

bloodless war which Mahan contemplates (*Armaments and Arbitration*, pp. 56, 64) would often take the place of actual fighting. Also, invaders who should steal a march on an unsuspecting neighbour would incur the hostility of the leagued nations. But this first step towards improved international relations might be adopted by a nation which believed that right rests ultimately on might, and that it is normal to seek aggrandisement by war. They would not renounce deliberate exercise of force. The barbarian invaders of the Roman Empire, who are so much admired by their modern descendants, would not have been permanently held back by such a treaty. The rivalry of Rome and Carthage might still have subsisted—with some mitigation probably—notwithstanding an agreement that before going to war the rivals should submit their differences to a council. The curse of the Carthaginian Queen—*nullus amor populis*—will, indeed, long rest upon the modern rivals. But we are not compelled to add: *nec fœdera sunt*.

After-War Problems. By the EARL OF CROMER, VISCOUNT HALDANE, the BISHOP OF EXETER, Professor ALFRED MARSHALL, and others. Edited by William Harbutt Dawson. (London: Allen and Unwin. Pp. 366. 7s. 6d. net). 1917.

THIS is a useful collection of contributions to the solution of problems which will become pressing after the restoration of peace. The number of separate essays—twenty in all, if we include the editor's stirring introduction—would of itself deter us from attempting to cover the ground evenly by detached remarks on each of the different subjects. Moreover, much of the ground lies beyond the range of the *ECONOMIC JOURNAL*. We are thus constrained to select somewhat arbitrarily for special notice a few out of the many valuable articles in this collection. We must omit altogether the first division of the book, which deals with "Empire and Citizenship." Under the second head, "National Efficiency," passing over with reluctance Lord Haldane's treatise on "National Education" and other important papers, we first notice Professor S. J. Chapman's "State and Labour." Professor Chapman anticipates that the "crystallisation of the productive system in regulations and customs" which had set in before the war will have been modified by the experience obtained during the war. For example, "it ought not to be beyond the powers of organisation to fit in the employment of

women, under conditions suited to their powers, with the employment of men under different and less restricted conditions." Things will come out greatly changed from the furnace of war. Nevertheless, the State is bound to fulfil its undertakings to restore restrictions which prevailed before the war. The workpeople have a right to a status at least as good as those restrictions were intended to secure. But they may use that right as something to bargain with and thereby obtain conditions different from, but more advantageous than, the old ones. The State in dealing with the relations between employer and employed in the period of transition following the war must endeavour to prevent the economic system which has been forced by the strain of war to make itself plastic from hardening again into a rigid form. "Its habit has hitherto been that of the lobster—to grow a shell, discard it when it has become absolutely tight, and then grow another. The ideal to aim at is continuous plasticity under working agreements which can be modified as need arises, seeing that schemes suited to all the features of an unforeseen future cannot possibly be devised." One awkward factor to allow for will be price variations with consequent changes in real wages. "The obvious course is to provide some slide of wages with an agreed index of prices for a period." But there remains the question what should be the starting wage, what should be the real wage which it is agreed to keep constant while prices vary, Shall the basis be the terms which the wage-earner now enjoys, or his remuneration before the war?

Professor Chapman incidentally throws much light on a problem which is discussed *eo nomine* in the two following essays, "The Relations between Capital and Labour." On behalf of Labour Mr. G. H. Roberts, M.P., makes some large claims. Seeing that nothing is so demoralising to the worker as low and uncertain wages, "it should be made a misdemeanour for any person to take another into employment unless able and willing to pay a living wage." "The doctrine of *laissez-faire* must be interred beyond the possibility of resurrection." But the tone in which these demands are made is conciliatory. The writer does not pretend that all the faults have been on the side of the employing class in their disputes with the workpeople. He looks for some permanent plan for securing agreement between the parties, such as was suggested by the Industrial Council appointed in 1912. He separates himself from those mischievous persons who go about prophesying a widespread class warfare after the termination of national hostilities. "Having seen the son of the

well-to-do and the son of the labourer watching and fighting together in order that their country may remain great and its people free, I cannot think they will soon forget the comradeship that inspired them to common endeavour and sacrifice. . . ."

