

the countless untraceable owner of the modern world presents in a multitudinous form the image of a Merovingian king." (Pp. 72, 74. Cp. *The Shareholding Rich Man*, p. 131 *et passim*.)

There appears to be much force in these denunciations. Doubtless a society which has no duties and no object but to amuse itself is destined to become "deliquescent," to use Mr. Wells' appropriate, yet too often iterated, phrase. But the improved education of the future may perhaps inspire even shareholders with some higher purpose. Nor is it clear to us how the contrasted "really functional social body of engineering managing men scientifically trained" is to escape the taint of shareholding. We have not observed that scientific training produces any reluctance to accept interest on savings. We may ask also whether the really "functional body" would be so coherent, as the author takes for granted? "Common ideals and interests" are not a necessary adjunct of scientific uniformity. Correct views on physical science might not form a very strong bond of political union. But in expressing an opinion about compacts other than those bargains of which the terms are settled by the play of supply and demand, we are sensible how modest is the rôle of the political economist compared with that of the prophet.

A History of the Theories of Production and Distribution in English Political Economy from 1776 to 1848. By EDWIN CANNAN. Second Edition. (London: P. S. King. 1903. Pp. 422.)

THIS edition is distinguished by the addition of two sections dealing with the changes in economic theory which have taken place since 1848 and the attitude of the economist towards the practical economic problems of to-day. It would be impossible for us in a necessarily brief summary to do justice to the wit and wisdom that are contained in these additional pages. We confine ourselves to noticing certain passages which are of particular interest as expressing the writer's judgment on questions of some nicety. Mr. Cannan enumerates among changes which have taken place "the displacement of capital from the head of productive requisites and its relegation to the same rank as organisation, knowledge, mental and muscular power." After giving an amusing "biograph of production," as the process was represented by the older writers, Mr. Cannan explains that in the view of the modern economists "the inanimate stock of goods does not settle how many men shall be employed; but saving

men settle how much stock there shall be, and consuming men settle by their expected demands what forms that stock shall take." With regard to the effects of combinations of wage-earners upon the earnings of labour, "modern doctrine teaches plainly enough that combinations of earners can only raise earnings if they can raise the value or the quantity of the product, and that producers can only raise the value of the product by reducing its quantity." On behalf of the modern theories Mr. Cannan replies to the complaint of the politician that the modern economist is always sitting on the fence, and will not give a plain answer to a practical question. "The truth is, in reality," says our author, "that the economist refuses to take a side when both sides are wrong, and declines to say Yes or No to a question when both the affirmative and the negative answer would make him admit what he knows to be untrue." Mr. Cannan does not trenchantly pronounce upon the relation of the modern economist towards Socialist and Communist aspirations; nevertheless, his well-balanced judgment is deserving of attention.

The sections which have been noticed form the only important novelty in the second edition. The author has resisted the temptation to re-touch what he wrote ten years ago. "Extensive changes of an unimportant character," he forcibly observes, "generally add unnecessarily to the bulk of a book, almost always destroy its consistency, and invariably confuse and annoy the serious student." While applauding this self-restraint, we regret that the author has not taken the opportunity of recanting the acrimony which characterises his criticism of the older theorists. Far from betraying any remorse, he says in the preface to his second edition: "I have great hope that what appeared to be ill-tempered blasphemy in 1893 will now be seen to be the calm statement of undoubted fact." Probably Mr. Cannan has not realised that the statement of the inaccuracies into which original authors have fallen, without express recognition of their merits, is apt to convey an erroneous impression. The pioneers of other sciences would be deprived of their due praise by this manner of "calm statement." Even in mathematics, we believe, the present generation might truthfully boast of being much better than their fathers in respect of accurate reasoning. But the modern mathematicians do not therefore in the style of Mr. Cannan pronounce that the work of their predecessors "must be visited with almost unqualified condemnation." Even where the older demonstrations are not regarded as perfectly cogent, there is attributed to them a

"heuristic" character. Genius is admired for having struck out paths in new regions where method afterwards constructs highways.

Now the classical economists are gifted with a similar origina- tive power to which Mr. Cannan does not do justice. Their utterances about capital, for instance, are doubtless not perfectly clear. But how many in the present generation are entitled on this account to cast a stone against the older writers? He who, indifferent about the definition of words, strives to frame an appropriate conception of the long process of production—the fruits of labour continually ripening with the lapse of time, continually passing into the hands of those who have worked and waited—such a one must still seek inspiration from the classic masters, still ponder on their deep sayings, for example :—

"The miller, the reaper, the ploughman, the ploughmaker . . . derive their remuneration from the ultimate product—the bread."¹ "By what a frugal man annually saves . . . he establishes, as it were, a perpetual fund for the maintenance of a number of productive hands."²

Even Mill's "fundamental propositions" on capital, though it may be true of more than one of them that, in Professor Marshall's words, "it expresses his meaning badly," are yet not wholly "a hopeless farrago of blunders," as Mr. Cannan would have us believe. For instance, much instruction is to be obtained from tracing out the consequences of the supposition "that every capitalist came to be of opinion that he ought not to fare better than a well-educated labourer, and, accordingly, laid by the surplus of his profits."³ To take a second example from a less important topic, the Ricardo-Mill theory that an improvement in the arts of agricultural production, other things being unchanged, tends to be followed by a fall in rent, is denounced by Mr. Cannan in scathing terms which convey the impression that there is not even a portion of truth, not even any plausibility in the theory. But surely there is much truth in Mill's observation with respect to a particular case of the problem :—

"It is quite in accordance with common notions to suppose that, if by the increased productiveness of land less land were required for cultivation, its value, like that of other articles for which the demand had diminished, would fall."

