at all? This is apparently indifferent, as far as the payments due in both directions balance. However, their balance can not be paid at all, but can only be credited, as the type of money in which the debt is raised does not apply in the creditor country. How is the balance determined, in what kind of money is it credited and what happens if the credit is denied?

The determination of the balance varies according to the nature of the part. Simple partial payment is conceivable either (as pure book money) in the form of several equivalent central accounts, or (as pure cash) in separate areas of circulating cash types. The mixed forms discussed in the first part are not considered here. In the central accounting, the balance is readily apparent. In the case of cash, it can only be ascertained by establishing a hierarchy of collection points (exchange offices) over which the external payments run. All of these accumulated debts and obligations to a counterparty to foreign currency due on a particular date (or even their balances) now meet at the topmost collection point (or on the central foreign exchange market) of each installment. Next, the central collection point (s) determine the payment balances vis-à-vis the individual sub-money areas by simply summing the payment peaks reported by subordinate collection points. Finally, this central clearing according to the individual foreign money types follows in a corresponding manner the determination of the payment balance vis-à-vis foreign countries as a whole.

If there were a global collection point for all international payments, the top collection points of the sub-currency areas would simply have to settle or receive their balance there. But such a simple world clearing would require world money. Conversely, if there is no world census center and only part of the world, although the balance with the world as a whole is established, the balance must be cleared for each of the other top collection points. The settlement of the liabilities resulting from individual sub-money-money areas is first carried out through the utilization of surplus receivables vis-à-vis other (free clearing)[19] until, finally, each collection center only has to settle the balance of its obligations to foreign countries as a whole by taking out credit, ie by lending to individual sub-areas.

As far as the individual creditors and debtors are concerned, this credit can in itself be any kind of money, even if it has to decide for any one[20] . As a rule, it will be the type of money in which the creditor wants to have his money back later, that is, usually the one in the area in which he lives. But even if the loan is granted in the monetary mode of the debtor's territory, the problems of repayment are exactly the same, except that instead of the debtor the creditor faces the difficulty of changing one of the money into another (ie, as we will see at once to bear the price risk). For the Teilgeldgebiete in the whole makes no difference. Basically, no money, neither foreign nor own, crosses its borders.

Why it is likely that such loans will be given, as long as a payment balance is only temporary (ie as long as no price risk), we see later. But what happens if and insofar no credit is given? By sending money, the balance can not be paid because there is no type of money that both debtors and creditors accept. There is only one way out: to make the balance disappear by combating the reasons why payments are made abroad and, on the other hand, promoting the causes why payments are received from abroad. This is achieved by making the foreign countries more expensive and the domestic cheaper. The means for this is a change in the conversion rate between domestic and foreign partial money. This conversion rate is not really a ratio in which the two types of money are really exchanged for each other (such a natural exchange is possible in certain cases, but never necessary.) Yes, it is fundamentally absurd, provided that the area in which each type of money applies, personnel or geographically sharply demarcated). Rather, the exchange rate is simply the sentence by which payments in the other kind of money can be offset by the collection points without balance, because the supply of and demand for foreign payments are just offsetting.

A payment from the dollar area to the market area first appears as outgoing payment in the foreign exchange market or at the topmost collection point of the dollar area and expresses the dollar's price. At the same time [afterwards] it appears as an entrance in the German foreign exchange market and raises the course of the mark, against all other money types. If at first the mark rises only in New York and the dollar falls only in Berlin, then that is only a sign for the inaccurate one

Functioning of free clearing. This necessitates a special activity which ensures that the parts of the supply and the demand for a given type of money appearing on different markets nevertheless lead to a single result, the same price: arbitrage.

b. Central clearing. - A world collecting point is also conceivable and therefore possible if there is only partial payment. Every supreme part-collecting bank would have to submit to this World Central at certain points in time a record showing that the peaks in the various areas of the relevant territory are canceling out at the prevailing rates of exchange already in force or if any balance is credited. It would then only have to be checked whether each payment occurs both in the list of the collection point of the debtor as the creditor. Then the world headquarters could declare the clearing completed. But it would also be possible to transfer to this center the enormously difficult task of finding that system of exchange rates in which the external payments for each sub-area of ​​money are balanced out. This task could only be solved - centrally or on individual markets - as long as people were open and agile enough to react quickly and intensely to any change in course.

B. With top money: a. Shipment. - We now assume that there would be a top-money, which, unlike the partial-allowance, applies everywhere (case 2 in diagram i). If this top money circulates in addition to the partial money and is not only in reserve with the banks, the processing of external payments no longer needs to go through collection points. Each debtor can rather accumulate the sum of the debt in compensation and send it directly to the creditor.

b. Free billing. Of course, it is simpler when all external payments at an upper collection point for each sub-money area come together. This collection point is (if the partial money consists of bank money) practical (though perhaps not organizational) the part-money-creating bank. She owes her the debt in part money. But the creditor's bank has to pay them in top money. Again, each collection point attempts to dispose of its balances at other collection points so that the sum of its money sent to other sub-areas need not be greater than the surplus of its obligations over its claims on foreign countries as a whole.

c. Central accounting. - It is even easier if each collection point of a superordinate collection point indicates its demands and obligations towards all other collection points. It must be checked whether the other clearing partners recognize the items in question, whereupon each person pays or receives his balance in top money. Expediently, however, all the partners at the clearing office keep a credit balance which has arisen through the payment of top-money, which then changes as a result of the debit or credit of their payment balances in trade with other sub-money-money areas. Insofar as this balance comprises its entire stock of top-money, as soon as the total stock of top-money has been deposited with the clearing-house, all payments between the areas of validity of different types of money will be settled by mere rebooking in the books of the clearing-house.

This elegant technique is used in numerous cases, but mostly by the lower part of the money creators:

a. Between private persons. - Payments between individuals may, if the creditor is not part of the group of persons in which the debtor's bill is convertible, be made by transfer in the books of the joint bank.

