REVIEWS.

Der Getreideterminhandel. Von DAVID KOHN. Leipzig, Duncker und Humblot, 1891. — 189 pp.

A large part of this work is devoted to a discussion of the general principles of dealings in futures. The practical applications are made more especially to the transactions on the produce exchanges, since it is the writer's intention to deal with stock speculation in another volume.

The first essential feature of a trade in futures, according to the author, is that no particular goods, but a particular grade of goods shall be transferred. The aim is to avoid so far as possible all consideration of concrete objects, and to deal directly with an abstraction called price. The bourse becomes in reality a price market. But abstract price, apart from varying physical qualities, is only conceivable in the case of commodities which are (1) homogeneous, completely capable of substitution or replaceable without loss; (2) divisible into certain units of invariable size or quantity; and (3) regularly produced and consumed in definite periods of time, so ensuring a fairly constant equilibration of demand and supply. The general rules of the exchanges provide for a maximum variation from the standards of quality or quantity which will be allowed without vitiating the contract, and the various terms of contracts are strictly defined. Every variable feature of the transaction is thus eliminated except the price, and this becomes the real object of transfer. As the banker buys and sells an abstraction, called credit, so does the speculator deal in price; the one transaction is as legitimate as the other.

The author affirms that several varieties of contracts for future delivery are not in reality true futures. The so-called "*ventes maritimes*," where actual delivery is promised on condition of the safe arrival of a cargo, is not a future; for this contract requires an actual delivery of the commodities or a settlement by differences, with recourse to forced sale or purchase in case of non-fulfillment. The future is also distinct from the dealings in warrants. In the latter the trading may be for a future time, but a particular portion of goods is reserved for the ultimate transfer. The warrant system therefore offers no opportunity for speculation for a fall, as sales in blank are not possible when the total quantity of goods at the traders' disposal is fixed by the visible supply. The true future must allow for speculation for a fall as well as for a rise, and this is its characteristic feature. The operator forecasts and discounts the future; but a prevision of lower prices can only be discounted by the sale of goods which are not in the actual possession of the seller. The only safeguard against a foreseen time of plenty, when prices must be lower, is to anticipate it by a sale in blank, or by the much abused "short sale," of goods which are to be acquired by the seller at a later time. If the goods were actually on hand, as it is believed by the seller they will be, the price would fall of its own accord.

The author presents very fully the advantages of such operations to society. He regards the future as the highest point reached in the evolution of trade through the successive phases of barter, money and credit exchange. Credit stands necessarily in close relations to the future proper, but the latter approaches most nearly to the purest abstraction of trade. And it is this abstract character that renders it so difficult to understand. The influence of such dealings in preventing the enormous fluctuations in price which formerly were common, appears in the fact that it has reduced the average range of grain prices on the Berlin bourse during this century by more than sixty per cent. It insures a continuous open market to all. It equalizes prices throughout the world's market by means of arbitrage houses. It brings the consumer nearer the producer. It keeps general business informed of the probabilities for the future. It brings the market price nearer the true normal price, whereby goods gravitate naturally where they are most needed. Even the much condemned system of "ringing," or settlement by differential payments, is of great value, since it gives to the man without capital who can render most service to the community by reason of his skill and sagacity, the opportunity to apply these qualities to the determination of price. If all transactions had to be concluded by actual delivery, but a few wealthy operators could deal in grain, and chances for cornering the market would be vastly increased. Most important of all, perhaps, the author thinks, is the fact that the whole tendency of true future trading is to abolish its own abuses. It has been clearly proved that progress is making toward more accurate prevision of the future. Professor Gustav Cohn, in his studies of the Berlin bourse, has shown that the average error in forecasting future prices on this exchange from 1850 to 1858 was 14.35 per cent; from 1858 to 1867 it was 10.65 per cent; from 1867 to 1871, 6.38 per cent; from 1871 to 1876, 4.20 per cent. This reveals an ever closer approximation to the real condition of affairs. The inference from this is that the profits or losses derived from mere betting are becoming greatly lessened, and that the so-called "iniquitous spoliation" by differential payments is diminishing in amount as the number of men and interests involved increases.

To the objection that such speculation raises or depresses prices unduly, the best answer is to be found in the mutual contradictions of the objectors. In producing, exporting countries, the complaint is ever that prices are depressed; while in European consuming countries the objection is always that prices are unduly raised. Both views cannot be true, and the one complaint neutralizes the other. The current objection in this country, however, is perhaps more directly met by Professor Cohn's statistics, which show that in twenty periods on the Berlin bourse, out of fifty-two covered, predicted prices were higher than the actual quotations proved to be, and moreover that the average positive error on the total transactions exceeded the minus one.

