third: gross capital formation minus net capital formation equals capital consumption. The investigation is limited to the measurement of the consumption and adjustment of fixed capital. In 1929, 60% of the production of durable goods was used for replacing fixed capital. A list of the main difficulties which had to be overcome in this study gives an idea of the scope and limitations of the work. Fabricant mentions the following: difference between "economic" and "physical" life of plant and equipment; allocation of the consumption of durable capital goods to arbitrary time units; problem of price changes; adjustment of accounting methods as practiced by business and required by law, to the concepts of this investigation; significance of "maintenance" and "repair" expenses, etc.

The National Bureau of Economic Research has also published a study by Charles A. Bliss, on the *Structure of Manufacturing Production.* Bliss attempts to calculate the proportions in which the existing resources were used in 1929 in the field of industrial production. The division into groups is the same as in the other studies of the National Bureau. Bliss, too, had to overcome the manifold difficulties arising from the fact that his statistical material was computed from different viewpoints. Among the results it is particularly characteristic that about one tenth of all employed persons and one tenth of all capital invested in the whole of industry in 1929 were employed in the automobile industry. Bliss points out that a series of comparable studies of the structure of industry, undertaken over a period of years, would greatly enrich our knowledge of the business cycle and thereby also of the more adequate use of existing resources.

The writings reviewed above are essentially the works of "technicians" who are interested in the most rational application of all resources and are prepared to make far-reaching adjustments in the present economy in order to reach their aim. The large reference work of the National Industrial Conference Board suggests even in its title, *Enterprise and Social Progress,* that only the preservation of the traditional economic system can guarantee an optimum of social progress. This propagandistic attitude does not manifest itself in less reliable statistics. It is apparent, however, in the distribution of light and shade. All achievements are attributed to the system of free enterprise while all the negative factors are both minimized and ascribed to outside interference. The work is an important supplement to the official statistics, and the editors rightly call it the largest collection of systematic information on American private enterprise.

The studies reviewed here afford a methodologically and materially impressive picture of the comprehensive scientific preparation that would be at the disposal of a strictly "State-capitalistic" economic policy in the United States.

FREDERICK POLLOCK (New York).

Ayres, L. P., *Turning Points in Business Cycles.* The Macmillan Company. New York 1939. (214 pp; $2.75)

The author's investigation is deliberately empirical. He does not construct a theory of the business cycle, the assertions and results of which would then be compared with reality, and in which statistics would be merely auxiliary. Instead, he tends to impute to statistics the rôle of a decisive source of proof. From statistical tables and diagrams covering a period of 109 years, and representing changes of five factors assumed to be characteristic of the course of the cycle (business activity, interest rates, bond and stock prices, capital issues), he attempts to read off a theory of economic crises as one reads off the time from the position of the hands on a clock. By using a purely statistical method, he hopes to find the regulating principle that is responsible for the decisive turning points in the course of the economic process, from depression to prosperity and back to depression. The main inadequacy of the book is clear: it will never be possible to explain a casual *propter hoc* by an empirical *post hoc*. Ayres pursues his program with great faithfulness. In the first seven chapters he gives a graphic presentation of the individual histories of 26 cycles in the period from 1831 to 1939. He does this in order to show, in chapter 8, on that historical basis, the course of a "typical cycle." In chapters 10 to 12, he examines and rejects consumers' purchasing power theory, the pump-priming recovery theory, and, finally, the purely monetary theories of the cycle, not because of any theoretical inadequacy, but because they do not agree with the empirical data obtained by him. In direct contrast to this criticism, the author arrives at his main conclusion that the real cause of the long series of crises in the United States has been the specific structure of the monetary mechanism in operation here, particularly the regulation of credit expansion by the bank reserves. Ayres starts with the fact "that in our highly industrialized economy the cyclical fluctuations in the production of *durable* goods are much more regular and of greater amplitude than are fluctuations in the production of *non-durable* goods." But he is unable to trace these fluctuations to non-monetary causes. In the last analysis he derives the fluctuations from the structure of an automatic mechanism which periodically produces the upward and downward movement of bond and stock prices. The expansions and contractions of the flow of new capital in the production of durable capital are a result of sales of new issues, when "market conditions" have become favorable or unfavorable for floating new issues. This mechanism has broken down in recent years, and ceased to function. It has been replaced by government regulations, on which the course of the cycle now depends.