In a similar spirit, from the standpoint of Capital, the late Sir Benjamin Browne deprecates quarrels. "What we want is to try and somehow re-establish that trust between employers and workmen that has to a certain extent fallen into abeyance, but by no means altogether. . . ." "The two bodies ought to be organised, as most of them have been for some time, and they ought to meet together on a footing of absolute equality, and no stoppage ought to be allowed until every effort has been exhausted to make a friendly settlement." Some not obvious circumstances which should be taken into account in framing such a settlement are adduced by the experienced entrepreneur. Grant that in the case of a company where the amount of capital employed per workman is large a small sacrifice on the part of capital may materially benefit the workman; yet the case is very different when there is only £100 of capital or less per man employed. Again, the large profits of some businesses arrest attention from the fact that many others make either little or nothing. "When I came to Newcastle as an employer, in 1870, I had occasion to meet all the engineering employers of Newcastle and Gateshead. I have kept an account of these businesses, and I find that two-thirds of them have perished disastrously." Again, owing to the power of a long purse to surmount troubles, "drastic changes in the law, unexpected strikes, and all other sudden and violent measures," generally tend to give the large employer an advantage. The decline of the small employer is regarded by the writer as a national calamity.

An important contribution to National Efficiency is made by Mrs. Fawcett in her article on "The Position of Women in Economic Life." We shall attempt to summarise her arguments; compressing, but, we trust, not distorting, the solid contents of the article.

Women have been excluded from skilled industries for which they are capable by the action of trade unions. For instance, "seven or eight hundred women who were working linotype and monotype machines in Edinburgh in 1910 were doomed to industrial extinction as the result of the Typographical Society's strike." In the textile trades "stringent trade union rules prevent women from being taught to 'set' and 'tune' their machines.

They do not do it because they are not allowed to learn how to do it." The trade union spirit in the professions is even more exclusive. The long boycott of women medical students in Edinburgh University has only just now (1916) been brought to an end. The British Red Cross in the first months of the war refused all recognition to hospitals officered by medical women for foreign service. The Army Medical Department was at first equally exclusive. Now, indeed, women have won their way into the medical profession, but nearly every other profession is still closed to them in this country. There results an immenso waste of a great national asset. "There is no waste so great as the waste of the powers and gifts of the human beings who make up the nation."

This exclusion from skilled trades and professions exercised by men has the result of inequitably lowering the remuneration of women. The inequity is glaring when being permitted to do the same work women receive less pay. "For clerical work the pay allowed by the Treasury for women is substantially lower than for men. When in 1916 the great rise of prices called for a bonus on the wages of the clerical staff in Government Departments, an extra 4s. was given to all the men from eighteen years old and upwards, but only 2s. a week to women." At an aircraft factory the employers tried to make girls sign an agreement to work at a flat rate of 8d. an hour. . . . "The men in the same factory were having 10d. 1s., and 1s. 2d. per hour; the women doing in most cases absolutely identical work." Many instances are given of women working for Government or in "controlled" establishments who are receiving wages insufficient to maintain them in efficiency—evidently (we infer) below the standard of men's wages.

It cannot be maintained that the unequal treatment of women is justified by their inability to acquire skill or by the inferiority of their work. Those who make the first objection can never have heard Miss Marie Hall play the violin or Miss Fanny Davies the piano. "They can hardly even have seen a woman dancing on the tight-rope." As to the alleged inferiority of women's work, evidence to the contrary is furnished in abundance by the experience of munitions work. For instance, Sir William Beardmore, in his presidential address to the Iron and Steel Institute, 1916, recording the experience of his own firm, adduces cases in which "these girls in all cases produced more than double that by thoroughly trained mechanics—members of Trade Unions—working the same machines under the

same conditions." "In the turning of the shell body the actual output by girls, with the same machines and working under exactly the same conditions and for an equal number of hours, was quite double that by trained mechanics."