ß. Between private banks. - Payments between private banks can not be made on their own account, but must be made in a larger currency. Therefore, local banks hold with regional banks, these with large banks and the big banks with a special clearing-house credit, which developed by deposit of a higher money kind. Through these collection points they charge with similar partners. The most perfect is the clearing between the big banks (whose representatives gather for this purpose at a certain place and time). It alone does not show any traces of free clearing. The overview also about the expected inputs and the simultaneity of the transactions is perfect. In the books of the clearing house are no longer all individual items, but only the balances rebooked.

y. Between central banks. - Two cases must be distinguished here: Either all central banks are equal, then they can only pay each other in world money. Or the partial payment of one of the central banks is also taken from the other in payment (large-capacity money).

The large-capacity money can prevail in addition to the world money (like the British Pound), partly because of the importance of the senior central banks, partly simply for technical reasons, because a world clearing house (in which then credits could be established only by paying world money) Does not exist. But it can also take the place of world money (like the German mark during the war), be it to reserve all the world money for payments to the outside of the metropolitan area (ie to make do with less world money), or even to be in one area in which no world

there was more money left, so that the external payments had to be re-regulated (if not more annoyingly) by the difficulty of paying in exchange rates again to create a common means of payment 1 . This common means of payment (ie its Reichsmarks reserve) has exactly the same function for the affiliated central banks as its gold cover used to be, or, for example, for the local banks, their balances with larger banks 2 . These clearing reserves, like all balances in a superordinate money type, are acquired through a surplus of payment claims over the payment obligations for the remaining sub-money areas compared to the previous area of ​​application of the head money. This surplus may arise in any of the usual ways: by extradition, by credit, and so on. The commodities necessary to build up the clearing reserve now flow to Germany as they used to pour into England. As long as the central bank 3 can count on the fact that these credits probably the owner, but not change the type of money (so do not need to be paid in other than their own partial money zp be), they can without risk by creating credit additional Teilgeld create. That was why London was and Berlin became a center of relative capital abundance. Like the creation of part-payment, conversely, the creation of top-money for the money-making body is an advantage. Additional money creation - be it world money, overpayment or partial payment - is always beneficial for the person who completes it.

Examples of central clearing on the basis of world money (gold) are the clearing system of the Federal Reserve Banks for the American metropolitan area and the World Bank for International Payments (BIS), which has not yet reached the summit of its possible significance. Shortly before the outbreak of the First World War, the United States was divided into the twelve dominions of largely independent Federal Reserve Banks. Between them at first (as between the central banks of independent states) the payment balances were settled by gold shipments. In 1915, the procedure was simplified so that the reserve banks deposited part of their gold in the central Gold Settlement Fund. In their books they have been opened a credit in the amount of this deposit. From there[21] [22] at the top balance between the Reserve Banks took place practically almost exclusively by rebooking the Fund. The reserve banks establish their mutual obligations during the day, largely by telegraph, and in the evening instruct the Fund to rebook the balances[23] . Their central assets are for them top money, in whose nature nothing changed, as in 1934 all the gold of the Fund against (non-recoverable) gold certificates were delivered to the government and the Fund was accordingly renamed the Interdistrict Settlement Fund. Although the government is not obliged, but only entitled to redeem the certificates in gold, if they are presented to her. But that simply means that it now depends on it and not on the Federal Reserve System to what extent gold is used to settle international balances. Balances between the reserve banks are still paid by deposits in the (renamed) fund, and the sum of these deposits can only be increased by depositing gold.

C. Summary. - Some are the possible, sometimes only the most common forms of payment others, if it goes beyond the scope of the same type of money. Thus, a direct dispatch of (specially pulled out of circulation) cash is impossible at all, if there is no money type common to the debtor and creditor. Instead, it is necessary to collect the payment claims and obligations in other money for the purpose of clearing. A balance can only be prevented or credited. As a rule, international clearing is free, and central clearing is still in its infancy for the world as a whole. It is possible, of course, in all types of money: if there is only world money, only partial or both. So, in concrete terms, multilateral clearing is not a new currency form opposed to the gold standard, as is often wrongly believed. Such clearing can also occur in the case of the gold currency, just as in the case of a currency that is either equal or subordinate to a reserve currency. Central clearing is not a currency form of its own, but only a special technique of transferring money.

There are two more important questions: If there is world money, because in each sub-area there is enough of it for the external payments or if, if there is no world money, if necessary, raise sufficient foreign credit to cover the balance of payments ? These are no longer questions of mere technology (it is no longer just a question of how to achieve a fixed goal - in this case, the supremacy of money). On the contrary, it must first be examined whether the goal is at all certain or is perhaps being shifted by the effects of the transfer of money. Is the balance of payments fixed at all and does it necessarily have to be covered by a loan inflow or cash outflow? How else does the balancing of the balance of payments take place if there is partial payment?

3. The effects of money transfer (The transfer

problem with many money)]

We are now, but only now, prepared for the recognition of those relationships which are falsely referred to as the transfer problem or as the problem of balancing the balance of payments in general. Although some have seen that the problem also exists in the same kind of money, it has always been investigated only in the event that money circulates in the creditor and debtor countries. As a result, the general events in each transfer of purchasing power and the particular effects of any currency difference were confused with the transfer, overestimating the latter. That is exactly what we want to separate. We already know the transfer with uniform money. What happens in addition, if there is partial payment, remains to be investigated.

A. Automatic peak compensation: AA. For a given cover ratio. - We remember: a German payment peak has emerged. They will be compensated automatically if the payment transactions with foreign countries (which we can take as a whole) are not monitored. World money, in our case gold, can then go unhindered across borders. Only the partial allowance (which, for the sake of simplicity, may only consist of notes that are denominated in Germany and abroad in pounds) does not apply beyond the borders. The ratio of world money to partial money (the cover) is fixed. We are now following the transfer, as we already did for world money, step by step.

1st stage: the immediate payment. - The immediate payment takes place, from an economic point of view, as with mere world money through money, goods and credit.

a. The money transfer. Again the German debtor A reduces his cash register by a part of the due amount. But here comes the first difficulty: The debtor collects his obligation in a different kind of money than the creditor wishes to receive. A has in his cash register (if we simplify everything

Gold owned by central banks) only market notes[24] , B, on the other hand, wants pound notes or gold. A must therefore exchange notes for gold at his central bank in order to earn world money. This takes the gold readily from their stockpile of world money, but draws consequences, which we have to be pre detailed .

b. The delivery of goods: aa. As a result of purchasing power shift. - Another part of the amount to be paid, the German debtor gets back by the fact that he limits his purchases in advance. As far as his drop in demand hits foreign goods, he even saves world money; As far as he buys less in Germany, he saves at least partial money, which must also redeem his central bank in world money.