The novel feature of this study is the detailed and clear description of a typical "normal" cycle of three and a third years (40 months), of which about 27 months is taken by the upward movement and 13 by the downward movement. Both movements are dissected into more detailed, precise time phases. The author underestimates the whole problem. "The difficulties," he says, "involved in locating turning points of business cycles . . . are rather matters of the inadequacy of the available statistics than of the complexities of the process." When the rate of interest is low, the bond and stock markets are high, and there is a "favorable market" for new issues, new capital is invested in industry, and the volume of production increases. But the primary causes of all these movements are not shown and cannot be shown with the help of purely statistical methods. Moreover, if the intensity and duration of prosperity is solely dependent upon the extent of the increase of capital, as Ayres maintains, how is the "saturation" of enterprises possible and explainable? How, too, can we explain the fact that the increase of capital is excessive, so that part of it remains "idle"? The author himself shows that this already happened in the so-called "rich man's panic" of 1903. It is impossible to educe the true relationships on the basis of monetary theories of crises and with purely descriptive, statistical methods. The favorable or unfavorable market for securities, and the consequent increase and useability of capital are evidently not dependent upon the structure of the monetary mechanism but on the fluctuating prospects of the profitability of industry. But Ayres does not tell us what causes these fluctuations.

HENRYK GROSSMAN (New York).

Beals, Carleton, *The Coming Struggle for Latin America,* J. B. Lippincott Company, New York 1938. (401 pp.; $3.00)

Aikman, Duncan, *The All-American Front,* Doubleday, Doran & Company, Inc., New York 1940. (344 pp.; $3.00)

Carr, Katherine, *South American Primer,* Reynal & Hitchcock, New York 1939. (208 pp.; $1.75)

Three different kinds of approach are discernible among books on Latin America. The first is a mere journalistic treatment of the problem. The second is an attempt to evaluate the economic and historical background but is marred by a misunderstanding of the dominant forces in Latin American society, the manifestations of which are taken seriously at their face value without distinguishing between ideology and demagogy on the one hand and cold blooded political and business strategy on the other. The third is realistic research which is not subject to exaggeration and which takes into account the critical evaluation of available data.

Carleton Beals' fascinating book is typical of the first kind of approach. Beals' aim is to show how Latin America is about to become the next object of fascist expansion, how Japanese, German, Italian and (Franco-) Spanish influence—in some cases even domination—is growing, how the British and American interests are trying to hold their positions or to gain new ones, how the Good Neighbor policy is understood—and sometimes distrusted—by the Latin American peoples and what should be done in order not to alienate the newly acquired friendly feelings towards the United States. He describes the possibilities of a joint defense of the Western Hemisphere against "totalitarian" interference and outlines the mistakes American "Dollar-Diplomacy" is said to have made. He underlines his warnings with a wealth of material which certainly is not to be found in official reports, and which usually has not even been published in the American press.

However, this reviewer confesses his surprise at learning that in recent years Argentina has had a totalitarian régime under President Ortiz (320), with imperialistic aims (316), almost on the point of invading Brazil (321), and must confess that he was entirely unaware of these sinister facts. It is generally admitted, even by the Conservative Argentine press, that the election of Ortiz was a manipulated one. But fraudulent elections are typical of Latin American history, and even a very fraudulent election does not by itself necessarily mean a totalitarian régime. One of the chief features of such a régime would be the suppression of civil liberties, especially of the freedom of the press, but it is evident from the Argentine newspapers that this is not the case in Argentina. Nor should one take seriously the rumours of Argentina's imperialist aims toward Brazil. It is true that there was formerly a certain amount of jealousy between Argentina and Brazil, but