under the Mahdi must have been one of the wealthiest nations ever known: the highest wealth would be attained by the world when every man in each nation was readiest to fight and every woman readiest to make munitions—and possibly every baby readiest not to cry if it failed to get its mother's or other milk. This may be morals of a sort: it is certainly not economics. But Mr. Withers allows his morality to colour his economics when he expects the "regeneration" effected by the war to start this country—and presumably the other allied and enemy countries, which are generally understood to be undergoing even greater "regeneration" than ourselves—on an accelerated career of prosperity. The actual destruction of capital he regards as trifling: the cessation of the creation of capital leaves the world no poorer than before (no account being taken of increase of population, which requires something like one per cent. per annum increase of capital to keep things level): munition factories and the skill and habits of industry learnt in them will be utilized: national debt contracted within a country makes a nation no poorer, so that (this is not said explicitly) the United Kingdom and Germany will not be much affected by their debts, but our Allies who have borrowed from us (though their borrowing was as justifiable as that of a man borrowing to pay for an operation to save his life, p. 174) will be "inevitably in the same position as a "spendthrift individual who has pledged his income for an advance "and spent it on riotous living." Experience is not appealed to, though Cobbett's *Rural Rides* might have suggested some apposite reflexions, especially on the social effects of the creation of an enormous fictitious property in war-loans, mortgaged on the taxation of a country, after the period of inflation in which they were contracted has passed away. We are "to show that we can still make and save "capital faster than ever," although "it seems to be probable" that the war will end in a way which will make "other such wars quite "possible when we have all recovered from the exhaustion and disgust "produced by the present one," so that we shall all have to begin paying for the preparations necessary, on the scale suggested by the present war, for the new "regeneration" to be given us by the next.

E.C.

7.—*Le Budget et le Déficit.* By Pierre Baudin, Senateur. 2e édit. vi + 248 pp., 8vo. Paris: Librairie Félix Alcan, 1916. Price 3 fr. 50 c.

This work was first published in 1910 at the time when French budgetary finance was becoming obviously embarrassed. A second edition now appears, to which the versatile author contributes a new preface—a foreword in the mood of a prophet who has seen his fears realized, and wishes to bring home to his nation her shortcomings—an eloquent summary of the characteristics of the German spirit imbued with the idea of imposing itself and its methods upon the entire world: "elle s'insinue dans l'intimité des nations, "elle a une faculté d'empoisonnement et de verminosité dont on ne "peut apercevoir encore l'épuisement." He appeals from the German faculty for organization, and the singularly methodical discipline of their industrial methods, to his own nation that France may apply herself to settled programmes and progressive ideas, and free herself from obsolete official forms and the "ruinous dogmas" that dominate her financial methods.

Although the book is in some senses a political polemic, it has permanent value to the student of national finance. It may appear fruitless to discuss in detail the course of a stream which once ran in a valley now flooded into a great sea, and the relatively small considerations that seemed important before the present overwhelming financial upheaval may be beyond our immediate attention. But as an essential preliminary to the war finance, and as a striking illustration of certain features of financial principles which have been adopted by a great nation, the detail of French budgets prior to the war will remain of standing interest. There are features in it that should serve the student of financial statesmanship as examples of particular practices, long after they have ceased to be of real importance in France itself. This work is a simple and clear account of many such object lessons.

The author speaks first of the embarrassment that in 1910 was actual and by no means temporary, leading rapidly to a crisis in which, before new sources of taxation were tapped, the need for overhauling financial methods was most obvious. The French budget statements and finance accounts seem to give a maximum of detail and a minimum of real information—no one can ascertain the value of capital stocks, the extent of interest obligations, the provision for sinking funds, or compare receipts with expenditure in any particular branch or undertaking, or in any sense find if the nation is getting value for money. The first essential he regards as the "consolidation" of the deficit, and he shows that from 1872 to 1908 military and education charges suffice almost alone to account for the increase in the budgets, while the increase in the yield from taxation in forty years is due rather to the development of wealth and resources than to increases in the taxes themselves, and those resources properly utilized would be adequate for the growing needs of the state. The most difficult part of the book is the description of the operations of the Treasury, and the floating debt in relation to it—a subject which for many is "wrapt in mystery," owing to the complication and obscurity of the official accounts—and M. Baudin's description is worth close study. The increase in the deficiencies which have served to swell the floating debt arises from the fact that any budget surpluses have generally gone to pay for special charges outside the scope of the budget rather than to serve as compensation for deficits. From 1886 to 1898, 11 years of deficits aggregated to 613 million francs, but 12 years of surplus totalled 816 millions, so that a real surplus could have been utilized for other expenses or for debt redemption. As a matter of fact, only 175 million francs of surplus were really applied to meet deficits.

