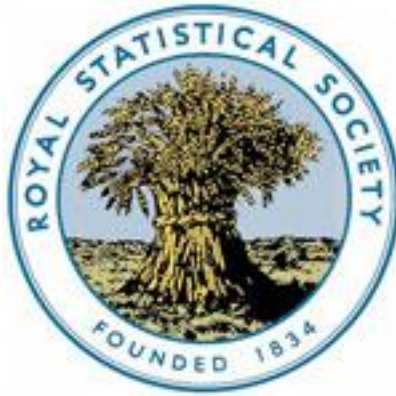


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Review

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we see the success of the Austrian planter and the development of his exports with an average product of only 4 cwts. to the acre, the failure of the Belgian with an output of 12 cwts. to the acre, and the pass to which the Kentish grower with his average of 9 or 10 cwts. has been reduced, the statistician will conclude that the House of Commons Committee has not exhausted the question, and that a yet larger investigation of the conditions, than even this now made, should be entered on and completed. P.G.C.

10.—*Report by the Committee on a National Guarantee for the War Risks of Shipping to the Lords Commissioners of H.M. Treasury*, 1908. [Cd-4161.] Price 5½d. *And Minutes of Evidence and Appendices*, 1908. [Cd-4162.] Price 2s. 11d.

Proposals have been mooted from time to time in favour of the State rather than private persons or firms engaged in ordinary business, undertaking the insurance, in some form or other, of the risks incurred by shipping during a maritime war. Various schemes of the kind were considered by the Royal Commission appointed five years ago to investigate the thorny question of what may be expected to happen in war to our supplies of food and raw material. While the Commissioners' Report was reassuring, given the maintenance of a strong navy, on the main question as to whether any serious interference with our supplies is to be expected, they regarded "with much concern the effect of war upon prices," and expressed their approval of a system of national indemnity as likely to have a steadying influence upon the cost of commodities. With a prudent modesty, however, they professed themselves hardly competent to draw out the precise terms of such a system, and recommended the appointment of a small expert Committee to investigate the subject and to frame a scheme.

The Committee, whose Report has just been issued, were the outcome of this recommendation. They were an unusually strong body, comprising, under the Chairmanship of Mr. Austen Chamberlain, Sir R. Finlay, Sir George Clarke, Sir James Mackay, Sir George Murray, Sir Hubert Llewellyn Smith, Captain Sir Charles Ottley, Mr. E. Beauchamp, M.P. (the then Chairman of Lloyds), and Mr. F. Huth Jackson; and their Report derives additional weight from its practical unanimity. Sir G. Clarke, who was unable to sign owing to his departure for Bombay, in a Memorandum on the Report as sent to him in draft, expresses some measure of dissent, and Sir C. Ottley attaches a reservation to his signature; but otherwise the members of the Committee all agreed unreservedly to its conclusions.

The questions referred to them fell under three heads:—

(1.) Whether it is desirable that the State should undertake to make good to shipowners and traders losses incurred through the capture of shipping by the enemy in time of war.

(2.) If so, whether such indemnity should be granted gratuitously, or should be coupled with the payment of premiums calculated to recoup the State—either wholly or in part—for the cost to be incurred.

(3.) What conditions should be attached to the grant of the indemnity, and what arrangements should be made for the proper working of the scheme.

