

## SECTION VII

### REVIEWS

*The Scope and Method of Political Economy.* By JOHN NEVILLE KEYNES, M.A. (London : Macmillan & Co.), 1891.\*

MR. KEYNES' first laurels were won in the comparatively barren field of formal logic. He has now obtained an equally brilliant triumph by an attack on the most arduous part of the material or inductive logic.

It used to be true, according to Bagehot, of books relating to currency that the first question asked, perhaps the only curiosity felt by most readers, was directed to the Bank Act of 1844 : was the author for or against that measure? With equal truth it may be said that interest in a work relating to the methods of Economics centres round the issues raised in recent years by the writers who have revolted against the abuse of abstract dogmas. We once heard the question put to a lecturer : "Are you in favour of the Old or the New Political Economy?" "I am in favour of the true Political Economy," the person thus interrogated replied with sufficient readiness. We imagine that Mr. Keynes' answer to a question which had better not be asked would be very similar. "The method of political economy cannot adequately be described by any single phrase," he says justly. The Hallam of methodologists, he gives complete satisfaction to the partisans of neither extreme.

"No one method will be advocated to the entire exclusion of other methods. . . .

"If pure induction is inadequate, pure deduction is equally inadequate. It is a mistake, that is only too common, to set up these methods in mutual opposition, as if the employment of either of them excluded the employment of the other. It is on the contrary by their unprejudiced combination alone that any complete development of economic science is possible. For, as Professor Cohn remarks, all induction is blind, so long as the deduction of causal connection is left out of account; and all deduction is barren, so long as it does not start from observation."

This we hold to be the right faith concerning the double nature of economic method : in a just mean between the monophysite heresies at each extreme. It is significant that Mr.

\* When the date of the book reviewed is not given in the review the date of the review is printed in this volume outside—not, as otherwise, within—brackets.

Keynes illustrating this doctrine should have cited Professor Cohn, whose name is sometimes associated with a one-sided historical sect. The dicta and examples of Professors Cohn, Roscher, Wagner, and other eminent Germans cited by Mr. Keynes, attest the justice of the following observations :—

“ We must not . . . exaggerate the opposition between what may be called the classical English school and the new school. . . . The difference is strictly speaking one of degree only; and we find the opposition reduced to a minimum when we compare the actual procedure in the solution of given problems adopted by the best contemporary economists, whether they profess to belong to the new school, or are content to be classed with the old.”

Contemplating separately the two functions of inductive reasoning—so far as it is possible to distinguish in consideration processes that are inextricably intertwined in action—we may first observe that Mr. Keynes in his analysis of the Deductive Method very correctly grounds abstract reasoning on what may be called “ hypotheses ” : in much the same sense as geometrical axioms have been so called. A perfectly straight line nowhere exists, says Mill; and the rigidity of the “ economic man ” is even more hypothetical. At the same time it is not to be supposed that the hypotheses rests upon nothing. The hypothesis of the “ economic man,” is not, in the present state of society, as arbitrary as the hypothesis which might be entertained of a perfectly altruistic man. You could not say of these two assumptions that they were equally true or false and equally useful.

But, though the foundations of abstract reasoning do not rest upon nothing, they are seldom strong enough by themselves to sustain practical conclusions. To complete the supporting arch there is needed the consilience of specific experience. Mr. Keynes has surveyed with equal eye both parts of the scientific structure. The importance of ascertaining facts, the value of “ history ” in the wider Greek sense, is not underrated by him. He points out how history of bygone times is useful in illustrating and confirming economic theories. He holds, indeed, that “ deduction from elementary principles of human nature also finds some place in the argument.” But not in every case; for it is not true “ that economic history never provides premisses for the economist or forms the basis of his doctrines.”

But, while thus rendering to specific experience the things which belong to her province, Mr. Keynes gives no countenance to the pretensions of a one-sided “ Historismus.” “ Mere description,” he justly says, “ cannot constitute a science; and

political economy has no purely classificatory stage, such as will enable it to be compared with sciences of the type of zoology and botany." The complex problems of political economy cannot be successfully attacked without what Professor Marshall has called "a special organon." As Bagehot, quoted approvingly by Mr. Keynes, has said—

"If you attempt to solve such problems without some apparatus of method, you are as sure to fail as if you try to take a modern military fortress—a Metz or a Belfort—by common assault. You must have guns to attack the one, and method to attack the other."

