

Material used by K. R. Bopp at  
P.B.A. Summer School  
June 24-25, 1953

"The 2 3/8's Story" from 1952 Annual Report FRB Phila.

"Exercises in the Debits and Credits of Bank Reserves"

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Lecture Notes  
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WHAT MONEY DOES

I. Essential Differences between Economic Systems

A. The basic economic problems:

Who is going to produce how much, of what, for whom?  
or how shall we use our resources?

B. Alternative answers

1. Authoritarian system:

- (a) Basic principle: Government dictates the answer
- (b) Qualifications

2. Competitive market system:

- (a) Basic principles: Consumer choice operating through profit and loss
- (b) Qualifications

II. The Flow of Money and the Level of Economic Activity

A. Major groups of purchases

- 1. Consumption expenditures or purchases for immediate use
- 2. Investment expenditures or purchases of new construction, equipment, and inventory
- 3. Government expenditures

B. Income and its use

- 1. Income: Consuming and saving
- 2. Saving: Investing and hoarding

C. How income and spending can get out of hand

D. Gross National Product

Since the invasion of South Korea

THE RELATION OF FISCAL AND MONETARY POLICIES TO BANKS

- I. Essentials of a Program to Achieve Relatively Stable Economic Growth
  - A. The Congress and Fiscal Policy
  - B. The Treasury and Debt Management Policy
  - C. The Federal Reserve System and Monetary Policy
  - D. Other requirements for stable growth
  - E. Effects of these policies on the local bank and on the banking system
  
- II. How to Interpret Federal Reserve Operations
  - A. The mechanics of Federal Reserve operations
  - B. Illustrative cases
    - 1. Pegging and its implications
    - 2. The Refunding of August 1950
    - 3. The Accord of March 1951
  - C. Some suggestions on sources of information
    - 1. Regular statistical releases
    - 2. Speeches of officials