Nor can the unequal remuneration of women workers be justified by the allegation that they have homes provided by their parents and are working for "pocket-money wages." "There may be here and there a few young women who are working under these conditions, but it is not true of the mass." The recent researches made by the Fabian Women's Groups show that out of 2,410 cases of wage-earning women two-thirds are not only entirely self-supporting, but have others to maintain besides themselves.

The fact last stated meets an objection which the author dismisses somewhat contemptuously as "the old story of the men having dependents and the women none." From the Fabian statistics which Mrs. Fawcett cites we gather that in round numbers 1,000 wage-earning women, about 40 per cent. of the total under observation, were supporting over 1,550 persons (adults or children) either wholly or partially (over 600 wholly and over 950 partially). There were also 432, nearly 20 per cent. of the total, contributing to the upkeep of their own and other homes over and above the cost of their own board and living.

If women really do identical work for less pay, "it must end in the women monopolising the trade and the men being turned out of it or coming down to the women's rate of wages."

Thus on grounds of expediency as well as justice "women should get equal pay with men for equal results," as Captain Williams lately declared, speaking on behalf of the Board of Trade. In the words of Mr. J. H. Thomas, M.P.—one of the few that are free from that fear of the voter which makes cowards of most members of Parliament—"wherever women were doing the work of men they should be paid the same rates as men."

We do not feel competent to comment on the statements which we have attempted to summarise. We may perhaps assist the reader to test the strength of Mrs Fawcett's arguments by referring him to some variant statements upon the points at issue made by other high authorities on the subject. Such is the article in the *New Statesman* (for August 1st, 1914) in which Mrs. Sidney Webb argues that the principle of equal pay for equal work—that "abstract doctrine of the modern middle-class Feminist"—may lead to the unexpected result of one sex or the other being entirely excluded from a branch of industry. So

Miss Rathbone in the *ECONOMIC JOURNAL* (March 1917, p. 55 *et seq.*) treats as very serious the argument to which Mrs. Fawcett alludes as "the old story of men having dependents and women none." We may also refer to Professor Taussig's article on a "Minimum Wage for Women" in the *Quarterly Journal of Economics* (for May 1916, summarised in the *ECONOMIC JOURNAL*, September 1916).

We pass on to the problem of "Taxation After the War," treated by Dr. Marshall. He begins with an estimate that the revenue required after the war will certainly be more than twice as much as was required before the war, certainly more and possibly much more than £m.400 (we follow Dr. Marshall in the use of a notation which is convenient for those who have to think in millions). The next topic is "a search for the least detrimental distribution of the future heavy burden of taxation." The statement of the question affords some clue to the answer. For it is suggested, as we interpret, that the criterion of right distribution is, in Mill's phrase, "the mode by which least sacrifice is occasioned on the whole," rather than the alternative, but by no means identical, formula given by Mill and mostly adopted by his followers, the principle of equal sacrifice, "that each shall feel neither more nor less inconvenience from his share of the payment than every other person experiences from his" (Mill, *Political Economy*, Book V. chap. ii. § 2). To elicit from the second criterion a decided argument for progressive taxation requires assumptions as to the laws of sentience which are somewhat precarious, which seemed to Mill "too disputable altogether." Dr. Marshall is content merely to allude to the question whether as much personal hurt is caused by taking £1,000 from an income of £10,000 as by taking £20 from an income of £200. It is "a matter on which opinions differ," he says, and he goes on to affirm a proposition which does not depend on such precarious premisses; "the hurt caused by obtaining £1,000 of additional revenue by means of levies of £20 from each of fifty incomes of £200 is unquestionably greater than that caused by taking it from a single income of £10,000." Perhaps he would agree with us in accepting Professor Nicholson's judicial pronouncement on the issue between "minimum sacrifice" and "equal sacrifice": that the former statement "seems more logical on the pure utilitarian theory; on grounds of formal justice the equality of sacrifice may be preferred" (*Principles*, Book. V chap. vii. § 3, note). At any rate, Dr. Marshall seems to secure the good and to

