

PREFACE

The following pages have as their central problem the value of money. But the value of money cannot be studied successfully as an isolated problem, and in order to reach conclusions upon this topic, it has been necessary to consider virtually the whole range of economic theory; the general theory of value; the rôle of money in economic theory and the functions of money in economic life; the theory of the values of stocks and bonds, of "good will," established trade connections, trade-marks, and other 'intangibles'; the theory of credit; the causes governing the volume of trade, and particularly the place of speculation in the volume of trade; the relation of "static" economic theory to "dynamic" economic theory.

"Dynamic economics" is concerned with change and readjustment in economic life. A distinctive doctrine of the present book is that the great bulk of exchanging grows out of dynamic change, and that speculation, in particular, constitutes by far the major part of all trade. From this it follows that the main work of money and credit, as instruments of exchange, is done in the process of dynamic readjustment, and, consequently, that the theory of money and credit *must be a dynamic theory*. It follows, further, that a theory like the "quantity theory of money," which rests in the notions of "static equilibrium" and "normal adjustment," abstracting from the "transitional process of readjustment," touches the real problems of money and credit not at all.

This thesis has seemed to require statistical verification, and the effort has been made to measure the elements in