The Committee began by establishing a definition of the terms used, a very necessary precaution where the same phrase may be employed to describe a guarantee in return for which the State either does or does not receive any payment from the shipowner or merchant guaranteed. Accordingly, the word "insurance" throughout the report denotes a guarantee where a premium is to be paid to the State, calculated to protect it either wholly or partially against loss; and "indemnity" is applied to schemes where no contribution is exacted from the guaranteed. Lastly, when the Committee desire to speak of both classes of schemes without distinction they include them under the common title of a National or State guarantee. The advocates of the State, rather than private enterprise, undertaking the war risks of shipping, maintain that several of the evils of war would thereby be neutralised: public confidence would be maintained; shipowners would continue to run their ships, and would not be tempted to transfer them to a neutral flag, which might mean a permanent reduction in the British mercantile marine; the amount would be eliminated by which war insurance would increase the cost of commodities; and lastly, the Admiralty would be free from the pressure of an uninstructed public opinion adversely criticising their strategic policy in the event of commercial losses. These points are carefully examined by the Committee, and it must be said that the result is, on the whole, to detract considerably from their cogency. For instance, the large profits to be made in war are likely to deter shipowners from laying up their ships for any length of time, while transfer to neutrals in war is attended with many legal difficulties, and in the uncertainty as to contraband, is not necessarily a protection to ship and cargo. The Committee also point out that the probable effect of war insurance upon prices has been generally exaggerated; indeed, it seems clear that, as Sir R. Giffen put it in his evidence, the price of commodities at a port of discharge does not depend on the original cost to the merchant or shipowner, but on whether there is a scarcity or superfluity of the article imported. From this flows the natural conclusion that it is much wiser to spend money in adequate naval protection than on palliatives of the evils which will inevitably follow if that protection proves insufficient.

While examination shows that there is less reason for adopting a State guarantee than may appear at first sight, it also indicates the extreme difficulty of devising any practicable scheme, either with or without the payment of premiums by the insured. The question of cost alone is alarmingly speculative. Thus, the Royal Commission on food supply in time of war estimate the value of British trade and shipping exposed to capture in one year at 180,000,000*l.*, while Sir R. Giffen (Appendix VII) puts it at not less than 2,000,000,000*l.* Moreover, there are practically no data for ascertaining the probable proportion of captures; and there

would be the greatest administrative difficulties in assessing the values on which compensation is to be paid, in the settlement of claims, and in adequately safeguarding the State without rendering the guarantee illusory to the shipowner and trader. Space is not available to go into the details of the schemes considered, but it is difficult not to agree with the Committee's conclusions—firstly, that none of the contributory schemes are practicable; and secondly, that the cumulative effect of the objections to a non-contributory system outweighs any possible advantages.

It should be said that Sir Charles Ottley, in a reservation to his signature, expresses the view that the inability of the Committee to recommend immediate State action should not be regarded as definitive proof of the uselessness and impracticability of a national guarantee in future; and Sir George Clarke appends a note to the effect that he considers the draft report does not do full justice to a State insurance scheme which he had laid before the Committee, or bring out all the advantages which may be claimed for indemnity purchased at rates fixed by the Government. W.H.C.

11.—*Geschichte der Handelskrisen in England*. Von Dr. Mentor Bouniatian. 312 pp., large 8vo. München, 1908: Ernst Reinhardt. Verlagsbuchhandlung. Jägerstrasse 17.

It had occurred to the writer of this work that by a careful historical investigation and exact description of the phases of past economic crises, a firm foundation might be obtained upon which to build a sound theory of the causes of these disturbances. The economic life of England offered the best field for his enterprise, since it is in this country that such crises made their earliest appearance and, in their periodical recurrence, reached their most complete development. Dr. Bouniatian has accordingly made a close study of the circumstances connected with the panics and crises which have disturbed our commercial and financial organisations since the middle of the seventeenth century, and the results of his inquiries are excellently described in this "History of English Commercial Crises," which he modestly presents as a contribution towards the solution of one of the most difficult and most important problems of political economy, viz., the causes of economic crises.

Dr. Bouniatian's history begins with the first year of the Protectorate. It was in that year, he observes, that the credit system in English commerce was first organised as a banking operation. Prior to that time the negotiation of loans had been a part of the business of the notaries; and the Mint, then situated in the Tower, was the usual depository of the funds of merchants and bullion dealers in the Metropolis. The confiscation by Charles I of these deposits, as a compulsory loan, in 1640 created a panic in the City, and notwithstanding that this matter was subsequently compromised between the Crown and the merchants, the confidence of the latter in the security of the Tower as a "safe deposit" had disappeared. This incident, and the frequency with which their cashiers decamped in the confusion caused by the Civil War, induced the merchants to deposit their funds in the hands of