

Money is a Right: Alfred Lansburgh's Token Theory of Money

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Abstract:

Alfred Lansburgh was a leading publicist on money in Germany during the Weimar Republic. He developed a Token Theory of Money, a nominalistic monetary theory with an endogenous quantity of money but warns of the danger of misuse. Only therefore, he combines his understanding of money as a right—as a legal claim on goods and services—with a metallistic conception of gold money. Lansburgh was misunderstood during his time, and he remains so until today. He was often described as an “orthodox gold money theorist,” but he was a passionate “token money theorist,” with many similarities e.g. to Joseph Schumpeter.

Keywords: Lansburgh, Die Bank, Inflation, Token Theory of Money, Topic Modeling

JEL-Codes: B26, B31, N24

Postprint: The Version of Record of this manuscript has been published and is available in
The European Journal of the History of Economic Thought

Link to this article: <https://doi.org/10.1080/09672567.2022.2063356>

Introduction

Anyone who has studied money and banking in Germany of the later years of the Kaiserreich and the Weimar Republic has inevitably come across the name Alfred Lansburgh and some of the texts of the man behind the name. The *Frankfurter Allgemeine Zeitung* called him “... in matters of money, perhaps one of the brightest people who ever lived and worked in Germany.”¹ Yet, hardly anything is known about him as a person. Despite his great contemporary importance and relevance, which extend to this day,² no scientific research has been conducted to get a closer look into his works.³

The global financial crisis of 2008 and the subsequent (re-)emergence of libertarian ideas about money and cryptocurrencies have made Lansburgh popular again with his accessible, journalistic style.⁴ However, he was not just another money “crank”⁵ but a journalist deeply familiar with the financial system and developed from this insight a Token Theory of Money as early as 1909, enabling him to predict the hyperinflation of 1923.

The current study analyzes both dimensions. The first part rediscovers Lansburgh’s background as an insider in financial journalism. This includes his biography, intellectual influences, role in politics, professional ethics as editor and journalist, and the development and major topics of his journal, *Die Bank*, during his lifetime. The second part reconstructs his monetary theory, which he wrote as an outsider to the scientific community, and discusses it within contemporary debates. This shows his originality in being able to conceive his theory and the misconceptions construed and inferred from it by others. This work demonstrates that both dimensions influenced each other.

¹ Frankfurter Allgemeine Zeitung, March 31, 1950; translation, as with all other German quotations, are done by the author. This also applies where translations are published, e.g. Stein’s translation of “Vom Gelde” (2021), as it departs too far from the original to be used here.

² There are, e.g., many reissues of his main work “Vom Gelde,” one in 1982 (Sammlung Bokelberg), two in 2011 (Nikol and basis-Verlag), one in 2016 (Kopp), again in 2020 by Nikol and in 2021 by OECONIMUS. He was also quoted, e.g., in all major works on the hyperinflation of 1923 in Germany (esp. Feldman 1993 and Holfreier 1980).

³ The only exception is a contemporary dissertation by Hans Nagel (1936).

⁴ From this field e.g., a first English translation of “On Money” in 2021 (Stein, 2021).

⁵ Ellis (1934) p. 44.

Lansburgh as a Financial Journalist

Biography

By all accounts, Alfred Lansburgh's life story has been largely forgotten. To this day, the academic works published about him are clueless about his actual life story and therefore fall for his fictitious role as a writing bank director.⁶

Alfred Lansburgh was born in London in 1872 and was of Jewish heritage. His family moved from London to Berlin, and his father died in 1875. He attended the French Gymnasium but did not graduate from the school; as assumed by his son, the later journalistic and scientific activities of the "prohibited professor" were compensations for this.⁷ Lansburgh was orphaned at the age of 14, when his mother died in 1886. His son characterized Lansburgh as a "maverick" who remained a loner, outsider, and lateral thinker all his life.⁸

He later became an employee of Berliner Handels-Gesellschaft (BHG), headed by Carl Fürstenberg at the time. Lansburgh worked in the issuing department around 1895.⁹ The BHG did not follow in the footsteps of other major banks in Berlin that later became universal banks; instead, the BHG became an investment bank. This shaped Lansburgh's view on credit as he perceived banks as mere intermediaries that were less engaged in the role of a credit-providing and deposit-holding institution.

During this time, he read numerous economic texts in his spare time and educated himself autodidactically outside the universities.¹⁰ He did this in connection with the *Verein der Bankbeamten* (Association of Bank Officials) in Berlin, founded in 1890, which established a well-stocked library and held many lectures, particularly on economic policy.¹¹ Lansburgh

⁶ E.g. Derix (2019) p. 104f.

⁷ Lansburgh (1990) pp. 11–13.

⁸ Lansburgh (1990) p. 10, similar, e.g., Nagel (1936) p. 62.

⁹ Lansburgh reports on his time at BHG during the crisis with Serbia (1885–1895) in "Die Bank," quoted in BHG (1959) pp. 80–82.

¹⁰ Manuskript "Memoirs of a Continental" von 1960 im Exil-Archiv: NL 165 – Werner Lansburgh EB 2001/108, p. 1.

¹¹ Unfortunately, the concrete stock of books in the library remain unknown.

described the *Verein der Bankbeamten* in the Berlin of that time as a “professional and educational association,”¹² which later became a bank clerk union that went on to enforce e.g., a first pension scheme in 1909.¹³

In 1902, Lansburgh was elected to the board of the *Verein der Bankbeamten* in Berlin.¹⁴ Even before serving on the board, he had chaired a commission charged with establishing specialized courses for bank officials’ continuing education. In 1901, he relinquished the commission’s chair of the courses and handed it over to Georg Obst, one of the most widely circulated economics authors of the time.¹⁵

As the imperial era was generally highly liberal in economic terms, Lansburgh adopted a classical–liberal stance as an overarching paradigm, dominant in financial journalism and within the banking community at the time. He often referred to the classical economics of the 18th and 19th centuries. In his texts at *Die Bank*, for example, he frequently referred to David Ricardo (23 times), Adam Smith (11 times), and Jean Baptist Say (7 times). Unfortunately, determining which concrete economic texts he read is not possible.

He used the concept of equilibrium, wherein “the cooperation and interaction of millions of economically interacting people create a great harmony.”¹⁶ He often repeated Say’s Law, which he explained by saying that every sale is matched by a purchase; the total amount of production is equal to the total amount of demand¹⁷; and “every production is, at the same time, consumption.”¹⁸

The neoclassical ideas that have become dominant since the 1870s were rather foreign to Lansburgh, who said, “The theory of marginal utility, with which one has tried supporting the

¹² Lansburgh (1912 *Gewerkschaft*) p. 894.

¹³ Wöhler (1914) pp. 31-46

¹⁴ *Berliner Börsen-Zeitung*, May 27th, 1902.

¹⁵ Obst (1904) p. 5.

¹⁶ Lansburgh (1930 *Krisis*) p. 1493.

¹⁷ Lansburgh (1930 *Krisis*) p. 1494.

¹⁸ Lansburgh (1909 *Im Zeichen der ungedeckten Note*) p. 1125.

wavering building from Jevons to Wieser and Böhm-Bawerk, turns economic science into a psychological–philosophical analysis with which not a single economic problem can be clearly recognized, let alone practically solved.”¹⁹

Equilibrium is achieved through the “four correctives: ‘interest rate,’ ‘price,’ ‘wage,’ and ‘gold movement.’”²⁰ Here, interest has the function of ensuring balance between savings and investment because “who produces should consume; otherwise, the economy will be in disorder. The economic instrument, by which this danger of stagnation in the economy is avoided, is referred to as the *interest rate*.”²¹ Based on this view, banks are financial intermediaries: “‘Savings’ are, thus, transformed into ‘loans’ or ‘capital investments.’”²²

Lansburgh, therefore, did not distinguish between money and capital. If one complained about the lack of means of payment, for Lansburgh this indicated “in reality, a lack of capital.”²³ In such a context, an active monetary policy would only do harm: “Do we now need a second elastic element in addition to elastic prices, elastic money? (...) The price would be hindered in its function as a key to the division between goods and purchasing power, and between supply and demand.”²⁴

Lansburgh remained with BHG until 1903, when he changed to *Ratgeber auf dem Kapitalmarkt* (Advisor at the Capital Market) as a journalist.²⁵ During this time, he was embroiled in a scandal that left a lasting impact on his work ethic in financial journalism. The newspaper was founded in early 1903 by banker Siegmund Friedberg. The editorial office was located in the same building that Friedberg’s bank was. This arrangement drew massive criticism regarding the independence of the newspaper.²⁶ Lansburgh was, at least in 1904/05,

¹⁹ Lansburgh (1922 *Von der Arbeit*) p. 417.

²⁰ Lansburgh (1937 *Konjunktur-Politik*).

²¹ Lansburgh (1923 *Wesen des Geldes*) p. 62 (8th letter).

²² Lansburgh (1933 *Grundriß der Geldlehre*) p. 127.

²³ Lansburgh (1909 *Im Zeichen der ungedeckten Note*) p. 1129.

²⁴ Lansburgh (1917 *Das gute und das schlechte Geld*) p. 716.

²⁵ Degener (1935).

²⁶ Schmalenbach (1906) p. 363.

not only an editor for the newspaper but also working for the bank.²⁷ Hence, the separation of the editorial office and the bank was rather dubious. In early February 1908, Friedberg was insolvent. The damages amounted to 2.5 million marks, mainly borne by private investors who had entrusted their savings to Friedberg.²⁸ After this event, Lansburgh adapts to the newly-formed self-understanding in financial journalism in the Kaiserreich, coined by colleagues, such as Georg Bernhard or Bruno Buchwald, who considered their work a quasi-public function, and who saw themselves as advocates for common welfare.²⁹

The qualities of high integrity and incorruptibility that have become Lansburgh's trademark are already evident in 1908 in the "Buchwald Case," where Bruno Buchwald was expelled from the stock exchange.³⁰ Through that case, Lansburgh demonstrated his full support of Buchwald and the notion of independent reporting.³¹ In the same year, Lansburgh launched a campaign against the so-called "bucket shops,"³² which he defined as banks not listed on any stock exchange and with no connection to a broker; therefore, they were unable to execute customer orders. These "pseudo-bankers" (his old employer, Friedberg, was one), fabricated corporate news, pretended to buy securities for their clients, and charged fees for this service. If the price fell, they took the money; if the price rose, they encouraged the client to sell as soon as possible so that they could avoid paying out the profits, and the client was promptly advised to make new investments.³³

In 1907, Lansburgh left *Ratgeber auf dem Kapitalmarkt* and used his wife's dowry to found the *Bank-Verlag* publishing house.³⁴ His primary aim was to publish the *Die Bank* journal,

²⁷ Berliner Börsen-Zeitung, August 28, 1904, Berliner Börsen-Zeitung, and Berliner Tageblatt of August 10, 1905.

