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THE ORIGINATION AND EXTINCTION OF CURRENCY IN THE WORLD OF CIRCULATION

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1. THE MEANING OF THE PROBLEM

In considering the problems of the origination and extinction of currency, it is necessary that one should also study the historical circumstances under which this takes place and the forms it assumes, in our economic life. Further, it is also necessary for one to elucidate how currency undergoes changes in the successive stages of this historical march; how the currency of one stage is replaced by that of the following stage; and how the currency of the new stage comes to originate and circulate side by side with the currency of the preceding stage.

These inquiries are necessary not only for the purpose of indicating the essence of currency and of fixing its meaning, but also for the object of clarifying the mechanism of not only finance in particular but of economy in general. However, I have already elsewhere explained the results of my studies regarding these problems. I shall treat in the present article another problem in relation to the origination and extinction of currency.

I am here concerned with the nature of the circumstances under which the currencies in the present historical stage originate and die out. To put it more concretely, I am to study how currency under the present wartime controlled economy in Japan actually takes its origin and passes away. I shall point out by taking concrete examples from what source currency originates and under what circumstances it dies away.

The manner in which currency realistically and concretely originates and passes away is determined by the following factors: stages of economic developments, the system regulating its mechanism, the currency system itself and the system of financial organs. So long as these factors remain unchanged, the manner of the origination and extinction of currency will remain constant. Conversely, when these factors undergo changes, the manner of the origination and extinction of currency is bound to change. In other words, the origination and extinction of currency correspond with the development of economy. What I take up here is the origination and extinction of currency in our own economic world.

When one attempts to grasp the manner of the origination and extinction of currency realistically and concretely by dividing up the definite stages of economic development, one should trace how the phenomena of origination and extinction are derived from the economic stages of development which constitute the general environment for such phenomena as well as the systems pertaining to economic mechanism and the systems of currency and finance; and one should also make a synthetic observation of all economic phenomena. Thus, it may be said that the problem dealt with here necessitates an analysis of the fundamental cause of the existence of currency which exists in our world of circulation today.

2. INTRINSIC ORIGINATION AND CREATIVE ORIGINATION

How did the currency existing in the present world of circulation come to originate? This question is identical with the query: How did the present capital (money-capital) come to exist? Why? Because all capital must exist in some form of currency. The problem of the origination of capital should be treated from the viewpoint of the rotation of capital. However, I shall here treat it merely as a problem of the origination of currency.

The origination of currency must be divided into two forms: intrinsic origination and creative origination. By intrinsic origination is meant the incoming of currency into the financial world by means of causes other than private financial transactions within the country while by creative origination is meant that currency is created through private financial transactions in the country.

The currency originated intrinsically may be termed the intrinsic currency, while the currency originated by creation may be termed the creative currency. This distinction is due to genetic causes and is not the distinction of monetary forms such as gold coins or paper money. True, all gold coins are intrinsic currencies but paper currencies may be either intrinsic or creative currencies. As a matter of course for all currencies, intrinsic origination comes first followed by creative origination. However, it is more convenient to explain the latter first because its explanation will result in the explanation of the former. Thus, I shall take up the origination of the creative currency first.

To say that currency is originated by means of private financial transactions within the country means, after all, that it is created by the process of the borrowing and loaning of capital. And this act of transaction takes place through the function of banks. The bank receives capital as deposits, on one hand, and loans it out, on the other. Now, in this case under the actual financial conditions today, capital loaned out in its major portion is not actually withdrawn in cash but remains in the bank and is transferred from one hand to another in its form of bank deposit. In other words, such capital functions as deposit currency until loaned capital is paid back. The capital deposited at first undergoes neither extinction nor mutation, but is used in its original status of bank deposit for payments from one hand to another. At the same time, capital deposited and created by the act of loaning out by the bank is similarly used for payments from one hand to another in its condition of bank deposit. Thus, it will be noted that the latter capital is a currency created by the bank.

Such currencies are created through mutual indebtedness, that is, through incurring debts by borrowers and that by the bank, In other words, these currencies are the product of financial transactions themselves. In this sense, deposit currencies are said to originate through a creative process. Now, for the formation of these creative currencies, the original currencies, from which the bank loans are paid out, must at first be in the hand of the bank itself. This is because the creative currency comes into being in a developmental process with the original currency as its foundation. For this reason it may be said that the creative currency is the branching out currency.

