

The Accumulation of Monied Capital:

Thomas Tooke and an Anonymous Author's
The Currency Theory Reviewed

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In the book *Considerations on the State of Currency*, which was published in 1826, Thomas Tooke mentioned that the crisis of 1825 was not caused by the over-issue of currency by the Bank of England, but rather was a result of the purchase of a large number of public securities with monied capital. Tooke described monied capital as the idle money that flowed into banks from different sections of society. He then proceeded to explain the “wave transfer theory of monied capital” and demonstrate that the purchase of a large number of public securities by the Bank of England led to a rapid reduction in the rate of interest on such securities. This led other possessors of monied capital to invest in other risk securities in the money market, including domestic stocks and foreign securities. Tooke reasoned that the speculation was caused by the differential in the rates of interest that was brought about by the use of monied capital in the money market.

In 1845, an anonymous author—a banker in

England—wrote a pamphlet called *The Currency Theory Reviewed*. In this pamphlet, he elaborated on a “theory of saturation in the money market,” which was similar to Tooke’s wave transfer theory of monied capital. However, the anonymous author did not agree with Tooke’s concept of monied capital, which is evident from the former’s discussions on the latent form of money. The anonymous author contended that the latent form of money constituted the claims for money accumulated by circulating deposits and loans among banks. He also argued that the claims could function as money even after the cash was loaned. This shows that the anonymous author discerned the fictitiousness of monied capital, though he did not use this term. Thus, both Tooke and the anonymous author recognized that there was a unique category of monied capital that was different from real capital.

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