²⁸ Berliner Tageblatt on February 8, 1908, and on February 17, 1908; New York Times on July 14, 1908

²⁹ Radu (2017) pp. 15f, 298, 336f.

³⁰ Ratgeber auf dem Kapitalmarkt vom 31.05.1908; Radu (2017) pp. 13f, 299ff; Lansburgh (1908 Genesis)

³¹ Lansburgh (1908 Kurszettel) p. 254.

³² E.g., in the "Ratgeber auf dem Kapitalmarkt" of May 30 and September 9, 1909, or February 20 and December 11, 1910. In addition, in 1910 the Bank-Verlag published the book "Unlautere Geschäftsformen im Bankiergewerbe (Bucketshop-System)" by Arthur Nussbaum, who had previously written two essays on this topic at "Die Bank."

³³ Weber (1915) p. 193.

³⁴ Lansburgh (1990) p. 12; foundation announced in the Berliner Volkszeitung of December 25, 1907.

which appeared monthly from 1908 to 1929 and weekly from 1930 onward. With the weekly publication, the size of the journal and the number of employees increased. *Die Bank's* circulation reached 2,500 copies in 1926.³⁵ Unlike publishers Georg Bernhard and Bruno Buchwald, Lansburgh always had academic ambitions. *Die Bank*, therefore, developed from being a journal that was purely financial to one that espoused remedying general economic problems.³⁶ This shift was associated with Lansburgh's discovery of the central topic of his life: fighting inflation.

In addition to *Die Bank's* success, recognition grew at other levels as well. For example, The New York Times regularly summarized issues of *Die Bank* for its readers.³⁷ In October 1919, Lansburgh wrote a counter-opinion on the "Valuta Question," that is, the decline of the exchange rate, which, for Reich Finance Minister Erzberger, went against the grain, and which was read by Reich Chancellor Gustav Bauer, who subsequently called on Lansburgh for consultations.³⁸ His opinion was also widely discussed in newspapers.³⁹

His son, Werner Lansburgh, reported that Georg Solmssen of Deutsche Bank had wanted to influence the reporting of *Die Bank* during the Danat crisis of 1931 by means of funding, which Lansburgh had rejected.⁴⁰

Lansburgh later became a close interlocutor with the President of the Reichsbank, Hans Luther.⁴¹ Lansburgh called him "Hercules-Luther" and wrote only positively about him.⁴² Luther, in turn, wrote the foreword for the 25th anniversary of *Die Bank*⁴³, read in detail

³⁵ Müller (1925) p. 20.

³⁶ Hofmann (1960) p. 26f; there are also similarities with "Der deutsche Volkswirt" see Rieter (1989).

³⁷ e.g., New York Times of December 9, 1923, January 1, 1932, and November 20, 1933.

³⁸ Bundesarchiv R 43-I/2354, the expert opinion has also been published under: Lansburgh, Alfred (1919): Das Schicksal der deutschen Wahrung, In: *Die Bank*, 1919/2, pp. 635–665.

³⁹ Ackermann (1929) pp. 23f, 27, 49, 83.

⁴⁰ Lansburgh (1990) p. 15.

⁴¹ Borchardt/Schotz (1991) p. 55.

⁴² Lansburgh (1933 Prasidenten-Wechsel) p. 426; Schwebende Schuld, 1930/1, pp. 617–619; Reparations-Taktik, 1931/1, pp. 331–333; Die Diskont-Senkung der Reichsbank, 1932/1, pp. 506–509, Der Prasidenten-Wechsel bei der Reichsbank, 1933/1, pp. 424–426.

⁴³ Luther (1932).

Lansburgh's statements and articles during his time as Reichsbank President, and invited the latter to the 1931 meeting of the Friedrich List-Gesellschaft.⁴⁴

The Friedrich List-Gesellschaft conference, held in September 1931, focused on the possibilities and consequences of credit expansion to overcome the crises; it therefore discussed the "Lautenbach Plan" on the initiative of Hans Luther, who was on the board of the society.⁴⁵ Although Lansburgh was not a member of the society, he received an invitation because Luther wanted to have him support his skeptical position.⁴⁶

Lansburgh was critical in the debate: "Why is this called a crisis? Why is this time of rest, as I want to call it, necessarily called a crisis? Why is it bad if the businessperson works four hours a day instead of eight hours or closes his store two days a week?" The "time of rest" was only impossible because companies and households held insufficient reserves and heavily depended on credit.⁴⁷

Lansburgh, therefore, cautiously argued in favor of bridging loans to maintain employment: "It is more important that those enterprises that can keep themselves afloat in times of need, perhaps healthy enterprises that would go under if this were strictly executed, should be kept afloat and be able to continue to employ their workers, than bringing them to the brink of ruin."⁴⁸

Ultimately, his approval of the Lautenbach Plan was only politically justified: "We live in a state governed by parliament, so we must consider the mass psychosis, which is now such that if one expects a reduction in wages, that the people are happy to hear some activity, some plan."⁴⁹ For him, expansionary economic policy was only a concession to the voters, not an ideal economic solution.

⁴⁴ Bundesarchiv R 2501/6492, R 2501/6418, R 2501/6482.

⁴⁵ Borchardt/Schötz (1991) p. 17 and Brügelmann (1956) p. 133.

⁴⁶ At least with Edgar Salin there seems to have been such an agreement (see Kim (1997) p. 131f).

⁴⁷ Borchardt/Schötz (1991) p.195; the lack of reserves has been a topic in Lansburgh's texts since 1908.

⁴⁸ Borchardt/Schötz (1991) p. 199.

⁴⁹ Borchardt/Schötz (1991) p. 200.

As Lansburgh championed the austerity policy propounded by Luther and Reich Chancellor Heinrich Brüning, his son later speculated on his father's self-reproaches because his "orthodox economic ideas, in the spirit of the Manchester School"⁵⁰ may have involuntarily contributed to National Socialism's success in the crisis.⁵¹

Ludwig Mellinger, born in 1900, joined *Die Bank* in 1930 and became its editor the year after.⁵² Because of the *Schriftleitergesetz* (Law on Editors) of October 4, 1933, according to which a chief editor had to be "Aryan" (§6), Lansburgh could no longer be in charge, and Ludwig Mellinger became both the managing director of the *Bank-Verlag* and chief editor of *Die Bank* in June 1934.

The National Socialists watched *Die Bank*, and even after the takeover by Mellinger, they criticized that Lansburgh could continue to advocate his "orthodox gold currency theory." They even commented that "from the intellectual narrow-mindedness of a blood-foreign writer and theorist who does not understand the world of today, he demands that the facts be subordinated to his theories." *Die Bank*, they wrote, could still be enjoyed but "only with great caution. After all, it is not in the spirit of the Law on Editors that a discharged editor should continue to be active as the main writer of the same journal."⁵³

With his plea for a restrictive monetary policy, Lansburgh opposed the expansionist plans of the National Socialists and continued to criticize them rather bluntly. He called the plans of the National Socialists, such as Gottfried Feder, "overzealousness" of people with "little expertise" and stated that the economy must be protected from these "rash zealots."⁵⁴ He opined that the National Socialists' goals were only applicable in a simple "small-state or

⁵⁰ Translated from the manuscript "Memoirs of a Continental" from 1960 in the Exil-Archiv NL 165 - Werner Lansburgh EB 2001/108, p. 7.

⁵¹ Lansburgh (1990) p. 92.

⁵² Personnel file of Ludwig Mellinger in the archive of the IHK Munich.

⁵³ Bundesarchiv, Arbeitswissenschaftliches Institut der Deutschen Arbeitsfront, NS5-VI Nr. 17646 pp. 79–81; see also Wirtschaftsdienst (1934), February 9th, 1934, p. 183 and *Die deutsche Volkswirtschaft*, December 20th, 1933, p. 553f.

⁵⁴ Lansburgh (1933 Brief) p. 1696.

regional system of estates”; thus, it presupposed “primitiveness” and “small-scale mediocrity.”⁵⁵ The alternative ideas of monetary theory, such as those of Georg Friedrich Knapp, were more susceptible to instrumentalization by the National Socialists.

In 1935, Lansburgh was banned from writing, and just two years later, he committed suicide in 1937.⁵⁶

Die Bank

Between 1908 and 1935, Lansburgh commented on and influenced all large and small discussions regarding the development of the monetary and banking system of the time.

Hence, it is this long-term and continuous perspective that makes the analysis of Lansburgh’s writings so fruitful.

Extending from 1908 to the beginning of 1934, that is, in the period of Lansburgh’s editorship, 1618 essays (without columns or news) were published in *Die Bank*. Of these, he wrote 714, comprising over 40% of the essays and over two million words.⁵⁷

The use of topic modeling allows for a quantitative calculation of the central themes in Lansburgh’s essays at *Die Bank* during his stint.⁵⁸ His works can be classified under seven topics, as follows:

- The Role of Banks in the Economy (with a focus on theory)⁵⁹
- Monetary Theory and Policy⁶⁰

⁵⁵ Lansburgh (1933 Grundsätzliches) p. 1789.

⁵⁶ Lansburgh (1990) p. 127.

⁵⁷ See Greitens (2021). For details, see the appendix.

⁵⁸ The methodology is similar to Ambrosino (2018) and Küsters (2019) pp. 24–30, but with different tools. The Topic Modeling (LDA) was done in R using the package “quanteda” and “stm,” and thus, based on Benoit et al. (2018).