3. THE FIVE FACTORS OF INTRINSIC ORIGINATION

There are other points in need of explanation regarding the creative origination of currency, but I shall leave their explanation to some other occasion, and here I shall dwell on the circumstances relative to the original currency which is the basis of this creative currency.

As has already been explained, by the intrinsic origination of currency is meant the coming into existence of currency by means of causes other than private financial transactions within the country. On the other hand, by the creative origination of currency is meant the coming into existence of currency as the result of private financial transactions within the country, Now, for private financial transactions, there should be currency which is to be the basis of such transactions—loaning and borrowing. This currency is originated intrinsically.

The following are the five factors for the intrinsic origination of currency which are other than private domestic financial transactions:

1. Origination within the domestic economic world itself.
2. The influx of overseas capital.
3. The purchasing of negotiable securities by the Central Bank.
4. Payments made by the Government or by the Central Bank.
5. Investments or loans made by the Government and loans made by the Central Bank.

4. ORIGINATION WITHIN THE DOMESTIC ECONOMIC WORLD ITSELF

By origination within the domestic economic world itself is meant the origination of currency without financial transactions. The origination of currency by means of financial transactions is the creative transaction and is not the intrinsic origination. The origination of currency within the domestic economic world without financial transactions was the only factor of currency origination in early times when currency came into existence. In other words, some goods came to be used as money thereby giving up their former use. For example, shells, furs, cloth, gold dust, gold and silver bullions were used as money. After the adoption of the gold standard, the commodity gold turned into monetary gold and this was an important factor for the intrinsic origination of currency. Today, the conversion of goods into money does not mean their actual conversion: some goods, especially gold and silver bullion, are purchased by the Bank of Japan and the Bank of Japan notes are paid in exchange. This process brings in currency.

Such a process, however, has now become history inasmuch as our country has actually abolished the gold standard system, and the monetary law concerning the conversion of the commodity gold into the monetary gold has been suspended. The existing fact is that the currencies originated in such circumstances during the period of the gold standard system have been converted into the existing currencies which continue their traditional existence today.

But the currencies originated during the former period prior to the existing currency system and have since been converted into the existing currencies are not limited to the commodity gold which having become the monetary gold came to be converted into the existing currencies. Such conversion in historical process goes back to ancient times. From olden times our country had various moneys in divergent forms and they existed in succession, the older forms having been replaced by newer forms. Some of these belong to those mentioned in (2) and (4) in the preceding section, but others were converted from the form of goods to that of money. In the 30th year of the Meiji Era, the Monetary Act was promulgated when the gold standard system was adopted, the law concerning the convertible bank notes was revised thereby establishing the system of gold conversion. Thus, our currencies came to be adjusted and unified as the standard money, subsidiary moneys and convertible bank notes, and all others were suspended from circulation and were converted and absorbed into new currencies.

Following the outbreak of the War of Greater East Asia, our country adopted the Bank of Japan Act in the 17th year of the Showa Era (1942), the law concerning the convertible bank notes was abolished and all extraordinary regulations which had been promulgated since the Manchuria Incident regarding money were all adjusted and absorbed by the newly enacted law. Thus, by virtue of the Bank of Japan Law, the Bank of Japan notes became the fundamental legal tender of our country. However, the convertible bank notes issued by virtue of the regulations concerning the convertible bank notes are to be regarded as the same as the Bank of Japan notes, but will be adjusted and absorbed by the Bank of Japan notes when the latter have been actually issued. At present within the convertible bank notes, which are regarded as the same as the Bank of Japan notes, are included all historical and traditional currencies of our country.

As has been already stated, under the gold standard system, the conversion of the commodity gold into monetary gold was the usual factor of the intrinsic origination of currency. Becoming the monetary gold may mean either coining of gold coins and being reserved, for the conversion of bank notes. Article 14 of our Monetary Act (貨幣法) provides: "The Government shall comply with the request made by any one for the shipment and acceptance of gold bullion for the manufacturing of gold coins." Up to the time the above provision was suspended for temporary purpose by virtue of the gold reserve valuation act—and this act itself was accomplished together with the suspension of the foregoing provision by the Bank of Japan Act—any person having gold bullion could have converted it into gold coins which are monetary gold by entrusting it with the Government. Thus, gold bullion or gold manufacture which are commodity gold could be converted into gold coins which are monetary gold by virtue of the above legal provision. Furthermore, gold bullion sold to the Bank of Japan was used for reservation against the convertion into bank notes, and the amount of bank notes corresponding with the value of the bullion was issued as its payment. This way, too, the commodity gold became the monetary gold.

