

industry is not on that account to be described as non-competitive. It is rather a sweeping assertion that "there never was a competitive price fixed by theoretical supply and demand curves, except in the case of a few staples capable of being graded." Even where this statement is literally true, may not the play of competitive forces, whereof supply and demand curves are the outcome or expression, still subsist in its essential character—for instance, in the labour market, and in transactions respecting house accommodation? (*Cp. Marshall's Principles of Economics*, Vol. VI. ch. ii. § 2, note 3.) In short, the author may seem to exaggerate the element of monopoly in modern business. But no doubt it is a very important element, and he has done well in formulating its action more clearly.

Istituzioni di Economia Politica. By Professor A. GRAZIANI. (Turin: Bocca, 1904. Pp. 718.)

THE work before us, equally with the financial "Institutions" which were reviewed some years ago in the *ECONOMIC JOURNAL* (1897), p. 402, commands our admiration as a sound and solid body of economic doctrine. A particularly agreeable feature is formed by the frequency of allusion to economic literature. From the space occupied in the index by references to J. S. Mill we have calculated that Mill is cited more than ninety times by our author. Professor Loria is cited more than a hundred times. It should be added that the references to economic literature are not only abundant but *recherché*.

This general encomium does not preclude our dissenting from the author on a particular point, the very point which obliged us to qualify our approbation of his earlier work. Professor Graziani still adheres to the declaration that a specific tax on a monopolised article does not necessarily, in general, tend to raise the price of the article; "it may be the interest of the monopolist either to raise the price or to maintain the original price." This thesis having been disputed in the review of 1897, Professor Graziani defended himself with spirit in a brochure entitled, *Sulla Ripercussione delle Imposte nei Casi di Monopolio (a proposito de alcune osservazioni del Prof. Edgeworth)*. This rejoinder provoked a reply—in legal phrase a "surrejoinder"—in the *ECONOMIC JOURNAL* for 1898. Professor Graziani now follows with a "rebutter." But the reader must not expect from us a "surrebutter." Even at an earlier stage we had observed that economic controversy is a thankless task, because you cannot hope

to make any impression on your opponent, and yet he is the only reader on whose interest you can count. These reasons for keeping silent have not become less cogent with the prolongation of the controversy. Besides, in declining to reply now, we do not leave the last word to the antagonist. For in his latest utterance he repeats, word for word, the arguments which we had already quoted and replied to in the "surrejoinder" of 1898 (ECONOMIC JOURNAL, Vol. VIII. p. 234). The few who may be interested in this abstract question are asked to take the trouble of referring to that reply. It will be observed that a certain loophole for evasion was left by the affirmation of the conclusion as true in general and except in peculiar cases.¹ It is assumed that the curve representing net produce is, in general, of what may be called an ordinary kind; that the point at which the maximum occurs is not what the mathematicians call "singular." Suppose the locus to consist of two right lines intersecting in a point which corresponds to the greatest ordinate. In this case it very possibly "may be for the interest of the monopolist either to raise the price or to maintain the original price" when a tax is imposed. The controversy thus seems narrowed to this question: Is it to be taken for granted that the locus representing an economic quantity, such as the net profits of a monopoly, does in general form a continuous curve? If the question is construed strictly, the answer must be in the negative. Looked at through a microscope, an economic curve will show as a *polygon*, as pointed out by Messrs. Auspitz and Lieben (*Theorie der Preises*, p. 124). If it were possible to tabulate the amounts of net produce corresponding to different amounts of produce, the locus representing these observations would be a discontinuous set of points. But if the locus is discontinuous, it will be the interest of the monopolist to maintain the original price when a specific tax is imposed, provided that the tax is sufficiently small. The reader who considers the illustration given in our former paper,² substituting a polygon for a curve, will at once see the truth and insignificance of this proposition. Professor Graziani is formally correct in saying (*Istituzioni*, p. 235, par. 1) that when the tax is very small, then the probability is greatest that it will be the interest of the monopolist to maintain the price. So far as this incident depends on the *roughness* of the curve, we, of course,

¹ "In general and excepting the peculiar cases in which the second differential (as well as the first) vanishes at the point of maximum or becomes infinite."—Note 2, p. 235, ECONOMIC JOURNAL, 1898.

² ECONOMIC JOURNAL, Vol. VIII. p. 236. Cp. *ibid.*, Vol. IX. p. 307.

admit it, under the head of "friction." *De minimis . . . cadit quæstio*. With reference to a tax of sensible magnitude, the question may be thus stated. If a freehand curve-line were drawn through or among *several* of the points which correspond to different amounts of net profit, is it, in general, likely that the point on this curve, for which the ordinate is a maximum, is a "singular" point? May we commonly expect a *gabel* instead of an arch? Our postulate,¹ that a negative answer must be given to this question, will probably be regarded by Professor Graziani as "arbitrary" (*loc. cit.*, p. 235, par. 2). But we submit that this is one of the postulates with respect to the form of a "function," employed in abstract reasoning, which are justified by a sort of common sense founded on wide experience.²

Vergeltungszölle. By Professor H. DIETZEL (*herausgegeben von der Volkswirtschaftslehren Gesellschaft in Berlin*). (Berlin: L. Simon. 1904. Pp. 60. 1 mark.)

RETALIATION, according to Professor Dietzel, is a generic term, divided into two species, retorsion, which is positive and militant, and reciprocity, which proceeds more slowly by the peaceful method of negotiation. The species have many properties in common. The conditions of success are much the same for both. The supply on the part of the foreign country must be inelastic; the demand on the part of the retaliating country, not so. These conditions are well illustrated by the case of a tariff war between Russia and Germany. The demand in Germany for Russian rye, the hunger of the German weavers for Russian flax, is about as urgent as the eagerness of the Russian agriculturist to dispose of his produce; at least, for short periods. If we consider longer periods, rye would probably be obtained from Germany from new sources, in particular by an increased cultivation of the cereal in Germany itself. This latter circumstance, it is remarked, would create an interest adverse to the restoration of Free Trade. Even Ricardo did not propose the sudden removal of agricultural Protection after the peace. This sort of adverse interest is even more likely to grow up, under the more prolonged action of reciprocity. Dealing with this part of his subject Professor Dietzel examines taxes on foodstuffs, on articles of luxury, on materials, and machinery; showing that in every case, in order to wound the enemy, we must hurt our-

¹ *Cp. ECONOMIC JOURNAL*, Vol. IX. p. 307, par. 2.

² See Index, *Probability*.