⁵⁹ For example, the series “Das deutsche Bankwesen” (The German Banking System) and “Die Verwaltung des Volksvermögens durch die Banken” (The Administration of National Property by the Banks) from 1908, “Grundsätzliches zur Bank-Enquête” (Fundamentals of the Bank Enquête) from 1933.

⁶⁰ For example, the series “Das gute und das schlechte Geld” (Good and Bad Money) (1917), “Die Krisis und das Gold” (The Crisis and Gold) (1931) and “Grundriss der Geldlehre” (Ground Plan of the Theory of Money) (1933).

- (General) Economic Policy⁶¹
- Banking and Stock Exchange Activities (current projects)⁶²
- The Development of Major Banks⁶³
- The Development of Other Banks⁶⁴
- The International Monetary System⁶⁵

At the beginning, *Die Bank* was a financial journal in the narrower sense. However, over time, it became evident that economic policy issues became even more relevant along with monetary theory.

The seven topics can be consolidated into two groups of topics, which can be identified as follows: 1) Monetary and Economic Policy and 2) Banking/Financial System in the narrower sense.

⁶¹ For example, the series “Grundsätzliches zur Frage der Kriegsentschädigung” (Fundamentals of the Question of War Reparations) (1915), “Rationalisierung” (Rationalization) (1926) and “Zur Diagnose der Krisis” (Diagnosis of the Crisis) (1930).

⁶² For example, “Die Bagdadbahn” (The Baghdad Railway) (1908), “Die Börse und ihre Besteuerung” (The Stock Exchange and its Taxation) (1909) and “Der Bankiertag und die Landwirtschaft” (Bankers’ Day and Agriculture) (1928)

⁶³ In particular, the annual commentary on the financial statements of the major banks, but also, for example, the series “Depositenbank-Ausweise” (1909) and “Bankenwende” (1924).

⁶⁴ Examples include “Der Vater des Genossenschaftswesens” (The Father of the Cooperative System) (1908), “Die städtischen Sparkassen in Preussen” (The Municipal Savings Banks in Prussia) (1909) and the series “Die deutsche Kommunalbank” (The German Municipal Bank) (1912) and “Wohnungsbau und Kapitalmarkt” (Housing Construction and the Capital Market) (1927).

⁶⁵ For example, the series “Die grossen Notenbanken im Dienste der kriegführenden Staaten” (The major central banks in the service of the warring states) (1915), “Die Weltgeld-Eigenschaft des Goldes” (The world money property of gold) (1916), “Die Goldreserve der Vereinigten Staaten” (The gold reserves of the United States) (1925) and “Managed currency” (1932).

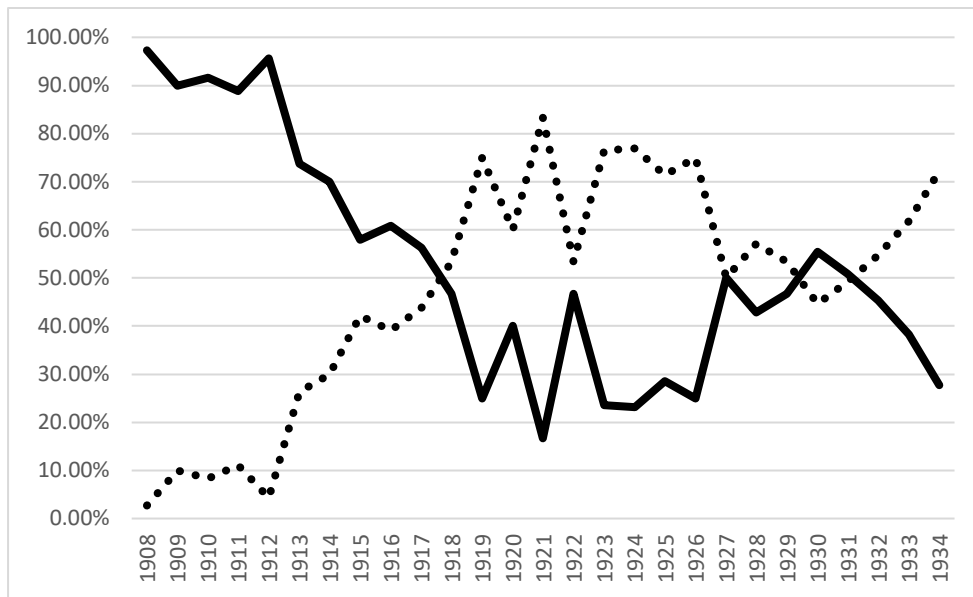


Figure 1: Percentage of articles per year and topic group (Banking/Financial System: Continuous Line, Monetary and Economic Policy: dotted line)

As described in Figure 1, in the early years, the journal was still focused on investors, so the topic group “Banking/Financial System” dominated. However, over the years, and especially during the 1920s, this shifted toward the topic group “Monetary and Economic Policy.”

One example for the long-term perspective is Lansburgh’s view on the major banks in Berlin between 1908 and 1934. Every year, he published a long article commenting on the annual accounts of the major banks. In 1908, he published a series of articles in *Die Bank* under the title “Das deutsche Bankwesen” (The German Banking System), later published as a bundled special edition the following year.

These publications were triggered by the negotiations of the *Banking Enquête* of the same year, following the financial crisis of 1907, and the lack of a statistical basis, especially for smaller banks. He criticized these banks for their often-“unprofessional” handling of deposits and demanded stronger control,⁶⁶ but his main criticism was directed against the major banks. In particular, he accused them of holding insufficient equity capital and liquidity, a lack of

⁶⁶ Lansburgh (1909 Bankwesen) pp. 33, 63; see also Nagel (1936) p. 30.

transparency, and poor risk management in their investments. Simultaneously, Lansburgh doubted the “economically sound use” of deposits by the large banks.⁶⁷ Among the likes of Rudolf Hilferding⁶⁸ and Robert Liefmann⁶⁹, Lansburgh was one of the first to compare the German bank-based financial system with the English market-based financial system by describing some of the relevant characteristics, such as the degree of concentration and the relation to borrowers.⁷⁰

Lansburgh proposed the foundation of a “Syndicate of German Provincial Bankers” to prevent the further predatory acquisition of regional banks and private bankers by the major banks, in order to maintain competition.⁷¹ The provincial banks enjoyed greater trust from their clients than the major banks in the capital did. With a joint bank on shares, the provincial bankers could also create a sufficient capital base to compete with the major banks. Related to this, Lansburgh mentioned the (later failing) *Société Centrale des Banques de Province* in France, founded in 1899, as a role model.⁷²

In his journalistic accompaniment of the 1934 *Banking Enquête*, Lansburgh once again devoted himself to the topic of downsizing and breaking up the major banks in favor of setting up regional banks as proposed by some National Socialists. Previously, he had been writing for decades in favor of greater regionalization and against increasing concentration; later on, he became a defender of the interests of the major banks during these negotiations leading up to the first banking supervisory law.⁷³ Lansburgh thought it was too late to take action against concentration, saying, “What used to be right is no longer right.”⁷⁴ By then, the

⁶⁷ Lansburgh (1909 Bankwesen) p. 63.

⁶⁸ Hilferding (1910).

⁶⁹ Liefmann (1909).

⁷⁰ Lansburgh (1909 Bankwesen) pp. 39ff, 47ff.

⁷¹ Lansburgh (1910 Selbsthilfe) p. 1012.

⁷² Lansburgh (1910 Selbsthilfe), Lansburgh (1913 Konditionenkartell), Lansburgh (1914 Privatbankiers), Lansburgh (1915 Existenzfrage), Lansburgh (1919 Wiedergeburt).

⁷³ Lansburgh (1909 Bankwesen), Lansburgh (1910 Selbsthilfe); Lansburgh (1913 Konditionenkartell); Lansburgh (1914 Privatbankiers); Lansburgh (1915 Existenzfrage).

⁷⁴ Lansburgh (1933 Regional-Banken) p. 1646.

supremacy of the major banks had become too oversized, and the industry adapted to it in mutual dependencies.⁷⁵

Most of the arguments proposed by Lansburgh had been considered even in the decades before. The actual reason for Lansburgh's change of opinion has only been vaguely described thus far. The consequences of the crisis of 1931 and the takeover of power by the National Socialists made Lansburgh shy away from wanting to make deeper changes in the banking system.⁷⁶

In addition to these topics, Lansburgh noticed all kinds of scandals, such as the one regarding real estate speculation in growing Berlin and in the emerging airline industry. These stories also gave him the reputation of doing incorruptible work.

Monetary Theory in Financial Journalism

Lansburgh was a convinced liberal publicist all his life, and his background was the breeding ground that begot a specific attitude toward money. Influenced by his experiences with financial scandals, he was strongly concerned about integrity and stability and was extremely sensitive to all deviations or misuses. For him, an active monetary policy should only be used as a last resort to defend democracy. However, he was not a “crash prophet” who wanted to make money from stoking fear among his readers; rather, he was seriously concerned about stability. He stood up for his convictions with great courage and power of speech—even against the National Socialists—who implemented a massively expansionistic monetary policy.

⁷⁵ Lansburgh (1933 Regional-Banken) p. 1646.

⁷⁶ Lansburgh (1933 Regional-Banken) p. 1650f.

Lansburgh as a Monetary Theorist

Like most of his contemporaries, Lansburgh had to deal with the technical, legal, and economic changes in the monetary system after World War I. Furthermore, he attempted to combine old approaches, in this case, gold currency, which was perceived as stable and secure, with the new, his Token Theory of Money.

Considering that Lansburgh was primarily a journalist, his articles were mostly triggered by current events, which then led him to general and theoretical explanations. Lansburgh was highly systematic in his effort to always trace current events back to their theoretical core. In particular, he began his writings on money in 1909 with “Im Zeichen der ungedeckten Note” (Under the Token of the Uncovered Note) on the challenges of the 1907 crises pertaining to the gold standard. Four essays, written in 1917, under the title “Das gute und das schlechte Geld” (“The Good and Bad Money”), constituted the text that most clearly reflected monetary theory in connection with war financing. These included the series of articles entitled “Die Kriegskostendeckung und ihre Quellen” (1914/15, “War Cost Coverage and its Sources”) and “Die großen Notenbanken im Dienste der kriegführenden Staaten” (1915, “The Major Central Banks in the Service of the Belligerent States”).