When foreign exchange quotations surpass the so-called "specie point" due to the inflow of foreign capital because of export excess or other circumstances, then funds will not be sent from overseas by exchange: gold bullion will be shipped from abroad for the purpose of settlement. The gold coming from overseas in this manner will become monetary gold in the two methods above explained. In this case, too, the process means in respect of its conversion of goods into money, the same as the becoming of the dometically produced gold bullion into monetary gold. However, the gold influx from overseas forms a different head of its own as a factor for the origination of currency and it should be regarded as an inflow of overseas capital explained next.

I have seen the manner in which currency comes into existence under the gold standard system. It is the orthodox form of the intrinsic origination of currency. Today, however, the commodity gold does not become the monetary gold, because, as has been noted, Article 14 of the Monetary Law has been abolished by the Bank of Japan Act (日本銀行法), the provision of The Gold Reserve Valuation Regulation (金準備評價法) has been suspended and the regulations concerning the convertible bank notes have been also abolished by the Bank of Japan Act. True, among the securities for the issuance of the Bank of Japan notes are mentioned gold and silver bullion, but this does not mean that they become monetary gold because gold and silver bullion being reserved for issuance does not mean gold and silver bullion being reserved for conversion. This resembles the fact that, although commercial bills are also mentioned as the securities of issue for the Bank of Japan notes they never assume a monetary character.

To summarise: part of the convertible bank notes which are at present regarded as the Bank of Japan notes have become converted from goods to money during historical periods up to the adoption of the existing currency system and have been replaced by the currencies of the successive generations. At the same time these bank notes have been paid out for the domestically produced gold bullion which was sold to the Bank of Japan. If these notes, or some of them, were deposited with banks, they now exist in the form of bank deposit. These are the currencies which came into existence in our own economic world.

5. THE INFLUX OF OVERSEAS CAPITAL

The second factor of the intrinsic origination is the inflow of capital from overseas. This takes place in two forms, namely, the importation of gold and silver bullion and the inflow of it by means of bills of exchange. The inflow of gold and silver bullion from overseas becomes domestic currencies, when this bullion is sold to the Bank of Japan for payments in the Bank of Japan notes and the payments are deposited with banks. We have already seen that under the gold standard system a person could entrust imported gold bullion with the Government and have gold coins made out of them. Since this system has been suspended, such imported gold bullion becomes currency only when it is sold to the Bank of Japan. But even in this case, the commodity gold does not become the monetary gold, as has been already pointed out.

No currencies will come into existence, when the possessor of imported gold or silver bullion sells it to any one other than the Bank of Japan. True, the seller of such bullion acquires currency. But when the purchaser is other than the Bank of Japan, he would use for the payment of the bullion the currency which for some reason had been previously issued by the Bank of Japan. Thus, the cause of the origination of such currencies must be traced to a period prior to the time of the transaction of the bullions. In other words, the currencies acquired by the seller did not originate by the act of selling. In such a case, the gold or silver bullion up to its purchase by the Bank of Japan remains as commodity. Viewed from national economy, their importation merely means the exportation of some goods in exchange with gold or silver bullion both of which are also goods.

A similar thing may be said of foreign bills of exchange. When they are sold to the Bank of Japan only, should one recognize the fact that the inflow of overseas capital has resulted in the emergence of domestic currencies? When such bills are sold to some other than the Bank of Japan, say, the Yokohama Specie Bank, payments therefore will be made in the Bank of Japan notes possessed by the Specie Bank and issued by the Bank of Japan. For this reason, no currency would come into existence, in consequence on the purchase of the bills. For such a transaction would only mean a change in the possessor of the bills.

When the Yokohama Specie Bank pays for the imported bills of exchange with money borrowed from the Bank of Japan, such a case would come under the fifth head for the origination of currency which I shall later take up. Again, when the Yokohama Specie Bank neither borrows from the Bank of Japan nor pays with the Bank of Japan notes, but pays by transferring the bills to its own bank deposits, then this process is not an intrinsic origination: it is a creative origination of currency.

