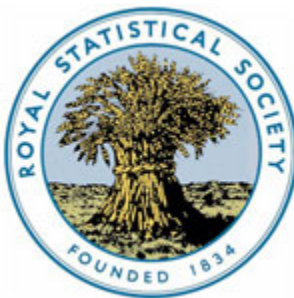


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Review

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through co-operation and low prices and "scrapping" of obsolete machinery (p. 342 *seq.*); but the general result stands, from the inequality of property. Our author will not allow a great place to the extension of credit, the rebound of speculation, or the currency, or insufficiency of investments. The accumulation of capital goes on even in slack times; it finds investments then, but not customers for its products (p. 296). The essential cause of crises is the unlimited tendency of capital to increase and, because of the unequal distribution of wealth, the limited growth of consumption (p. 361).

According to the older theories, what seemed over-production was always mal-adjustment. To the Professor it is a mal-adjustment founded on the nature of things, and the glut is not apparent but real. By his own account, however, it is not lasting, but temporary; and there are forces constantly at work for the restoration of the equilibrium.

J. B.

9.—*The Trade Cycle*. By F. Lavington, M.A., Girdlers Lecturer in the University of Cambridge. 113 pp. London: P. S. King, 1922. Price 3s. 6d.

This lucid little book is intended to give in a simple form the chief causes which underlie the rhythmical variations in commercial activity. It does not pretend to give the results of any original research, but rather those conclusions reached by economic enquirers which seem to give the most acceptable explanations of the phenomena concerned.

It appears incongruous that a book with such a title should hardly have a single numeral in the text, let alone a statistical table in illustration of the views discussed. The value of the book is much restricted by its doctrinaire attitude and its impression of remoteness from the actual phenomena dealt with, but the author's command of style and diction has enabled him, nevertheless, to produce a most readable volume.

It would be no overwhelming criticism of explanatory theories of normal trade cycles if these failed to explain adequately some of the factors of the abnormal commercial circumstances of the past two years. As a matter of fact, however, many of the features of the recent slump are readily explained by the line of argument developed in this book, though too little account is taken of what may be termed the psychological momentum of the commercial machine. Almost every industry is carried on by a body of manufacturers and a body of merchants. Even if the business judgments of one set were always rationally determined and were entirely free from psychological errors of optimism and pessimism, provided the other set were not developed on such rational lines the former would be practically impotent to diminish the momentum inherent in the commercial machine and under which it performs its rhythmical phases. An illustration of this occurred at the end of the war. The manufacturers in a particular industry proposed that the Government control which had maintained the prices of their raw materials and finished products at certain levels during

the war should be continued for a period of two years afterwards. Any such arrangement, however, would have required the cordial support of the merchant section of the industry (the main connecting-link with foreign trade) to have been even partially successful, and this was not forthcoming. An attempt by the manufacturers to damp the swing of the pendulum was practically futile, and, against their deliberate judgment, the manufacturers were impelled by the momentum of the commercial machine into the upward phase of the cycle. Prices went to 150 per cent. above their controlled level, but in less than two years had returned, with fluctuations, approximately to that level. Theoretically it was quite possible to have maintained the industry on a level keel and to have avoided the disastrous consequences of the slump.

It has to be recognized, however, that the commercial machine has acquired such momentum that it cannot be diverted from the course prescribed for it, even when the operators of the machine appreciate that diversion is desirable. The modern man of business has really become the slave of the system which has been developed, and is to a large extent powerless to retard those upward movements which he frequently recognizes must result in reactions bringing in their trail great hardship.

The book is not entirely a summary of the conclusions reached by other economists, since it has a chapter on "some social aspects of modern industrial organization," in which the author attempts to answer the questions, "Are the effects on human well-being of these alterations of business activity so serious as to condemn our industrial system?" and "Whatever their importance, can they be reduced without a radical change in our present methods of industrial organization?" Clearly no adequate answer to the first is possible (a partial answer may perhaps be given after twenty years development on the present lines in Russia) though the author seems to incline to the affirmative. It has to be recorded in favour of the system that, whereas primitive man had to spend practically the whole of his time in satisfying his most rudimentary requirements, modern industry appears to be steadily reducing the amount of time required in order to provide the wherewithal for life on an increasing standard. The author also seems to favour an affirmative answer to the second question, and points out that the English banking system, which, he considers, has done much to lessen the intensity of the course of business cycles in this country, might develop its policy and take collective action in limiting still more closely the expansion of loans during periods of rising business activity, and thus confine the expansion of purchasing power within more moderate limits and restrict the rise of prices and the growth of business confidence with its consequent reaction. Such a view, however, does not seem to give adequate consideration to the international character of practically all industry to-day; and the efforts of British bankers might be not only abortive, but positively dangerous, if they were not accompanied by the adoption of similar

methods by foreign bankers. If, for example, American tanners require more hides, and pay, with the assistance of their bankers, higher prices in the world's markets for them, the British tanners have either to pay, with the assistance of British bankers, the higher prices also, or go out of business and leave it to their American competitors. It is sincerely to be hoped that the British banks will not decide that collective action in order to limit the expansion of purchasing power is one of their legitimate functions.

E. C. S.

10.—*Supply and Demand*. By Hubert D. Henderson, M.A., Cambridge Economic Handbooks.—I. x + 177 pp. London: Nisbet and Co., 1922. Price 5s. net.

Money. By D. H. Robertson, M.A. Cambridge Economic Handbooks.—II. xii + 178 pp. London: Nisbet and Co., 1922. Price 5s. net.

The first of these handbooks is a simple statement of the current theory of value, clearly written and freed from a good many technicalities. Demand Schedules and Supply Schedules make no appearance; those figments, the Normal State and the Representative Firm, are never mentioned, nor is Consumers' Surplus. More notable, the Law of Increasing Return and (except for a single reference) the Law of Diminishing Return are conspicuous by their absence. Partly, this is simple writing, but partly, a simplification of the subject-matter. As against this latter, however, the space given to the question of real cost is calculated to try the inexperienced reader. Beginning with a general exposition of the laws of supply and demand, formulated in seven propositions, the book goes on to deal with the value of land, risk-bearing and enterprise, capital, and labour, and thus lays firmly the foundations of the Marshall-cum-Pigou exposition of distribution. The treatment of Rent is sensible, clear, and acceptable to the lay mind; the chapter on the rewards of risk-bearing and enterprise is equally so. The exposition generally is skilful; and the only matter which might have been added with advantage is some treatment of monopoly value.

The rôle of this book in the series is perhaps somewhat more than an explanation of the elements of value, and, if so, Mr. Henderson has fulfilled his task with distinction. Chapter I is a most persuasive exposition of order in the economic world, and the writer pursues the theme in the subsequent chapters by constantly recurring to the point so trenchantly enforced by Wieser—that the maximum social satisfaction in the consumption of goods, and the most effective application of the agents of production, must be found by the process of valuation along the lines of the marginal law, whatever basis is adopted for the distribution of income. Or, as Mr. Henderson puts it, "the laws of supply and demand represent what is socially 'desirable now or under any system,' including a world socialist organization. The plan which he has adopted of hinging the treatment of the value of the agents of production on a discussion