Lansburgh’s most successful journalistic format was the “Briefe eines Bankdirektors an seinen Sohn” (“Letters of a Bank Director to His Son”), which he wrote under the pseudonym “Argentarius.” The “Briefe” had appeared earlier, and Lansburgh revived the format for a series published in the 1920s on fundamental topics in economics. This particularly concerned the three volumes, “Vom Gelde” (1921), “Valuta” (1921), and “Die Notenbank” (1922), which became a great success in 1923 under the title “Wesen des Geldes” (“Nature of Money”).⁷⁷ Contemporary reviews were euphoric; for example, the Berliner Tageblatt wrote that Lansburgh had “embedded, in only 124 short but content-heavy pages, a complete

⁷⁷ There are Norwegian, Polish, Swedish, Japanese, and Dutch translations.

monetary theory that deviated from the previous axioms in essential points. (...) In these letters, always speaking with the language of clarity and sometimes with the language of wisdom, a doctrine of money is developed down to its deepest roots.”⁷⁸

The series of articles entitled “Grundriß der Geldlehre” (“Outline of the Theory of Money”) in 1933–1934 is the only example of Lansburgh’s systematic and scientific monetary writing. One could only wonder about the source of his motivation to write such an extensive work in 1933. In June 1932, Hans Nagel received his doctorate after writing his critical thesis on Lansburgh’s monetary texts. In that year, Lansburgh was in contact with Nagel as he wanted to correct a few points with his series of articles the following year.⁷⁹ Judging from the text, it is extremely noticeable that the text is unusually poorly written and difficult to read, which may be attributed to the fact that Lansburgh rigorously used scientific language. This could also be because the persecution by the new National Socialist government forced Lansburgh to escape into a covert language. As the *Wirtschaftsdienst* wrote in early 1934: “The author’s scientific language and the many foreign words will not hide the fact that Lansburgh’s doctrine of the ‘impossibility of authoritative purchasing power creation’ is in strong contrast to the Reich government’s job creation campaign.”⁸⁰ Yet, even if Lansburgh’s monetary theory was subject to minor changes due to the turbulences in the financial system over the years, the great continuity in his writings between 1909 and 1934 is remarkable.

Monetary Theory

The functions that money (...) performs in the community of exchange very easily lead one to identify the nature of money with these functions. Hence, the myriad of superficial and meaningless explanations of terms with which the literature of money is interspersed. According to Aristotle, money is “for what one receives, what one needs,” according to Roscher: “what is valid everywhere.” According to Knies, it is “the bearer of value through space and time,” and according to Bastiat, it is the “marchandize intermédiaire.” Fisher calls money “what is generally accepted in exchange for goods,” Helfferich calls it “the totality of those objects which have the purpose of mediating the exchange between economic individuals.” The correct

⁷⁸ Berliner Tageblatt, March 13th, 1921.

⁷⁹ Lansburgh (1990) p. 84.

⁸⁰ *Wirtschaftsdienst* (1934), February 9, 1934, p. 183.

criticism of all these definitions was made, without knowing it, by an American, who summarized them in the succinct phrase: “money is what money does.” In fact, all those definitions tell us only what money does and what it is used for, but not what it actually is.”⁸¹

Lansburgh rejected any functional definition of money—an idea that is still dominant today—as superficial. An appropriate definition, as his “money is a right,” had to be more theoretically sound.⁸²

Paradigmatic Assumptions

Lansburgh began his definition of money with the concept of barter: “Human economic activity is based on the principle of exchange. Man gives in order to receive.”⁸³ However, he added that barter turns problematic in an economy operating under the concept of division of labor as follows:

The fact is that only very rarely will two exchanging parties be in possession of absolutely equivalent goods. It is also a fact that even in the rare case of equality of value, the goods to be exchanged will not be available at one and the same moment. Almost every exchange that takes place will, thus, leave a balance that must be deferred, which means one party will have to grant credit to the other.”⁸⁴

In contrast to Carl Menger, who placed the double coincidence of needs at the center of his theory of the development of money, Lansburgh saw the temporal and value divergences in trade as the two main problems. Therefore, these problems could only be solved by credit: “Credit is just as old as human economic exchange and one cannot be thought of without the other.”⁸⁵ Therefore, an economy based on the division of labor without credit is inconceivable.

In this sense, Lansburgh made a distinction among three forms of exchange: (1) direct exchange of goods, (2) exchange against an individual promise of service in return, and (3)

⁸¹ Lansburgh (1917 *Das gute und das schlechte Geld*) p. 635.

⁸² On starting page of “*Wesen des Geldes*” Lansburgh (1923).

⁸³ Lansburgh (1933 *Grundriß der Geldlehre*) p. 10.

⁸⁴ Lansburgh (1923 *Wesen des Geldes*) p.20 (Letter 2).

⁸⁵ Lansburgh (1923 *Wesen des Geldes*) p. 18 (Letter 2)

“the giving of a service in exchange for a legal claim, namely a legal claim that is not directed against the person of the service recipient, as in the case of two (credit transactions), but against the general public, and that entitles the service provider to take an equivalent service out of the market whenever, wherever, and in whatever form he pleases. That is the definition of a money transaction.”⁸⁶

Thus, it can be said that Lansburgh held money to be the legal claim on society of a return service; it “is the recognized and certified purchasing power.”⁸⁷ This legal claim requires certification by a neutral body as follows: “As a rule, the state will be the most suitable authority for measuring and certifying it. However, a trustworthy institution, such as a bank that has existed for centuries, or a private person of high authority, can also perform these functions.”⁸⁸

Furthermore, this certificate eliminated the default risk of an individual’s promise of payment. “The handing over of the certificate is then equivalent to the handing over of the purchasing power itself, and the credit transaction is transformed into an effective payment.”⁸⁹ Thus, the certificates adopted the character of currency.

With this definition, Lansburgh followed the Claim or Token Theory of Money, which he discussed during his time following the publication of Georg Friedrich Knapp’s “State Theory of Money” (1905), along with his comparisons of money with stamps, tickets, or even cloakroom tags in theaters.⁹⁰ Accordingly, money was deemed a claim or a token on the goods in an economy. This idea goes back to Ferdinando Galiani, who, in 1751, had the idea of a common, open warehouse whereto all their products could be delivered and a facility where one could “find all things one might need for one’s own pleasure, deposited by

⁸⁶ Lansburgh/Ostermann (1925) p. 697.

⁸⁷ Lansburgh (1917 *Das gute und das schlechte Geld*) p. 43.

⁸⁸ Lansburgh (1933 *Grundriß der Geldlehre*) p. 13.

⁸⁹ Lansburgh (1917 *Das gute und das schlechte Geld*) p. 554.

⁹⁰ Knapp (1905) p. 31.

others.”⁹¹ In such a system, they “could keep an account of how much each person works.

One would then share in the contributions of others only insofar as the results of his industry are useful to society.”⁹²

Moreover, the certificates issued for produced goods and services could be said to be claims for other goods, for “it would be inconvenient for the note to state that its holder only had the right to provide himself with some specific thing (...). Notes should be accepted freely at the doors of all warehouses, so that everyone would be able to provide himself with whatever he might need.”⁹³ In addition, this money would have to be strictly controlled: it “would not be permissible to withdraw more value than that of the goods credited to one’s account.”⁹⁴ In this sense, Lansburgh also held that a claim would be registered in a “public ledger and transferred within this ledger to a new owner.”⁹⁵

As Lansburgh further acknowledged, his Token Theory of Money is a nominalistic theory, which states, “Theoretically money is only an accounting unit, which need not have an intrinsic value (...). Therefore, instead of a concrete good, one could just as well have made a value-symbol to measure the price, for instance, a piece of paper with a national emblem.”⁹⁶ This also clarifies the idea that certified purchasing power is not created or destroyed; rather, “purchasing power does not expire when it is exercised, instead it moves.”⁹⁷

This notion also corresponds to Joseph Schumpeter’s younger description of his own Token Theory of Money. His 1918 essay entitled “Das Sozialprodukt und die Rechenpfennige” (“Money and the Social Product”) deemed money a claim or the “‘entrance ticket’ to the

⁹¹ Galiani (1751) p. 67.

⁹² Galiani (1751) p. 68.

⁹³ Galiani (1751) p. 68.

⁹⁴ Galiani (1751) p. 68.

⁹⁵ Lansburgh (1917 *Das gute und das schlechte Geld*) p. 725.

⁹⁶ Lansburgh (1909 *Im Zeichen der ungedeckten Note*) p. 1127.

⁹⁷ Lansburgh (1917 *Das gute und das schlechte Geld*) p. 636; see Lansburgh (1933 *Grundriß der Geldlehre*) p. 126.

funds of goods.”⁹⁸ In terms of value, everyone receives exactly as much of the economic consumer goods as one contributed to the production; hence, they are considered “equivalent contributions to production.”⁹⁹ Meanwhile, Schumpeter saw the share of ownership in the total money supply as determining the share of goods that one could receive for their money. In other words, he considered money the instrument for appropriating goods, the certification of valuable productions, i.e., the Rechenpfennig (accounting penny).

The token according to Schumpeter, however, did not entitle one “to definite objects but to shares in the mass of goods, and must decisively depend upon the number of these claim tickets. The case may be likened to a game in which chips represent the players’ share in the common pool; the total number of chips clearly decides the size of the share represented by each chip.”¹⁰⁰

However, Lansburgh went beyond a Token Theory of Money by demanding that the neutral authority also be responsible for ensuring the stability of purchasing power, that is, the existence of valuable goods and services for which tokens could be exchanged. “The state may therefore only ever issue purchasing power certificates if it has been provided with exact proof of the actual existence of the purchasing power. In addition, this proof can be done in no other way than by bringing a good corresponding to the purchasing power into the custody of the state.”¹⁰¹ In this statement, Lansburgh specifically referred to the gold reserves at the central bank.¹⁰² By pegging money to a good:

[P]urchasing power (...) can, therefore, only be created as someone relinquishes the concrete goods or services, which he is entitled to receive at the time of the transaction, but instead acquires the right to obtain, at any time and at any place, any goods or services of the same market value. Thus, the right to receive goods or

⁹⁸ Schumpeter (1918) p. 162.

