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Canada's Balance of International Indebtedness, 1900-1913 by Jacob Viner

Review by: Frank D. Graham

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The reviewer fails to find any notable contribution to the subject of transportation, although chapters 5, 6, and 7 of part I carry a finer elaboration of the early development of the railway problem than any other recent writer has contributed. As new text material for classroom purposes the work is very acceptable. The completeness and originality of the charts and graphs add much in clearness and understanding for the thorough-going reader. Accuracy of statement and a thorough treatment of the subject-matter characterize the book, which is well organized and remarkably free from typographical error.

A more complete constructive treatment of the problems of consolidation, possibilities for future regulation, valuation and the labor problem would not be amiss. As a chronicle of railway history and the development of the railway problem, the field has received a commendable treatise.

C. C. HERRMANN.

THOMPSON, S. *Railway statistics of the United States of America, 1923*. Twenty-first year. Compared with the official reports for 1922 and recent statistics of foreign railways. (Chicago: Bureau of Railway News and Statistics. 1924. Pp. 142.)

WARFIELD, S. D. *Letter to the executive committee and members of the National Association of Owners of Railroad Securities*. (Baltimore: Author. 1924. Pp. 16.)

WILSON, G. L. *Railway traffic and rates; freight facilities and services*. (Philadelphia: La Fayette Inst. 1924. Pp. 64.)

WOLFE, A. J., compiler. *Liability of ocean carriers for cargo damage or loss: progress toward uniform legislation*. Supp. to Commerce Reports, Trade inf. bull. 297. (Washington: Supt. Docs. Pp. 23.)

Census of electrical industries, 1922: Telephones. (Washington: Supt. Docs. 1924. 10c.)

Facts about railroad use of motor trucks. (New York: Nat. Automobile Ch. of Commerce. 1924. Pp. 7.)

Mundy's earning power of railroads, 1924. (New York: Am. News Co. 1924. Pp. 490. \$4.)

The port of New Orleans, Louisiana. Port series no. 5, prepared by the Board of Engineers for Rivers and Harbors, War Department, in cooperation with the Bureau of Research, U. S. Shipping Board. (Washington: Supt. Docs. 1924. Pp. ix. 230.)

Railroad performance. Research report no. 71. (New York: National Industrial Conference Board. 1924. Pp. vii, 60.)

Trade, Commerce, and Commercial Crises

Canada's Balance of International Indebtedness, 1900-1913. By JACOB VINER. Harvard economic studies. (Cambridge: Harvard University Press. 1924. Pp. x, 318. \$3.50.)

The Dominion of Canada in the years 1900-1913 serves excellently as a laboratory in which to study the functioning of international

trade phenomena, since the very extensive international borrowing of capital which that country was carrying on in those years was profoundly affecting the course and volume of its external trade. Further than that, the external trade of the country comprised a large proportion of its total commerce and the statistical data available were relatively good. The treatment of Canadian matters in Professor Viner's admirable book, however, is incidental to his main purpose of making an "inductive verification of the general theory of the mechanism of international trade."

The first of the two parts is devoted to the construction of Canada's international transaction balance sheet for the period investigated, and the second to the mechanism of the adjustment of exports and imports to the shifting balance of indebtedness arising out of the extensive borrowings of capital. The work of collation of the items in the balance sheet is carefully and exhaustively done and is undoubtedly as nearly accurate as the elusiveness of the facts permit. The treatment of the mechanism of adjustment is, in the main, inductive, (though the author contributes something to deductive theory in the matter) and is based on the theory of international trade as laid down by Ricardo, J. S. Mill and their followers. Professor Viner questions the validity of Ricardo's right to be considered the originator of this theory, especially as regards the adjustment of balances of indebtedness to disturbing factors. He shows that Thornton preceded Ricardo in the statement of the accepted theory on this point and that Ricardo even rejected the view that has since become classic under his name.

To the older theory Professor Viner adds the development resting on the distinction between export prices, import prices and domestic prices, which was first set forth by Professor Taussig in 1917¹ for a depreciated paper régime, but which was clearly applicable, and has been applied by the present author, to gold standard conditions as well. He points out that the flow of gold into a country with a credit balance (arising it may be from borrowings) raises the prices of commodities *neither exported nor imported*, while the prices of goods entering into international trade (both exports and imports) will, for the *most part*, remain relatively low, or will even fall, as a result of the efflux of gold from other countries. The goods entering external trade are affected by the diminished volume of gold *outside* the country concerned; the domestic commodities by the increased volume of gold *inside*. The relative fall in the price of exported goods promotes an increase in their consumption at home, while it has no tendency to expand sales abroad (since the fall in prices is relative only to home

