Money, Debt, and Economic Activity. By ALBERT GAILORD HART. Prentice-Hall, Inc., New York, 1948. 558 pages.

ALTHOUGH the form is a textbook on money and banking, the substance of this book is a treatise on monetary theory. Around a central core of monetary and banking theory is built an illuminating treatment of the broad issues relating to economic stabilization. Both the theoretical analysis and the empirical evidence on economic fluctuations are given a policy orientation. The book is designed mainly to "brief" the student on what he needs to know to judge the policy issues, but Hart also provides a useful summary and synthesis for mature readers who have not kept up with the voluminous monetary literature of the last two decades.

The Introduction and Part I cover most of the monetary aspects of banking. This could be done only by greatly restricting the space given to banking history and to the strictly business aspects of banking. Credit expansion is illustrated with banking data selected from experiences in World Wars I and II, and central banking is treated functionally and in the light of developments which have resulted in a sharing of the central-banking function of the Reserve Banks with the Treasury, the RFC, and other Federal financial institutions.

Relations of money to price levels and employment are treated in Part II. Four approaches are discussed: (1) The commodity approach, properly disposed of in short order; (2) the transaction-velocity approach, which, in the Irving Fisher tradition, conceives of the stock of money as turning over a measurable number of times during a given period; (3) the payments approach, which relates payments to receipts in the Keynesian manner, without the use of the "multiplier" concept which Hart regards as an "analytical fifth wheel"; and (4) the cash-balance approach, following the Cambridge tradition of relating stock of money to national income. Part II will be helpful to research workers as a "refresher course" and in understanding the concepts and terminology used in modern monetary discussions.

A detailed factual review of fluctuations in prices and employment and their relationships to monetary fluctuations is found in Part III. The author has no illusions about "proving" theories with empirical data. Nor does he have much faith in "poring over charts and tables." "The notion that 'the facts will tell their own story' and shape themselves into 'patterns' which explain everything is just a branch of numerology. . . . Statistical measurements are useful only in conjunction with sensible theories. . . . What they can do is only to *reject* hypotheses with which they are not consistent." But he finds considerable evidence to support the hypothesis that fluctuations in prices and employment are related to monetary fluctuations.

In part IV, concerned with international monetary relations, the development follows more conventional textbook lines. But the general tone of Part V evidences Hart's great interest in policy questions, particularly questions of objectives, guides, and weapons of economic stabilization. In a sense, the purpose of everything before is to prepare the student for this discussion. Hart concentrates on monetary and fiscal policies, but does not ignore those that fall largely outside these fields—labor relations, anti-monopoly policy, etc. He favors automatic stabilization devices that are built into the framework of the economy, because they avoid "bossism." He has kind words for Graham's "Commodity Reserve Currency," partly because of its automatic features. But he recognizes the need for discretionary controls. He argues convincingly for income-tax flexibility as an added stabilization device.

In an undertaking of such scope and proportions, criticism can of course be made on specific points. Restriction of the term "money" to coin and paper money, with checking accounts designated "near-money," does not seem to add anything *net* to the clarity of the exposition. Some will question putting the automatic gold standard and "Social Credit" under the same heading as monetary panaceas. On these and other points, students are likely to differ with Hart. But they will benefit both from his clarity of exposition and from the challenging way in which he evaluates the several proposals for economic stabilization.

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