

tion and capacity, whose idleness is a real loss to the community. In this respect the worst sinner is the business man who retires with a competence, for it is the very qualities which have secured him that competence and enabled him to retire, that would have rendered the greatest service so long as he remained active. Herein, and herein only, according to the writer, lies the perniciousness of inherited wealth.

Professor Carver introduces us to the idea that there is no economic or moral difference between the labourer who works only three days a week, because three days' wage will suffice him for seven days' needs, and the business man who works only four hours a day and golfs in the afternoons, or the captain of industry who retires in early middle life to enjoy his accumulated wealth. Each is equally wasting resources which his country needs, but the successful business man is wasting the talent which is most urgently needed. In short, the busy rich (whom Mr. G. D. H. Cole, for instance, finds so much more dangerous than the idle rich) are, according to Professor Carver, a nation's most valuable assets. Another person of value is the investor, who is described as the shock absorber or insurer of society against waste. He automatically charges himself with the task of turning the productive energy of the country into the right channels. If he happens to choose a wrong channel, society will eliminate him, and the sooner the better for society. A skilful investor, on the other hand, who makes no mistakes, is one of the greatest conservers of human energy. Unfortunately, the writer concludes, no method has yet been discovered by means of which men in a Government office, working on a salary, can be thus selected for the direction of the productive energy of society.

Professor Carver offers no panacea for curing the ills of society except the gospel of work; the task of the nation builder of the future is to realise the available energy of the people and set it to work. "Thus and thus only can a nation grow great enough and strong enough to be fit to survive."

H. REYNARD

Principles of Political Economy. By THOMAS NIXON CARVER.
(Ginn and Company. 8s. 6d.)

THE lucidity and convincing manner in which Professor Carver lays down the conditions and expounds the principles of national prosperity and welfare make the dedication of his book most appropriate: "To all those who care to see their country grow strong and great."

I I 2

He has derived inspiration from the economic lessons and achievements of the war; and realising that the final test of racial and national supremacy and endurance is conformity with economic principles, he keeps this point of view prominent throughout his book. Preparedness for this final and ultimate conflict among nations "will consist in the study of standards of living and the adoption of such standards and habits as will increase productive efficiency to the maximum and reduce the cost of living to the lowest point which is consistent with maximum productivity."

Professor Carver has with unusual skill kept economic theory in close touch with real life, thereby making his book interesting and stimulating for the ordinary reader. Differently from most writers on economics he considers it necessary to devote a special chapter to morals and religion, emphasising their important economic functions. The ethical aspect of the subject is further developed in the fifth part of the book—"The Consumption of Wealth." Throughout this part of the book he aims at showing the reaction of the consumption of wealth upon the general prosperity and strength of the nation. And, while deprecating the evil effects of wasteful luxury and pointing out the circumstances under which public opinion should condemn it, yet he maintains, as David Hume did, "that luxuries must be regarded as a storehouse of labour which in the exigencies of the State may be turned to public service."

His discussion of co-operation is suggestive, and he carefully distinguishes co-operation among producers or among workers in stores and factories from certain forms of co-operation which he regards as quasi-capitalistic, such as co-operative creameries. And he considers there is a fundamental reason why co-operative enterprises have not flourished in the field of production as often as they have in the field of buying and selling. "Competitive production always works well; competitive bargaining sometimes works well and sometimes works badly. . . . In the field of competitive bargaining, however, evils frequently spring up where a large and widely scattered body of producers are at a great disadvantage in bargaining with a compact body of dealers." Where this is the case it is necessary for the producers to get together in a co-operative organisation in order to bargain on equal terms with the dealers.

The problems of Money and Banking are treated too summarily, though he brings the American legislation on banking up to 1918, and his description of the Act of 1916, inaugurating the

American farm bank system, is adequate and interesting for those who aim at the reconstruction of agriculture. He does not adopt any general definition of money or credit, nor does he treat of credit in its relation to banking deposits, nor of the nature of the latter.

His explanation of the ideas of total and marginal utility is inadequate. He does not differentiate between the total utility of a commodity for society and for a given individual. And the diagrams on pages 278, 279, over-simplify the difficulties involved in the concept, and suggest the possibility of measuring the abstraction total utility. Total utility as an abstraction has little application to real life; and, as Professor Carver himself frequently points out, the really important problem in the economic world is the problem of having more or less of various things.

If one indulged in philosophical refinements of language one might object to the statement on page 278: "Utility exists in the object outside the human being, and is that which is capable of satisfying his desires." This is incompatible with the next statement: "In proportion as the human being's desire is capable of being satisfied, in that proportion does the utility of the object which satisfies that desire diminish as its quantity increases." This statement shows that utility, as well as desire, has a subjective aspect and does not altogether exist in the object outside the human being.

