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Review

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## REVIEWS

*England's Financial Supremacy.* A translation of "Die englische Finanzvormacht : England's falsche Rechnung : Deutschland und die Erbschaft der City," from the *Frankfurter Zeitung*. With introduction and notes by the translators. Pp. xv + 106. (Macmillan and Co. 1917.)

THIS is an interesting volume not so much on account of the views expressed by the great Frankfort journal on England's economic position and the London money market as on account of admissions and confessions made as to the shortcomings of the Berlin market and the German monetary system. The articles were published in November, 1915, to encourage the German people, and they were therefore written in a hopeful and almost triumphant strain which could not have represented the real frame of mind of their author, who is evidently a person of ability and experience. They were, in virtue of their inclusions and omissions, more of the nature of a polemical pamphlet than a scientific analysis of the economic effects of the war on this country. The translators, whose names are not divulged, give him more than his due in saying that the writer "makes an attempt to express his facts fairly"; in reality he merely does his best to convey the impression that he is giving them fairly. His speech for his client is clever and audacious, and no doubt sounded plausible in Berlin in November, 1915; but it is the fate of polemical literature, even when good of its kind, to lose its point after a short lapse of time. There is in these pages a good deal of more or less vaguely confident prediction which the author of the articles would probably prefer not to have recalled to his attention, now that it has served its purpose. In view of what happened not long after he wrote he was unlucky in his assumption that the temporary failure of our loan negotiations in New York in the autumn of 1915 was a terrible blow for the Allies, and that it justified him in saying that "if the war does not end in a few months the most important conditions of England's supremacy will have disappeared."

One of the bugbears of the writer is the "bill on London." He harps constantly on the degradation to which German mer-

chants in South America and most other places have to submit in financing themselves by this hateful instrument; a bill drawn in marks on Berlin is what he would like to see in use for all German foreign business. He complains further that besides financing trade London "acts as agent for the satisfaction of speculative instincts," by which he means that London "puts up raw material to auction and London sells a great part of the world's finished products." And in London also is the most cosmopolitan stock market in the world. All this is true, and it may be natural that a German, being what he is, should dislike it; but what is strange is that a highly intelligent person well informed as to all the facts of the situation should have tried to make his fellow-countrymen think that the result of the war will be to enable Germany to alter the existing conditions in her favour. We do not believe that he himself really expected anything of the kind even when he wrote these articles, more than eighteen months ago, and if he expected it then we may be sure he does not now. If after the war London is unable to recover its international position entirely, it will not be Berlin but New York that will take up what we may have had to drop. No doubt it was easier in 1915 than now to take a sanguine view of German prospects, to bleat of the wonderful results produced by the Zeppelins, of "the depreciation of the pound sterling," and of British humiliation in asking for money in the United States. The writer, no doubt with his tongue in his cheek, was not above telling his more credulous readers that the "important work" of preparing Germany for peace by counteracting the "temporary further depreciation" of the mark "will, it is true, be made considerably easier through the payment of an indemnity." Even in November, 1915, this must have seemed an over-crude attempt at pulling wool over their eyes to all but the most ignorant. The "collapse of the English gold market," due to our alleged failure to maintain the free export of gold, was quite a plausible story, if nothing was said about the Bank of England's arrangements for allowing most of the gold usually sent to London to remain in its country of origin, subsequently drawing on it, and having it sent wherever it was required to meet drafts.

But the writer of the articles evidently knows his subject much better than might be supposed from a perusal of the trash he serves up in the first two-thirds of this volume. It would almost seem, to judge by the final portion of it, that having satisfied his military and political masters in Berlin by compiling pamphlets that might help the sale of the German war loans, he

was determined to relieve his mind by letting sensible people know what he thought, and doubtless still thinks, of the banking and monetary legislation under which German business men have been content to live. On this subject he is marvellously outspoken. England, we learn, is on the road to ruin, but "it is Germany alone which will be able to destroy one of the most powerful elements of British strength; that is to say, the superfluity of Germany's own errors and omissions." And then our author enters *con amore* into a description of these "errors and omissions," most of which have been long ago pointed out by economists in this and other countries, whose observations have usually been scoffed at in Germany as the result of mere envy of that paragon among nations. But there was always a minority who knew that these criticisms were true, though they dared not say so openly. They knew, in the first place, that the Berlin money market could never rival that of England until it became a free gold market, and that until that event the "Mark bill" could never oust the pound sterling, or even the franc; that until the German stock exchange regulations were modernised much German business in securities must continue to be done in London; and that unless the law forbidding time dealings in commodities was rescinded—a law enacted in the supposed interests of the Agrarians, that is, the landowners—German merchants would have to go on visiting London, Amsterdam, and other foreign markets in order to operate in cotton, copper, coffee, etc.

All these matters and several others are specified as needing attention from the German Government by the author of these articles. He envies us our credit system which gives us lower interest rates than rule in Germany; and he adds that "in this respect the far-famed German talent for organisation almost completely failed." This remark, however, coming from a man of much insight, goes far to explain why the German credit system is so unsatisfactory. The writer of these articles evidently does not realise that a credit system cannot be "organised"; it organises itself if the conditions for it exist. Such a system as ours cannot exist in a country like Germany, which is Government-ridden from top to bottom. Organisation from the top downwards can do some things well, but this is not one of them. The writer grieves over the failure of the cheque in Germany, and he thinks he knows why the cheque legislation of 1908 failed; it was, he says, because the Government imposed a cheque stamp too soon after the cheque had been legalised; this piece of "clumsy amateurish" legislation made the cheque unpopular; as if this

would have stopped the use of cheques had the conditions been favourable! The truth is that there is only a small cheque circulation in Germany because there are no deposit banks of the type which has grown up here. The experiment was never given a fair chance by the banks, many of whom complained that they were constantly being called upon to pay cheques over the counter, and that they were drawn for such small amounts as to be a nuisance. The British banks got over all that nonsense long ago, realising that the sound policy was to give every facility to the customer. But one cannot expect a German official to understand a thing like that. The only remedy suggested for the conduct of the customer was that anyone cashing a cheque should be made to pay a duty! The writer approves of this idea, which is characteristic of a country where even in peace time it is considered the function of the Government to tell the individual how to carry on his business. That the Reichsbank should have been hostile to the new form of circulation—because it would compete with its own transfer system, the *giroverkehr*—is natural; such opposition to reforms is experienced from Government departments in all countries. But the writer actually dares to make another complaint against the Reichsbank, viz., that it has been afraid to sell gold for export when the exchange required it, and would not allow other banks to export it. He says: "In the future we hope that the Reichsbank will adopt a more liberal policy, and will realise that its reserve is large enough to allow it at any time to export gold in order to meet all movements of the exchange." Poor Reichsbank! At no time even before the war could it have safely acted on the policy thus glibly suggested to it; its position after the war will be such that even the vainest or most reckless of German critics will not dare to think of such a thing; the "reputation of the mark" will have to be cared for at home as well as abroad; unless, of course, that famous indemnity is handed over by the Entente Powers to a victorious Germany. The writer has also come to the conclusion that the grandmotherly superintendence of the Berlin Börse, which Germans used to be told to admire as saving them from risky investments, has put a stop to a great deal of sound business, and even, apparently, prevented support coming to the German colonies such as came to Rhodesia through the Chartered Company. He regrets that securities which give "full play to the imagination" have been banned so ruthlessly by the paternal wisdom which resides in *die Regierung*.

WYNNARD HOOPER