Even the foreign creditor disposes yes in advance. As far as he buys more from the German debtor, he causes a definitive real transfer. As far as he ever buys more in Germany or sells less there, he gets, if not the debtor, at least its central bank additional world money.

bb. As a result of price shift: oc. Price waves. - The price waves spreading around the seat of debtor and creditor occur exactly as well, if there is not only world money, but also partial money. However, it is now of interest whether these two waves exceed the limits of the German part of the fine before the due date of the German debt, and to what extent the foreign creditor reduces the price of German imports or increases the price depression of the German debtor , In that regard, additional world money flows to Germany and is ready for compensation on the due date of the German payment point.

There are various interests in the price waves: Firstly, to what extent do they make it possible for the debtor to pay? Secondly, how do they lead to the remainder of the real transfer, and thirdly, in the case of monetary differences, how much world money do they earn until the due date of the debtor's central bank?

ß. Price level shift. What is new in the case of currency disagreement is that in addition to the dynamic price waves there are still static shifts in the level of prices in the affected currency areas. They are limited by the scope of each currency,

while the price waves in their course do not stop anywhere. The additional price movement triggers additional flows of goods, which give the central bank of the exporting country additional world money. We only indicate here because we come back to this process in more detail at once. r

c. The credit movement: aa. As a result of purchasing power shift. - Again, the German debtor A in anticipation of the payment limit his loans, while conversely, the foreign creditor B on the maturity date lends more money or borrowed less. Insofar as this process takes place directly between A and B, it shifts the payment obligation at all; If A borrows from another foreigner, A receives, as far as B lends to another German, at least the German central bank receives additional world money; As far as A lends less in Germany, he saves at least partial payment.

bb. As a result of interest rate shift: a. Interest waves. - Just as with the price waves, it now depends on whether the two interest rate waves exceed the limits of the German Teilgeldbereich even before the maturity of the German debt and to what extent the low interest rate from the foreign creditor reduces the German capital exports or emanating from the German debtor High interest rates increase German capital imports. In that regard, the wave of interest rates of the German central bank provide world money while at the same time procuring the German debtor partial payment.

ß. Interest rate shift. - In the case of currency differences, the level of interest rates may shift at the same time as the level of prices, thereby triggering capital movements, which as a rule go to the debtor country and thereby give it further world money.

d. The peculiarity of the transfer in case of currency difference. - If a payment is made within the scope of the same money type, then before the due date, all transactions have the effect of allowing the debtor to effect the application. If, on the other hand, the payment is in the range of another type of money, then the debtor's payment (which is mostly done in part, but to a limited extent in world money) is an additional task by the central bank of the debtor (the debtor to convert the partial into world money). For the debtor, the application is done, even if it is done entirely in partial payment, for the creator of this partial money, however, only when the change in world money has arrived.

Which of the described processes have (if we refrain from the price and interest level shift first) the creator of the

Debtor accumulated partial money, in our example so the German central bank, until the date of payment additional world money procured? First of all, the application by the debtor is subdivided into the provision of partial and global money. But also from other Germans the Reichsbank flows world money in connection with the preparation of the nominal transfer. Of the events that would happen even if there were only a single money, those who are taking over the currency line suddenly gain special interest and therefore make world money. In addition to the debtor, the debtor country now plays its own role. For a better overview we bring a list of what happens in the first stage of the transfer in partial, and what in world money (see Table i).

All transactions in goods and capital may only be included in this list to the extent that payment is due by the due date of the original debt at the latest.

According to the list, the debt (a + b) is borne by the German debtor partly in Weltgeld (a) and otherwise in Teilgeld (b). In the amount of the last, the German Reichsbank must procure world money for exchange (ie c = b). Now you pour out of the preparation of the cash transfer by debtors and creditors without their Dazutun the amount (c 2 + c 3 ) in world money. It is now decisive for the further behavior of the Reichsbank whether b is greater or smaller than (c 2 + c 3 ), ie whether it receives more or less world money than it needs for the exchange of partial money.

If the inflow does not suffice - and that will be the rule - then the Reichsbank would have to attack its reserve of world money (c x ). She will only accept this if it is an amount of the order of magnitude for which her world money reserve is intended. On the other hand, if the outflow were so great that the reduced reserve for normal payment transactions would no longer suffice and perhaps even trigger a panoply of exchange, then the Reichsbank would not let this danger pass by inadvertently. To meet her, she needs more world money by the due date. In principle, it has two options for obtaining it quickly: it can even take out loans from a foreign central bank, or it can influence the German price and interest rates in such a way that private transactions are stimulated and the world money required. In order to achieve this, it must generate less new credit or reduce (or neutralize) already created credits more than the foreign central banks. It must undo some of its part-money creation to some extent and with the opposite consequences. Affects the creation of part-payment inflationary and advantageous for the creators, so

Table i - Demand and sources of additional world money

until the due date

By

German debtor (A)

German

Reichsbank

Purchasing power in

Procurement of additional world money (except a)

world money

part money

a

b

c

i . money dispatch

-

Reduction of cash on hand

Reduction of the world money reserve

Goods and credit movement as a result of:

Second

purchasing power

shift

A buys less from abroad and borrows more from the creditor (B) or sells more to B and lends less to foreign countries at all

A buys and lends less in Germany

A jgoSeeing his dealings with A buys B more and borrows less from Germany

3 -

Price and interest rate waves

A as a starting point of the price increase and interest rate increase wave sells and borrows more abroad. In the area covered by the counter-wave; The foreign trade buys and lends A less

A (starting point of the price increase and interest rate increase wave) sells borne more ir, Germany. Fall the countershaft \*. Germany reaches maturity date, A less buys and lends less to the relevant part of Germany

The Germany (except A), which is covered by the price increase and increase in interest rates, sells and borrows more abroad, buys and lends less there. The foreign buyer buys and lends more in Germany, sells and borrows less there (except the business r if: A), which is covered by the price increase and interest reduction wave.