The third factor of the intrinsic origination of currency is the purchasing of negotiable bills by the Central Bank. When negotiable securities such as national bonds, local communities' bonds, corporate debentures and bank certificates, etc. possessed by private hands are purchased by the Bank of Japan, the Bank of Japan notes paid in the transaction or the bank deposits transferred in the same process are currencies which have come into existence intrinsically.

6. PAYMENTS MADE BY THE GOVERNMENT

The fourth factor for the intrinsic origination of currency is payments made by the Government, such as salaries, fees, bonuses, all other personal payments and all payments made for purchases and contracts. Needless to say, the Government itself is within the national economy of Japan, and since its payments to private persons are also activities within national economy, the Government cannot use for its payments anything other than the accepted currencies of the nation. But when the term "financial circles" is used it really means "private financial circles" and therefore it does not include the Government. Thus, payments made by the Government is a factor which is outside of the origination of currency from financial circles.

Since the Government holds the monetary sovereignty of the State, it can create currencics by the exercise of this right. Thus, the Government may create currency provided by the Monetary Act and extraordinary currency provided by the Extraordinary Monetary Act. However, the Government has given the Bank of Japan issue right through the Bank of Japan Act and the latter is entrusted to make all payments for the Government. For this reason, the intrinsic origination of currency by means of the factor of payments by the Government in reality takes place through the Bank of Japan.

All the payments made by the Government through the Bank of Japan are made in the Bank of Japan notes and extraordinary currencies. But since all payment orders of the Government are made by means of the cheques of the Bank of Japan, the recipients of the payments deposit them with their own transaction banks. Thus, in this case the Government deposits with the Bank of Japan are transferred to private deposits which the Business Weekly of the Bank of Japan mentions as "other deposits". This transfer is the intrinsic origination of currency in this case. Although the currencies thus originated may be used either as deposit currency or cash currency, but since in their origin they take the form of deposits, they should be said to originate as latent currency.

The limit of the Government's payments is fixed by budgetary estimates which is a legal limitation. But the real limits of the payments of the Government are placed by the productivity of the goods required by the Government and the supply of labour. Since the Government holds monetary sovereignty, it may pay within the budgetary estimates legally, but should it pay in excess of its economic limits, it will invite price inflation and monetary depreciation. Thus, viewed from the stability of prices, there are definite economic limits on the intrinsic origination of currency by means of payments by the Government.

7. INVESTMENTS OR LOANS MADE BY THE GOVERNMENT AND LOANS MADE BY THE CENTRAL BANK

The fifth factor of the intrinsic origination of currency may be said to be investments or loans made by the Government and loans made by the Central Bank. Like the Government, the Central Bank also lies within the national economy of the State. Now, for this reason one may say that the Central Bank should possess currencies before it loans them out and that there must be the intrinsic origination of currency prior to actual loaning. However, such a view is not true because in our banking system, the Bank of Japan notes become currencies only upon their issue, before which the notes are only pieces of paper without monetary value and thus are not currencies. In the case of the Bank of Japan its notes are issued only when they are loaned out and at the same time they become currencies.

The loaning by the Bank of Japan is not necessarily made in the Bank of Japan notes, for it may be made by its transfer to the deposits in that bank. In the latter case, currency comes into existence as a latent currency. When the Bank of Japan notes are issued by means of withdrawal of deposits with that Bank, these notes enter the world of circulation. But as currencies these deposits should be traced in order to ascertain their origin and the circumstances of their origination should be examined. Since deposits are latent currencies, even if they are withdrawn in cash currencies, such withdrawal cannot be said to constitute the origination of currency.

The manner in which investments or loans by the Government result in the intrinsic origination of currency resembles that in which the same phenomenon is seen in connection with payments made by the Government. As in the case of payments by the Government, its investments in various corporations as well as various financial organs such as the Wartime Financial Chest, the Welfare Chest, the Pensions Chest, etc. are made in the Bank of Japan cheques. When these corporations and chests receive funds from the Government, they deposit them with the Bank of Japan and transaction banks, respectively. Thus, in each of these cases, currency comes into existence in the form of a latent currency.

Major portions of loans by the Government are made through the Deposit Bureau of the Finance Ministry. Since the loans by the Deposit Bureau are also made in the Bank of Japan cheques, currency comes into existence as deposits with the transaction banks of the recipients of the loans, that is, as a latent ourrency.

