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Review

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Source: *The Economic Journal*, Vol. 17, No. 68 (Dec., 1907), pp. 532-535

Published by: Wiley on behalf of the Royal Economic Society

Stable URL: <http://www.jstor.org/stable/2220854>

Accessed: 27-06-2016 01:08 UTC

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## REVIEWS

*The Principles of Economics.* Vol. I. By Prof. Alfred Marshall.  
Fifth Edition. (Macmillan and Co.) Pp. 870.

THE editor of the ECONOMIC JOURNAL has honoured me with an invitation to review the fifth edition of the first volume of Prof. Marshall's *Principles of Economics*. *Hujus addictus jurare in verba magistri*, I am suspect as an advocate against objectors, and unfitted for the task of criticism. But, one thing a pupil of Prof. Marshall may be able to do which could not be done so easily by anyone occupying a more detached position. In a work at once covering so wide a range of detail, and delving so deeply into principles—more particularly when that work consists of “foundations” only, upon which the superstructure has still to be reared—it is easy to misconceive the central idea and to miss the organic unity of the whole. From this kind of misinterpretation, and the consequent misapplication of his doctrines, one who has been taught by Prof. Marshall himself as well as by his writings *ought* at least to be free. He ought to be able to indicate the broad significance of this latest presentation of those doctrines and the relation in which the new material that has been incorporated stands towards the old. Something of this kind I shall endeavour, not without trembling, to accomplish.

The alterations which have been introduced into the present edition are considerable. In the course of an interesting preface of ten pages their scope is explained. Many of them are concerned with arrangement, “some discussions, which had already been indicated as not essential to the main drift of the volume, being transferred to Appendices” (Preface, p. xv.). Others have reference to small points and technical difficulties of analysis. The most important, however, are (1) the remodelling of Chapters VIII. to XI. of Book V. on *Marginal Costs in Relation to Values*, (2) the inclusion of a new Appendix G on *The Incidence of Local Rates*, and (3) the inclusion of a largely new Chapter XIII. of Book VI. on *Progress in Relation to the Standards of Life*. It

is upon this last threefold group of alterations that I desire to concentrate attention. For they stand in intimate relation to two of Prof. Marshall's conceptions, which, while absolutely fundamental, have, in the view of their author, been misunderstood by important writers in England and America; I mean the conceptions of the rôle played in Economics by Time, and by the National Dividend. These two conceptions cannot, of course, be separated in actuality, since the National Dividend is incident to Time. In strictness they represent transverse threads of thought closely interwoven. Nevertheless, I shall claim the right to that much of "abstractness" which will allow them to be separated in discussion.

Prof. Marshall's treatment of Time is, from some points of view, his most original contribution to scientific thought. Whereas the general idea of the National Dividend, apart from Time, was present in a vital, if relatively undeveloped, form to the mind of Adam Smith and his illustrious successors, the difficulties connected with Time were left by them almost wholly untouched. In the one case Prof. Marshall has broadened and levelled a road already traced; in the other, he has broken ground that was practically new. It is for this reason, probably, that his doctrines concerning Time have been misunderstood by many hasty writers—Prof. Fetter, for example—and that he has found it necessary in successive editions to take extreme pains over their exposition. In his volume as it now stands, Book V. Chapters VIII. to XI. have been entirely recast with a view to greater lucidity, and their bearing upon practical problems has been displayed by the inclusion of the new Appendix G—largely based on the author's Memorandum to the Royal Commission—upon *The Incidence of Local Rates*. They contain a sustained argument for "the central doctrine that interest on free capital, quasi-rent on old investments of capital, shade into one another gradually, even the rent of land being not a thing by itself, but the leading species of a large genus" (p. 421); and they explain by abundant illustration the intimate dependence of the continuity thus traced upon the parallel continuity characteristic of the great variable, Time. In this way they render the fundamental and difficult doctrines of rent and quasi-rent thoroughly perspicuous.