Even so, the budget has been far from inclusive of all the expenses that ought to be debited, and the *real* deficit is far larger than the apparent and acknowledged one. This arises from the fact that many urgently required renewals and replacements are subjected to ruinous postponement, leading often to a loss of realized or half-completed capital values. The moral and national obligations undischarged, if valued, would, he alleges, greatly swell the deficit. One of his examples is specially interesting: the "camp "d'instruction" is, by general consent, the only efficient school of military education, and there are ten of them counting smaller ones unsuitable for manœuvres—it is ridiculous, and worse, that not one of them should be provided with "installations d'abri, de tir, de terre "battue," with which the German camps are provided. This he follows with complaint about the provision for air service and dirigibles: "Or, on a exposé au Parlement et au pays l'extraordi-"naire organisation de l'Allemagne"—not the only warning as to German preparedness which this voice from 1910 has uttered. There was not only a failure to contribute to new expenditure, but also wasteful cost of upkeep of obsolete forms that ought to have been abandoned. He concludes that the 1910 budget is short by at least 100 million francs for specific expenditure, with much larger additions for other obligations. The general lesson is that French financial policy has been dominated by two worn-out dogmas which are the cause of all the disorder and obscurity of the budget: the principles of "unity" and, for want of a better equivalent, "annuality." These principles have been very useful in their way, but are now a tyranny. Budget unity is the rule which requires that the budget shall contain all the receipts and expenses of the State, authorized for the year, in such a manner that a simple subtraction of one total from the other reveals surplus or deficit, while "annuality" is the rule by which all expenses appearing must be those authorized to be incurred in and for the particular year. These appear to us salutary enough, but when there are large national industries, and long-period programmes, the author makes their limitations in practice very clear. It is essential that the receipts and charges for a business undertaking (including capital commitments) shall be set against one another in order that the real commercial result may be clear, and also in order that the actual general service costs and taxation receipts may be uncomplicated by them. Many examples are given to show how impossible it is to exercise a real control over such industrial ventures, to prevent abuses, to correct and obviate unprofitable extensions and management, and generally to obtain a proper commercial oversight upon a business basis, of concerns that should strengthen and not weaken the national finance, and that should be autonomous financially. Then as regards capital expenditure requiring foresight, he urges that programmes are voted and undertaken, but not carried through, because they are subjected to the annual whims and exigencies of the parliamentary situation, and therein is the profound cause of the muddle of the system of interior navigation, of ports, and of the marine. Again and again, the German comparison is invoked, and many examples are given of good resolutions broken. So the essential reforms are to be autonomous budgets for industrial services, and the suppression of annual votes for compartments of the budget which relate to the carrying out of "programme laws," with a consequential simplicity in the rest of the budget. When every allowance has been made for any exaggeration by a party writer, it would be a bold thing to say that M. Baudin has not fully made out his case. J.C.S.

8.—*Foreign Exchange and Foreign Bills, in Theory and in Practice.* By Wm. F. Spalding. xii + 215 pp., 8vo. London: Sir Isaac Pitman and Sons, 1915. Price 5*s*. net.

Concerning Foreign Exchange and Foreign Bills in Practice Mr. W. F. Spalding is well qualified to write since he has actual practical experience of the working of the business. Students and economists who are sufficiently interested, and well versed, in the subject to grope their way through his rather confused arrangement and to understand the many obscurities involved by his treatment of his problem will be well rewarded by the light that he throws on technical details such as letters of credit and the various wheels in the machinery of exchange. But it is not a book for a beginner, for Mr. Spalding, knowing all about his subject from daily familiarity with its actual working, suffers from ignorance of the difficulties of it as they present themselves to the outside inquirer. He has not yet acquired the art of making the obscurities of exchange clear to the ignorant, because his own knowledge blinds him to these obscurities.

When he deals with wider questions of theory and of the causes that lie behind fluctuations in exchange, his explanations lack something in clearness and fulness. For instance, in dealing on page 95 with the effect on the foreign exchanges of the approach of war, he tells us that:—

"The foreign exchanges all along had indicated the drain of "funds and the real gravity of affairs on the Continent was shown "by the rates current on July 28 (1914). Paris cheque, for instance, "was quoted 25 f. 11 c.–12 c.; Brussels, 25 f. 28 c.–30 c.; Berlin "sight 20 m. 53–55 pf.; Vienna sight, 24 kr. 30–40 h.; Amsterdam, "12 fl. 14½–15½ c.; while New York wired 'Cable transfers, "'$4.90–4.93.'"

What is meant by the foreign exchanges "indicating the drain of "funds"? To a beginner the phrase would be confusing and to an expert it might well present difficulties. Most people would be inclined to guess that, as the book is written from an English point of view, exchanges were adverse and threatening a drain of gold from London; and it is true that a drain of gold from London was taking place. But, as a matter of fact, the rates of exchange quoted in Mr. Spalding's passage were, with the exception of the Paris rate, in London's favour, and if gold was going to any of these centres except Paris, it was going in spite of the exchanges, which might have been bringing it into London if considerations of exchange had been allowed to have free play. But as is well known, even in