And even in the general case, where the amount of land offered

¹ Mill, Book I. ch. ii.

² Adam Smith, Book II. ch. iii.

³ Mill, Book I. ch. v., p. 2.

is supposed to be constant, though in the absence of knowledge as to the quantitative relation ¹ between outlay and product it is not certain that the alleged consequence will occur, yet from what is known about quantitative relations in general it is probable,² we venture to submit, that rent will fall, under the given circumstances, one of which, it should be remembered, is the inelasticity of demand for corn, tacitly but properly assumed by the classic writers.

If Mr. Cannan is not one of those sympathetic critics who exalt our admiration for the classics, he is at least deserving of high praise for the perspicacity and diligence with which he collates and emends. The number of passages requiring emendation is indeed remarkable. That the greatest masters of economic science should so often have expressed themselves imperfectly is certainly an instructive circumstance. It warns controversialists not to assume that an economic treatise is destitute of worth because it is chargeable with some obscurity and inconsistency in the use of words. We refer to inaccuracies of the sort which Mr. Cannan hits when he points out (p. 31) that J. S. Mill's definition of wealth and cognate terms would in consistency require him to exclude from that income which is annually distributed all "utilities not fixed or embodied in an object, but consisting in a mere service given." Again, the occasional use of "capital" by Mill to denote only circulating capital is formally inaccurate (Cannan, p. 117 *et passim*). Indeed, the classic use of the term "circulating capital" is open to criticism—so we interpret Mr. Cannan's frequent complaints under this head—unless it is assumed that the means which the capitalist lays out do not bring in their return in a period shorter than that by which interest is reckoned, commonly a year. Again, even in the case of so fundamental a Ricardian theorem as that which enounces the difference of rent (per acre) for different kinds of land, even J. S. Mill's statement is shown to require considerable emendation.

We may be sure that Mill, if he could have been confronted with these criticisms, would have accepted them with his usual frankness. His appreciative remarks about an earlier impugner of received statements, John Rae,³ may be applied, with hardly any alteration, to Mr. Cannan:—"The principal fault of the

¹ Considered as a mathematical function.

² As to this application of the theory of probabilities, see *Giornale degli Economisti*, 1897, Vol. XV. p. 313. Cp. *ECONOMIC JOURNAL*, Vol. IX. p. 313.

³ Mill, *Political Economy*, Book I. ch. xi. p. 2.

book is the position of antagonism in which, with the controversial spirit apt to be found in those who have new thoughts on old subjects, he has placed himself towards Adam Smith [and his successors]. I call this a fault, though I think many of the criticisms just, and some of them far-seeing."

The Riddle of the Tariff. By A. C. PIGOU. (London : Brimley Johnson. 1903. Pp. 107.)

It is impossible within the space allotted to reviews in the *ECONOMIC JOURNAL* to examine the total mass of literature on the fiscal question. It must suffice to test samples. In the last number we criticised what seemed the best book on the Protectionist side. The high honour of occupying a similar position on the other side seems deserved by the work before us.

In Mr. Pigou's lucid order two cries—that our national trade is decaying, and that our empire is falling to pieces—are considered as claiming urgency for four plans—protection in general, or limited to defence against the aggression of foreign monopolies, tariff bargaining, and Imperial preference. Advising the reader to follow carefully our author's contention that the evils are mostly imaginary and the remedies ineffectual, we shall only advert to some passages which seem particularly just or striking.

The dislocation of industry through foreign competition, which excites the first cry, is, he observes, "only a single species of a far larger genus. It is not because of Free Trade, but because the industrial army is continually advancing, that the road is strewn with abandoned baggage and lagging men." It is shown that the importation of foreign goods cannot injure our industries as a whole; since augmented imports must be paid for by augmented exports, unless, indeed, by exporting securities we are diminishing the sum total of our investments abroad. There is no evidence that we are doing so; and, even if it were the fact, argues Mr. Pigou, "it does not follow that any permanent reduction of employment would be involved. The capital withdrawn from investment abroad would almost certainly be reinvested in England."

Dumping, against which the limited kinds of protection are specially invoked, is of two kinds. Trusts and cartels in protected countries may find it profitable on the average, and, taking one year with another, to accept abroad prices considerably lower than those which they charge to the home consumer; or the foreign monopolist may pour goods into our markets at prices