⁹⁹ Schumpeter (1918) p. 155.

¹⁰⁰ Schumpeter (1918) p. 162.

¹⁰¹ Lansburgh (1917 *Das gute und das schlechte Geld*) p. 555; see Lansburgh/Ostermann (1925) p. 698

¹⁰² Due to the lack of gold, only 1/15 of the required volume of money could be covered by gold in the 1923 currency reform. Therefore, one looked for another pledge good that could represent the gold, rye. (Lansburgh (1925 *Wie entsteht Geld?*) p. 141).

services, which constitutes the purchasing power, presupposes a relinquishment of purchase in the amount of exactly the same market value.”¹⁰³

He further argued that the neutral authority “must not issue tokens arbitrarily,”¹⁰⁴ and he viewed the creation as bound to the goods to be deposited, and thus, the issuance of money requires to “always bear in mind the iron framework that surrounds the production or (...) the supply of goods.”¹⁰⁵ In the early texts (especially those written in 1909, 1917, and 1923), Lansburgh used the term “pledge” or “pledged good,” probably in a Lockean sense,¹⁰⁶ to refer to goods to be deposited. Later, especially in 1933–1934, he spoke only of a “measuring good,” thereby expressing a certain flexibilization on the question of the type of guarantee to be held by the central bank and proving gold as not being constitutional in his monetary theory.

His idea of money supply requires that it be determined endogenously and that it always depend on the produced quantity of goods and services. To explain this, Lansburgh used the image of a mosaic within which the different goods must relate to each other: “By the amount one is larger, the other must be smaller.”¹⁰⁷ He added that “money is also one of the stones in the mosaic, which can only be enlarged or reduced at the expense of the other stones.”¹⁰⁸

This idea regarding the shift in prices and quantities within the aggregate can later be found in Schumpeter’s text entitled “Das Sozialprodukt und die Rechenpfennige,” with individual price and quantity changes being unable to change the product sum: “No change in the magnitudes of which the product sum, $p_1m_1 + p_2m_2 + \dots + p_nm_n$, consists can directly influence the product sum itself.”¹⁰⁹ This view held individual prices as resulting from various interactions with all other prices and shortages of other goods. In other words, price increases

¹⁰³ Lansburgh (1917 *Das gute und das schlechte Geld*) p. 647.

¹⁰⁴ Lansburgh (1917 *Das gute und das schlechte Geld*) p. 555.

¹⁰⁵ Lansburgh (1909 *Im Zeichen der ungedeckten Note*) p. 1125f.

¹⁰⁶ Roche (2021) p. 88.

¹⁰⁷ Lansburgh (1909 *Im Zeichen der ungedeckten Note*) p. 1126.

¹⁰⁸ Lansburgh (1909 *Im Zeichen der ungedeckten Note*) p. 1126.

¹⁰⁹ Schumpeter (1918) p. 184.

of one good are compensated by those of other goods. Similarly, Schumpeter believed this to be applicable to a static economy in much the same way that Lansburgh did before him.

Meanwhile, Nagel rightly noted that Lansburgh made a peculiar “connection between the idea of Token Theory and Metallism.”¹¹⁰ Lansburgh argued like other Token Theorists of the time (e.g., Schumpeter or Friedrich Bendixen); however, he did not give up the idea of pegging to gold.¹¹¹ He saw “in it the only real security against the danger of arbitrary multiplication.”¹¹² In contrast, Schumpeter positively linked Token Theory to credit money and therefore was less aware of the danger of inflation.

Nagel was determined to portray Lansburgh as an incorrigible metallist.¹¹³ He did not acknowledge Lansburgh’s Token Theory and said that he had “in the first volumes of his journal (...) an unmistakably purely metallistic standpoint.”¹¹⁴ Nagel considered the assumptions Lansburgh made in his theory following the changes in financial system, for example, the change from the term “pledge” to “measuring good,” a sign of desperation. He deemed Lansburgh’s approach an outdated theory, for example, because it had to be “for every convinced orthodox metallist unpleasant fact of demonetization of gold in some neutral countries” during the 1920s.¹¹⁵

Credit Money

For Lansburgh, the giro transactions organized by the Reichsbank from 1909, wherein balances at the Reichsbank were booked between banks, only increased in terms of the speed of circulation, as the classical school saw this.¹¹⁶ “The cashless payment method amounts to

¹¹⁰ Nagel (1936) p. 5.

¹¹¹ Nagel (1936) p. 6; Lansburgh discussed Bendixen’s interpretation and further development of Knapp in Lansburgh (1917 *Das gute und das schlechte Geld*).

¹¹² Nagel (1936) p. 7.

¹¹³ E.g., Nagel (1936) p. 8f.

¹¹⁴ Nagel (1936) p. 3; similar to Bendixen (1910) p. 146.

¹¹⁵ Nagel (1936) p. 4, 55

¹¹⁶ Lansburgh also writes that increased production leads to an increase in the speed of circulation (Lansburgh (1923 *Wesen des Geldes*) p. 56 (7. Brief)). However, Nagel rightly highlighted that this point remained unclear (Nagel (1936) p. 23, 25f).

not increasing the total amount of money in circulation, but to carry out more payment transactions than it would otherwise be able to manage. In other words, it is an acceleration of circulation, an increase in money intensity, rather than quantity.”¹¹⁷

Here Schumpeter argued in a similar vein by considering the notion of velocity of circulation an “unhappily chosen expression - (...) ‘efficiency’ would [have been] better.”¹¹⁸ What it actually means is that “one and the same monetary unit traverses the circular flow several times from one consumption sphere back to another consumption sphere.”¹¹⁹ Therefore, private credit money could be regarded, “from the standpoint of a narrower concept of money, as methods for the more intensive usage of the so defined stock of money, i.e., as a speeding-up of its circulation.”¹²⁰

Lansburgh considered the idea of credit money increasing the money supply—and not its velocity in circulation—a “fatal misunderstanding. (...) of the Classics of monetary theory, it is primarily the otherwise so astute and clear Macleod who has fallen victim to this error.”¹²¹ The creation of private credit money by commercial banks “is harmless because it resists its increase beyond what is economically permissible” and because when it is created in excess, “it imperatively demands its conversion into banknotes (and hard cash).”¹²² In Lansburgh’s time—still strongly marked by cash—he considered redeemability in cash a sufficient instrument of restriction.

Furthermore, Lansburgh believed that banks are purely intermediaries; therefore, he saw the availability of savings as a must before a loan could be granted.¹²³ “If nobody had saved, sooner or later (...) the conversion of credit into money (...) would be impossible. (...) What

¹¹⁷ Lansburgh (1927 *Bankpolitik*) p. 339f.

¹¹⁸ Schumpeter (1918) p. 177.

¹¹⁹ Schumpeter (1918) p. 179.

¹²⁰ Schumpeter (1918) p. 181.

¹²¹ Lansburgh (1917 *Das gute und das schlechte Geld*) p. 722; similar, e.g., Lansburgh (1933 *Geldbeschaffung*) p. 921f.

¹²² Lansburgh (1927 *Bankpolitik*) p. 341f.

¹²³ See Lansburgh (1920 *Dalberg*) p. 268.

the bank creates by granting credit is never new money, but always only an increased circulation speed of existing money.”¹²⁴ The possibility of redemption brings home the point (fact) that the banks only granted loans with matching maturities.

However, Lansburgh admitted the theoretical possibility of a cashless economy, where the restriction of redeemability would no longer apply:

Yes, if everyone had their account at the same bank, then there could be some truth in the assertion that credit creates a deposit, the bank’s credit capacity is therefore infinite, because the deposits created by it always pass from one customer to another, i.e., they would perform money services without the bank’s cash balance being reduced in any way. However, these qualifying factors do not exist.”¹²⁵

Value of Money: Inflation

In this regard, Lansburgh agreed with David Hume’s price-specie-flow mechanism, particularly regarding the “organic” elasticity in money supply, indicating as follows:

Every rise in prices beyond their natural relationship to the world price must result in an increased influx of foreign goods, since every good flows to where it determines the highest price. In addition, every fall in price below its natural level must conversely lead to an increased outflow of goods. The movement of foreign trade thus provides an important sign of whether the prices in a country are above or below their normal level. Thus, gold flows between countries and the money supply in the countries adjusts accordingly.”¹²⁶

In “Grundriß der Geldlehre” (1933–1934), Lansburgh formulated this point more cautiously.

It is pertinent to note that here organic regulation is affected by the fact that the measuring good enters (creatoric mode) or exits (abolitionist mode) circulation as money; thus, if prices fell, the following would occur:

[It is] advantageous to take the creatoric path, i.e., to convert the measuring good into higher-value purchasing power. This increases the volume of purchasing power and with it the market demand, so that the falling price trend is counterbalanced by a contrary tendency until the old level equilibrium is approximately restored and it is no longer useful to continue to convert the measuring good into purchasing power. Alternatively, when prices are rising, i.e., when the purchasing power is declining, it is unfavorable to apply the creatoric procedure; when prices continue to rise, it is even

¹²⁴ Lansburgh (1917 *Das gute und das schlechte Geld*) p. 724.

¹²⁵ Lansburgh (1927 *Bankpolitik*) p. 337f

¹²⁶ Lansburgh (1909 *Im Zeichen der ungedeckten Note*) p. 1131f

useful to proceed in an abolitionist manner, i.e., to convert purchasing power back into the measuring good that has now become of higher value, thereby reducing the volume of purchasing power and demand and thus at least approximately restoring the old relationship between purchasing power and market goods.”¹²⁷

Here the measuring good serves “the function of a corrective.”¹²⁸ As international precious metal trading no longer played the role it did during the gold standard, Lansburgh had to adapt his explanations accordingly. However, in the end, the value of the measuring good, that is, gold, was still determined internationally.

