Review
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Source: *The Economic Journal*, Vol. 12, No. 45 (Mar., 1902), pp. 70-72
Published by: Wiley on behalf of the Royal Economic Society
Stable URL: http://www.jstor.org/stable/2957030

petition? It is, that the rates of exchange of one article for another are determined so that the total utility is a maximum. In so far as monopoly conditions exist (and they always are liable to exist to some extent) we have not got free competition; but this is an argument against monopoly and not against free competition. The second question is more serious. The distribution of riches at present is by no means that which gives the maximum utility to the nation. It is true that on every exchange there is a gain of utility, for if not why should the exchange be made? But for an exchange there must be a gain of utility to both parties: the total gain of utility might be greater if one party lost a little and the other gained a great deal. So that under the present *régime* wealth is not distributed so as to make the total amount of utility a maximum. If, however, incomes were more equal the possibility of increasing the total utility by rearrangement of wealth (except by the method of exchanges under free competition) would be greatly diminished. Thus, a more equal distribution of wealth would make each exchange more truly tend to maximise the total utility afforded to the community by that wealth. The equal distribution of wealth would be difficult to effect in practice, owing chiefly to the infirmities of human nature; a different distribution of the results of production would in all probability cause a great diminution in the total amount of production, and hence might cause a loss of utility to the nation which adopted communistic principles.

Considered as a scientific treatise on economics, this book fails chiefly because the author does not give sufficiently rigid proofs of his propositions. He has a tiresome habit of giving arithmetical or algebraic illustrations, instead of using the calculus. On the other hand, the question of the relation of private property to social utility has not always been sufficiently considered by orthodox economists, and M. Landry's book in provoking criticism compels his readers to think. It should be mentioned that a not inconsiderable portion of the book is taken up with the exposition and criticism of the views of M. Effertz.

C. P. SANGER

Le Finanze degli Stati Composti. By FREDERICO FLORA. (Turin: Fratelli Bocca. 1900.)

PROFESSOR FLORA'S little book, which forms vol. 31 of the *Biblioteca di Scienze sociali*, deals with a subject of considerable and increasing interest. The subject of the relations between local and imperial taxation is now attracting some interest in this country, and it seems inevitable that if ever Imperial federation does become an accomplished fact, the question of the financial relations between the Imperial and Local Governments will not be very easily solved. A study of the existing financial arrangements of composite states will help us to see the results of certain methods of arrangement, and indicate which arrangements are in practice found to be inconvenient.

The financial relations between the constituent parts of a composite state are necessarily a most important part of the constitutional structure of such states. Professor Flora deals with three kinds of composite states—confederations, federal states, and crown unions (*unioni reali*). The precise theoretical distinction between these different forms of union is a subject upon which there is not complete unanimity. Broadly, following Sig. Flora, we may take it that a confederation is a permanent association of states each of which keeps its own sovereignty, while a federal state is one in which the functions of government are divided between the whole and the parts, while the whole is sovereign. A crown union is one where the nominal authority of supreme power is the same for all the states composing the union, with the result that some of the organs of government are common to the separate states.

These rather vague distinctions may be made clearer when we study the financial aspects of such unions. Professor Flora lays it down that in confederations states and not individuals are taxed. Such an arrangement obviously is one which may cause difficulties in practice; in fact, confederations do not, judging from past experience, appear to be very stable unions. One cause of this instability is no doubt due to the fact that the confederation has not its proper organs and methods of raising money.

In federal states, on the other hand, the division of functions between the central government and the particular state leads to a corresponding division between federal and state finance. Professor Flora considers what expenses should in theory fall upon the federal states, but it is clear that the proper domains of the federal government and those of the local states may be variously fixed by the constitution with certain limits. A study of federal constitutions might enable us to see what tendencies exist at the present time in the direction of extending or limiting the powers, both financial and otherwise, of the federal government; but such tendencies will be the results not merely of financial convenience but of a host of political causes. The broad line laid down by Professor Flora is that indirect taxation should be assigned to the federal government and direct taxes to the particular states. Historical and technical reasons are in favour of this broad generalisation. These principles are illustrated by a consideration of the finances of the United States of America, Switzerland, and the German Empire. The short accounts which are given of them in this book are very interesting.

Crown unions, of which the dual monarchy of Austria-Hungary is the most prominent example, have their own financial characteristics. Each state has its own finance, and, in addition, there is a common finance, but the latter is not independent of the local finances in the way in which it is in the case of federal states. The difficulties which have existed in Austria-Hungary with regard to the renewal of the *Ausgleich* have in recent years made newspaper readers conversant with the arrangement instituted in 1867. It is unsafe to draw conclusions from one instance, but it cannot be denied that the absence of a proper separate taxing power to the organs of government which are common to both nations tends to imperil the union.

The conclusion which the author draws from this study is in favour of the stability of federal states and against that of the other form of union. Such a conclusion is one which our legislators should bear in mind if ever the time arrives for federating the British Empire. C. P. SANGER

Die Geldqualität der Banknote. By ADOLF WEBER. (Leipzig.)

This is a monograph on the question how far bank notes fall under the definition of money. Most people will probably agree with John Stuart Mill, who looked upon this question as one of nomenclature, and found it difficult to understand the great interest which it sometimes excited. However, if for no other reason than that of formal agreement in scientific investigation, it is desirable that the position of the bank note in its relation to money should be more clearly defined, and Dr. Weber's treatise will assist in clearing the ground and removing numerous misconceptions. The author begins by defining money, the principal economic functions of which he considers to be a general measure of value and a general medium of exchange. He then deals with bank notes and paper money, which he says constitute "the necessary elastic belt round the firm metallic cylinder capable of extension or contraction according to requirements." Here the author relies rather too much for his proofs on German conditions only, a more frequent reference to other countries would have broadened his arguments. In the last part, Dr. Weber tackles his particular subject, the relation of the bank note to money. He gives a full account of the opinions of the leading writers, quoting the authorities who count bank notes as money and those who assert that bank notes are not money. The result seems to point to the conclusion that, whilst a majority of the economic writers denies that bank notes are money properly so called any more than cheques or bills of exchange, the legal authorities incline to the inclusion of bank notes under the definition of money. The author's own opinion agrees with the legal view. He asserts that the bank note, both in an economic and a legal sense, is a kind of paper money. It differs essentially from the cheque, which is written out for a particular purpose to settle a particular account. It circulates from hand to hand and is created for the special purpose of performing the functions of money. The treatise concludes by giving instances of the legislative acceptance of this view, but here again the author's selections are taken too exclusively from German and Prussian enactments. HERMANN SCHMIDT