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Book Review: Documentary History of Banking and Currency by Herman E. Krooss

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sequel to the author's *The Concept of Human Capital* (same publisher). The subject is examined under several headings: estimates of the money value of both a human being and a nation's aggregate human-capital stock, human-capital losses owing to war, and the treatment of migration, health maintenance, and education in terms of human capital. Tables and a bibliography are included, but no index, the place of the latter being taken by a fairly detailed table of contents.

Chapter 1 is devoted to a critical review of the modes of estimating the money value of a man, ranging from the original efforts of Sir William Petty to the well-known work of L. I. Dublin and A. J. Lotka. Also examined are Theodor Wittstein's effort to put compensation for loss of life on an economic basis, Ernst Engel's attempt to estimate the cost of producing a man, and William Farr's very important work, prompted by his desire to modify the English tax base.


Works on human-capital losses owing to war are treated in chapter 4. All of the estimates examined (those of Y. Guyot, E. Crammond, H. Boag, W. S. Rossiter, E. L. Bogart, and J. M. Clark) except that of Sir Robert Giffen (relating to the Franco-Prussian War) deal with World War I losses.

In chapter 2 the author presents the opinions of a number of economists who, though they did not attempt to estimate the value of a man or his skills, did place human beings in the category of capital on grounds of cost, productivity, or productivity-increasing expenditure. Mentioned are the opinions of Adam Smith, J. B. Say, J. R. McCulloch, N. Senior, F. List, H. D. MacLeod, J. H. Von Thinen, W. Roscher, L. Walras, W. Bagehot, H. Sidgwick, A. Marshall, and I. Fisher.

Chapter 5 opens with an account of Friedrich Kapp's attempt (in 1870) to estimate the monetary value of immigration into the United States and criticisms of Kapp's findings by C. L. Bruce and R. Mayo-Smith. Also examined are M. M. Dawson's critique of court compensation procedures, Fisher's estimate of losses caused by preventable illness, Crum's assessment of public accident costs, and somewhat parallel estimates by C. H. Forsyth and E. L. Fisk. The chapter closes with J. R. Walsh's important 1935 paper relating to the value of education.

In his summary and concluding chapter (6) Kiker refers to Cantillon's estimates, to work by F. Deuticke, A. Lindheim, R. Ludtge, and Ida Meyer, and to observations of Jeremy Bentham, J. S. Mill, and M. Longfield. There is no reference to Italian work (e.g., Vilfredo Pareto, Corradi Gini), or to human capital estimates made by students of rural-urban migration, especially in the United States. The bibliography does not include Brinley Thomas's relevant studies.

There is no reference to literature relating to the commercial or other valuation of slaves.

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040 ECONOMIC HISTORY


For more than three hundred years, miles of paper and torrents of words have come out of executive departments, the Congress, and the committees set up to investigate monetary problems of the day. Out of this mass, Professor Krooss has chosen a small (300) set of state papers, speeches and reports, his candidates for survival. The selections range in time from 1627 to 1968 and in quality from self-serving arguments and defenses of bureaucratic procedures to clear statements of portions of monetary theory. Unfortunately, the two are often intertwined and frequently one must read a lot to learn a little.

The volumes begin with an act to make wampum legal tender and near the end contain a res-
olution calling for the introduction of SDRs as international legal tender. In both cases, the legality of the tender was subsidiary to the desire to introduce a dominant medium of exchange, and in both periods a governmental institution sought to fix exchange rates. The failure to maintain the fixed rate wampum system did not prevent others from adopting similar systems later, with similar results. Whenever the rate of issue became large, there being no effective means of forcing people to accept and use one rather than another money, Gresham’s Law came into effect and the fixed exchange rate system broke down. Non-inflationist states were able to keep paper money in circulation, while inflationist states were not. The same lesson has been repeated several times but never learned.

A main problem addressed in the Colonial period was how to maintain the value of paper money and to keep paper money and bullion in circulation simultaneously. The problem is still with us, on a world-wide rather than a colony-wide scale, at the end of the volume.