In “organic regulation,” the state only has the power “to *certify* a claim newly created in trade without its intervention and to describe its external form (metal, paper, or book money; small or large denominations; etc.). In this doctrine, the state is neither authorized nor in a position to *create* a claim on goods.”¹²⁹

Lansburgh contrasted this with the concept of “mechanical” elasticity in money supply, opining here that the pegging of money to a measuring good is broken down as “purchasing power and measuring good are independent of each other.”¹³⁰ Thus, the “harmony between capital power (demand) and quantity of goods (supply) is sensitively disturbed,”¹³¹ and this way, “The money that our money presses spit out is counterfeit money.”¹³²

Lansburgh chose very emotional and normative arguments against the background of the dramatic events of 1923: “Every note and account balance that is created organically is good, healthy money, and every note, every account balance that is created arbitrarily by the state or a bank is excessive, bad money.”¹³³ Lansburgh warned against using monetary government financing (instead of taxes or long-term bonds) for desirable political goals: “The road to

¹²⁷ Lansburgh (1933 Grundriß der Geldlehre) p. 379

¹²⁸ Lansburgh (1933 Grundriß der Geldlehre) p. 9 (1934).

¹²⁹ Lansburgh (1923 Wesen des Geldes) p. 46 (6th letter).

¹³⁰ Lansburgh (1933 Grundriß der Geldlehre) p. 8 (1934).

¹³¹ Lansburgh (1909 Im Zeichen der ungedeckten Note) p. 1130.

¹³² Lansburgh (1923 Wesen des Geldes) p. 45 (6th letter).

¹³³ Lansburgh (1923 Wesen des Geldes) p. 77 (11th letter).

inflation is almost always paved with good intentions. However, experience shows that once inflation has reached a certain level, these intentions can no longer be realized.”¹³⁴

Inflation is a tax on financial wealth, through which the state can force its economy to provide the required quantities of goods to the state. Indeed, “Money is a *right* [Recht] and should not become an *injustice* [Unrecht]. Therefore, the state must never take the freedom to create or destroy money arbitrarily, because, by doing so, it creates or destroys vested claims on goods.”¹³⁵

Following his nominalistic understanding of money, Lansburgh rearranged the question of the value of money: “We should, therefore, formulate the question differently (...). We do not have to ask ‘What is the value of money?’ but rather ‘How great is the claim on goods that the token money guarantees?’”¹³⁶ Consequently, his answer was a form of the Quantity Theory of Money: “The same is true of the individual portion of the total supply of goods embodied in a monetary token. Its value depends entirely on how many monetary tokens are distributed over total supply. The question of ‘monetary value’ is thus only a question of the *quantity of money*.”¹³⁷ Thus, the value of the tokens changes, depending on their quantity.

The Quantity Theory of Money was controversially discussed during this period. As Lansburgh wrote, “But the theory has been discredited by the fact that most of its followers are not content with proving the tendency but suspect an exact proportionality between the change in money supply and the change in prices, and often even want to prove it in an exact way.”¹³⁸ Lansburgh weakened the strict form of Quantity Theory and relativized the “classical dichotomy,” that is, the strict neutrality of money. In particular, he discussed whether a

¹³⁴ Lansburgh (1928 Inflation) p. 449.

¹³⁵ Lansburgh (1923 Wesen des Geldes) p. 28f (3rd letter).

¹³⁶ Lansburgh (1923 Wesen des Geldes) p. 32 (4th letter).

¹³⁷ Lansburgh (1923 Wesen des Geldes) p. 37 (4th letter).

¹³⁸ Lansburgh (1917 Das gute und das schlechte Geld) p. 641f; he refers in particular to Gustav Cassel and Irving Fisher.

mechanical increase in the quantity of money could actually increase production, saying, “This effect *can* indeed occur, namely, when the manufacturers and their workers allow themselves to be stimulated, by the price increase, to perform more work. However, this effect *need* not occur.”¹³⁹ Furthermore, changes in the speed of circulation and production, for example, changes through technical progress, lead to the effect wherein corresponding changes in money supply do not have a proportional effect on prices.¹⁴⁰

Among contemporary observers, Lansburgh was referred to as “Anti-Knapp”;¹⁴¹ however, this comparison is not fair to either Georg Friedrich Knapp or Alfred Lansburgh. For one thing, Lansburgh’s Token Theory, which he combined with a gold standard, is also nominalistic. Furthermore, the accusation that Knapp advocated expansive money creation is also incorrect.¹⁴²

Nevertheless, Lansburgh dealt explicitly with Knapp’s idea and described the process leading to an expansionistic policy:

The increase in the circulation of money can be achieved without effort and almost without costs, as it saves the state interest payments and does not show a visible burden for the individual, nor for the whole population. It even seems to correspond to an urgent imperative of the hour, which suggests that, since every crisis is connected with a ‘lack of money’ (...), the elimination of this lack by issuing new money ought to be a natural duty of every responsible head of state.”¹⁴³

He further added, “Science helps the state in its dilemma. It urges it to drop all reservations and calmly overturn the monetary laws, which stand in the way of the multiplication of money. For these laws are rooted in a completely outdated theory, overcome by the latest stage of national economic knowledge.”¹⁴⁴

¹³⁹ Lansburgh (1923 *Wesen des Geldes*) p. 27 (3rd letter).

¹⁴⁰ Lansburgh (1917 *Das gute und das schlechte Geld*) p. 641f.

¹⁴¹ *Berliner Tageblatt*, March 13, 1921.

¹⁴² Greitens (2020) p. 7.

¹⁴³ Lansburgh (1917 *Das gute und das schlechte Geld*) p. 541.

¹⁴⁴ Lansburgh (1917 *Das gute und das schlechte Geld*) p. 542.

Moreover, Lansburgh accused Knapp, saying he “logically developed the constitutional side of the money problem, but left the more important side, the economic-social side, completely out of consideration.”¹⁴⁵ Knapp followers refer to the “fallacy of John Laws,” which appears “anew every hundred years.”¹⁴⁶ This contradicts Lansburgh’s demand for a monetary policy of stability.

Business Cycles and Money

Lansburgh once again dealt with his basic assumptions in an unpublished essay from 1937, wherein he acknowledged the far-reaching disruptions of the time, stating, “We are at a highly significant turning point here in both theoretical economics and practical economic policy.”¹⁴⁷

Several factors, such as interest, price, wage, and gold movement, which—according to the classical doctrine—bring an economy into equilibrium, are continuously replaced by monetary policy: “Why this reversal of all basic economic concepts? The economist answers, as follows: Because the categories, which, according to classical doctrine, are supposed to have a balancing and crisis mitigating effect, have not fulfilled their task, neither in previous crises nor in the last one.”¹⁴⁸ Lansburgh further complained that the impact of these factors was already limited by trade and customs policy, the monetary policy of the central bank, and the collective bargaining of wages; therefore, they could not have a sufficient effect.

As regards the monetary system, Lansburgh could no longer avoid recognizing the importance of private credit money. A redemption of cashless transactions into currency had become increasingly unnecessary, and “the participants, in exchange, take these balances like cash money (...). The purchasing power embodied in money circulates twice, i.e., one time in nature as ‘money’, and the other time as derivate as ‘claim for money.’”¹⁴⁹ He then described the hierarchy of money as a high-rise building wherein the purchasing power, embodied in

¹⁴⁵ Lansburgh (1917 *Das gute und das schlechte Geld*) p. 543

¹⁴⁶ Lansburgh (1920 *Dalberg*) p. 269

¹⁴⁷ Lansburgh (1937 *Konjunktur-Politik*).

¹⁴⁸ Lansburgh (1937 *Konjunktur-Politik*).

¹⁴⁹ Lansburgh (1937 *Konjunktur-Politik*); almost identical wording as in Schumpeter (1918) p. 547.

money, circulated three times: “first at the lower level of cash transactions, then at the middle level of ‘claim for money’, and finally at the upper level of clearing transactions (...). The payment process occurs on three floors, so to speak. On the lowest floor, purchasing power is transferred with ‘money’, on the middle floor with a ‘claim for money’, and on the top floor with a ‘claim for claims for money.’”¹⁵⁰

Lansburgh further explained how the business cycles work from the dynamics between these types of money. He argued that the “modern payment process with its three floors, two of which are cashless, necessarily brings a sudden change between an active and a faltering business, or between boom and bust, into the economy.”¹⁵¹ He further added:

These transitions from cash to non-cash payment and vice versa, or to use our earlier image, from one floor of payment to another, would now take place smoothly, without any disruption to economic life, if the element that technically manages the transition, the elevator, so to speak, that connects the floors, were to function properly. This element is credit.”¹⁵²

Lansburgh developed from this notion the first tentative step to a monetary business cycle theory, wherein the relationship between currency and credit money became the decisive factor. If this was “out of proportion,” then a crisis would occur. Therefore, Lansburgh demanded higher cash reserves and credit limitations for the banks as he had done in his journal since 1908. He also presented a rather simplistic business cycle theory based solely on credit expansion, probably influenced by Mises.¹⁵³ Unfortunately, he could not bring his ideas to a proper conclusion because of his death.

[Lansburgh In Contemporary German Monetary Discourse](#)

In general, the reception accorded to Lansburgh is completely overshadowed by his fight against inflation. Therefore, his monetary theory is often reproduced, although somewhat deformed.

¹⁵⁰ Lansburgh (1937 Konjunktur-Politik).

¹⁵¹ Lansburgh (1937 Konjunktur-Politik).

¹⁵² Lansburgh (1937 Konjunktur-Politik).

¹⁵³ Mises (1928).

