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Author(s): A. W. Flux

Review by: A. W. Flux

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Cours d'Economie Politique. Tome Premier.—By VILFREDO PARETO. (Lausanne: 1896. 8vo. pp. viii., 430.)

If there be still any who believe that the employment of mathematical modes of thought is unprofitable in Economic Science, we might recommend to them the study of this treatise by the economist who now occupies the chair rendered illustrious by Walras. Professor Pareto avoids that excessive indulgence in algebraic symbols which repels many from the study of Walras' works, but he uses his symbols effectively, and shows their utility as much when he abstains from their use as when he is employing them. The remarks by which he justifies their use, and rejects the condemnations of those who, too often, do not understand the language in which the logical process they condemn is expressed, are very much to the point, and would be worth quoting if we were not convinced that they would be superfluous in these pages.

The conceptions on which the treatise is based are, we are informed, those of successive approximations, and of the mutual inter-dependence of economic phenomena. The design is an admirable one, and, in its execution, in the order of ideas adopted for its development, we find much that is suggestive, and some new lights are thrown here and there on problems long familiar.

It is unnecessary, after what we have said above, to state that Professor Pareto regards Political Economy as a science. The pure science is devoted to considering the broad features of economic equilibrium, neglecting the effect of the multitude of disturbing forces; and the science of applied Economics is regarded as that part of the study which examines the nature of the disturbances which were first disregarded, and makes the necessary corrections and modifications of the theory to adapt it more closely to the conditions of actual life. Applied Economics is, then, treated as a science, not, as some have conceived it, as an Art, or as the Art of Government. Of the whole science, our author is of opinion that the stage of development has been reached at which it would be proper to specialise so as to exclude the discussion of the practical problems which have taken up so much of the discussions of most writers on economics. With this specialisation would come, among other things, greater precision in terms, and a choice of terms less hampered by the necessity of using words which are employed in ordinary language in a loose sense not proper to scientific expressions. We need not enter here once more on the discussions to be found in abundance in economic treatises, which set forth the reasons which have practically forced economists to adopt the course they have followed in this respect. We may say that we doubt whether the loss involved in placing the science beyond the reach of all who have not been able to make a special study of its terms would not be greater than could be balanced by the promised gain in scientific precision. In England, where systematic economic study

forms an essential part of so few curricula, we fear the loss would be particularly great.

In pursuance of the idea of specialisation, Professor Pareto proposes to introduce a new term, in order to distinguish two ideas which are recognised as requiring distinction. The word *utility* has been made to do double work. For that sense of the word, in which it refers simply to the power of any object (or service) to satisfy a need or desire, whether such satisfaction would be harmful or beneficial as judged from a moral standpoint, the term *ophélimité* is proposed, with the corresponding adjective *ophélimé*.

While appreciating the motives which prompt this introduction of a new term into the science, we cannot say that we are content with the choice made. The difficulty of adapting any existing word to the purpose is, it is true, very great, but we had believed that, with the open recognition of the subjective nature of the relation or property indicated, the risk of error arising from the employment of the word *utility* was rapidly diminishing, though not, perhaps, yet negligible. We shall not, however, further discuss here the appropriateness of the selection of this particular word for the required purpose. We may note that its use adds considerably to the precision of our author's exposition, though it does seem that, at times, he shows a tendency to use the very term which he seeks to displace in the sense implied by the substituted word.

The precision of thought aimed at in the book is illustrated by the introduction of a comparison between that estimate of gain by exchange which is afforded by consumer's rent, and that given when account is taken of the variable marginal utility of money. The result is what might have been stated *a priori*, namely, that the change of ophelimity due to a small exchange of a commodity for money or the reverse, is equal to the change in the consumer's rent derived from the commodity divided by the marginal utility of money. Since consumer's rent is estimated on the express understanding that the marginal utility of money is considered constant, this is precisely what we should expect.

If we had to make our choice between two methods of simplifying the course of economic arguments, of which the one consisted in neglecting the variations in the purchasing power of money, the other in assuming that production followed the law of constant return, we should, we think without hesitation, choose the former rather than the latter. Our author has his own preference, and points out the dangers of the former while passing the latter over lightly. Possibly the second volume, when it appears, will take away from him this reproach; indeed, we understand that this is promised. Meanwhile, it would be foolish to reproach the author for following the course which to him appears sufficient for the first approximation.

The volume contains so many points of interest, at any rate in the part dealing with pure theory, that we must be pardoned if we comment chiefly on points where we are not quite in agreement with its

doctrines, to the exclusion of those larger parts which we very cordially admire.

Professor Pareto divides (commodities and) services into two classes, the first such as are capable of producing direct satisfaction to their producer, though he may need but a small part of his total produce for his own personal consumption, the second such as are incapable of rendering such services directly. Of this second class he asserts that producers will place the whole of their output on the market unreservedly, and, in a note, imagines the case where such an amount would exceed the amount demanded even at the price zero. We find it hard to realise the practical importance of this last case for normal economic equilibrium, and we are inclined to hold that in this whole class it is not sufficient to consider the moment only, and that the amount offered for exchange is affected by the price obtainable, any excess being stocked in hope of an improvement in the market. The special application, however, to services, will prove of considerable importance, and it is of services more particularly that our author is here treating. We look forward with interest to the exposition of the problem of rent, which we anticipate will be given from this standpoint. From this first volume all considerations of rents and of quasi-rents are excluded.

The problems connected with international trade are also not treated here, though the mathematical expression of the doctrine of comparative costs is given. Further development is postponed till after the study of problems connected with money.

