WILEY

Review

Author(s): J. Bonar

Review by: J. Bonar

Source: *The Economic Journal*, Vol. 9, No. 35 (Sep., 1899), pp. 442-444

Published by: Wiley on behalf of the Royal Economic Society

Stable URL: <http://www.jstor.org/stable/2957073>

Accessed: 26-06-2016 19:22 UTC

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at

<http://about.jstor.org/terms>

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact support@jstor.org.

Royal Economic Society, *Wiley* are collaborating with JSTOR to digitize, preserve and extend access to *The Economic Journal*

LAW OF NATURE.

The increase of the price of riches increases the production of the same up to the economic limit."

And so on—a sort of jet of laws of nature continued through some twenty-four pages, each page containing about eight laws of nature. All these, it is to be remarked, are eternal verities "which have been, and always will be, the same, which have worked, do work, and will work, constantly in the same manner, which God alone, who has created them, can alter, all human power being incapable of doing so." We quote from the introductory chapter, on the definition of political economy, where the author gives as an example of an absolutely true economic law: "*Duties imposed on goods are paid by the consumers thereof.*"

The author's views on commercial policy are less rigid than might have been expected from his theoretic position. He is not in favour of free trade being adopted by a single nation without reciprocity; comparing the case to that of national disarmament. A backward nation suddenly abandoning protection would be liable to have its industries destroyed. There ought to be in each nation a Commission to secure just that amount of protection which the national industries require.

These views, both on theory and policy, and the interesting contrast between them, appear to be less strongly expressed in the new edition; but we have satisfied ourselves that the author's beliefs are substantially unaltered, that, like the Laws of Nature which he formulates, they "have been, are, and always will be, the same."

F. Y. EDGEWORTH

Grundriss der Politischen Oekonomie. Von Dr. E. von PHILIPPOVICH, Professor an der Universität Wien. Second Volume: Economic Policy. Part I. (Freiburg: Mohr, 1899. 325 pp.)

THE first volume of this book was noticed in the ECONOMIC JOURNAL, 1893, pp. 665-667. It was an account of General Economic Theory.

We have now before us, six years afterwards, the volume on Economic Policy, the term being used to include all the varieties of human action in which the agents consciously and deliberately attempt to advance the common prosperity of their nation or a group of it. It embraces the action of workmen's associations and employers' trusts, as well as the action of public bodies, towards that end (p. 1, cf. 8, 9). The general prosperity depends first and foremost, our author thinks, on the maintaining of a high level of production. Without a great production the problem of distribution shrinks into insignificance (3). From this point of view, technical skill, invention, and instruction, have perhaps been too lightly set aside by economists, as outside of

their scope ; and, in addition to the sensible remarks of our author on the subject, the reader might be referred to the writings of Dr. E. Herrmann of Vienna (*e.g.*, his "Technische Fragen und Probleme der modernen Volkswirtschaft" (Leipzig, 1891), where the special knowledge of the technologist is united with a good grasp of general economic theory. Professor Philippovich does well to insist that the question of production has precedence of the question of income, the former being the material foundation of the latter (7).

The first book of this new volume is devoted to the Organisation of Production. The forms of modern industry both agricultural, "extractive," and manufacturing, are clearly described. The Professor favours indirect assistance rather than direct intervention on the part of the State. Even municipal action of a direct character must always, he thinks, be exceptional (135). As for the scientific economist, his "economic policy" must have three ends in view, first to describe and analyse the mass of individual and corporate attempts now being made for the improvement of present economic conditions, and to gauge their bearings on the general civilisation and legal system of the country ; secondly to measure, severally, their probable tendency, in the light of history and principles, in order to arrive at some standard of judgment, for pronouncing on the utility or inutility of particular plans ; thirdly, besides criticising, to bring forward positive ends or ideals, to which, as a result of the analysis and the criticism, the economic development of the country may, so far as possible be guided (18). Such a general economic policy, he thinks, has been wanting, since the days of Rau, and the field has been broken up into particular allotments such as "Agricultural Policy," "Industrial Policy," "Commercial Policy." He tries to view the whole together (20).

His views are sober, and in the case of Commercial Policy perhaps novel. The description, like all economic description, includes much that is commonplace, but also a good deal above it. The position of the working classes, for example, is said to be undergoing a change, under the guidance of the State. "The workman is no longer regarded as merely one of the means of production ;" his personality and independence are recognised and protected while the employer is still left as freely as before to select his men and determine the method of production. "The change marks a new and, as we believe, a higher and more perfect stage in the development of the business of the entrepreneur ; it does not mark the beginning of the dissolution of that business by a collectivist organisation of production" (202).

Thus Professor Philippovich has no leanings to Socialism. It is with no approval that he cites the case of Hungary as an instance of "a consistent system of State aid to industry," consisting amongst other things in the exemption of new industries from taxation (209) ; still less of Bulgaria, where an ordinance of 1897 prescribes that all public officials and servants drawing a monthly salary must

wear when on duty shoes and clothes of native manufacture. This is rank "Colbertism" (*ib.*)

Yet the Professor does not with some modern economic neologists assert that there is no essential difference between home and foreign trade; it is of great practical importance in trade whether the two trading parties are or are not under one Government. "The economic operations carried on within one State are joined together into one single whole, which forms the basis of the idea of a National Economy; and this union is produced by means of similarity of education, similarity of inhabitants, their talents, customs, and occupations, and the historical continuity of economic conditions" (285). Dislocation produced by the substitution of Italian wines or German machines for the Austrian articles may be politically a greater loss than any economic gain. Our author is not in the British sense a strict Free Trader. He thinks the Free Trade Theory overlooks the historical differences of nations, and agrees with List that "the protective tax is an educational tax," the price paid for educating the nation in a new industry (302).

It is an education, unhappily, where the boys can never be persuaded that they are fit to leave school. The Professor himself finds occasion to advise the Agricultural Interest of his adopted country to make up their minds to face the world; they must not, he says, expect protection to last for ever (306).

In this "National Economics" we find it quite natural to meet with a long discussion of the "Most Favoured Nation," clause in commercial treaties. The author notes that it limits the power of the contracting States to bargain with a third party, to give concession for concession. A concession loses value in the eyes of the third party if it is to be shared with others that are its rivals (311). The English determination of the German treaty in 1898 was an instance of this feeling (312). But what the Professor considers a defect many of us will consider an advantage,—that the "Most Favoured Nation" clause tends to introduce something like a uniform tariff throughout the chief trading nations of the world.

It will appear from what has been said that we have in this book more of National Economics than of what we in this country consider to be Economics proper. But we have still to see how the Professor will deal with the economic policy of Consumption, in the volume or volumes still to appear.

J. BONAR