Herbert Döring, a follower and defender of Knapp, refers to Lansburgh as someone defining money as a commodity, thus making him a “chief representative of theoretical metallism.”¹⁵⁴ However, Döring does not at all notice his Token Theory of Money.¹⁵⁵

Howard Ellis has also worked through Lansburgh’s texts. Unlike Döring, Ellis rejected the label of “metallist” to describe Lansburgh and considered it a misinterpretation only because of the rejection of Knapp himself. Nevertheless, Ellis considered Lansburgh’s explanations contradictory because he defined the value of money both as an “abstract right” and via an underlying “equation of exchange,” i.e., with the Quantity Theory of Money. Lansburgh, on the one hand, developed his concept of endogenous money—wherein the quantity of money is determined by the commercial transactions leading to claims. On the other hand, he spoke of exogenous money—where the state decides on the quantity of money (as signs, not as new claims on new goods), which is, in Lansburgh’s sense, illegitimate.¹⁵⁶ However, Ellis does not differentiate between the two facets of Lansburgh’s theorizing. In the first case, in Lansburgh’s formulation of “good” money, the value of money is determined as a right from the division of labor, as a legal claim on the society of a return service, whereas in the second case, “bad” money, the value is defined via Quantity Theory. The zeal with which Lansburgh fought for stable money makes Ellis call him a money “crank.”¹⁵⁷

L. Albert Hahn quoted Lansburgh in his “Economic Theory of Bank Credit,” in which Hahn rejected Lansburgh’s fear, expressed in 1917, that an increase in the velocity of money could push inflation.¹⁵⁸ However, velocity became a crucial factor of inflation a few years later.

The “young” Hahn of 1920 stood in the tradition of Henry Dunning Macleod, by taking the position that banks actively created credit and thus determined the deposits that functioned as

¹⁵⁴ Döring (1920) p. 14

¹⁵⁵ Döring (1920) p. 83

¹⁵⁶ Ellis (1934) p. 43.

¹⁵⁷ Ellis (1934) p. 43f; Ellis also falls for Lansburgh’s masquerade, mistaking him for a practical banker. (p. 44, 218)

¹⁵⁸ Hahn (1930) p. 93, referring to Lansburgh (1917 *Wiederherstellung der Landeswährung*) p. 794.

credit money.¹⁵⁹ Lansburgh wrote against this in the 1920s and denied the importance of credit. Furthermore, he rejected Hahn's "view, which has puzzled minds since Macleod's day, namely, that banks only needed to expand their lending to bring about a corresponding growth in deposits. That and why here cause and effect are confused with each other has been explained often enough in this journal," meaning *Die Bank*.¹⁶⁰

Building on his credit theory, Hahn proposed in 1926 to use the statistics on the development of bank balance sheets (Bankbilanzziffern) as a business cycle indicator.¹⁶¹ In an essay in *Die Bank*, Lansburgh rejected this proposal for deposits and even went through different types of loans, explaining why many amounts from them do not end up as deposits in banks.

Furthermore, he highlighted the importance of business self-financing, monetary policy, and the velocity of money in circulation, all of which led to Lansburgh's conclusion not to use deposits as a business cycle indicator. Lansburgh's response ended with a pun, "the epistemic value of the deposit figures is quite small. The conclusions one draws from them will therefore only ever be a conjecture" (in German, the word *konjektiv*, which sounds like *konjunktur*, means "cyclical").¹⁶²

The "late" (latter-day) Hahn was an "extreme liberal."¹⁶³ Thus, he had contact with the "Muthesius Circle." Volkmar Muthesius, together with others, had founded the *Zeitschrift für das gesamte Kreditwesen* at the Fritz Knapp publishing house in 1948 and had deliberately placed it in the tradition of *Die Bank*. Muthesius provided the leitmotif of "healthy money," a stability-oriented monetary policy, with explicit reference to Lansburgh, as one of the cornerstones of the journal.¹⁶⁴ In the 1950s, Volkmar Muthesius became the linchpin of a

¹⁵⁹ Hagemann (2015) p. 316.

¹⁶⁰ Lansburgh (1928 Erkenntniswert der Depositenziffern) p. 396

¹⁶¹ Hahn (1926)

¹⁶² Lansburgh (1928 Erkenntniswert der Depositenziffern) p. 404

¹⁶³ Hagemann (2015) p. 314, 331

¹⁶⁴ Muthesius (1955) p. 20; Muthesius (1973) p. 117. This is why Muthesius repeatedly quotes Lansburgh as saying, "Bad money is about the greatest misfortune that can happen to a nation" (Muthesius (1955) p. 20; Muthesius (1973) p. 34).

libertarian network and influenced the development of the Bundesbank.¹⁶⁵ He was able to offer with the Fritz Knapp publishing house a wide range of publication opportunities, which L. Albert Hahn also took advantage of.¹⁶⁶ Furthermore, Muthesius himself appeared to be a critic of the economists of the Freiburg School, who, he felt, were not sufficiently liberal.¹⁶⁷

Bruno Moll, with whom Lansburgh was in extensive personal exchange¹⁶⁸, also wanted—like Lansburgh—to combine a Token Theory of Money with a Commodity Theory of Money, “to unite the nominalist in its proper core with the metallist into a higher unity.”¹⁶⁹ Although Moll found nominalism theoretically convincing, he rejected its radical form, which he termed “anti-metallism.” In this “antipathy to gold,” “theoretically correct insights are so exaggerated and so one-sidedly applied to the reality that it must produce untenable results.”¹⁷⁰ Just like Lansburgh, he continued to regard metallism as a practical necessity.

Interestingly, Lansburgh wrote a review of Moll’s “Die modernen Geldtheorien und die Politik der Reichsbank” (“The Modern Theories of Money and the Policy of the Reichsbank”) of 1917. In Lansburgh’s perspective, Moll was too careless because he admitted that there was a “rest of payments that could also take place without money,”¹⁷¹ referring to metal-based currency. Nevertheless, Lansburgh agreed with Moll’s “allegation of optimism (...), which is the weak side of all nominalist monetary systems.”¹⁷²

¹⁶⁵ Mee (2019) pp. 92, 111, 128-131, 306

¹⁶⁶ Examples of books and articles written by Hahn published by Muthesius: *Wirtschaftswissenschaft des gesunden Menschenverstandes* (1954, Fritz Knapp Verlag), *Geld und Kredit* (1960, Fritz Knapp Verlag), *Prophezeite Inflation* (*Zeitschrift für das gesamte Kreditwesen*, 20/1951, pp. 492d//493).

¹⁶⁷ Köhler / Nientiedt (2017) Although he was offered the position of successor to Walter Eucken at the University of Freiburg in 1952 (Röpke Archive at the University of Cologne: letter from Muthesius to Rüstow (copy to Röpke) dated 1.11.1952 and letter from Röpke to Muthesius dated 5.11.1952).

¹⁶⁸ For example, Bruno Moll wrote two essays for *Die Bank*.

¹⁶⁹ Moll (1926) p. 6.

¹⁷⁰ Moll (1926) p. 22f.

¹⁷¹ Lansburgh (1919 Moll) p. 132.

¹⁷² Lansburgh (1919 Moll) p. 132.

Financial Journalism in Monetary Theory

All problems considered in the German-language monetary theory discussion of the time, the nature of money, the value of money, and—from the 1920s on—the relationship between business cycles and money, were dealt with by Lansburgh. Regarding the nature of money, he systematically developed a Token Theory of Money in the tradition of Galiani and from the concept of the division of labor in an economy. To reach stable money, he combined it with a metallistic conception of gold money.

Lansburgh recommended a nominalistic monetary theory but warned of the danger of misuse because exogenous control of the money supply would lead to the collapse of the currency in line with Quantity Theory. Nevertheless, he emphasized that there was no mechanical or proportional relation between money and prices. Therefore, Lansburgh wanted to limit the quantity of money by pegging money creation to gold.

However, Lansburgh only considered credit money creation by private banks a relevant variable late in his life, thereby considering banks more than mere intermediaries. This also makes the issue of the business cycle unavoidable. Here, presumably because of his classical-liberal orientation, he is oriented to the Austrian School, but his conceptions fall short in complexity, given that he unfortunately died during this process.

Nevertheless, in many aspects, his positions are related to those of other monetary theorists of his time, who remain influential today. These include Joseph Schumpeter, whom he also called an “astute thinker,”¹⁷³ for the nature of money and for the restricting role of gold in the monetary system,¹⁷⁴ and Ludwig von Mises for business cycles.¹⁷⁵ At the same time, however, he was an opponent of Georg Friedrich Knapp and the “young” Albert Hahn.

¹⁷³ Mentioned twice by Lansburgh at *Die Bank*, one of them critical of Schumpeter’s credit theory (Lansburgh (1933 Geldbeschaffung) p. 924).

¹⁷⁴ Schumpeter (1927).

¹⁷⁵ Mentioned four times by Lansburgh at *Die Bank*, but only with references to free trade.

Interestingly, Lansburgh developed, similar to Bruno Moll, a middle ground in monetary theory.

Therefore, to describe Lansburgh as an “orthodox gold money theorist” is inadequate. Instead, it would be more appropriate to call him an “orthodox token money theorist,” who wanted to peg the currency to gold so as to keep the quantity of money if not endogenous, then limited.

Lansburgh’s originality lies in his early development of a Token Theory of Money, starting in 1909 but evolving very clearly during the war and therefore before others like Schumpeter.

Even when some minor aspects changed, the basic structure of his theory remained the same at least until 1933. With this theoretical basis, he was able to warn earlier than almost anyone else of the collapse of the currency before 1923.

Conclusion

Lansburgh's time was characterized by high levels of disruption and uncertainty in the financial system. Like many other contemporaries, Lansburgh was in search of a new theoretical foundation and attempted to combine old and new ideas eclectically. Therefore, Lansburgh must be read within the developments in the financial system of his time as well as within the theoretical discussions he was contributing to. After his experience in the Friedman Scandal, he adapted to the self-understanding of financial journalism by people like Georg Bernhard, embodying integrity and incorruptibility. He placed this same demand of working for the common good that he practiced in journalism on the monetary policy of his time. However, he was left disappointed. It is more because of this consistent stance than because of his theoretical analysis that he became such an early warner against inflation, thereby setting himself apart from other economists, policymakers, and commentators in the Weimar republic, who failed to understand his blow-by-blow account of structural changes and disruptions and his explanations day after day in *Die Bank*. The connection of his journalistic experience and his monetary theory made him a pioneer in recognizing the disruption of the currency that had started during the war and more urgently than almost anyone else writing against it.

