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Theorie des Geldes und der Umlaufsmittel. By LUDWIG VON MISES. (Munich : Duncker and Humblot, 1912. Pp. xi + 476. M. 10.)

Geld und Kapital. By FRIEDRICH BENDIXEN. (Leipzig : Duncker and Humblot, 1912. Pp. 187. M. 4.50.)

DR. VON MISES' treatise is the work of an acute and cultivated mind. But it is critical rather than constructive, dialectical and not original. The author avoids all the usual pitfalls, but he avoids them by pointing them out and turning back rather than by surmounting them. Dr. Mises strikes an outside reader as being the very highly educated pupil of a school, once of great eminence, but now losing its vitality. There is no "lift" in his book; but, on the other hand, an easy or tired acquiescence in the veils which obscure the light rather than a rending away of them. One closes the book, therefore, with a feeling of disappointment that an author so intelligent, so candid, and so widely read should, after all, help one so little to a clear and constructive understanding of the fundamentals of his subject.

When this much has been said, the book is not to be denied considerable merits. Its lucid common sense has the quality, to be found so much more often in Austrian than in German authors, of the best French writing.

The field covered is wide. The first book deals with the meaning, place, and function of money; the second with the value of money, the problem of measuring it, and the social consequences of variations in it; and the third with the relation of bank-money, of notes, and of discount policy to the theory of money. With the exception of the section on the value of money, where Dr. von Mises is too easily satisfied with mere criticism of imperfect theories, there is a great deal on every one of these topics very well worth reading. Perhaps the third book is, on the whole, the best. The treatment throughout is primarily theoretical, and quite without striving after *actualité*. The book is "enlightened" in the highest degree possible.

The second of the two books under review is a collection of brief essays, many of them reprinted from *Bank-Archiv*, by a director of the *Hypothekenbank* of Hamburg. If the book had come from the pen of an English bank director it would have been little short of a prodigy. But the relation between knowledge and practice is ordered differently in Germany. The first seven essays deal with the theory of money, and are chiefly intended to

popularise the ideas of G. F. Knapp, of whom Dr. Bendixen is evidently a devoted disciple and admirer. When he reminds us that Knapp thinks nothing of writing such things as that "der aus pantopolischen Ursachen gestörte Wechselkurs nicht nur durch Hylolepsie und Hylophantismus sondern auch auf exodromischen Wege reguliert werden könne," even those who have had a classical (as well as a German) education will be grateful for a simpler pen. It was Lotz, I think, who calculated that Knapp introduces in *Die staatliche Theorie des Geldes* something like seventy new technical terms, without explaining the meaning of any of them. It is perhaps partly for this reason that followers of Knapp show a distinct tendency to regard him at least as much in the light of a prophet as in that of an economist. Indeed, there may be some positive value in such a style; for there are few exercises better calculated to stimulate one's own ideas than a close and patient study of a work in which the words can only be understood by reference to the context, and the context only by reference to the words.

There can be no complaint, however, against Dr. Bendixen on the score of obscurity. With him all is clear and simple, and his only fault is to exaggerate somewhat the novelty and importance of his master's ideas. The old "metallist" view of money is superstitious, and Dr. Bendixen trounces it with the vigour of a convert. Money is the creation of the State; it is not true to say that gold is international currency, for international contracts are never made in terms of gold, but always in terms of some national monetary unit; there is no essential or important distinction between notes and metallic money; money is the measure of value, but to regard it as having value itself is a relic of the view that the value of money is regulated by the value of the substance of which it is made, and is like confusing a theatre ticket with the performance. With the exception of the last, the only true interpretation of which is purely dialectical, these ideas are undoubtedly of the right complexion. It is probably true that the old "metallist" view and the theories of regulation of note issue based on it do greatly stand in the way of currency reform, whether we are thinking of economy and elasticity or of a change in the standard; and a gospel which can be made the basis of a crusade on these lines is likely to be very useful to the world, whatever its crudities or terminology.

The rest of Dr. Bendixen's book is devoted to banking topics, and chiefly to the Reichsbank. While admitting that the element of private capital in the Reichsbank has been valuable in pre-

venting the institution from being used in the interests of the most powerful party in the State, and while allowing that the Conservatives wish the State to buy out the shareholders mainly in the hope that their party may then be able to direct the bank's policy in agrarian interests, he thinks that a constitution which leads to the bank's being run to a considerable extent with a view to profit has grave disadvantages. Neither the State nor the shareholders should derive from the bank varying profits which may tempt either party to subordinate policy to gain. The wide use of a cheque and clearing-house system, to take one instance, will never be developed in Germany, according to Dr. Bendixen, so long as the Reichsbank's profits are partly dependent on a maintenance of the existing state of affairs. As a banker of Hamburg, where the cheque or "giro" system is almost as fully developed as in England, Dr. Bendixen naturally regards the rest of Germany as grossly backward and uncivilised in this respect. On numerous other points of recent banking policy in Germany Dr. Bendixen makes penetrating criticisms. Amongst these may be mentioned his exposure of the foolishness of the half-hearted attempts which have been made to discourage the investment of German capital abroad, and of the futility of the Reichsbank's attempts to ease off the pressure on its resources at quarter days by refusing to lend to the market for very short periods.

I have described Dr. von Mises' book as "enlightened." If a corresponding epithet is to be applied to Dr. von Bendixen's book, I should describe it as "emancipated"—which, within the sphere of what is liberal and intelligent, is at the opposite pole. Dr. von Bendixen is without the cultivated subtlety of Dr. von Mises, but his practical wisdom is of a high order. Hamburg's mind is not so clever as Vienna's, but more comes of it.

J. M. KEYNES

What is Money? By A. MITCHELL INNES. (New York: Banking Law Journal. 1913. Pp. 32. Price 25 cents.)

IN his theory of money the author of this pamphlet is a follower of H. D. McLeod. The fallacy—if I am right in thinking that this theory of the effect of credit is a fallacy—is a familiar one, and it will not be worth while to discuss it in this review. The distinctive value of the pamphlet arises from a different source, as indicated below, and the writer's strength is on the historical, not on the theoretical, side.

The author's contention is that, in an overwhelming majority