4 -

Price and interest rate shift

Its normal, usually minor, share of the general German consequences of the shift in the level of rice and interest rates does not apply to it

Fails it is Germany, in which the price level sinks and the interest level rises, so it sells and borgtdkses abroad, buys and lends there less (this applies in particular to the creditor country covered by the counter-movement)

the destruction of partial payment has a deflationary and disadvantageous effect. (Alone, to say the least, it is not consistent to complain about the abolition of benefits that were formerly enjoyed at the expense of others.) The Reichsbank can achieve this price-cutting annulment of partial payments in three ways: It can use this money as a countervalue of securities that it throws on the market (this so-called "open market policy" does not destroy loans, but neutralizes their purchasing power); It can make the loans contingent or, thirdly, make them more expensive by increasing the discount. Both reduce their quantity and thus the money circulation. And this effect occurs immediately in the whole dominion of the Reichsbank, ie in the whole of Germany. In contrast to the price waves, which are slowly reaching their limits, these price and interest rate shifts have an immediate impact. The difference to the prices and interest abroad promotes the export of goods and the import of capital all over Germany and straight also in the border area fast. A single measure, the reduction of the number of pieces of money (or, what is the same thing, the shortage of loans), thus causes a double inflow of world money (c 4 ).

This inflow does not need to be quite as large as the quantity still missing for the tranfer (b - c 2 - c 3 ). For the fact that the amount of partial money is reduced, so world money is free, which was previously used to cover the withdrawn partial money. Thus even a third gold source is opened up by that measure (q)[25] . '

The ratio in which these three sources flowed from the Reichsbank depends on the fixed rate of cover. If the partial allowance is fully covered by world money, ie only representative, the Reichsbank need not change its credit policy at all. It then simply converts the partial money raised by the debtor A into world money, which is released to the same extent as the partial amount is destroyed. On the other hand, the lower the rate of coverage, the more part money must be collected if a certain amount of gold flows out, the sharper the credit shortage must be. The sharper it is, however, the more the price level sinks and the interest level rises, the more world money flows in through commodity and capital movement (c 4 ), the less the reserve reserve needs to be taken

to become. The lower limit is reached when the coverage is zero (paper currency). Then, under our strict conditions, there is no world money reserve at all; the entire nominal transfer takes place, as far as it is effected by the Reichsbank, through a particularly extensive credit shortage. So we have falling gold and falling price movement with falling cover.

Table 2 - World money sources available from central bank policy until the due date

currency

constitution

Gold movement from cover reserves

Price movement

ioo v. H.

ioo v. H.

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Falling coverage or, what is the same thing, increasing part-money creation means increasing risk of having to undo this part-money creation[26] . There is only one alternative to this risk: fluctuating exchange rates. That would by no means contradict our assumption of a fixed cover ratio. Because, whether due to a gold outflow of 10 per cent. H. the f coverage reserve the part money supply and the price level is reduced by one-tenth, or whether one put the price of gold, in part money to increase about one tenth (because nothing else is v devaluation to 10th H.) so the natural reduced gold reserve reflects its old nominal value and consequently the number of pieces of money can be left unchanged - the actual cover ratio is the same in both cases. [Risk increased nevertheless, since gold is no longer valid abroad. So the same gold outflow = larger Teügeldvemichtung or: new devaluation necessary.] The same is the cheapening of goods by 10 v. H. to foreign countries. Inland, on the other hand, will be in

Case of devaluation spared the unwanted deflation crisis. As a result, central banks are increasingly using the exchange rate instead of the lending policy to tap into the gold sources listed under c 4 . The gold stream treated under c x remains unaffected. The exchange rate policy will undoubtedly take place within the strictest gold standard. The private banks, of course, are not allowed to solve their transfer problems equally conveniently. They must expect their customers the full severity of the credit fluctuations, and only if they themselves fail to get enough money of higher order to pay by the due date of the payment to be transferred outside - only then, yes, then they must even depreciate , This devaluation takes place as bankruptcy. The new exchange ratio of bank money to higher-order money is the bankruptcy rate. The private bank can be continued with such reduced liabilities (albeit in other hands), as well as the central bank survives a devaluation. The cause and nature of the depreciation of central banks and the bankruptcy of private banks are in certain cases the same. In both cases, the calamity of too great a partial influx of the blood springs and in both cases, it is healed by reducing the value of this partial allowance. Conversely, where the transfer difficulties are not due to excessive credit creation (either from the outset or as a result of new circumstances) but, for example, to boycott or import bans, neither devaluation nor bankruptcy is a solution.

Opened by price movements Goldquelle c 4 flows - which is very important - for solid coverage ratios not only because of the behavior of the central bank of the debtor, but also as a result of corresponding measures of the Central Bank of the creditor. The first, therefore, does not need to drive the price cut and credit crunch as much as it does without it. This is one of the major benefits of fixed coverage rates.

How big the price shifts between the debtor and the creditor country will be and how much each of them will affect depends not only (as we assumed above) on the cover rate of the debtor country, but also on that of the creditor country. If both are low, then (for the reasons already discussed) even a small gold movement will cause a sufficient price shift, c x will be small compared to c 4 (Table 3, case 1). Conversely imparts high coverage in both countries the same stream of gold less effect on prices, c x is therefore against c 4 must increase (Table 3, Case 4). We already knew that; new, however, are the two middle

Cases. If (as will be the rule) the rate of coverage in the two countries is not the same, then the extent of the price movement depends entirely on who has the smaller rate, creditor or debtor. Let's look at cases 2 and 3. If both were shipped for 300 JIM gold, then in case 2 the price level of the debtor country would decrease by 30 to 70 per cent. H., and it rose in the creditor country by 8 to 108 v. Conversely, in Case 3, the debtor country would decrease by 8 to 92 per cent. H., and it rose at the creditor country by 30 to 130 BC. H. The changes seem analog. 108, however, is 54 bc. H. over 70, 130 only 41 v. We therefore do not receive the same result if we exchange the coverage of creditor and debtor country. Rather, the price reduction in the debtor country has a stronger effect on the price difference between the two countries than a price increase in the country of the creditor that is just as large in percentage terms. In case 2, therefore, the gold shipment will be less than in 3; she can still call for a greater movement of goods than those.

Table 3 - Procurement of additional world money by the central bank with different cover of the part-money

i

2

3

4

5

Cover of the partial money by Weltgeld

(from H.)

Shipping of world money from the

Cover reserves from, debtor to creditor country, units (c x )

Thereby

triggered

price

Move

(from H.)