In his treatment of capital, Professor Pareto is instructive. To define capital as an economic good which plays a part in production more than once is permissible, especially as it is distinctly stated that this classification is merely for convenience, and that any other will do as well if consistently made and adhered to. The force of the definition seems, however, to be lost, when we find that this repeated service is merely verbally insisted on. If the capital be consumed in its use on the first occasion of such use, it yet may be reckoned as serving a second time, if, from the product, it be reconstituted. Here we have one further evidence of the difficulties attending any attempt to exclude any produced goods from the class 'capital.'

The production of capital is conceived of as consisting of two stages, the first being the production of savings—the act of saving; the second the conversion of these savings into various forms of capital, the use of these capitals being conceived of as quite distinct from their productions. The term *interest* should, we are told, be properly confined to the rate of hire of savings, and to apply it to capital is to err in the same fashion as to take cost of production as the measure of value. In equilibrium, the net rate of hire of capital tends to equality with the net rate of interest on savings. Such a conception would permit of a closer approach to the view of Professor von Böhm-Bawerk, that the sole cause and measure of interest must be sought in the difference between

the value of goods or services, according as they are available at once or only after delay. This method of treatment makes the relation between saving and capital somewhat clearer. It is, further, practically necessary while the cost of production of capital is assumed independent of the scale of production. The question of the cost of production of savings is evaded. The remark that the services which savings can render to the would-be producer of capital are services, such as we have referred to above, of which their possessor often offers his whole supply, and takes the rate of hire which is permissible in the then state of demand for those services, gives the opportunity of showing that this rate of hire does not measure the sacrifice involved in producing the savings. There is lacking the completion of this statement which would show what measure of truth there is in the statement that interest is the reward of abstinence, and even, in a sense, its measure.

In regard to the determination of the distribution of the available savings among different uses, three cases are distinguished:—(a) Free competition between *entrepreneurs*, leading to an equality of the net rate of interest in the different employments, (β) government interference to promote the public good, (γ) monopoly of production of some forms of capital. The case (β) is examined with the result that the conditions of maximum utility (*ophélimité*) give again the same result as in (α). It has been remarked earlier by our author that the conclusions drawn are based on the hypothesis of private property. The case (β) would therefore, in general, not be capable of being examined in the manner adopted, inasmuch as it could hardly be fully realised in conjunction with private control of property in other respects.

The rest of this volume, even though in bulk it be five-sixths of the whole, is considerably less interesting than this introductory chapter. It is occupied with an examination of actual facts in regard to population, money, and banking for the most part. The purpose is to consider some of the chief perturbations of the ideal state of equilibrium whose conditions were examined in the opening chapter. A vast quantity of information in regard to population is detailed, with abundance of statistical tables to serve as material. The most various countries and distant ages are made to contribute, and the notes bristle with reference to Greek, Roman, and modern authors. We are disposed to regard much of this material as either superfluous or out of place. It is extremely interesting, but the detailed display appears to us as little suited to a treatise on Economic Science as would be those discussions on practical measures of social reform from which our author turns firmly away. He does not, however, preserve himself absolutely from the temptations to such discussion, for he finds opportunity to inveigh tolerably frequently against the bimetallists. In this connexion doubts are expressed as to the reality of a *general* fall of prices, especially as index-numbers do not give labour its due influence in this matter.

Throughout the volume the technical matters, such as historical

references and matters involving the use of algebraic symbols, are carefully separated from the text and relegated to the notes.

We look forward eagerly to the second volume, which is to treat of the principles of social evolution, production, trade, economic crises, distribution, and consumption.

A. W. FLUX

The Evolution of Industry. By HENRY DYER, D.Sc. (London: Macmillan & Co. 1895.)

THIS book is concerned, partly with history, but chiefly with prediction. After discussing the application to human progress of ideas drawn from natural science and sketching the evolution of industry in times past, the writer proceeds to examine the agencies which are to carry on the evolution of industry in the future. These are, principally, trades unions, co-operative societies, municipal activity, state control and a system of guilds adapted to the needs of modern life. All are to work together in transforming society, if not upon the principles of the strictest Socialism, yet in general harmony with the Socialist ideal. 'While I cannot hope to have pleased all my critics,' writes Dr. Dyer in his Preface, 'either as regards my treatment of the subject or the results at which I have arrived, the book will have served its purpose if it has helped individual thought and indicated the manner in which social problems should be studied before changes in administration and legislation are attempted. I have, however, not been so anxious to give in a dogmatic manner my own opinions as to show the tendency of thought among those who are studying the problems connected with labour and who may be considered authorities regarding them.' We may add that Dr. Dyer is a serious and candid writer, who often makes admissions that seem somewhat inconsistent with his sanguine hopes for the future of mankind. It would be unreasonable to carp at the details of an imaginative picture. But it may fairly be asked whether the agencies in which Dr. Dyer puts his trust are likely to produce the result which he desires.

Dr. Dyer is one of the many respectable writers who hold that 'altruism' is growing so rapidly that it may be expected in a moderate time to become the governing force in society. Is any one of the agencies here discussed an illustration of the rapid growth of 'altruism'? A trades union, whatever its practical benefits, is chiefly an instrument whereby workmen make a better bargain with employers. A co-operative society may produce still greater benefits, yet it is primarily an instrument whereby people obtain sound and cheap commodities. An active municipality may be a more general benefactor, but its existence is no proof of the prevalence of 'altruism.' Such municipalities existed in hundreds under the Roman Empire, and executed works of public utility at least as magnificent and durable as any that have been erected by their modern successors.