

AMERICAN INSTITUTE for ECONOMIC RESEARCH

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BOOK REVIEW
SUPPLEMENT

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"Financial Questions in United States Foreign Policy,"
by James W. Gantenbein. Columbia University
Press, New York. (\$3.25)

The appearance of this book is particularly appropriate at a time when the Administration apparently hopes to divert to the United States the trade between South and Central American republics and the present belligerents in Europe.

In general, the treatment of financial questions involved in the United States foreign policy is practical and is well integrated. Leading financial factors affecting foreign trade are discussed. There are chapters on foreign-exchange instability, exchange control, the inter-governmental debts, foreign dollar bonds in default, international double taxation, and governmental financing of foreign trade.

The final chapter, especially the discussion of the Government's Export-Import Bank, is especially important. It is a question whether or not the operations of the Export-Import Bank should be expanded as broadly as transactions during recent months indicate. Private banking facilities are adequate for short-term financing of good risks. Losses to the tax-payers are virtually assured when Government agencies extend credit in the speculative zones which private bank managers avoid. The British Government has for many years pursued a policy of extending loans which at best are highly speculative risks in order to obtain international political alliances. The United States, without dominions and with a favored geographical position, can wisely avoid such ventures in international finance.

"Statistical Testing of Business Cycle Theories," by J. Tinbergen. League of Nations. Columbia University Press. (Ninety cents)

This is the first of a series of studies, sponsored by the League of Nations, which it is hoped will throw light on the various aspects of business cycle theory. In general, the tests have been so arranged as to take advantage of the excellent theoretical analyses made by Dr. Haberler. Subscribers may recall that we had occasion to recommend his book "Prosperity and Depression" several months ago.

Illuminating results have been obtained by Professor Tinbergen. Although much of the discussion is necessarily technical in nature, the conclusions have been summarized in language which the layman will understand, and much of the work has been presented in the form of graphs which will well repay the moderate effort required to grasp their significance.

Incidentally, this analysis should be brought to the attention of the Administration's economic advisers. It seems obvious that a much wiser course would have been

followed during the past few years if theoretical analyses of the business cycle such as Dr. Haberler's and statistical studies such as Professor Tinbergen's had been given more weight.

"Casebook in American Business History," by N. S. B. Gras and H. M. Larson. F. S. Crofts & Company, New York. (\$5.00)

Although this book was prepared primarily as a students' text, it will also be both interesting and instructive for the business executive, because it shows how businesses have been built up in the past. Most of the 765 double-column pages present instructive material, and many of them make unusually interesting reading as well. The whole offers a survey of general American business development since 1815.

The larger portion of the book deals with the histories of some thirty individual business men or firms. These "cases" describe the administration of business enterprise; what policies the individuals or firms followed; how they operated; how they adjusted themselves to changing conditions; and with what results. Among those considered are John Hancock, John Jacob Astor, Jay Cooke & Company, The Chicago, Milwaukee, St. Paul & Pacific Railway, the First National Bank of Boston, the First National Bank of New York, J. Pierpont Morgan, the Mutual Life Insurance Company of New York, and Albert H. Gary and the United States Steel Corporation.

As the foregoing examples indicate, the case studies cover many fields of business. The dominating figures in early American business were the merchants engaged principally in foreign trade. They were followed by the industrial specialists. One of the earliest fields of specialization was insurance; the studies of Thomas Willing & Company, Marine Underwriters in the eighteenth century, and the Philadelphia Contributionship for the Insurance of Houses Lost by Fire for the long period from 1752 to 1938 are examples of early specialization in insurance. In the nineteenth century, specialization became the rule, but the weaknesses of the industrial specialists brought, toward the end of the century, a strong combination movement. The business men who led in this development were the great investment bankers. Their reign apparently ended with the stock-market crash in 1929. The last case in the book deals with new social forces arising as an outcome of the New Era debacle.

"Henry George," by Albert Jay Nock. William Morrow & Company. (\$2.50)

Although Mr. Nock has chosen to call his work an essay, it is a book-length analysis of the peculiar circum-

stances of Henry George's life which account for his relegation to the ranks of panacea-peddlers by that large group, the half-informed. Of course, George occupies no such obscure position in the minds of men whose judgment of such matters, it is generally conceded, is worthy of respect. From Tolstoy to John Dewey, a distinguished line of philosophers and others of recognized intellectual attainments have conceded to Henry George a leading position among the great thinkers of all time.