Price difference, creditor country over debtor country

(from H.)

Thereby

triggered

Were

Move

from

Debtor-to creditor country, in monetary units (c 4 ^

fault

ner

country

Gläu

biger

country

fault

ner

country

Gläu

biger

country

1

2

3

4

IO

IO

40

40

IO

40

10

40

>

200 260 300, 500

-R20 -26 - 8-12

-f- 20 + 7 + 30 + 12

t

" 50 44 4 i

28

\*

k 800 740 700 500

Explanation: Column 2: The order of magnitude, but not their gradation, is arbitrary. Column 3: It was assumed that in each country 10 000 monetary units circulate as partial money (exchange ratio Teilgeld: Weltgeld as 1: 1). Column 5: Overall, the central bank policy should still be 1000 units world money to be procured, so c 1 + c 4 always equal to 1000.

Another factor that determines the extent of the price movement is the strength with which foreign and German demand reacts to price shifts. The greater the elasticity of German demand for foreign and foreign demand for German goods, the lower the price shifts need to be. Even a small change in prices will then cause a large German export surplus. This case is indeed the most likely with free foreign trade. First, because the elasticity of demand is greater for a single supplier or a group of suppliers (eg German radio) than for the product as a whole (radios in general) 1 ; second, because the elasticity of the demand for the commodities of a country as a whole - which matters here - is much less rigid than the elasticity of demand for a single commodity coming from that country may possibly be; thirdly, because the elasticity of the individual demand for a commodity increases with the distance from the place of production, that is, it is particularly large in countries that are usually more distant[27] [28] . Fourthly, because trade demand coming from a large area (that is to say, the demand for long-term trade in world trade) is more elastic than that coming from a small circle[29] . For all these reasons, the elasticity of the demand for the goods of one country from the other countries is generally greater than i, ie a price reduction increased, a price increase reduces the value of the export. If that were not the case, if demand elasticity were equal to or below i, instantaneous nominal transfer in all cases where a price level shift is necessary (and that is the rule) would not succeed at all, unless the amount to be raised by the central bank World money is less than their world money reserve[30] . After all, as a result of trade barriers built up over the past decade, we have come dangerously close to this state of affairs, even though it is unlikely that it has been reached at most in exceptional cases.

In addition to the elasticity of the markets, the extent of the trade which has been easily overlooked also plays a role in the extent of the price movement that has been required up to now. It is now an empirical rule that

the extent of foreign trade with distance of the partner decreases 1 . The likelihood now suggests that most of the balance of payments disturbances come from where the volume of foreign trade is greatest: from neighboring countries. Certainly their demand is not as elastic as that of the more distant countries. But even if they respond to a price level shift of a certain extent in percentage terms weaker, but the absolute extent of their response may be far greater than those. In very close compared to very distant countries, this should usually be ckr case. So, the necessity 2 and the extent of the price level shift would increase with the distance of the partner country (to which it does not act alone, but is particularly strong).

We have thus come to know the four factors on which the extent of price level shifts depends. First of all, these are, of course, the size of the sum to be transferred, then the extent to which the shift in purchasing power and the speed at which the waves of prices bring world money to the debtor country. This depends on the amount that is still to be provided by the action of the central bank. The extent to which they use their world money reserves and how far they use world money income from the price level shift depends (thirdly) on their own and foreign cover rates, and fourth, on the reaction of the markets to price shifts.

The last two factors only influence the extent, the first two, but also the direction of the price movement. In exceptional cases, it can happen that thanks to the shift in purchasing power and the purchasing power waves (which at first act from the debtor and the creditor country to the full amount of the debt) until the payment date more world money flows into the debtor country, as this ever required for payment (example On the other hand, the loss of purchasing power of the debtor country is at once met in full by the importation, which thus diminishes by the amount of the debt, while the export increases by the same amount Export surplus in double amount of the due payment incurred). Consequently[31] [32] increases the level of prices and interest rates in the debtor country, while it decreases with the creditor. The direction of the price movement is exactly the opposite as it normally is[33] .

For the transfer stage of immediate payment, we summarize the special nature of the events in the case of currency difference to mean that the individual economies, while paying part but not without further ado, also pay the world money, so that the creators of the part-money face the task, the rest World money still to procure. How big this task is and which of the two central banks involved falls primarily upon it, depends on how much world money the debtor (a), the creditor (c ) and the other economies (c 3 ) covered by the price waves , without wanting As a rule, it is not enough so that the latter bank has to procure further world money, which leads to difficulties, as far as this bank, which is the rule, has issued more part-money than If she can not borrow the missing world money, she has only two options: to recover or devalue her partial money to a certain extent [in the case of firm cover.] Both release part of her world money, the one by it diminishes the amount of money to be covered, the other, by increasing the amount of world money which covers it, in value On the other hand, the entire territory in which its par value is circulated is made cheaper vis-à-vis foreign countries, thus increasing the export of goods, and, on the other hand, creating an incentive for increased capital imports. The higher the cover (especially the own), the more inelastic the demand in international trade and the farther away the creditor is, the more abundant the first source of funding (released coverage) is compared to the second (additional export). In the case of fixed cover ratios, the creditor bank must support these efforts of the debtor bank. If there are different kinds of money, then, apart from the immediate participants (debtors and creditors and the individual economies gradually influenced by them), it is also possible for wholly uninvolved persons (the entire debtor and creditor) to assist in the transfer. This assistance is enforced by at least partially reversing in any way the additional creation of the part-payment used by them.

2nd stage: The final cleanup. - At the end of the first stage, the debt was paid on time. Unlike if only

However, on the debtor side, the debtor's and the central bank's cash holdings are reduced, the debt of the debtor and its central bank are increased, price waves and price level shifts are still continuing. Accordingly, the opposite side is not yet in equilibrium, not only for the creditor, but also for its central bank.