There is a definite legal limitation on the amount of investments to be made by the Government. In the case of loans to be made by the Government, however, there is no such a limitation just as in the case of the Bank of Japan. On the other hand, there are limitations on both investments and loans by the Government from the standpoint of economic considerations. Primarily, both investments and loans are made by the Government because of the activities of the economic world. Sometimes, these are made in order to stimulate such economic activities. In either case the Government cannot go beyond the point in which it can utilize both labour and resources. If investments and loans are made by the Government beyond this point, they will result in breaking up the then existing balance between the volume of currency and that of commodities and thus invite price inflation. Conversely, despite demands made by the economic activities, no loans are extended by the Government, price deflation will result and depression will be created in the economic world.

In taking up the problem of loans to be made by the Bank of Japan, the problem of the inflow of foreign capital also must be considered together. As has been stated, under the operation of the gold standard system, gold specie must be shipped from abroad in case the exchange quotations pass beyond the specie shipment point because of export excess and other reasons. In such a case, a phenomenon of the intrinsic origination of domestic currency will be seen as commodity gold will become currency gold. But so long as this specie shipment point is not reached, foreign capital will flow into the country by means of exchange; and in this case, the recipient of bills of exchange in our country would receive Japanese currency, say, from the Yokohama

Specie Bank on the presentation of such bills. Now, in this case the Yokohama Specie Bank will pay out of its yen funds against the foreign funds, if the bank has a sufficient amount of currency. But since that bank is not an issue bank, there is a limitation on its amount of funds. If, therefore, this limitation is reached, the Yokohama Specie Bank borrows from the Bank of Japan in order to purchase foreign bills of exchange. This was the object of the special item in the Bank of Japan's accounts called "the foreign exchange loan funds", prior to the outbreak of the War of Greater East Asia. It was because of the foregoing relationship that the inflow of foreign capital stimulates loans by the Bank of Japan. Thus, in this case the inflow of foreign capital presents the following economic phenomenon:—the foreign capital to be imported is held abroad by the Yokohama Specie Bank and the fund this bank has borrowed frow the Bank of Japan as a reflection of the foreign capital is supplied to the domestic monetary world as currency.

The Bank of Japan is becoming the central organ of regional exchange settlement among the different regions comprising the Greater East Asia Co-Prosperity Sphere. The inter-regional exchange on our credit account in settlement between our country and other regions of the Greater East Asia Co-Prosperity Sphere sometimes becomes the possession of the foreign trade bank, the yen fund against the inter-regional exchange in this case, may be supplied by the Bank of Japan as its loans to the foreign trade bank. In other cases the inter-regional exchange may be sold to the Bank of Japan. Thus, the intrinsic origination of currency will take place and money will be supplied to the domestic market, illustrating the case of the second factor of intrinsic currency origination I have already explained.

8. THE INTRINSIC EXTINCTION OF CURRENCY

Against the intrinsic origination of currency, there is the intrinsic extinction of currency. As in the case of the former, there are five factors or circumstances for the latter.

They are as follows:

1. The physical extinction of cash currency and the extinction of bank deposits.
2. The outflow of capital to overseas.
3. Sale of negotiable bills by the Central Bank.
4. Payments made to the Government or to the Central Bank.
5. The redemption of investments by the Government and the redemption of loans made by the Government or the Central Bank.

All these factors are converse of these given for the intrinsic origination of currency.

By the physical extinction of cash currency given in the first head is meant the loss of the physical body composing cash currency because of such incidents as fire, earthquake, flood and losing by its possessors. No exact figures of the loss of cash currency sustained in the great earthquake and fire of the Kanto district are available, but there is no doubt that they were of a stupendous amount. When a bank goes bankrupt, either part or the entire amount of its deposit liabilities become unredeemable. In such a case, latent currency is lost to that extent.

In contradistinction with the fact that under the gold standard system, the conversion of commodity gold into monetary gold was one case of the intrinsic origination of currency, the turning of the monetary currency into the commodity currency was one case of the intrinsic extinction of currency. But since there exists no gold today either as gold coins or conversion reserves, there cannot be any intrinsic extinction of currency as given above. There is only the case of the physical extinction of the Bank of Japan notes and of the extraordinary currency as an example of the factor under the present consideration.

