WILEY

Review

Author(s): H. Sanderson Furniss

Review by: H. Sanderson Furniss

Source: *The Economic Journal*, Vol. 32, No. 126 (Jun., 1922), pp. 206-208

Published by: Wiley on behalf of the Royal Economic Society

Stable URL: <http://www.jstor.org/stable/2223260>

Accessed: 26-06-2016 00:16 UTC

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at

<http://about.jstor.org/terms>

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact support@jstor.org.

Wiley, Royal Economic Society are collaborating with JSTOR to digitize, preserve and extend access to *The Economic Journal*

would ingratiate us with the French to adopt this anti-German policy. The policy is bad enough in all conscience, but M. Lachapelle overrates the practical effect of our niggling "protection" up to date.

HENRY HIGGS

The Menace of Money Power. By CHARLES PERCIVAL ISAAC.
(London: Jonathan Cape, 1921. Pp. xii + 294. Price 8s. 6d. net.)

THIS book is a plea for free banking, and it may without injustice be described as a tirade against the monopoly obtained by the Bank of England in the eighteenth century, and more particularly against the Bank Charter Act of 1844. Nearly all the ills from which the world has suffered since the foundation of the Bank of England, and most of those from which it is suffering at the present time, are ascribed by Mr. Isaac to the State restriction of credit. Most economists would agree with some of the author's criticisms of the Bank Charter Act, but they would point out that the Act has practically ceased to function in those directions in which it might have had the effect of restricting credit, and that the restrictions imposed upon credit by the Bank Charter Act have been counteracted by the development of the cheque system. But Mr. Isaac will have none of this. "The cheque," he says, "is centripetal, the note is centrifugal" (pp. 113, 114), and he wants what he calls centrifugal finance. What he calls centripetal finance "has substituted for gold, in place of the circulating note of even and convenient denomination and reasonable security, a non-circulating cheque of varying denomination and uncertain security. The result can be tested anywhere. The cheque is not a generally recognised claim upon real wealth. It cannot be used in the daily life of the masses for wages or for the purchase of goods. Its characteristic is not to circulate but to be sent back to the bank for clearance. The need for a circulating medium is constantly increasing, but no substitute for gold is allowed" (p. 257). "Men of productive ability," the author thinks, "are under the present system debarred from initiating new industries by the want of credit facilities" (p. 258), and "the cheque-overdraft system favours old-established industries at the expense of new ones" (p. 213). As an example of this, the failure of some of the smaller aircraft factories after the war for want of credit is adduced. The remedy for all this is

the replacement of control of finance by free competition in credit (p. 286).

If the author had followed out the implications of his own definition of credit, it is possible that he might have saved himself from a good deal of confusion on the subject. "Credit," he says, "should be synonymous with trust. An act of credit means that one person lends to another, with the trust that the loan will be returned" (p. 164), and he incidentally remarks in this connection that "the most primitive instinct in man is distrust." Mr. Isaac may not unreasonably be asked why the banker's faith in humanity should be increased if he is allowed to advance credit in the form of notes instead of in the form of overdrafts upon which cheques may be drawn? Why should the small air-craft factories (most of which were already over-capitalised) have been more likely to obtain credit from the banks if a free note issue had been substituted for the cheque system? It is certainly true that the cheque does not circulate for small payments, but the author seems to have forgotten the token currency altogether, an adequate supply of which it is always within the power of Government to maintain.

The book contains a good deal of economic history, which is strangely interpreted to show that all was well before the foundation of the Bank of England in 1694, and that since then we have gone from bad to worse, except for a time in Scotland, Ireland, and the U.S.A., when banking in those countries was comparatively free. Mr. Isaac, of course, admits that there were serious crises before 1844, and constant failures amongst the banks of issue both before and after the Act of 1826. But unsound methods of banking and other obvious causes, he thinks, had nothing to do with these; they were, according to him, due simply to the fact that banking was not completely free.

Except on his one point, Mr. Isaac's attitude is rather a negative one. He does not like the Manchester School, he does not like the Socialists. He has no use at all for Trade Unions, and not much for economists. Some of his criticisms of the economists, such as the following, are unfortunately not wholly unwarranted: "The scientists have confined themselves more and more to mere historical research, to a laborious study of economic detail and a registration of fresh doctrines. These doctrines, in so far as they have found any amount of acceptance, have originated, not with the economists proper, but with social theorists from the outside world" (pp. 25, 26). Again, it is no doubt true that the small and capable producer in England

has not the same facilities for obtaining credit as is the case in some other countries, a fact which is probably responsible for waste of ability and of valuable productive power. But it is surely possible to remove this defect by simpler and less dangerous methods than free competition in credit—perhaps through an extension of co-operative banking.

H. SANDERSON FURNISS

Essays in Taxation. By EDWIN R. A. SELIGMAN, McVickar Professor of Political Economy in Columbia University. Ninth Edition, completely revised and enlarged. (The Macmillan Company. 1921. Pp. xi + 806.)

THIS is the ninth edition of a work first published in 1895, and it is described on the title-page as “completely revised and enlarged.” Enlarged it certainly is, but the claim to complete revision, although reasserted in the Preface by a declaration that the various chapters have been brought “down to date,” seems to rest for the most part on occasional slight footnotes. It may disconcert a British taxpayer to read that “it is everywhere conceded that England is on the brink of a still greater expenditure,” until he gathers from the context that Professor Seligman is only forecasting, from the standpoint of 1913, the drift of the social legislation of the Asquith Government and of the naval competition with Germany. The section headed “The British Land Taxes” still stands, with passages like the following :—

“A good beginning has been made in the process of valuation, although it will take some years before it is completed. The new taxes are expected ultimately to yield a substantial revenue; some competent authorities estimate it as likely to amount, at the present rate, to between five and six million sterling annually.”

After a full eight pages in this vein, it may be doubted whether a footnote intimating that “all further attempts to proceed with the valuation of land and to enforce the laws were discontinued in 1920” is enough to guard an American student against serious misapprehensions. Some other sections have an even more archaic air. It would be unreasonable, of course, in a work of this size to look for the very extensive rewriting that would be required for a really adequate revision; but if