WILEY

Review

Author(s): F. Y. E.

Review by: F. Y. E.

Source: *Journal of the Royal Statistical Society*, Vol. 83, No. 3 (May, 1920), pp. 482-484

Published by: Wiley for the Royal Statistical Society

Stable URL: <http://www.jstor.org/stable/2340964>

Accessed: 26-06-2016 20:31 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 Statistical Society, Wiley are collaborating with JSTOR to digitize, preserve and extend access to *Journal of the Royal Statistical Society*

scientific and administrative experts, appointed by the King on the recommendation of the learned societies.

The present writer fears that in his view of the future he is a pessimist, a pessimist being—not a person who thinks that everything is just as bad as it can be and is going to remain as bad as it can be—but merely a person who really *cannot* agree with the optimist. Let him therefore do penance by citing without comment, for the encouragement of Youth, the peroration to Dr. North's review of *Seventy-Five Years of Progress*: "Some of us have faith "to believe that the day of universal justice is coming to the world, "that it draws yearly nearer, and that in the end it will make "international wars impossible. We recognise no agency more "effective to this end than the statistical method, through which "alone we can gain complete knowledge of ourselves and of other "peoples, and measure the relative progress of each and of all. "Thus the science of Statistics in the large sense is the greatest of "all the sciences; for beyond all others it becomes the international "bond of union. Behold therefore within the lifetime of the "Association, through this young science of ours the whole world "is akin!"

It will, I am sure, be the hope of all Fellows of the Royal Statistical Society that the American Statistical Association may be able to look back upon the next seventy-five years of its life with even greater pride and satisfaction in progress made and in work accomplished. G.U.Y.

2.—*The Change in the Distribution of the National Income, 1880–1913*. By Arthur L. Bowley. 27 pp., 8vo. Oxford: Clarendon Press, 1920. Price 2s.

Professor Bowley's latest study on the division of national income enhances the value of his penultimate contribution to the subject. The observations which he lately recorded with respect to the division of the national dividend at a particular epoch become now more trustworthy when it is shown that the proportions observed in one year are apt to remain constant for a series of years. The new observations perform the part of inductions fitted to be the test of others, to use the phraseology of Mill. Comparing the evidence against the existence of black swans and against that of men whose heads grow beneath their shoulders, Mill justly observed "it was more credible that a bird should vary in its colour than that "man should vary in the relative position of his principal organs." Previous experience showed that the negative evidence against the black swans, though more unanimous, was less trustworthy. Now this is the sort of induction about inductions which Professor Bowley's new brochure supplies. An experience extending over more than thirty years leads us to expect that the proportions in which the national income is distributed will, in ordinary times at least, change very slowly.

We had been prepared for this generalization by one of Professor

Bowley's earlier studies. In the *Economic Journal* for 1904 (p. 459) he exhibited in parallel columns (a) the total amount paid in wages, and (b) the total income above the limit of exemption from income-tax (with an adjustment of the limit so as to permit comparison between different periods). Comparing (a) and (b) for the first quinquennium (1860-64), we find the ratio of wages to income paying tax to be 0.85 to unity. For the last quinquennium (1897-1901) the corresponding figure is 0.88; and for an intermediate period (1878-82) 0.80. The stability of proportions is confirmed by Dr Bowley's latest observations of the distribution between property and labour—classes not defined so simply as the (a) and (b) above cited. As now defined, the proportion of property's share to that of labour is found to be $37\frac{1}{2}$ per cent. to $62\frac{1}{2}$ per cent. in 1880; and exactly the same in 1913.

The stability thus evidenced is certainly very remarkable. It almost justifies the proud title of "Physique sociale" which Quetelet claimed for human statistics. It almost exhibits the character of physical nature: the distinction which Bishop Berkeley ascribes to the "ideas of sense." "They have," he says, "a 'steadiness, order, and coherence and are not excited at random as 'those which are the effects of human wills are.'" The analogy at least serves to emphasize Professor Bowley's conclusion that distribution depends upon a fixed system of causation. Like the physical constitution, it is not likely to be benefited by unscientific practices, remedies suggested by association of ideas and first appearances. Such was the medieval practice of blood-letting; such the depletion of profits prescribed by the modern socialist. The relation of that simple remedy to the evil which it is intended to use is well indicated in some remarks made by Dr. Marshall in the course of the discussion on a paper on the Changes in Average Wages, read by Mr. Bowley before the Statistical Society in 1895 (*Journal*, vol. lviii, p. 280). "Mr. Bowley's figures showed the increase of "wages to have been a little less, proportionally, than the increase "of income in general. But if only half the amount of capital "had been saved, the result would have been that the increase of "wages would have probably been smaller than it actually had "been and yet would have been greater and not less than the "increase of other incomes."

In view of the relation between property and capitalization, the inequality in the distribution between labour and property may not be such an unmixed evil as it appears at first sight. At any rate it should not be forgotten that while the relative position of the worker is much the same his absolute income has been increased.

The matter may be illustrated by a recent correspondence in *The Times*. A distinguished physicist, on the strength of a strange economic theory, had argued that "it is merely a matter of time "before the producers (meaning apparently those in receipt of "wages and salaries) are left with anything but their appetites." To which it was pertinently replied that the theory was not borne

out by facts ; since Professor Bowley had shown that the share of the national product which accrues to the "producers" does *not* form a steadily diminishing percentage of the total. To which the first writer, retiring it would seem from his original extreme position, retorted with a clever illustration purporting that, even if there had been no retrogression in the position of the producing class, that there should have been no progress was highly unsatisfactory.

The retort is good so long as we confine attention to distribution and suppose that improvement in that respect is the only possible advance. But we must take into account increase in absolute quantity as well as in proportionate share ; for instance, the rise of 34 per cent. in real wages between 1880 and 1913, as computed by Professor Bowley. There is also a satisfactory transference from the class of wage-earners to classes with higher incomes.

No doubt there remains great and undesirable inequality, which Professor Bowley does not palliate. The disproportion is, however, less serious than it appears at first sight, for a reason pointed out by him. One may say with Sir Leo Chiozza Money that "one half of the entire income of the United Kingdom is enjoyed by about 12 per cent. of its population." But it must be remembered that out of that half is taken a great part of the revenue necessary to Government, and the greater part of the savings necessary to the continuance and increase of production. What is taken in the way of taxation can hardly be said to be "enjoyed" ; and of savings the enjoyment is at least deferred.

Still we do not dispute the author's melancholy conclusion that "the results of the system (the fixed system of causation determining "distribution) have not produced a satisfactory livelihood to the "bulk of the population." Rather, we would associate ourselves with Dr. Marshall when in the course of the remarks to which reference has been made he said that "he himself desired to see "wages increase at the expense of the incomes of well-to-do classes." But, he added that "we must consider what was possible as well "as what was just."

F.Y.E.

3.—*Effects of the War on Money, Credit and Banking in France and the United States.* By Professor B. M. Anderson, Jun. Preliminary Studies of the War, No. 15. vii + 227 pp., 8vo. Oxford University Press, 1919.

Professor Anderson has had the difficult task of compressing a very extensive subject into a narrow compass. Of the two portions into which his book is divided, that dealing with France has been made substantially the longer, because, as he explains, war-time developments in France are much less familiar to American readers than those in their own country. The French portion is also much the better of the two. A great deal of ground is covered in a clear and interesting manner in no more than 120 pages. An illuminating preliminary chapter on pre-war French finance is based largely on the attacks of "Lysis" in *La Revue* upon