A second problem of the Colonial period that will sound familiar to contemporary economists arose because of the practice of issuing paper money and acquiring land or claims against land. Banks faced with a reduction in liabilities often found that they were unable to liquidate assets so as to redeem banknotes and reduce liabilities. Throughout our history, crises and panics recurred because of the failure of numbers of financial institutions and the forced sale of long-term assets that had been acquired by issuing liabilities payable on demand.

What of the arguments? Franklin’s argument (1729), that there was an optimum quantity of money determined by the volume of trade contrasts favorably with the “officialese” of the Ministers of the Group of Ten, if only because Franklin recognized the importance of theory and the Ministers did not. Franklin, anticipating Keynes, argued that too little money not only raised interest rates but restricted trade, encouraged emigration, and discouraged immigration of craftsmen, thereby increasing imports and reducing exports. On the other hand, too much money drove down the value of the unit. Money was a medium of exchange, Franklin said, and labor the measure of value. The wealth of a nation is the quantity of goods (in labor units) that can be purchased and not the amount of gold and silver. The value of money as currency was enhanced by the value of the time and labor it saved in trading commodities.

Governor Hutchinson’s description of the economic problems of the early 1730s as a combination of inflation and recession makes useful reading for the economist and policy-maker of the 1960s and 1970s who regards this combination as a new phenomenon resulting from union pressure. Hutchinson proposed to end the inflation by using a mix of fiscal and monetary policy: import bullion to serve as currency and pay for it by taxes spread over the next several years. Other proposals of the period included a currency defined in ounces of silver and adjusted in nominal value once a year, a forerunner of Irving Fisher’s compensated dollar. This proposal was adopted, but, as Hutchinson recognized, failed to compensate each money user for his losses. Eventually Massachusetts re-purchased the depreciated currency with silver, so that specie was re-introduced as Hutchinson had urged. Hutchinson gleefully records that the predictions of recession following the introduction of hard money in place of paper were incorrect. The quantity of nominal money remaining unchanged, with increased certainty about the real value of money, trade expanded in Massachusetts and declined in neighboring states where paper continued as legal tender. Unlike modern policy-makers, the pre-revolutionary men of Massachusetts did not force a decline in the stock of money to “compensate” for previous excesses.

During the Revolutionary War the Continental Congress could not levy taxes directly but could only appeal to the states for revenues that the states did not raise. Money was printed, and currency depreciated to one or two percent of its par value and eventually went out of circulation. Inflation was recognized as a tax on cash balances. “Every possessor of money has paid a tax in proportion to the time he held it [cash].”

No peruser of the volumes will want to skip Alexander Hamilton’s statement of the thesis
that banks facilitate long-run development. As Krooss notes, P. H. Webster had made a similar point a few years earlier (1786) and had provided a modern defense of commercial banking based on the thorough understanding of the services rendered by deposits. An earlier (1780) discourse by the same Webster on the monetary standard makes the relevant point about the social costs of using as a monetary standard commodities with relatively variable prices. In the course of his essay, Webster recognizes positive time preference.

The debates about chartering the National Bank continued through the early part of the 19th century. Many of the economic arguments are repetitious of the points made earlier. Two notable exceptions are the controversy over the appropriate definition of money and the medium of exchange and the clear statement of the quantity theory by Congressman McDuffie. McDuffie recognized (pp. 669-70) the need to hold the demand for money constant when claiming that the price level rose in direct proportion to the increase in the quantity of money.

The debate between opponents and proponents of central banking has continued to our own day. In the 19th century, as now, two groups opposed discretionary central banking. One feared the government or the bank would be inflationary; the other feared the bank was (or would be) deflationary. The history of both the 19th and 20th centuries suggests that both have been right at different times. The last three sections covering the years from the passage of the Federal Reserve Act to the present strongly suggest, the opponents of the National Bank and every other central banking act may have been right in opposing discretionary central banking.

If American monetary history demonstrates any point it is that money does not manage itself, as the saying goes, but men have not shown themselves to be skilful managers.