With regard to the amount and meaning of these open posts is now - things are complicated with Teilgeld - to distinguish many things, which is immediately apparent from our description of the transfer and therefore here only compiled, can not be justified again: As for world money is the first Continuation of the real transfer i. 2. by the debtor in the amount of his cash-flow reduction and new borrowing; 2. by the creditor in the amount of his cash-in-cash increase and his new borrowings still pending (unless they resign themselves to the change in their cash and cash position); 3. The final transfer of real estate is still to the extent that the purchasing power waves have not yet been compensated. In addition, in the case of partial payment, the provisional transfer of real estate 4 for the central bank of the debtor country in the amount of its loss of world money and foreign debt, 5. for the central bank of the creditor country in the amount of the world money inflow and the additional foreign credits granted has not yet been completed (da they can not easily accept the change in their cash position with fixed cover rate). 6. Only when the debtor and creditor countries have completed the preliminary real transfer, their price levels reach their equilibrium level again. 7. The provisional remainder transfer shall be equal to the amount of the debt minus the advance or final transfer in real terms over the limit until the due date and the provisional real transfer carried out until then (due to the price level shift). All these transfers and thus also the provisional remainder transfer are usually different for the debtor country and for the creditor country. 8. On the other hand, within each country, the actual or final transfer of real estate, which still crosses the border after the due date, and on the other hand, the entire (before or after the due date) provisional real transfer. In this one point, the transfer for world money (transfer or final real transfer) and the additional transfer for partial money (provisional real transfer) are firmly coupled.

a. The end of the first price level shift [34] : aa. The provisional remainder transfer in goods: a. The return of world money. - The German central bank has not yet lost the lost world money. It therefore has to keep the amount of its partial money still tight and thus keep the price level in its area low. This usually happens by keeping their discount high. The result is that the excess of German goods exports and capital imports continues beyond the time of cash payment. But this creates a new peak in payments, and now at the expense of foreign countries. This will first pay them with the world money received from Germany, and to the extent that it flows back, the price levels may approach their old levels again; the German export surplus will diminish to the same extent, and it will hear (as far as the price level shift is concerned) Finally, all the time, as soon as all the German gold has returned, except for the small remainder that forms the covering of the two price waves.

ß. The return of the loans. The gold back-flow is, however, slowed down by the fact that not the entire German export surplus brings in gold, since with the gradual decrease of the discount differences the foreign short credits (which increased at first still) run off again. Finally, almost[35] the whole transfer, insofar as it was carried out at the first stage by gold or international credit, is replaced by the transfer of goods, although, as we will see, it is only provisional. In any case, at first the shifts in price levels have disappeared.

bb. The swinging out. It is conceivable, though not necessary, that the price level shift be maintained longer than is necessary for the reflux of German gold[36] . Then the German export surplus would be greater than the sum of foreign short-term loans in Germany + German gold abroad. Insofar as the export surplus overshoots the target in this way, foreign gold would flow to Germany and a price level shift would be reversed. This would go back and forth until the export surpluses corresponded more and more precisely to what was necessary. The deviations would be smaller and smaller, and finally everything would settle in the balance exactly to the point that I am under aa. termed the end of the price level shift and from which I assumed there, the discount policy would be able to hit him directly without long 3 turns. However, this is not the case when it is overlooked that the change in discounts is only gradually becoming full on prices, that the price shift in part (if the order does not immediately follow the delivery) only after some time in foreign trade and that the change In foreign trade in part (if the payment does not immediately follow the delivery) only after some time in the balance of payments affects. For these reasons, the effects of the discount shift continue beyond the time it is reversed. A wise central bank policy will of course take this into account and avoid settling as much as possible 1 .

b. The end of the price waves 2 : aa. Continuation and completion of the final real transfer. - While the price level shift, and thus also their conclusion just discussed, only occurs where there is partial payment, the end of the price waves also runs at Teügeld no different than if there were only world money. We could therefore only here on page 46 f. Repeat what has been said.

bb. The recoil (renewed price level shift in the opposite direction). - Whilst world money continues to do nothing, when the price waves cross the national border, this event, as soon as there is partial money, is extremely important. As far as it is before the critical payment date, it makes the use of the Reichsbank superfluous in the amount of the resulting German export surplus. However, as far as the border crossing takes place afterwards, the additional export involved comes too late to serve the payment of German guilt. Rather, it creates - just like the late effects of the price level shift - a peak in favor of Germany. But while this was just covered by the return of German gold, foreign gold must be used to make up for the spike now discussed. How much depends on the size of the tip and the other factors discussed above (page 72 ff.). The new peak is now just as large as the part of the original German payment peak, for which the world money was then procured by the action of the Reichsbank. As a result, flows if the other factors are the same in both directions, just as many foreign gold to Germany, as this time his own Gold lost now 3 . It is a reflection of the gold, price and interest rate movements we have outlined above. The entire process[37] [38] is subsequently repealed. It was superfluous in a deeper sense, though technically necessary in the case of monetary difference.

This essentially applies even if the cover ratios in Germany and abroad are different or if the after-effects of price waves and price level shifts interfere. It is then possible that less (or perhaps more in the first case) foreign gold will flow to Germany than what was previously German. But the foreign gold remains so much longer (or shorter) in Germany that the flow of goods triggered by the gold flows are exactly the same in both directions[39] .

It would be wrong to equate the recoil with that outpouring that can occur as an aftermath of the price level shifts. The oscillation is neither necessary nor does it change anything in the result, as the individual rashes cancel each other out. The recoil, on the other hand, is inevitable when there are different kinds of money, and it completely destroys all the initial peculiarities of the transfer, as they must first occur in these circumstances.

But it would not be right to compare the recoil with the actual and inevitable after-effects of the price level shifts. These bring probably the streamed gold back into the old country and the lowered price level to the old state, they end a process that the aftereffects of the price waves then make undone.

c. The peculiarity of the second transfer stage at Teilgeld. - On the first level, the creators of the part money and all those who use their part money help with the transfer. In the second stage, the assistance of these bystanders will be completed and then fully reversed. This help is brought to an end as goods deliveries gradually redeem the lost world money. As a result, world money stocks and, as a result, the partial money creation of the two central banks are approaching their normal levels again. This restricts further export surpluses. The condition before the disturbance is restored is restored. But this does not change anything that has already happened: that the debtor country has for a time sold off goods cheaply and the creditor country has acquired them cheaply; that

that through a deflationary crisis, which went through an inflationist revival. Only at the end is this all reversed by the recoil. It is an exact reflection of the original transfer assistance through the entire debtor and creditor country: Where previously the gold stock sank below the normal, it now rises accordingly above the normal; the country, which initially had to sell its goods at a discount, now imports cheapened; the deflation crisis is compensated by an inflation boom. In short, the contribution of the non-participants to the transfer is temporary.