avoid the danger inherent in each of the doctrines. On the one hand, he would not exempt from taxation and the attendant sense of sacrifice even "the poorest class of genuine workers," even "those who apply practically the whole of a very small family income to good uses." They would thus "remain full free citizens with a direct interest in public finance." "But the greater part of what they contribute directly to the Exchequer should be returned to them indirectly by generous expenditure from public funds, imperial and local, for their special or even exclusive benefit." On the other hand, while recommending that the income tax should be more steeply graduated, with perhaps some increase in duties on inheritance, he would avoid the danger of discouraging the formation of capital. "The duty of each generation to those which are to follow is as urgent as that of the rich to consent to surrender a more than proportionate contribution from their incomes to the national purse; ethical considerations and those of high policy make alike for the preservation of capital."

In connection with the apportionment of taxation between the rich and the poor we may notice a certain "abstruse point." "If a great part of the revenue is derived from taxes on commodities consumed by the people, then either the standard of living of the people must be lowered or the taxes must ultimately be paid by their employers; therefore it must in the main fall on the income obtained from capital employed in business." This statement (which like most of our unavoidably curtailed quotations should be read with the context) seems more accurate than the statements of Adam Smith and Ricardo as to the consequences of taxes on the necessities of workpeople.

We are reminded of another classical doctrine, one propounded by John Rae in the work so highly praised by Mill, when Professor Marshall suggests that "pleasure derived from a display of wealth can be made a source of revenue without considerably injuring those who are taxed." The affinity which is noticed between this principle and the taxation of advertisements likewise deserves consideration.

Taxes on imports are reserved for separate consideration. They have certain advantages. Under modern conditions commodities are more easily taxed when crossing the frontier than when produced at home. A great part of the burden may, in some special cases, be thrown on the foreigner. On the other hand a duty on any import tends to prejudice those who are engaged in production for export. And the arguments in favour of resort to

import taxes have generally to be discounted by the following weighty observation. "The experience of many centuries shows that a policy which will confer a considerable benefit on each of a compact group of traders or producers will often be made to appear to be in the interest of the nation; because the hurt wrought by it though very much greater in the aggregate than the gain resulting from it is so widely diffused that no set of people are moved to devote mind, time, and energy to making a special study of it. Its advocates speak with zeal and the authority of expert knowledge. But they are bad guides, even if unselfish and perfectly upright; for a policy that makes for their peculiar profit is invested in their eyes with a deceptive glamour."

Taxes on imports have been advocated as a source of revenue—revenue urgently required after the war. But the source is less abundant than is supposed. Even Germany (in 1913) derived only about 2s. per head of her population from taxes on finished goods of all kinds; and our exchequer will require about a hundred times as much as this per head after the war. It is not generally known that Germany's receipts from import duties on "raw materials for the purposes of industry" yielded almost the same amount as those on finished goods and more than four times as much as those on half-finished goods. Against the taxation of foreign half-manufactured and even wholly manufactured goods for the purpose of revenue—or indeed for any other purpose—is to be set the weighty consideration that Britain owes much of her advantage as an exporter to the ease with which her manufacturers obtain such goods from all parts of the world.

Another purpose for which taxes on imports are recommended is to protect industries which have suffered from foreign competition. Dr. Marshall reminds us that the advantages of production on a large scale, as a means to which Protection is recommended, belong in the highest degree not to a single business, nor even a single industry, but to "a compact industrial district where the production of many correlated industries for sale at home and abroad work into one another's hands; thus getting what they need without obstruction."

