Austria-Hungary, Italy, Spain, Portugal, Greece and other countries have suffered, when their balance of trade and balance of payment were unfavourable or their issues of paper money too excessive. He, further, indicates what measures ought to be taken to create a normal state of things, and how intimately the discount policy of the different issue banks is connected with the foreign exchanges.

In a word, M. Théry clearly shows how the foreign exchanges are ruled by various laws of political economy, how the questions of balances of trade, balances of payment and of the fiduciary circulation form an important element for every country, but especially for those countries which do not enjoy the blessings of a sound monetary and banking system, and which have recourse too frequently to excessive issues of paper money.

He deals further with the monetary reforms of Austria-Hungary, Russia, and of countries which base their monetary system on silver, and gives interesting particulars concerning the monetary policy of the Argentine Republic and the creation of a conversion office in that country (Caja de Conversion) and in Brazil (Caixa de Conversao) to limit the variations of their rate of exchange, by exchanging at a fixed rate their banknotes against gold and gold against banknotes.

C. ROZENRAAD

Depreciation and Wasting Assets. By P. D. LEAKE, F.C.A. (London: Henry Good and Son. 1912. Pp. xi+183. Price 10s. 6d. net.)

THE counsel of perfection in practical business affairs is too often turned to no effect either by stodgy self-complacent indifference or by the hackneyed retort of "mere theory." In this book Mr. Leake builds beyond his previous pamphlet-work on this subject, and as a pioneer whose success must necessarily be slow and uncertain, he deserves all the support and commendation we can give to his persistence and thoroughness. It is a significant fact that the particular method of dealing with the depreciation of plant which is associated with his name has been more quickly taken up and appreciated in the United States than by British manufacturers. The author's main thesis is that all the minute care in accounting for the multifarious cash and credit transactions in business which is essential to a proper computation of profit, and which now extends so widely and deeply in the industrial system, is practically set at nought, or at any rate greatly discounted in its usefulness, by carelessness and haphazard methods associated with provision, out of revenue, for the loss in value of plant and other assets which have depreciated in earning that revenue. It may be accepted without parley that all the trouble that the industrial world may, in course of time, be induced to take in this matter will be amply compensated. Mr. Leake shows the way, and is no uncertain guide. On the accountancy side, given the requisite data, his treatment is complete, and the consideration of rival methods, the "original cost basis," the "written-down value basis," and other forms, with the admirable tables given, is very thorough and leaves little to be desired or proved. But the requisite data are to-day too seldom present. Before they are available on any wide scale the services of the engineer, and a wide and patient series of records of actual facts and conditions over a good period of years, well compared and worked upon, will be necessary. In the writer's view the comparative value of the methods depends upon the conditions of the time; while the majority continue to "scrap" their books after a few years and keep no record of the continual acquisition and relinquishment of plant, the written-down method is, at any rate, safe and relatively accurate—being the *possible* method, it is the *best*. As soon as the detailed record is kept, an automatic "original cost basis" becomes possible, and when this has been kept for two decades Mr. Leake's ideal division of the total output units over the years of life becomes possible for the humblest workshop and most "practical" proprietor. The more persons that can be induced to take the long view and start this record (with its "original cost basis" of allowance in however halting and uncertain a form) the better for sane and sound industry.

The author has modified his former treatment of the subject in several smaller particulars previously criticised in this Journal.[1] The blame attaching to what he regards as an anomalous system of taxation is thrown on to the "almost universal neglect of the commercial community" rather than upon the administration—much upon the principle that the pace of a cycling club must be that of its slowest members. The definition of "inherently" wasting assets has been made precise enough to exclude leaseholds, &c., without question.

A small point for criticism arises in the treatment of goodwill. It may be, and doubtless generally is, good policy or wise investment to write off goodwill; but it is difficult to see

[1] Economic Journal, March, 1910.

that it is *obligatory* where all the conditions that have created the goodwill still exist unimpaired, and the sale of the business would yield an equivalent sum under this head. Directly contrary to the commercial tendency to regard a good balance as a favourable opportunity for reducing goodwill, in so far as recent profit is one of the elements in deciding whether the conditions remain unimpaired the obligation to write off varies inversely as that profit.