The fact that partial money was created in addition to the world money does not change anything in the essential transfer process. Although the transfer is complicated, temporarily the creators and users of the part fee have to help, but the end effect remains the same. It is incorrect to regard the partial grant creation as a fundamental complication of the transfer. Basically, the money - even if it consists of several types - only a veil on the actual operations.

They are side effects or special circumstances - as they are seldom missing in the real world - that give the veil its own meaning. Price level or even exchange rate changes disturb - even if they compensate each other to the extent. But the magnitude does not even need to be exactly the same in both directions. Thus, the transfer will be somewhat more difficult for all countries that have created partial payments, and especially when the demand of their partners is very rigid.

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Summary: Monetary theory. - In this unfinished study, the author works out a monetary theory which, in its first part, is based on the assumption of a single world currency. He builds up his analysis of the transfer phenomena On Their simplest and most direct form - and proceeds to the most complicated movements of cash and bank- money side by side and to a system of transfer centers working in a hierarchical order. The study centers around the transfer problem, and it is the author's main concern to elucidate it from the point of view of distance and distribution in space. It is from that point of view that all the different movements of commodities and commodities are charged, or the primary modification of the always assuming the existence of a single world currency.

The partial part of his study, the author introduces partial currencies and thus approaches the most complicated reality, proceeds from a partial currency, which is produced at a certain cost, to bank and check money. Her, too, it is mainly a question of analyzing the transfer phenomena. The point of view of distribution in space is again dominant and shows itself in a particular way.

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R6sum6: La theory monotaire . - La thöorie monötaire que 1 'auteur d ^ veloppe dans cet ouvrage inacheve , est basee , dans sa premiere partie , sur l'hypothesis d'une seule monnaie mondiale . L'analysis of the phenom & nes de transfer commence par la forme la plus simple et la plus direct - et continue jusque dans les mouvements les plus compliqu ^ s de l'argent comptant et de l'argent bancaire , l'une ä cöt6 de l ' autre , et encore jusque dans une système hierarchique de centrales de transfer. C'est le probleme du transfer qui constitue le probleme central. L'auteur tient tout specialement k ölucider du point de vue de la distribution dans l'espace tous les mouvements done qui precedent, accompagnent et suivent , la modification primaire du pouvoir d'achat , qui se produit k la suite of mesures preliminaires et de Couverture - toujours sous l'hypothese d'une seule monnaie mondiale .

Dans le seconde partie de son travail 1'auteur introduit la monnaie partial et national , et avec cela il s'approche k mesure de la reality la plus compliquee allant de la monnaie partial k COUET de production jusqu'ä l'argent bancaire et de credit. Dans cette partie aussi, la recherche aboutit k l'analysis of the phenomenes de transfer .. Et le point de vue regional y domine egalement. II se manifeste d'une maniere parti- calierement originale la l'auteur poursuit tts exactement les moutiques des niveaux des prix et les fluctuations des prix memes.

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Resumen: Teoria monetaria. - La teoria monetaria, exporesta por el author en su fragmento, en su primera parte se funda de la hipotesis de una sola aspecia de moneda mundial. El andlisis de los procesos de la transferencia monetaria se eleva sobre la ejecucion mds simple del asiento directo y se desarrolla hasta los movimientos mds complicados de moneda contante y de moneda contable coordinados y hasta una jerarquia de centrales una sobre otra . En el centro se examina el problema de la transferencia . Sobre todo le importa al autor aclarar con respecto al espacio los movimientos secundarios del poder de compra , de las Mercancias y de los precios que preceden , coinciden con y siguen la desviacion primaria del poder de compra por medidas preparatorias y de commission - todo eso siempre bajo la hipotdlis de una uniforme moneda mundial .

En la segunda parte del trabajo se introduce la moneda parcial y al mismo tiempo se efectua paso a paso la aproximacion a la realidad mds complicada , de la moneda parcial con coste de production à la moneda bancaria y al cambio . Tambien en este caso el andlisis vuelve a terminar en la investigation de los procesos de la transferencia .

Asimismo predomina aqui el aspecto espacial que se expresa de manera especial- mente original en la observação precisa de las desviaciones del nivel de precios and de las ondas de precios .

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Riassunto : Teoria monetaria . - La teoria monetaria rimasta incompiuta si basa nella sua prima parte sull'ipotesi di una sola moneta mondiale . L'analisi dei procedimenti del trasferimento di denaro commincia col processo pi s semplice deiralliteramento diretto svolgendosi sino ai movementi i piu complicati di denari contanti e moneta di conto corrente uno a canto all'altra ea una gerarchia di centrali . Nel centro dello teoria sta la discussione del problema del trasferimento . Importa anzitutto all \* autore di mettere in luce dall'aspetto dello spazio i movimenti secondari del potere d'acquisto di beni e di prezzi , i quali avanzano , accompagnano e seguono lo spostamento primario del potere d'acquisto a forza di misure di pre- parazione e di copertura e tutto cio basandosi sull ipotesi di una moneta mondiale unitaria \*

Nella parte seconda della teoria viene introdotta la moneta parciale , effetuando cosiman mano l'avvicinamento alia realta la piü complicata della moneta parciale con costo di production fino alia moneta bancaria e di cambiale . Anche qui l'analisi • bocca nello studio del processo di trasferimento di denaro ed anche qui predomina l'aspetto dello spazio , spiegandosi in modo specialité originale nell'osservazione stretta dei spostamenti del livello dei prezzi e delle onde de prezzi .

[1] For those affected it differs from the voluntary saving that they do not own the savings. It is a definitive renunciation for them, but it is partly offset by the cheapening of productions financed by compulsory savings.

[2] 1 Of these , a great deal of fuss has recently been made, following Keynes . Alone Pohle founded his economic theory in 1903.

[3] In detail I have developed the modern solution of the transfer problem (still in the sense of the prevailing theory) in my essay: A dispute over the transfer problem. Schmollers Yearbook for Legislation, Administration and Economics in the German Reich, Munich, Vol. 54 (1930), S / 1093 ff., In addition a misprint correction, ibid., 55 (1931), p. 192.