Mr. Nock argues that, by active leadership in reform movements of his day, Henry George drew the spotlight of opposition and of public attention in general to that phase of his life, and that the time and effort devoted to such movements interfered with his further development as a social philosopher. It seems probable that there is much truth in this contention, although it may well be that many men who have benefited by George's contributions to economic and social problems would not have found his work, or would have waited longer before finding it, had it not been for the widespread distribution of his books as the result of attention drawn to them by his reform activities.

"Farm Mortgage Loans of Life Insurance Companies," by Archibald M. Woodruff, Jr. Published for Williams College by Yale University Press, New Haven. (\$2.50)

This study was the seventh David A. Wells prize essay of Williams College. The award was made in 1934, but apparently the essay was later extended to include changes in the farm-mortgage situation through 1935.

The book contains much interesting material to explain why trouble was experienced with farm-mortgage loans. Most of these loans were made indirectly through loan correspondents whose income came from commissions on new loans. This situation tended to encourage quantity rather than quality of loans. The bulk of the business, approximately 80 per cent, was in the North Central States.

The study of farm-mortgage loans in this book is well prepared and presents an excellent picture of one of the more serious depression problems of the life insurance companies. The arrangement of the book for study and reference is good. The material is summarized in a short final chapter, and appendixes include a short study of the legal aspects of a mortgage and a summary of the moratorium legislation in the thirty states in which life insurance companies were active. There is an extensive bibliography which includes articles and court decisions.

"How to Make Money in Government Bonds," by F. Porter. Harper & Brothers. (\$3.00)

Mr. Porter offers surprising but seemingly conclusive evidence that the Nation's greatest speculative market is no longer the New York Stock Exchange but the market for U. S. Government Bonds. His description of the handsome profits which the Treasury has made available to speculators there should be an eye-opener to citizens who have been wondering where all the money comes from. This book is almost required reading for bankers, insurance company executives, and others who may be interested in the government bond market. We do not share Mr. Porter's apparent belief that speculation in government bonds still offers a short cut to the end of the rainbow. However, his overenthusiasm in this respect (if we are correct in so designating it) has

been at least partly counterbalanced by thoroughness and clarity of explanation.

"The Rhyme of Reason," by Roger W. Holmes. D. Appleton-Century Company. (\$3.75)

Most readers, especially those who are trying to read with understanding, frequently find themselves baffled by material which purports to be logical reasoning but which evidently is not, at least in the light of their long experience and acquired common sense. The conclusions drawn do not seem to square with the realities of life. Under such circumstances it is frequently an advantage to be able to detect the fallacy, if there is one. To sharpen your wits for that purpose, we can recommend Dr. Holmes' book. Unlike many treatises on logic, the material is presented in a manner which makes much of it entertaining as well as instructive.

"The Invisible Tariff," by Percy W. Bidwell. Council on Foreign Relations, New York. (\$2.50)

This is an able work by a man well qualified in the field. (Professor Bidwell is a specialist in tariff problems and was for eight years an economist with the United States Tariff Commission.) The material is conveniently presented; the book being divided into three sections dealing with different aspects of trade restrictions.

The first section is entitled "Introduction and Summary" and deals with the origins of the "invisible tariff"; showing the political aspects of non-tariff restrictions. For example, Professor Bidwell shows how the application of sanitary restrictions may be broadened to provide economic protection to pressure groups. The chapter is essentially a protest against the abuse of these restrictions.

The second section of the book embodies an able discussion of protectionist theory and of the practical application of this theory.

The third section of the book presents a careful and exhaustive summary of plant and animal quarantine and other controls over foreign trade and includes a description of the manner in which these controls have been applied.

"Comparative Economic Systems," by William N. Loucks and J. Weldon Hoot. Harper and Brothers. (\$3.50)

This book is intended as a text for college students, and it should also prove helpful to many readers who would like to clarify their own vague notions regarding the various economic isms. The treatment of a competitive enterprise society is unfortunately not adequate, but the discussions of Socialism, Communism, and Fascism give a satisfactory picture of those social systems. Few analyses of this character are available to the general reader, and this is one of the best that has come to our attention.

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