The author devotes an interesting chapter to the history of the legal status of future contracts. In France the law of 1724 refused to uphold contracts without actual definition and stipulation of the goods. This was revived from time to time till the early part of this century. After 1832 the courts generally refused to recognize future contracts, if the plea of wager or fictitious sale was entered, but in 1847 the same courts began to distinguish between wagers and true futures. The development since then has been to make the intention of delivery, without the actual deposit of the goods, sufficient to secure the validity of the contract. The law of 1885 has finally legalized transactions which do not exclude actual delivery. In Italy, courts will recognize contracts in futures, even for settlement by differential payments, if all customary forms are followed. In England, the laws of 1845 and 1860 refused right of action at law, if the seller was not in possession of the goods when the contract was made. In Holland, the greatest latitude is allowed, and no contract is presumed to be a wager, and therefore invalid, except such as expressly exclude actual delivery of goods. This is the most advanced legal view yet taken, but some of our courts have assented to it. (*Cf.* the case cited in the POLITICAL SCIENCE QUARTERLY, vol. vii, p. 422.)

Having treated of the nature and the legal status of the future, the author discusses its social significance. He conceives that the tendency of modern life is in favor of the aggregate, as against the individual. If, then, the individual is not to be annihilated, a just balance must be sought by assisting him in the unequal struggle. Either education must fit him to cope more efficiently with the circumstances of his environment, or these circumstances must in some way be rendered less oppressive. Legitimate speculation renders the latter process more easy; for it tends to make the future more clear, and so lessens the probability of deception and spoliation of the less favored individual by the few who possess superior advantages, either of education or of wealth.

An objection to this theory, however, appears in the fact that, as the author half admits, the large producers and consumers are especially benefited by the nature of the exchanges, where such transactions take place. For instance, the unit employed upon the New York exchange is 16,000 bushels of wheat, which obviously excludes the small producer from direct participation in dealings there, and consequently from the coincident advantages. How far such considerations as this would vitiate the above theory is matter for discussion. The movement in favor of great enterprises, it may be said, however, is no more marked here than in the other phases of our modern economic life.

On the whole Mr. Kohn's work appears to be sound and logical, although it might be wished that a few more practical examples had been adduced to illustrate the theories. There is also a tendency toward an over-elaboration of some of these principles. For instance, in searching for a distinction between the market and the exchange, it is affirmed that in the former the merchant meets the consumer directly, while in the latter the trader deals entirely with middlemen. Here the writer appears to be inconsistent. By his own proposition that the actual trade of the bourse is not in grain or cotton, but in value or price, is not the speculator as truly the consumer of price as the retail merchant or the artisan's family is the consumer of grain? If the bourse be but a price market, is it not an over-refinement to attempt a further distinction between the two? Again, there seems to be an hiatus in the reasoning which ascribes to the modern increase in the amount of future dealings, the coincident decrease in the range of speculative prices. It is conceivable that other factors, such as speedier and more certain means of communication between different markets, may have been at work here.

These, however, are but minor objections. The book is a valuable contribution to a little-understood branch of economics and is worthy of careful study.

WILLIAM Z. RIPLEY.

The Industrial and Commercial History of England. Lectures delivered to the University of Oxford by the late JAMES E. THOROLD ROGERS. Edited by his son, ARTHUR G. L. ROGERS. New York, G. P. Putnam's Sons, 1892.—473 pp.

This book fails to suggest by its title the interest which it bears for students of political economy; for it is not an "industrial and commercial history of England," but a series of lectures on quite a broad range of topics in which industrial and commercial facts in English history are frequently, though not exclusively, used for illustration or argument. These lectures are edited by Mr. Arthur G. L. Rogers, son of the late Professor Thorold Rogers, and are given to the public substantially as delivered in the hall of Worcester College, Oxford, in the autumn of 1888 and the spring of 1889. It is somewhat unfortunate that the editor did not feel himself at liberty to prune the manuscript a little more thoroughly; for the reader might then have been spared the irritation and annoyance occasioned by many phrases and allusions of a local character which are wholly irrelevant to the argument. The student reads Professor Rogers' works for the facts which he gives and not for the theories which he holds, and it is not comfortable for the reader to feel himself in danger of being called a "fool and a poltroon," should he happen to agree with Ricardo rather than with the author. The pleasantries, too, which may perhaps have been effective in the class-room, should have found no place in the published work. In discussing the Scottish lease, for example, the lecturer has occasion to differ with the Duke of Argyll and says: "Greatly as I respect the duke's abilities,—for I value them almost as highly as he does himself,—I am constrained to accept the evidence of Sir John Sinclair, *etc.*" This is, doubtless, an innocent pleasantry, but for American readers who are wholly unacquainted with the Duke of Argyll's peculiarities, it weakens the force of the text. It is more excusable in his discussion of the theory of rent for Professor Rogers to say of Henry George: "He can no more reason than the founder of a modern religion"; this is not only witty but it hits the nail on the head.

The Industrial and Commercial History of England has, it is believed, less merit than previous works from Professor Rogers' pen, because