and under-sell each other . . . stultify each other's efforts and reduce each other to wretchedness." We are not prepared to affirm with our author that "there never can be any progress in rural districts or any real prosperity without such farmers' organisations or guilds." Similar sweeping predictions have been made by high authorities as to co-operative industry. But these prophecies have failed, largely because they could be fulfilled in the spirit without being fulfilled in the letter. As Mr. L. L. Price has pointed out in his writings about Co-operation, its best parts can be grafted on to the wage system without tearing up that system by the roots. The spirit and essence of the co-operative ideals so beautifully imaged by the poet-economist will in the coming civilisation, we trust, be realised. But as to the form of the future economy, the words of another poet, reflecting on his own youthful prophecies, seem appropriate: the earth will be

"Something other than the wildest modern guess of you and me."

Money, Its Connexion with Rising and Falling Prices. By EDWIN CANNAN, M.A., LL.D., Professor of Political Economy in the University of London. (London: P. S. King. 1918. Pp. 66. 2*s.* 6*d.* net.)

ORIGINALLY intended as a supplementary chapter of the author's *Wealth*, this little work grew under his hands, and became suitable for separate publication "with a title likely to make plain the application of its argument to present conditions." The writer aims at assisting the reader "to acquire some clear notion of what makes the value of money change." Professor Cannan has succeeded perfectly in this endeavour. The little book is a model of lucid exposition. In verification of this judgment we may refer to the felicitous illustration of index-numbers as used to measure variations in the level of general prices (p. 5). The parable is too long for insertion here, and its anecdotal charm would suffer by compression. Among the "clear notions" which are impressed with new force is the doctrine that, in J. S. Mill's words, "money is a commodity, and its value determined like that of other commodities." Professor Cannan makes some advance on the classical theory when he argues that the law restricting the use of silver as legal tender beyond £2 and that of bronze beyond 1*s.* "has nothing to do with the value of the silver and bronze coins" (p. 32). A notable contribution to monetary theory is the proposition that when the coin is not convertible into free bullion, convertible notes may be issued in quantities as great as inconvertible notes, and with the same result.

"Convertibility of the note into coin is deprived of all its virtue where laws against melting and exportation of the coin are present and effective. Convertible notes can then be issued without check, just like inconvertible notes, and consequently can drag down the value of money below that of the bullion contents of the coin, and give rise to the same phenomenon—a rise of general prices, including the price of bullion" (p. 54).

Professor Cannan's modesty finds traces of this theorem in Ricardo, but we think that it is largely due to his own originality.

Considered as a clear restatement of first principles, with some novel deductions, the work leaves no room for improvement or criticism. But with reference to the avowed purpose of application to present conditions it might be well to advert to the wide distance which in political economy separates principle from practice. The application which the general reader will probably make is to the question whether "inflation" can be affirmed of present monetary conditions. He will understand the term in some such sense as Professor Pigou (ECONOMIC JOURNAL, 1917) has assisted us to define: say a rise of general prices due to inexpedient and culpable action on the part of Government with respect to the monetary and banking system. Now the culpability may be reduced by a circumstance which Professor Cannan has well described, namely, the depreciation of gold in consequence of its extrusion from monetary use in belligerent countries (p. 24). In view of this circumstance it seems probable that only a fraction of the rise in prices in any particular country, say our own, is due to the action of its Government. All the blame which may be deserved by Governments collectively must not be fastened on any particular Government. In matters of international rivalry, what is true in *composition*, as the logicians say, is not equally true in *division*. In further excuse for the Government's action may be noticed a point of theory which Professor Cannan, properly intent on the larger generalisations, has not emphasised. He well says:

"The value of a precious metal is dependent on just the same things as the value of any other metal" (p. 10); "the value of the metal is determined in the same way as that of other commodities by the same kinds of influences acting on demand and supply" (p. 25); "the value of money is not an anomalous or even very peculiar thing but depends in the same way as the value of other commodities upon the various influences which affect demand and supply " (p. 63).

