

other one change as a means of permanent improvement. G. WRIGHT HOFFMAN
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BABCOCK, FREDERICK M. *The Valuation of Real Estate*. Pp. vii, 593. New York: McGraw Hill Book Company, 1932. \$5.00.

One can scarcely take exception to the underlying thesis propounded by the author of this stimulating treatise on *The Valuation of Real Estate*. It centers in the theory that real estate values are based on anticipated returns capitalized at an appropriate rate of interest, and that land values are residual. These residual land values appear only after the requirements of labor and of capital necessary to improve the land have been met.

All too long have appraisers of real property professed their naïve faith in market prices as sound indicators of real estate values. It remains for the author to point out the fundamental unsoundness of the traditional appraisal procedure and to stress the importance of considering the prospective earnings as the basis of valuation.

The author's emphasis on earning power leads him to conclude that the separate valuation of land and of improvements on land is unsound, since an improved parcel of real estate represents an economic unit. Only as such does it possess earning power, which is the ultimate factor determining its value. By the same process of reasoning it might be argued that the unit of footwear is the shoe, or perhaps the pair of shoes, which is a combination of soles, heels, tops, and even laces, which cannot be separately evaluated. Moreover, the author recognizes that the valuation procedure based on income expectancy cannot always be applied to achieve the desired results.

The author admits that there are many cases in which land values are best established by comparison. "These cases are those in which residual land-valuation process does not produce results within plausible limits because of the conditions of the problem" (p. 455). If the sound method advocated by the author does not produce altogether satisfactory results, another method of valuation is suggested. Such utilitarian procedure is typical of a

great deal of the activity which has been disguised under the cloak of science. At best, all valuation processes must rest to a great extent on opinion, and do not lend themselves to objective, scientific analysis. The only claim to science which so-called valuation systems may make is that they advocate an orderly method of analysis and interpretation of the objective evidences of value. But some of the evidence is causal and some is derivative. The author of *The Valuation of Real Estate* has made a distinct contribution to the literature on the subject by placing emphasis where it properly belongs, namely, on the expectancy of returns, as the fundamental causal factor of all capital values. Nor should one overlook the distinct merits of the many fruitful suggestions made as to how the evidences of value may be interpreted.

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REYMOND, M. H. *Permanently Curing Depressions*. Pp. 128. New York: Baker & Taylor Company, 1933. \$2.00.

This book undertakes to cure and prevent depressions by Act of Congress. The writer is bold enough to submit the proposed act. It embodies a "New Monetary Principle" by which the general price level may be stabilized and the gold standard abandoned. This "New Monetary Principle" is that the *relative* amounts of currency and government bonds outstanding shall be changed as the general price level falls or rises, while the total amount of currency and government bonds remain the same. By this means purchasing power is to be equalized with production. As no other writer has been able to fathom the operations and effects of monetary systems, Mr. Raymond cannot be accused of lack of courage. For good measure the writer undertakes to disprove fourteen "false cures" for depressions in fifty-six pages.

OTTO T. MALLERY

Philadelphia

FELS, SAMUEL S. *This Changing World*. Pp. viii, 295. Boston: Houghton-Mifflin Company, 1933. \$2.50.

In a well-written little volume, attractively illustrated by Van Loon, Mr. Fels