The index seems adequate. The books have no recent competition and are valuable reference works, well worth the investment for serious students of monetary history and legislation. Professor Krooss has provided a major service to the economics profession that has placed us all in his debt.

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No name is better known among twentieth-century Spanish historians than that of the late Jaime Vicens Vives. Until his death in 1980, Vicens Vives was Professor of Modern History
at the University of Barcelona and Director of the Center for International Studies there. A brilliant scholar and prolific writer, he gave new impetus and direction to the study of economic history in Spain where it had been for so long ignored or obscured by sterile traditionalism and parochialism. It was Vicens Vives who was largely responsible for bringing Spanish economic history out of its primordial state and into the modern era by adopting the methods and techniques used by historians outside of Spain, and by stimulating Spanish students to enter a field that had been for the most part dominated by foreigners. In his own specialty, the fifteenth century, he introduced many new interpretations that radically changed the accepted version of this period of Spanish history.

The present volume grew out of Professor Vicens Vives' course in the Economic History of Spain at the University of Barcelona. It first appeared in 1955 under the title: *Apuntes del Curso de Historia Económica de España*; a second edition was issued in 1959. After Vicens Vives' death, Dr. Jorge Nadal Oller, a former student and colleague at the University of Barcelona, who had collaborated in the first and second editions, revised it and published it for a third time. This English translation has been made from the third edition, and Frances M. López-Morillas has clearly performed well the difficult task of translating it.

It is impossible within the confines of a short review to give an adequate summary of the wealth of information contained in this volume. The best a reviewer can do is to comment on some of the material presented. This impressive work is a survey of the economic evolution of Spain from the ancient Iberians through the nineteenth century in which the author utilizes all kinds of evidence—archaeological, statistical, topographical and literary—to substantiate and broaden the historical narrative. What we have is a vademecum of knowledge incorporating the results of recent scholarship, all of which is held together by Vicens Vives' ability to weave this information into an integrated pattern. It is full of insights and new approaches; it answers many old questions, but at the same time it raises new ones. Many of the details that were omitted in this pioneer work have just begun to be filled in, and no doubt some of the generalizations will eventually be modified, but Vicens Vives' work will be the starting point for research in Spanish economic history for some time to come.

This volume is divided into six sections: Part I deals with ancient Iberia, Parts II-IV are devoted to the Middle Ages and the Early Modern Era, Part V concentrates on the eighteenth century and Part VI, on the nineteenth century. The book's strengths are clearly in the chapters on the Medieval and Early Modern Periods; less effective are the sections on the eighteenth and nineteenth centuries, a reflection of Vicens Vives' preoccupation with the earlier period and the dearth of good monographs on nineteenth-century Spanish economic history. In Parts II-IV the author describes the rise of the agrarian-herding-commercial economy of Medieval Spain and traces the impact upon this society of the discovery of America, the influx of gold and silver from the New World, the Price Revolution, and demographic changes. Part V surveys the economic policies of the Bourbons and the subsequent improvement in commerce and industry while Part VI deals with nineteenth-century economic trends. Throughout most of the book the work of Américo Castro is apparent as are the contributions, among others, of Earl J. Hamilton on monetary history, J. Klein on the Mesta, H. Lapayre on Castilian trade and the Moriscos, P. Vilar on eighteenth-century Catalan economic development and A. Domínguez Ortiz on slavery and population. Of particular value are the sections dedicated to Catalan economic development and A. Domínguez Ortiz on slavery and population. Of particular value are the sections dedicated to Catalan economic development, and it is here that Vicens Vives makes one of his most important contributions. Keenly aware of the role of the Catalans and other non-Castilian parts of the country, it was Vicens Vives who to a large degree revised the traditional Castilian approach to Spanish history. Before him, the history of Spain had often been distorted by looking at it from the point of view of Castile; Spanish history was really Castilian history in disguise. Vicens Vives, while recognizing the dominant position of Castile, made historians more aware of the equally Spanish but distinctive regions of Catalonia and Aragon so that Spanish historical writing has since become more Spanish and less Castilian.

In summary, this volume is an indispensable