presents the difficulties of a scientific classification of actual receipts, and he wisely refrains from attempting one.

Among expenditures those for education, old-age pensions, labor exchanges, and the like are classified under the term "social services." Actual and estimated amounts of national wealth and income are given in order that the reader may draw his own conclusions as to whether or not expenditures are becoming more burdensome. Mr. Mallet believes a larger proportion of the national income is taken now by taxation than was taken in 1888, and he estimates that local and imperial taxation take about 18 per cent of the national income. But the rates of direct taxation are not so high, in his opinion, as to impair the desire or capacity for accumulation, though he is uncertain on the point of the effect of this taxation upon the financial reserves upon which dependence must be placed in future emergencies. "Time alone can answer," he says, little knowing that the time of test was not more than a year distant. In discussing the proposal to tax directly the incomes of the wage-earning class as a substitute for consumption taxes, the author, though opposed to the proposal, makes the interesting suggestion that the method of insurance contributions, that is, payments by the employers, may throw light on the machinery for collection.

Mr. Mallet's work proves him to be an expert in statistics; his conclusions are carefully drawn, and his book is a valuable addition to the literature of public finance.

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The Development of Banking in Illinois, 1817–1863. By GEORGE WILLIAM DOWRIE. Urbana: University of Illinois, 1913. 8vo, pp. 181. $0.90.

This monograph is based upon an exhaustive study of the Illinois sources of banking history. It contains much of the available data concerning state banks in Illinois during the period considered; and these data are summarized in an interesting manner. Separate chapters discuss monetary conditions prior to 1817; the territorial banks (1817–20); banking a state monopoly (1821–31); banking and internal improvements (1835–43); and the free bank system (1851–66).

The author describes the beginnings of banking in the territory of Illinois in his second chapter. These territorial banks are shown, by their statements, to have been established primarily in order to secure United

States deposits, and secondarily for the purpose of issuing note currency, while but 9 per cent of the loanable funds of these banks was provided by dormant individual deposits.

The third chapter, dealing with the period 1821–31, is an account of the experience of the state with a state-owned monopoly of banking. It is probably the best account, in American financial literature, of an unsuccessful experiment with government ownership and operation of a bank exercising all banking functions. In this case, the state established branches where local clamor was most insistent; the capital was secured by an issue of $300,000 of interest-bearing currency notes; heavy loans were made to legislators and bank officers, and were followed by state laws relieving bank debtors; depreciation reached 30 cents on the dollar; and final liquidation in 1833 exhibited a net monetary loss to the state of over $400,000, not including injuries to debtors and creditors, disturbance of the continuity of business, and the impairment of state credit. This miserable failure of the state bank did not deter the legislature from trying a similar experiment a few years later.

The fourth chapter describes the state banks formed in 1835. These are shown to have been initiated with private capital and private management, while the state reserved merely the right to subscribe for an increased capital. The demand for internal improvements at state expense led, however, to the exercise of this right of subscription as early as 1837. It was planned to ultilize the difference between the bank dividends, estimated at 9 per cent, and the bond interest that would be incurred in securing the bank stock, estimated at 6 per cent, in meeting interest payments upon other bonds, the proceeds of which were to be used for improvement purposes. The banks underwrote these bonds, and because of the panic of 1837 were compelled to hold most of them unliquidated. Subsequent events indicate that this proved to be a very expensive method of taxing the banking franchise and that it encouraged increased liberality in appropriating for improvements because of erroneous estimates of prospective banking profits.

The facts presented by the author clearly indicate that the popular disavowal of state ownership of banks, as shown in the new constitution adopted in 1847, was well founded in experience; and that the Free Banking Act passed in 1851 was an advance upon its predecessors. He concludes, in the fifth chapter, that the bond deposit security method inaugurated by this act was unsatisfactory. "No system of note issue could be termed successful in which the holders of notes in the great majority of cases were compelled to resort to the cumbersome process of protest and sale of securities in order to exchange them for specie" (p. 158).

The indirect methods used in 1817 and 1821 to make bank notes legal tender and to evade the constitutional prohibition upon state issues of bills of credit are described (pp. 12, 30). Causes for depreciation in 1821–25 are stated, with emphasis upon the lack of specie redemption (p. 32). Appreciation is noted in 1825–26 while the aggregate volume of currency in use was being increased (pp. 41–42). An index and a satisfactory bibliography are provided. The preface contains an excellent summary of "the regular sequence" of events in each of "the distinct cycles" of early Illinois banking (p. 5).

A few minor errors, or cases of very loose statement, need to be corrected. When notes are described as "on a par with gold" (pp. 31, 42) and "at a parity with gold" (p. 32) during the years 1821–25 and 1830, the fact is overlooked that *silver* alone was in circulation during these years. And a statement that "the state was borrowing at the rate of 200 per cent interest" (p. 41) by paying out its warrants as depreciated currency assumes a combination of facts not altogether self-evident in the nature or description given of these warrants. That "the *price* of eastern exchange in terms of Illinois paper was never less than 2 per cent" (p. 150) was evidently intended as a statement of the *premium.*

The work evidences the author's high regard for historical accuracy and complete statement of the documentary facts; but it suffers from a lack of adequate interpretation such as one would expect, coming, as it does, from the hand of an economist. The reality of the narrative and the value of the interpretation would have improved considerably by some reference to the changes in the number and character of the population as these affected monetary needs or banking practice. More effort should have been put forth to discover the sources of many of the banking ideas adopted, and to estimate the adequacy and efficiency of the banking facilities provided relative to the needs of contemporary business and the state of economic knowledge. However, such a concise summary of the mere facts constitutes one of the many valuable foundation stones which must first be prepared before we shall be able to have a comprehensive and thoroughgoing history of the evolution of banking ideas and institutions in the United States. The monograph accomplishes the author's evident purpose—an accurate statement of the essential documentary facts.

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