His theoretical achievement is also original. Somewhat earlier than Schumpeter, Lansburgh developed a similar Token Theory of Money, even if the former developed it in a less journalistic way. However, Lansburgh was as misunderstood then as he is now. There are two reasons for this. First, his unwavering adherence to a gold currency to maintain the integrity and stability necessary for tokens makes him denounceable as an incorrigible orthodox gold currency advocate. The other reason is his journalistic style of writing. In fact, this is both an advantage and a disadvantage because on the one hand, his catchy language and the masquerade with fictitious "Letters of a Bank Director to His Son" made his texts easy to

access. On the other hand, his journalistic style of writing unfortunately contributed to many misunderstandings and misinterpretations.

The false reception continues to this day when Lansburgh is referred to as an advocate for cryptocurrencies. For Lansburgh, money supply is supposed to grow endogenously with the value created, being neither fixed nor exogenous, as is the case with cryptocurrencies.

Therefore, while his theory of the business cycle has similarities with that of von Mises, his theory of money does not. For Lansburgh, gold, or later, the obligation to redeem into gold, is only the insurance for the integrity of monetary policy and not an end in itself.

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Appendix

The development of the journal can be seen in the writing volume of Lansburgh, as presented in Figure 2. Initially, Lansburgh put a lot of effort into the establishment of the journal. The number of articles subsequently declined and increased again around 1915 because of the discussions surrounding war financing. During the 1920s, the volume was relatively stable. Still, the creeping decline showed the critical development of the journal, against which, in 1930, Lansburgh repositioned it as a weekly journal, with a high proportion of business news under the title *Chronik der Wirtschaft* (“Chronicle of the Economy”). He made contributions to it with commitment before he could somewhat reduce this again after 1930.

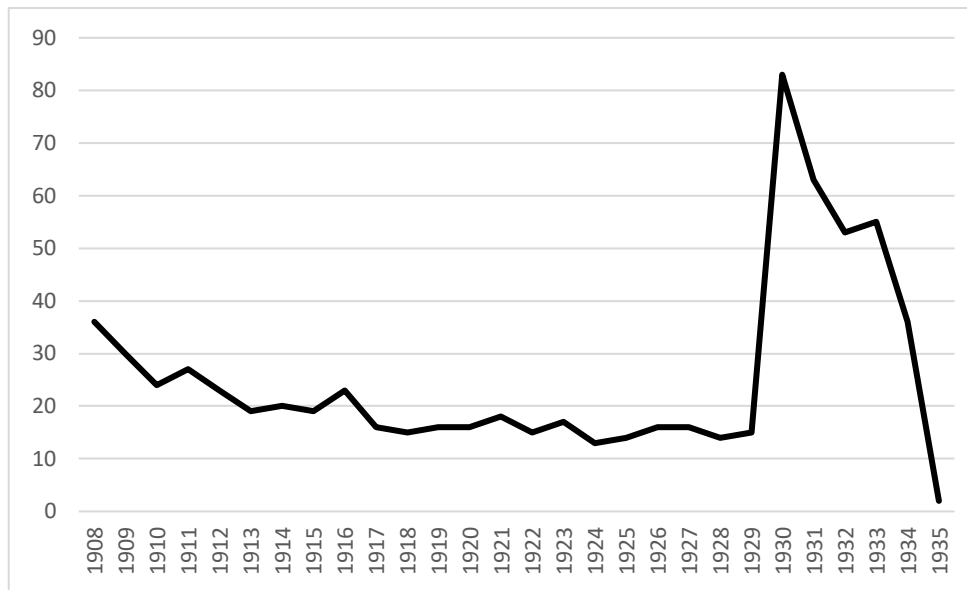


Figure 2: Number of contributions made by Lansburgh annually

If one classifies the 714 essays written by Lansburgh according to their predominant topic and year, the following picture emerges:

Volume	Topic 1	Topic 2	Topic 3	Topic 4	Topic 5	Topic 6	Topic 7	Total
1908	18			9		9	1	37
1909	6	2		8	6	7	1	30
1910	8			6	4	4	2	24
1911	8			4	7	5	3	27
1912	7			4	5	6	1	23
1913	4			2	4	4	5	19
1914	6		4	2	3	3	2	20
1915	5		5		4	2	3	19
1916	4	1	3	1	3	6	5	23
1917	2	4	3	3	2	2		16
1918	1		2		4	2	6	15
1919		2	4	1	3		6	16

1920	1	2	4	1	3	1	3	15
1921	1	4	8	1	1		3	18
1922	1	2	3	4	2		3	15
1923		2	2		1	3	9	17
1924		2	4		3		4	13
1925		1	2	3	1		7	14
1926		1	8		2	2	3	16
1927	2	4	3		4	2	1	16
1928		3	2	3	3		3	14
1929	1	1	2	1	5		5	15
1930	9	11	13	7	11	19	13	83
1931	4	11	7	8	13	7	13	63
1932	6	13	9	3	9	6	7	53
1933	3	19	6	2	11	5	9	55
1934	1	14	4	4	3	2	8	36
1935							2	2
Total	98	99	98	77	117	97	128	714

Figure 3: Matrix of topics and years

The topics have similarities, as shown in Figure 4. Therefore, two groups of topics can be identified as follows: Topics 2 (Monetary Theory and Policy), 3 (Economic Policy), and 7 (International Monetary System) deal with Monetary and Economic Policy. Topics 1 (The Role of Banks in the Economy), 4 (Banking and Stock Exchange Activities), 5 (Major Banks), and 6 (Other Banks) are related to the Banking/Financial System in the narrower sense.

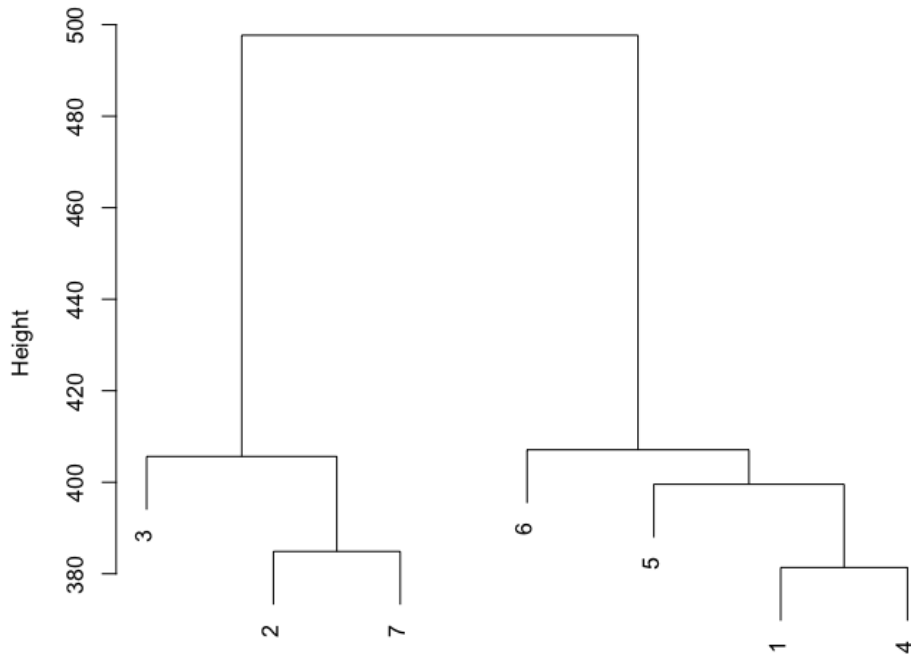


Figure 4: Similarities of topics

Lansburgh initially dealt with monetary theory in 1909, took up the subject again with the financing of the war, and covered it through the inflationary period. This can be seen by the percentage of essays written about it in all of his contributions for *Die Bank* in Figure 5. Here the focus became clear, around the time of war financing, hyperinflation, the increasing instability of the Dawes regulations of war debts around 1926/27, and his final monetary essay, “Grundriß der Geldlehre” in 12 pieces between January 1933 and March 1934.

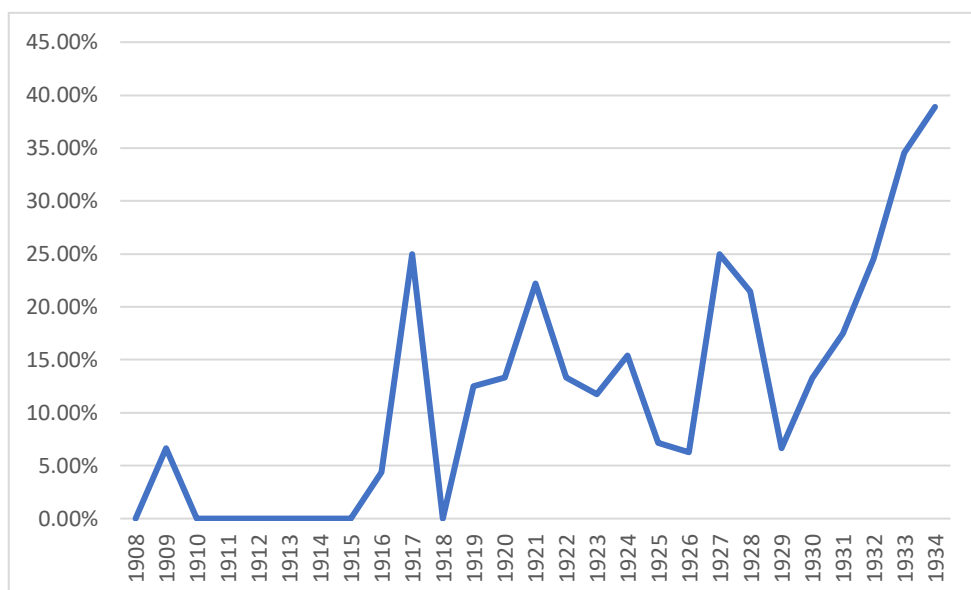


Figure 5: Percentage of Lansburgh's contributions to monetary theory annually