The work is, of course, not primarily an economic one, although along its whole length it adjoins the economic field. So the author is probably right in dealing only with "normal" profit in the commercial sense, and ignoring any rent-conceptions of profit. The final chapter upon the relation of taxation to the problem appears to be the least satisfactory, as the possibility of the first impact of a tax not being the same as its final incidence is nowhere mentioned or considered. Now it may be perilous to take up this aspect, but it is no less perilous to ignore it. It must be faced. In proportion as the so-called "wasting asset hardship" is a *real* one, and a definite differential burden exists on a certain class of profit, must the possibility of shifting by anticipation in purchase price be a practical consideration. The hardship cannot be real and the question of shifting "mere theory" at one and the same time. It is not clear that the classification of assets so carefully insisted upon for the purpose of this chapter into those "inherently" wasting and others wasting only as personal to the owner, really serves any useful purpose, and does not rather obscure the issue. For although the "corporeal" ground of distinction may be useful for some purposes, it is precisely the *asset in relation to the individual* that we are wholly concerned with in any tax system based on faculty. Whether my coal or my annuity or my goodwill is disappearing is one and the same question in relation to my tax-paying capacity. The vital question is, "Has the vendor of the source of profit been taxed on the profits of the sale?" (whether the source is sold outright or for a number of years). Mr. Leake himself shows that on purchased rights to future income no allowance can be made because the vendor's profits of sale are not taxed. Two persons with similar sources could sell to each other and neither would pay on the sale price, and, if both had an allowance for "wasting," the Revenue would lose tax on these sources altogether. Wherever a source of future profit is sold, if there is a differential tax on that profit (such as this wasting asset disability) it will be in theory thrown back into the purchase price, and the *vendor* pays. Reasons for supposing that economic friction operates to prevent complete shifting back in some cases (*e.g.*, leaseholds compared with mines or copyrights) have been given elsewhere,[1] and the point is that where there is any reason to believe that friction leads to hardship it would be better to charge the vendor direct and give the purchaser a wasting asset allowance. As soon as you make a direct charge in any of these cases you are in a position to give the allowance from annual profits, but not before. The profit on the sale of a machine (even though a firm makes but one a year) is taxed—then the depreciation can be allowed in theory, as it is in practice. If no depreciation were allowed there would be, in theory, a tendency to depress the price of machinery, though possibly the general necessity for machinery in industry and other economic conditions would operate to modify this result. Although space fails for the successive steps to be shown, the classification leads logically and inevitably to exemption from taxation (*local* and imperial) of all natural mineral products (coal, &c.) on so much of the value on realisation as represents pure economic rent, *i.e.*, just that "unearned" portion of the proceeds of which the tax-faculty is usually marked as the highest. Now if this is really meant, it should not be left in implication, for analysis to reveal, but should be made explicit, brought to the forefront, and argued out upon first principles; any classification should then proceed *from* the result. If that result be a decision that such corpus-value is not a fit subject for taxation, and the wasting asset allowance be given to the purchaser of a mine, he would then have no special burden and would not depress the purchase price, while the vendor (as the original owner) would not be taxed directly on the transaction, so that Mr. Leake's present proposal would carry out the decision admirably. But such an important question must not be begged under the title of this work. The closing word must be one of unqualified praise for the main purpose and achievement of the book.

J. C. STAMP

Zarabotnaya Plata kak problema raspredelenia (Wages as a Problem of Distribution). By S. I. SOLNTSEV. (St. Petersburg. 1911. Pp. 559.)

MR. SOLNTSEV, who is a lecturer on economics at the St. Petersburg University, has undertaken a very difficult task—

[1] ECONOMIC REVIEW, July, 1911.