With regard to dye and certain "chemical" and other industries in which Britain has been outpaced by Germany, "the best remedy is a voluntary association of British manufacturers and traders who have some special interest in the matter, and who unite their resources to set up the industry in full strength." "State laboratories and University laboratories subsidised by the State should be required to undertake suitable inquiries on behalf

of the industry." To meet the expenses thus incurred, "a small duty may reasonably be levied on imports which compete with the products of the new industry."

A heavy duty may be imposed on any of the articles which can be shown to be often "dumped" in the British market at an exceptionally low price for the express purpose of crushing the new industry. But there occurs to us here an observation made by the author in a somewhat different connection: "No good distinction has yet been found between malignant dumping and the practice of selling abroad occasionally at relatively low prices, which obtains in almost every British industry."

Again, in the matter of key metals, "new conditions seem to call for some departure from that liberal policy which has served Britain well in the past." But "the key metals of to-day are not those of a few years ago; and restrictive measures by taxation are a poor substitute for constructive energy which may outpace the Germans in finding out what will be the key metals of the coming generation."

The new requirements of national defence have also weakened some of the old arguments for the free importation of food; "some measure of protective policy in regard to necessary food supplies may need to be accepted as an insurance against disaster." The writer indicates some measures among which Protective duties are not conspicuous. He refers to Professor Naumann's conclusion that the progress of agriculture in Germany has been at about the same rate in recent years as under the more liberal Caprivi policy, and at least as great in duty-free countries as in those with Protective tariffs.

The topic is connected with imperial preference. Import duties from which the other parts of the Empire are exempted would have little effect. "If Empire grain is admitted free, and Argentine grain is not, then Argentine grain will oust Empire partially or wholly from other markets; and Britain will be supplied almost exclusively from the Empire at about the same prices as before." But if the Empire grain is taxed at a rate lower than that levied on other grain, Britain will make a valuable present to other parts of the Empire at great cost to herself. But this result, if unintended, is open to the remark that business transactions among relatives and friends are dangerous. Difficulties open out in every direction when specific details of plans for Preferential duties are considered closely. There are also some general objections of an "ethico-political" character. If Britain tries to turn victory to her own special benefit, if her

actions give colour to the charge that she organised the war in the interests of her own industry and trade, she will commit a fatal error. It was by proceeding on Machiavellian lines that Germany provoked the antagonism of the world. Lastly, if Britain should countenance the large schemes of Protection put forward in some quarters, "Britain would appear to abdicate her great place as ruler of India in India's interest."

The Value of Money. By B. M. ANDERSON, Jun., Ph.D., Assistant Professor of Economics, Harvard University. Author of *Social Value*. (New York: The Macmillan Co. 1917. Pp. 610.)

"THE theory of the value of money is a special case of the general theory of value. . . ."

"Value is not a ratio of exchange or 'purchasing power,' but is an absolute quantity prior to exchange. . . ."

"Economic value is a *species* of the *genus*, *social value*, co-ordinate with legal value and moral value. . . ."

"The value of money, being a special case of economic value, is subject to the same general laws. . . ."

These propositions are taken from a summary in which the author recapitulates theorems propounded in the first two parts of his treatise, constituting about two-thirds of the entire work. Thirty-six articles are required to sum up the reformed economic faith. Or, rather, only the fundamental doctrines are set forth in this *confessio fidei*. On this basis is reared a superstructure of higher theory, culminating in a sublime topic, "the reconciliation of statics and dynamics."

We shall not attempt to sketch the imposing system as a whole. We shall direct attention to some important points, with respect to which we either dissent from the author or suspend our judgment.

Agreeing with Dr. Marshall as to the relation between cost of production and value,¹ we disagree from the following statements:—

"To the Austrian economists we owe a rational theory of costs. . . . Value causation comes ultimately, not from the side of supply, but from the side of demand. . . . 'The real cost doctrine of the Classical School has failed' . . . 'it is virtually only as a pecuniary doctrine, costs from the entrepreneur point of view,

¹ See *Principles of Economics* as to Cost of Production *passim*, and as to Mill, Book V. ch. iii. § 2, p. 339 note (6th ed.).