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Review

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Source: *The Economic Journal*, Vol. 8, No. 31 (Sep., 1898), pp. 384-386

Published by: Wiley on behalf of the Royal Economic Society

Stable URL: <http://www.jstor.org/stable/2956550>

Accessed: 27-06-2016 03:58 UTC

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The book is a good one. The author expressly warns us in italics at the beginning with regard to this "*étude nouvelle*" that *elle n'est, en aucune façon, une œuvre d'érudition* (p. 18), and as a matter of fact it does not give us any more direct information about the actual theories held by the Greeks than can be got elsewhere. But it is an interesting study of the correlation of intellectual and material evolution. It does better than try to extract new meanings out of old texts; it shows us how those texts strike a modern economist, an economist, if I may say so, of cool and sober judgment.

The book would not, however, defy Momus. Professor Souchon hardly does justice to Plato's analysis of the advantages resulting from the division of labour, or to Aristotle's remarks on currency (in N.E. VI.). He overlooks an obvious correlation: if the theory of money was the most scientific contribution made by the Greeks to economics, it was because the Greeks were the first to invent a coinage. Most of the Greek words quoted have neither breathings nor accents, and I notice some other misprints: *κριτική* (for *κτητική*) p. 49, *χληρος* (for *κλήρος*) seven times on pp. 159-168, *διακοσμη* p. 177, Anicos for Anytos (the accuser of Socrates), p. 118, and various German words on pp. 3, 9, 10, 22.

F. B. JEVONS

*Geldzins und Güterpreise.* By DR. KNUT WICKSELL. (Jena : 1898.)

"Does a fall in the rate of discount or interest tend to produce a higher or a lower level of prices? or does it have no effect? or without deciding which is the cause and which the effect, is the rate of interest correlated with the average level of prices, and what is the sign and magnitude of the coefficient of correlation?" These are the central questions which are attacked by Dr. Wicksell in a most excellent and careful book. We are tired with innumerable controversial books and articles by partisans who overstate their case in the hope of attracting followers. We suffer from a Bimetallic League and a Gold Defence Association. We are continually in danger of losing our heads in the heat of controversy. We therefore welcome a book which is moderate in tone, and which shows every sign of a patient and modest inquiry. Yet it is hard to feel satisfied. In a short book of less than 200 pages, everything cannot be discussed; but the reader is naturally disappointed when the particular points he is interested in are dealt with very briefly or not at all. The following criticism, in so far as it complains of omissions, must therefore be distorted by the personal bias of the writer, and does not necessarily imply any very serious deficiencies in the work.

The author's main contention may be given in his own words:—"Unsere Aufgabe wird deshalb sein, zu zeigen, dass in den Zeiter der thatsächlich beobachteten aufsteigenden Preisbewegungen der aus-

bedungene Zins, der Geldzins im Verhältniss zu dem jedesmaligen Stand des natürlichen Kapitalzins relativ *niedrig* im Zeiter fallender Preise dagagen relativ *hoch* gestanden hat." This involves at the outset the difficult question of the definition and measurement of "natürlicher Kapitalzins." One instinctively dislikes and mistrusts any conception connected with the word natural. It does not appear that the author uses the word to veil obscurity; but he certainly does not assist us by the use of such an adjective. The difficulty of the definition is, however, small in comparison with the difficulty of stating what statistics we should want in order to measure it, quite apart from the question whether such statistics are or are not obtainable. The most satisfactory form of procedure would have been, (1) to define accurately Kapitalzins and Geldzins, (2) to determine what statistics are necessary to determine them, (3) to obtain such statistics, (4) to calculate the correlation between the relative magnitude of Geldzins and the state of the main level of prices, (5) to construct a hypothesis to fit the facts which should accord properly with economic theory. For want of statistics Dr. Wicksell is forced to have recourse to theory. His theory is clearly the result of careful thought and a proper consideration of the best economic writers; but it suffers slightly from the defect, which is so common in many books, of considering a series of phenomena as if each in turn determined the other rather than as a group of mutually interconnected events.

The earlier sections of the book, which are designed to lead up to the main idea, suffer from too great brevity. It is, no doubt, the common view that the value of currency is stable, if, with a given amount of currency, we can buy equal amounts of assorted goods at different times. Yet it is unsatisfactory to assume this without even stating the rival view that such value is stable if equal amounts of currency can be earned with equal amounts of labour at different times. The discussion of index numbers is either too long or too short. The important fact to bring out is that in general we obtain the same results within small limits, independently of (1) the theoretic mean chosen, (2) the system of weighting, (3) the number of commodities included, so long as we have a moderately large number. This could have been shown by theoretical considerations or illustrated by actual examples. It is not advisable to puzzle the reader with questions about the geometric or harmonic means, when the use of index numbers is only subsidiary to the main purpose of the book. Again, the statement of the functions of money is deficient. It has at least four functions—a medium of exchange, a common measure of value, a standard of value and a store of value.

It is, perhaps, proper to include a critical examination of the cost of production and quantity theories of money in a book of this kind, but so much discussion has already taken place, that most readers would by now be contented with a short statement of the correct quantity theory which they could have accepted without demur. Such a state-

ment as the following would have sufficed. The value of money is a function of many variables of which the quantity of gold (or other standard) is one; and is such that, other things being equal, an increase in the quantity of gold diminishes the value of money. This could have been illustrated by a few examples and two sections of the book reduced to two pages.

On the other hand, the discussion of the rapidity of circulation, though good, might well have been more elaborate and, if possible, should have contained statistical tables and a more detailed account and discussion of modern forms of credit would have been very acceptable.

The above criticisms are no doubt directed to rather small points, but in the case of such a good book, it may assist the author to have such points noticed. The serious fault of the book is the lack of statistics. It may be the case that the particular statistics cannot be obtained; but it is hardly safe to theorise without the protection of masses of actual facts. Dr. Wicksell appreciates this. "Es versteht sich von selbst, dass die voranstehenden Erörterungen nur beanspruchen können, die Uebereinstimmung unserer Theorie mit der Thatsachen in groben Umrissen zu zeigen. Der Nachweis einer solcher Uebereinstimmung in Detail wäre eine ebenso interessante wie schwierige Aufgabe, welcher ich mich jedoch nicht gewachsen fühle. Zunächst mag deshalb die oben vorgeführte Theorie lediglich als eine Hypothese gelten welche um als mehr gelten zu können, eine näheren Bestätigung durch die Erfahrung bedarf." If the author will obtain the detailed facts and set them before us in another book he will render a great service to economics. It goes without saying that in a book of this kind we have a concluding section on practical methods for steadying the value of currency, and it is a relief to find that symmetallism and the Walras scheme are both discussed as well as bimetallism. The author's scheme has the *prima facie* merit of simplicity. "Bei unveränderten Preisen würde und der Zinssatz der Banken unverändert bleiben bei steigenden Preisen müsste der Bankzins erhöht bei fallenden Preisen erniedrigt und jedesmal auf dem so errichteten Stande erhalten werden, bis eine weitere Bewegung der Preise eine neue Veränderung der Zinssätze in dieser oder jener Richtung verlangt." But it is hardly likely that such a scheme will come within the range of practical politics apart from any question as to its theoretical validity. The multiplication of currency schemes is instructive for the student, but does not lead to actual improvements in the currency. The important question which should have been discussed before a new currency scheme is offered us, is whether the monometallists are right in saying that falling prices are advantageous, or bimetallists are right in saying that rising prices are. Dr. Wicksell appears to wish to keep prices steady, and is, therefore, to be counted as a man of singular moderation. It would be a very good thing if this book were translated into English at the earliest opportunity.

C. P. SANGER