It might have been well to add that, besides the generic resemblance between the value of metallic money and other commodities, there is also a specific difference. There is the tendency of value to be inversely proportional to quantity; a tendency modified by changes in the " rapidity " with which money circulates, or goods change hands. Now a modification of this kind may be relevant to the present inquiry; if, for instance, we surmise with Professor Lehfeldt (ECONOMIC JOURNAL, 1918, p. 111) that the present rise of prices is partly due to a diminution in the frequency with which each piece of goods (including services) on an average changes hands. An estimate of the amount of currency which might be required to keep prices stable (regard being had to the increased activity of industry and the monetary requirements of the Army) would be baffled by the change in rapidity. Yet another point of theory deserves notice in this connection. It is true enough for the purpose of an outline to affirm, with Professor Cannan, " we do not measure, and we do not want to measure, value in labour cost of production "; to deny that " value can and must properly be measured in labour cost of production instead of in commodities and services " (p. 57). But for some purposes, we submit, it is proper to define the change in the value of money by relation to difficulty of procuring it, rather than the amount of commodities and services which it will procure. We hold with Professor Marshall that there is a " *real* " value of gold measured by its power of purchasing, not commodities, but labour (Precious Metals Commission, 1887, Q. 9625). " A person who borrows a peck of green peas in April and returns two pecks in June . . . has not even returned the corpus of the loan " (Indian Currency Committee, 1899, Q. 11,765). A currency allowed to increase on the ground that labour was less productive—things more difficult of attainment in consequence of impediments to transport, dislocation of industry, and other incidents of war—might perhaps be described in a phrase stigmatised by Professor Cannan as " issued in response to a general demand." As observed by Mr. William Shaw (*Quarterly Review*, January 1919), " if prices rise and the volume of the currency media remain stationary, there will be a currency pinch or hunger." May we add with Mr. Shaw, " with a restricted currency the immense credit operations of the present war could not have been safely carried through "? If some rise of prices in sympathy with the dearth incident to war is proper, if the right mean is difficult even to define and still harder to realise, there is some defence for inclining towards that extreme which at least offers the advantage of obtaining necessary resources without delay or hitch. The economist in his study quite properly elaborates counsels of perfection; as Ricardo argued against the practice of borrowing to meet the expenses of war. But some allowance may be made for the statesman who, intent upon obtaining resources necessary for the preservation of his country, is tempted to act upon the maxim, "rem, si possis recte, si non quocunque modo rem." Professor Cannan's work is a valuable aid to the fulfilment of the *first* precept.

ΣΥΣΤΗΜΑ ΔΗΜΟΣΙΑΣ ΟΙΚΟΝΟΜΙΚΗΣ ΤΟΜΟΣ Α', ΜΕΡΟΣ Β'. ΙΣΤΟΡΙΑ ΤΗΣ ΕΛΛΗΝΙΚΗΣ ΔΗΜΟΣΙΑΣ ΟΙΚΟΝΟΜΙΑΣ ΑΠΟ ΤΩΝ ΗΡΩΙΚΩΝ ΧΡΟΝΩΝ ΜΕΧΡΙ ΤΗΣ ΣΥΣΤΑΣΕΩΣ ΤΟΥ ΕΛΛΗΝΙΚΟΥ ΒΑΣΙΛΕΙΟΥ. ΥΠΟ ΑΝΔΡΕΟΥ ΜΙΧ. ΑΝΔΡΕΑΔΟΥ. (Athens: 1918.)

THE study of economic history has been aptly compared to the investigation of geologic fossils. The scrutiny of primitive forms throws light on recent developments, alike in biology and political economy. Indeed, the economic fossils are the more interesting, in so far as similar types are apt to recur. Of evolution in economic doctrine it is particularly true that

> "The course of time will swerve,
> Crook and turn upon itself in many a backward winding curve."

The pterodactyl and the ichthyosaurus will not again appear on earth; but the prejudice against interest, the postulate that prices should be "just," and other ancient or mediæval dogmas seem continually to revive. Many are the parallels which Professor Andréadès has drawn between the economic institutions of ancient Greece and those of modern Europe. Even in heroic times the duties of the people to their chief have some analogy with the burdens of the modern taxpayer. The obligation of military service sometimes took the form adopted in Belgium (before the war), according to which one member of a family was selected by lot to serve as a soldier. Exemption from what we should now call Conscription could sometimes then, as till recently in some countries, be obtained by purchase. The wealthy Echepolus, who procured abstention from the Trojan