In one respect, perhaps, it might appear at first sight that Mr. Keynes has shown some partiality to the deductive school. He not only, after Mill, Cairnes, Professors Sidgwick, Dunbar, Wagner, and the majority of considerable writers on the subject, extols deductive reasoning, but also, going beyond those writers, ranks high that species of deduction which is effected through the channels of mathematical conceptions. We submit, however, that this course is less prejudicial than may appear at first sight to the claims of the "practicals," as Mill calls the party opposed to the *a priorists*. The generalisations of mathematical theory, are so manifestly abstract and in so high a degree idealised as to run no risk of having their hypothetical character mistaken. Unlike the middle axioms which are expressed in familiar terms, the higher theory, to which symbolic and diagrammatic statement is appropriate, cannot be suspected of being immediately applicable to practice. The former statement might be compared to a district map which affords, indeed, some guidance to the wayfarer, but may easily lead him out of the path if not supplemented by local inquiry. Whereas the mathematical method is like the map of a kingdom or the world; the pedestrian who attempted to guide his steps by such a chart would be, not only a wayfaring man, but a fool. These reflections have been suggested to us by some remarks made by Professor Foxwell, to which Mr. Keynes refers with approbation.

That Mr. Keynes has no partial bias in favour of mathematical reasoning may be inferred from the discussion of statistics in relation to political economy, which occupies his concluding pages. For he has not even alluded, so far as we have observed, to what may be called the mathematical method of statistics, the use of the theory of errors in eliminating chance. The omission may be justified partly by the fact that statistics are treated only incidentally in Mr. Keynes' work; partly on

the tenable supposition that the higher mathematics play a more important part in what may be called the analytical, than the statistical, side of social science. It is true that, as Mr. Keynes points out, the rôle of mathematical science in political economy is to afford only regulative ideas, rather than numerical results such as the physicist has a right to expect. But then, in political economy, that indirect use extends over a wide sphere, whereas the points in social statistics, where the mathematical method is applicable, are comparatively few. For it is generally better to attain certainty by augmenting observations, rather than by a nice use of the theory of errors to extract the utmost degree of probable evidence which may be afforded by a limited number of observations. The statistician is generally in the position of the American farmer, whom it pays better to extend his farm rather than to cultivate very highly a comparatively few acres.

Mr. Keynes seems, therefore, justified in directing his attention to the logical, rather than the mathematical side of statistics. He gives useful instances of the fallacies to which induction, based upon figures, is liable—what the late Mr. Sargant emphatically called “the lies of statistics.”

This part of the work should be read in connection with the remarks on the methods of induction which occur earlier. A rich vein of logical reflection runs through the whole work; sometimes, as it were, visible on the surface, expressed legibly in the text, and sometimes requiring to be mined from abstruse footnotes. The principle of this variety of strata is not very evident. Why, for instance, should the valuable remark of Professor Cohn on the use of deduction, which we have already quoted, be placed in the text, while the strained eye must seek in a footnote for the following equally valuable remark, which we are glad to have an opportunity of quoting? “The idea that mere collections of historical and statistical material can be made available for science without deductive aids, is just as much an extravagance as the opposite idea that out of deductions from elementary hypotheses the whole science can be constructed.”

Of the numerous logical discussions to which we have referred may be specially noted those which relate to the method of difference, and the use of definition in political economy. In treating these and cognate topics the author has not aimed at producing surprise and entertainment by brilliant paradoxes, but rather at co-ordinating and occasionally supplementing the logical principles which Mill and the later economists who have treated of economic method have laid down. The relation

of Mr. Keynes' *Scope and Method of Political Economy* to the classical writings on that subject is much the same as the relation of his *Formal Logic* to the treatises of Aristotle and Boole—not equally original, but perhaps better adapted to the purposes of education.

We trust that Mr. Keynes' later logical treatise may also resemble his earlier one in its popularity. We could wish for it indeed a monopoly of favour, and such finality as in political economy is attainable. For we cannot conceal a certain impatience at the continual reopening of a question on which authorities appear to be substantially, if not in phrase, agreed. As it is forcibly said by one of Mr. Keynes' predecessors, Mr. Edward C. Lunt, in his brilliant study on *The Present Condition of Economic Science*, "sensible men long ago dropped the controversy and went about their business, careless as to whether their methods were called 'historical' or 'orthodox.'"

*Principles of Economics.* BY PROFESSOR ALFRED MARSHALL.  
Vol. I. Second Edition. (Macmillan & Co.), 1891.

IN the preface to the second edition of this volume its author tells us :—"To myself personally, the chief interest of the volume centres in Book V. : it contains more of my life's work than any other part; and it is there more than anywhere else that I have tried to deal with unsettled questions of the science." The import of this confession will be understood when it is observed that the book thus referred to consists partly of the mathematical theory of Supply-and-Demand, and partly of the almost equally severe reasoning applied specially to Supply, which in the first edition formed the subject of a separate book, entitled *Cost of Production*. The rearrangement according to which an extra book is no longer devoted to production appears conformable to the "symmetry of the relations in which demand and supply stand to value." This symmetry is justly regarded by Professor Marshall as "fundamental." While others have been disputing whether it is cost-of-production or final-utility which determines value, he has discerned that it is both. His predecessors have tilted against each other from opposite sides of the shield of truth : he alone has surveyed with equal eye both the gold side, which most attracted Ricardo, and the silver side, on which Jevons fixed too exclusive attention. An able champion of that one-sided theory which is at present most in vogue has compared the point at issue to the question—a question,