¹"International Trade Under Depreciated Paper," *Quarterly Journal of Economics*, vol. XXXI, p. 380.

prices, not to prices abroad) and it tends to reduce their production. The volume exported from the country consequently shows a tendency to decline. Imports, on the other hand, being cheap relative to the prices of domestic goods, are bought in larger quantities. The upshot is a readjustment of commodity transactions which wipes out the credit balance and restores equilibrium. This thesis is tested by an inductive statistical analysis (copiously charted) of exchange rates and gold movements, relative changes in the price levels of Canada and other countries, relative changes in the prices of import, export and domestic commodities, changes in the volume of imports and exports, and in their origin and destination, shiftings in the terms of interchange of the commodities which enter into international trade, changes in the distribution of income and in the prosperity of the Canadian people during the period studied.

Professor Viner makes no use of a distinction between the short and long range effects of the borrowing transactions, a distinction which Professor Taussig had drawn in his treatment of conditions under depreciated paper.² It is true that Professor Taussig seems to have thought that it was inapplicable to gold standard conditions but the reviewer is not convinced of its negligibility, nor that it will not furnish an explanation of a phenomenon which Professor Viner accounts for in, perhaps, a less satisfactory way. The short and long range effects of borrowing will run in opposite directions. The relative rise in the prices of domestic commodities over those exported and imported is the immediate effect of the borrowing operations. This will tend to be reversed, when, as a result of the loans and the consequent price movements, the volume of goods bought and sold within the country, per unit of gold money, is increased relative to the volume so bought and sold immediately after the influx of gold consequent upon the borrowing operations. The prices of domestic commodities will therefore tend to fall, while the prices of exported and imported commodities, being affected by conditions *outside* the country where there are fewer commodities per unit of gold than immediately after the original movement of that metal (the effect of the loan being to shift goods from the lending to the borrowing country) will tend to rise. The result is that long-range trends are constantly tending to compensate short-range effects, and will begin to override them whenever the rate of increase in borrowing slackens. Professor Viner's statistics appear (though very imperfectly) to support this deduction. Further verification may be found in the present reviewer's article on "International Trade Under Depreciated Paper. The

²*Loc. cit.*, p. 391.

United States, 1862-1879.”³ This article attempts for the United States in the greenback period a task similar to that which Professor Viner has set for himself with regard to Canada in the years 1900-1913, but Professor Viner does not mention it (not it is hoped, on the ground that he considered it negligible). The reason advanced by Professor Viner for the reverse in price movements is that, to overcome the inertia of custom, a greater initial price movement is necessary than later proves adequate to effect equilibrium in debits and credits. This reason certainly has force, but is, perhaps, not as fundamental as that set forth above.

The author, in distinguishing between export, import and domestic goods uses the term “sectional price levels.” This phrase seems to carry a geographical significance which is not expressive of the distinction aimed at. “Classified price levels” is suggested as an alternative.

In painstaking research, in exact analysis, in the interpretation of statistics and in the form of their presentation the book is a model.

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NEW BOOKS

BIANCHI, C. *Problemi dell' espansione economica all' estero.* (Como: Tip. Bari e C. 1924. Pp. 88.)

BOWMAN, F. L. and ROPER, E. J. *Traders in east and west: some aspects of trade in the seventeenth and eighteenth centuries.* (New York: Macmillan. 1924. Pp. x, 93. 70c.)

BUTTERBAUGH, W. E. *Principles of importing.* (New York: Appleton: 1924. Pp. xxi, 473. \$5.)

A volume prepared as a textbook for college students on **foreign trade**, explaining technical details of importing; based upon experience in customhouse brokerage work. The book contains many facsimile copies of papers and schedules used. Appendix B covers a detailed list of import and customs terms and definitions. Author is now professor of transportation at Syracuse University.

CABIATI, A. *Principi di politica commerciale. La teoria generale degli scambi internazionali.* (Genoa: Stab. Grafico Editoriale. 1924. Pp. 302. L 40.)

DUNNAGE, J. A. *The importer's handbook.* (New York: Pitman. 1924. Pp. 383. \$3.)

HART, B. R. *Markets for canned foods in the western hemisphere.* Dept. of Commerce, Misc. series, no. 128. (Washington: Supt. Docs. 1924. 25c.)

³*Quarterly Journal of Economics*, vol. XXXVI, p. 220. The theory, carrying over Professor Taussig's distinction from trade under depreciated paper to that under a gold standard, may be found in the reviewer's unpublished thesis (in the Harvard University Library), under the same title as the article just cited.