Prof. Marshall's work upon the *National Dividend*, though different in character, is perhaps even more important than his work on *Time*. To discuss it in detail within the limits of a review is, of course, impracticable. There is one point only which I should like to make. *The conception of the National*

*Dividend is not an academic toy, but a practical instrument of great power designed for service in the concrete solution of social problems.* The unavoidable but regrettable delay in the appearance of Prof. Marshall's second volume has obscured this fact. The purpose of the difficult analysis of Books V. and VI., to be fully understood, needs to be regarded in the light of its application. By means of the new matter introduced into Book VI., Chapter XIII., the workshop door is opened a little further than in the earlier editions, and Prof. Marshall's engine is seen actually engaged upon some of the tasks for which it was made. The earlier discussion of the effects of various forms of Labour policy is considerably developed, a caution being incidentally introduced (p. 705) against the perverse idea of Mr. and Mrs. Webb that the "marginal labourer" means "that worker who is so inefficient that the employer can barely be induced to employ him at all." The National Dividend—the flow of economic goods and services made available during the year—is the centre of the whole of this reasoning. Itself a means, it serves, in fact, as a nucleus to which ends cohere, and in analysis, as a focus capable of concentrating together all discussion of economic forces and activities.

Thus, it is urged that the question whether any Trade Union policy is anti-social cannot be answered till we know how the dividend is likely to be affected by it. The attitude which the State should adopt towards poor persons, and particularly towards poor children, is brought to the same test. Nor is this all. Prof. Marshall's engine is turned upon the problems of Collectivism, and at once cuts a way to a plane of thought lying much deeper than those on which discussion of these problems usually proceeds. "Starting from the fact that the growth of the National Dividend depends on the continued progress of invention and the accumulation of superior appliances for production, we are bound to reflect that up to the present time nearly all of the innumerable inventions that have given us our command over Nature have been made by independent workers, and that the contributions from Government officials all the world over has been relatively small" (p. 712). Many of us, whether or not we will confess it, had, I suspect, imagined that the problem of collective *versus* private ownership turned, as regards this aspect of it, simply on the relative efficiency of management, and had not even asked ourselves the question which of the two systems would be likely to prove the more fruitful of ideas. It is by patient concentration upon the activities underlying the

National Dividend that deeper issues of this order are brought to light. The dividend constitutes the kernel of economic theory because—along with those moral and other aspects of practical problems which Prof. Marshall would be the last to neglect—it is the centre of sound philanthropic endeavour. It is to an analysis of this that we are driven when, throwing off the moral torpor of indolent optimism, we refuse, “with our modern resources and knowledge, to look contentedly at the continued destruction of all that is worth having in multitudes of human lives,” and demand from social science guidance to social reform.

A. C. PIGOU

*The Woollen and Worsted Industries.* By J. H. CLAPHAM.  
(London : Methuen and Co. Pp. xii. + 307.)

PROF. CLAPHAM'S work will be especially welcome to those who are feeling their way to a realistic industrial morphology. It is a sketch rather than a finished picture ; but a sketch the lines of which are drawn firmly and artistically in proper proportion and with the right emphasis. It is to be hoped that it will stimulate more research upon such material as still awaits complete examination. The volume before us is concerned entirely with existing facts, except that history is invoked occasionally when it throws an obvious light on the present situation. In Chapter I., the prime aim of which is to aid understanding of the more specifically economic topics which follow, the mechanical processes of manufacture are outlined. Chapter II. is devoted to the raw materials and the trade in them. We learn that the importance of the London auctions is declining, and that the seat of primary sale of wool not home-grown has shifted somewhat to the sources of supply, with the result that the bulk of foreign purchases of English Colonial wool are not now effected on the London market. But there are no signs as yet of “futures” in wool appearing, though recourse is had in the West Riding to deferred deliveries—a natural origin of technical “futures” or terminal dealings—by traders in “tops” (the name given to wool combed ready for spinning), and already in certain Continental top markets “terminal dealings,” properly so-called, have emerged. Students of markets would have been grateful for some information upon the organisation of top markets abroad ; also for the calculation of some indices of price steadiness in these markets. The latter would be of practical value in affording guidance to those upon