The second factor, namely, the outflow of capital to overseas takes place thereby causing the intrinsic extinction of currency, when a foreign exchange bank, such as the Yokohama Specie Bank buys foreign exchange held by the Bank of Japan by paying out the yen funds in compliance with the request of the private persons who ask that bank to sell some exchange bills to be paid to overseas, the bank receiving the yen funds from such private persons. When the Yokohama Specie Bank redeems the loans from the Bank of Japan by means of the yen funds, then the case would be the fifth factor, which will be taken up later.

When the Yokohama Specie Bank receives the yen funds from private persons by selling them foreign exchange, if such yen funds in the Bank of Japan notes or bank deposits are not used either for redemption to the Bank of Japan or for buying foreign exchange but keeps them in its hand, then currency will remain in its form and does not become extinct. Even if importers send money to overseas by buying foreign exchange from the Yokohama Specie Bank, so long as the yen funds paid to that bank are not paid or returned to the Bank of Japan, then domestic currency has not yet become extinct. Under the gold standard system, gold was sent to overseas for payment there. When monetary gold was sent in such a case, the intrinsic extinction of currency took place.

The third factor of currency intrinsic extinction takes place when the Central Bank sells negotiable bills. When the Central Bank sells negotiable bills it holds such as national bonds, local community bonds, debentures, bank notes and the like to private financial organs and security companies, the debentures is paid in turn, in our country, either in the Bank of Japan notes or by the deposits of such financial organs or security companies with the Bank of Japan. In either case, thereby currency becomes extinct. In other words, currency is absorbed.

The buying of negotiable bills by the Central Bank which has been mentioned in connection with the intrinsic origination of currency and the selling of negotiable bills by the same bank as just mentioned are the usual methods of supplying and absorbing currency, respectively. These methods which are frequently used are known as the open market operations. It is noteworthy that in our country the Bank of Japan has been endeavouring to prevent inflation by selling national bonds it holds and by absorbing currency.

The fourth factor, namely, payments made to the Government is seen in various acts of payment to the Government such as the following: paying taxes, buying national bonds, buying of government monopolies, payments to government enterprises such as railways, postal service, telegraph and telephone services, buying of stamps, monetary donations, etc. Paying of taxes to local governments, municipalities and local communities and payments to enterprises owned and managed by autonomous bodies—all these are only the transference of currency from private persons to these bodies and do not result in the intrinsic extinction of cnrrency. Whereas payments to the Government give rise to the absorption of currency, those by autonomous bodies do not give rise to the same phenomenon.

The fifth factor, namely the redemption of investments made by the Government or the Bank of Japan results in the intrinsic extinction of currency as in the case of the fourth factor, This is because in the case of the Government and the Bank of Japan, currency would be going out of the financial world.

We have already seen that the intrinsic extinction of currency results when a foreign exchange bank, the Yokohama Specie Bank, for instance, redeems its debts to the Bank of Japan by using the yen funds paid by some private person for foreign exchange, when capital is paid to overseas for payments of imports.

Against the creative origination of currency, there is the creative extinction of currency. Nay, the more fitting expression than the latter may be "the extinction of creative currency". Creative origination means that the loan funds of a bank other than an issue bank become deposits. For this reason, by the extinction of creative currency is meant that such loans are repaid. For their repayment, deposits are used. Thus, deposits are reduced. This is the extinction of creative currency.

We have already seen that loans made by the Central Bank result in the intrinsic origination of currency and that the redemption of such loans results in the extinction or absorption of currency. The Central Bank may often positively carry on its currency policy of making such loans and of redeeming them. And it is the raising and reducing of the rate of interest on loans that makes such a positive currency policy possible of stimulation. That is, when the loan rate of interest is reduced, demand for loans increases and the supply of currency expands, if the rate is raised, demand for loans decreases and each time former loans are redeemed, currency becomes absorbed. When the Central Bank positively increases or decreases the amount of currency, it is said to be carrying on its discount policy.

The intrinsic origination and extinction of currency is limited to the currency which has come into existence intrinsically. Creative origination comes from the currency which has come into existence intrinsically. For this reason creative origination is not really an origination but only an expansion- Further, the extinction of creative currency is really the extinction of expanded currency. For this reason, it is not an extinction but a contraction. I shall dwell on this more in detail on another occassion.