With reference to the diagram on page 278, he is not correct in saying that "when the quantity is represented by the line O G, each unit is desired with an intensity represented by the line O E." The intensity represented by the line O E represents only the marginal utility, and not the intensity of each of the preceding units which is greater.

In his chapter on "Personal and Professional Services," where he quotes from John Stuart Mill, he inserts in the second line of his quotation *unproductive* for *productive* labour.

With reference to economic crises and industrial depression, he considers the explanation must be sought in the laws of value which govern investment. "A slight fluctuation in the value of a product tends to produce a violent fluctuation in the value of the establishment producing it. The farther goods are from some consumable product, and the more remotely their value is derived from that of some consumable product, the more violent the fluctuation in value tends to be."

He considers it possible for the Government by some sort of discriminative tariff to attract labour and capital from the less

productive to the more productive industries. Whereas individuals when left to themselves confine themselves to those which are most profitable for themselves. And he points out that what is most profitable for the individual is not always the most productive for the country. Against this it might be alleged that the Government is not always the best judge in normal times of what is most productive; and that by admitting the principle of discrimination a way is open to political corruption. Again, this discrimination clashes with the principle laid down by him in discussing constructive liberalism. "The interests of the public are expressed quite as accurately on the market and through the price lists as through the ballot box and the statute books."

His discussion on the "Principles of Public Finance" is inadequate even for beginners, though the chapter on "War Finance" omits none of the problems or the refutation of the many fallacies made familiar to us during the recent war.

His treatment of "Communism, Socialism, and Anarchism" is judicial, and though he is fully alive to the evils that have resulted from a capitalistic organisation of industry, yet he furnishes strong psychological and economic arguments against a socialistic structure of industry.

He puts forward in the concluding chapter a programme of constructive liberalism which is capable of creating the proper conditions for labour. In fact, he seems over-optimistic in the efficacy of liberalism solving the problems of capitalism and poverty. "Under the system of free contract each man tends to find the place in the industrial system in which he can best fit. This is the method of trial and error. Each individual tries himself out and does not have to wait for the consent of someone else. Under the system of universal government operation the would-be farmer would have no better chance to test himself, or to advance on his own initiative, than he has now in the army of the civil service." . . . "It is quite possible, by the use of a little intelligence and progressiveness, to create conditions under which the demand for labour will continually expand and the supply of unskilled labour continually contract, putting the unskilled labour in a continually improving situation with respect to the bargaining process, making it continually easier for the labourer to find a job at remunerative wages, but, as a necessary consequence, continually more difficult for the employer to find unskilled labour at low wages."

Hence, he considers the remedy consists in adopting the means of decreasing the number of unskilled workers by educa-

tion, postponing the marriage period, restricting immigration, thrift, and a higher standard of living. By the adoption of these means a well-balanced population will be attained.

His excellent chapters on the source of interest and the cost of capital and its price are based on those of his *Distribution of Wealth*.

In his chapter on "Power" he does not attempt an adequate definition of that concept, and a mathematician would be apt to disagree with the sub-divisions of mechanical power that appear on page 141.

Throughout the book there is required on the part of the reader an elementary knowledge of the principles and structure of labour and industry. It does not fulfil the functions of an elementary text-book. The absence of historical references to the classical aspects of economic theory further emphasises this deficiency. Yet this criticism should not take in the least from the real merits of the book, which can and ought to be read with advantage by any educated member of the community. Its style, lucidity, and clearly marked sequence of thought make it not only instructive, but pleasant reading.

T. A. SMIDDY

War Borrowing: A Study of Treasury Certificates of Indebtedness of the United States. By JACOB H. HOLLANDER, Professor of Political Economy in the Johns Hopkins University. (New York: The Macmillan Company. 1919. 12mo., 215 pp.)

IF Government is forced (or thinks itself forced) to borrow, it may seem to the plain man that the art may be summed up in a few words: "Borrow as cheaply and as easily as you can." Unfortunately, what seems at the moment to be the cheapest course may prove in retrospect to have been unnecessarily expensive, and when this cannot be directly established may be found to yield a terrible aftermath of social costs such as always follows in the train of an orgy of rag-money.

The Treasury Certificates of Indebtedness of the United States are short-term negotiable securities differing only in unimportant points of detail from our Treasury Bills. Professor Hollander has done good service in his critical examination of the use of this engine of finance during the Great War. He touches lightly upon earlier borrowings of the United States. Are the details not written in the books of Dewey, Knox, and other authorities? But he gives us a lucid and complete account of borrowings since America entered into the Armageddon. And his analysis is a