[4] This does not mean that in all cases where the creditor directs his increase in purchasing power immediately before any reduction in price on the debtor's goods, or where he actually buys exactly what the debtor waives, without price change. See above: A. Lösch, The spatial order of the economy. An investigation of location, economic areas and international trade. Jena 1940. p. 18f., 195L

[5] The detailed description and justification of this process I have given in my above-mentioned book.

[6] Level: the final cleanup. - Although now the disturbing payment is completed, the transfer is by no means over. For still the cash holdings of the former debtor is below average, the creditors above average, nor the two waves are on the move and only partially balanced, is still the third repayment of loans before, taken at relatively unfavorable conditions from the debtor and the creditor to third parties were granted. In the sum of all these items taken together, the final real transfer has yet to happen; in height

[7] It unless not be redeemed with the silver in the same period of production of other goods in demand, which would then raise prices. Conversely, as the speed of transactions makes silver almost immediately extra money, conversely, the liquidation of assets (houses, securities) may, contrary to the prevailing view, tie up purchasing power (ie lower the price level through additional supply) if they are so slow It happens that the seller no longer proceeds with the proceeds in the same period of production as a consumer of newly manufactured goods. In the next production period, however, there will be a compensatory price increase.

[8] This also reduces gold for partial money.

[9] This purchasing power corresponds to that of the streamed world money, which is replaced by goods in the part-money area. As a result of the devaluation of money, there are fewer goods than the part-money area originally gave when acquiring the world money.

World Economic Archive Bd. LXII. 4

[10] This also applies to an initially underemployed economy. In order to eliminate unemployment, there is no need for unusual credit creation, but only the use of the saved purchasing power. Unusual credit creation can only occur after full employment.

[11] At the very least , the elimination of purchase power - because that means reducing the amount of additional bank money - leads to a price reduction.

[12] Case a is typical for statics, case b for dynamics. The change in the real conditions in the second case also allows for a distribution of world money that deviates from the previous one.

[13] Always provided that the risk that the creator wants to take over, and that the use that his part-payment finds, are given.

[14] 1 Below this one could also classify the factors 2-4 (2 below as the opposite of

[15] above, 3 below as opposite of 4 above, 4 below as opposite of 2 above). Nevertheless, I list them especially because, unlike all other factors, they are, or may be, a consequence of the creation of money, and as such are irreversible, that is, they can never turn into their opposite and promote the creation of money.

[16] This includes the exchange first of partial money for world money and then of world money for goods.

[ 4 ] Little inasmuch as the banks are downsized, not as far as the area ever captured is increased.

[18] The technique of money transfer

The technique of transferring money is the same within the range of circulation of a particular partial fee as it is for world money. But how

[19] This unorganized, market-based clearing is difficult because (as we saw in the beginning) the necessary dispositions of the parties involved can interfere with each other.

[20] It is only possible with internal accounting that everyone, creditors and debtors, book the loan in their monetary mode.

World Economic Archive Bd. LX 1 I. 5

[21] 1 As shown under A, multilateral clearing is also possible if there is no reserve currency. It is therefore necessary to distinguish between the advantages of central clearing and that of a common currency.

\* I proved this right at the beginning of the discussion on European clearing. A. Lösch, settlement and gold currency - a comparison. "The Bank," Berlin, Jg -33 (1940), p. 603 ".

[22] In London, it is the big private banks.

[23] See . WR Burgess, The Reserve Banks and the money market. With introd . by GL Harrison and B. Strong. Rev. ed. New York and London 1936. p. 102t.

[24] If gold pieces were circulated, it is still unlikely that A could easily raise the whole amount in gold. Moreover, the central bank's response is the same whether gold is circulating and can be accumulated and sent by the borrower himself, or whether he pays the debt in notes to his central bank and then clears it out of its gold reserve.

[25] It is therefore wrong to say that a prescribed reserve can not be dispositioned if you need it. By the described processes, so only a part of the world money is free (namely, the cover of - by paying the debtor and by restricting the loans - destroyed partial money). All that is correct is that not all the debt can be paid out of the world money reserve as long as a certain coverage ratio has to be maintained.

[26] It is therefore no pointless technical caprice when countries with low cover have to be prepared for large price movements, but this is the natural downside of their large credit creation.

[27] Cf. also the case dealt with in my "Spatial Order," p. 94, where the elasticity of demand turns out to be particularly great when the price and distance of the competition are given - assumptions based on the present one Problem exactly.

[28] See ibid., P. 95.

\* [29] See ibid., P. 92t.

\* [30] Cf. Lösch, Eine Auseinandersetzung, op. Cit., Pp. 1100 ff.

[31] x erase, the spatial order, aa O., S. 280. This regularity has two reasons: First, the quantitative importance of the demand declines after a single well from a certain point with distance (ibid, p 102) ; secondly, with increasing distance, the range of more and more goods produced in a particular country ceases. Only the importance of climatic differences for trade is a more important counter factor.

[32] For the effect of the shift in purchasing power is apparently greater if the partner country is close.

[33] Cf. Lösch, An altercation, a. a. O., S. noif., Case 4 and 5. - The same inversion as in the price level shifts is possible for the same reasons in the price waves, here, however, only less likely.

World Economic Archive Bd. LXII. 6

[34] Including the interest rate shift is included.

[35] Except for an amount equal to the gold required to cover the price waves and the loan balance arising as a result of a shift in purchasing power and interest rate waves in Germany's favor.

[36] A point emphasized by FW Meyer, The Balancing of the Balance of Payments (Problems of Theoretical Economics, H. 5), Jena 1938, p. 101 ff.

6 \*

[37] 1 This is not incompatible with the requirement to keep the coverage ratio constant, since this is not possible for every single time anyway.

\* What is said below about the price waves, applies accordingly to the interest rate waves.

[38] Except that gold, which corresponded to the coverage of the price waves. This gold movement alone is irreversible, as the price waves are not.

[39] Of course, it makes a difference (because of the side effects of price level shifts), whether they are short and heavy or long and mild. It is also possible that the reaction of the markets to these price level shifts is not the same in both directions. This in fact restricts our thesis that the effects of the first shift are completely wiped out by the second. The transfer of goods from Germany to other countries can be made with larger or smaller victims than the transfer of an equal amount of goods in the opposite direction.