

which secures him the maximum gross return.<sup>1</sup> . . . On this last hypothesis shifting is impossible.<sup>2</sup> . . . But if, on the contrary, the maximum net return corresponds to the maximum gross return, it may happen that the monopolist may find it advantageous to alter the price."

The *second* hypothesis is the general case. In this case, according to the well-known analysis of Cournot, shifting will in general occur. It is difficult to understand Prof. Graziani's reasoning to the contrary. It is in virtue of his dictum respecting the *second* hypothesis that we altogether differ from his general conclusion that normally a tax on gross returns cannot be shifted. Surely it is not so normally, but only in particular cases.

One more specimen of the author's method. He argues on the next page (p. 538) that "the more in general that a branch of production is subject to the law of decreasing returns the more probable will shifting be." We submit that the exact reverse of this is true for reasons stated elsewhere.<sup>3</sup>

A similar, doubtless less serious, deficiency of mathematical precision may be suspected in the treatment of other less complicated, though perhaps more important, subjects—the incidence of international tariffs, and, as already suggested, the equity of taxation.

*Leerboek der Staathuishoudkunde.* Door N. G. PIERSON. Tweede Deel; 1<sup>e</sup> stuk. Tweede herziene druk. (Haarlem : E. F. Bohn. 1897. Pp. 376.)

THE second volume of Mr. Pierson's revised treatise maintains the high character of the first.<sup>4</sup> His solid sense and weighty learning move steadily along the main lines of economic reasoning like those vast engines which rolling over our material high roads render them more smooth, compact, and serviceable. We cannot follow his course methodically; we must pass hurriedly over large tracts.

<sup>1</sup> The explanation of this phenomenon is thus given in the original: "in quanto la diminuzione delle spese inerente ad una produzione minore, od in taluni casi anche maggiore, cangi il rapporto fra il provento lordo e il netto."

<sup>2</sup> For a reason which is thus given in the original: "perchè l'imposta essendo regolata sul prodotto lordo, che è più grande relativamente al prodotto netto minore, da questo dovrebbe detrarsi maggior somma, che dal prodotto netto maggiore, et perciò il prezzo non verrebbe in alcuna guisa mutato."

<sup>3</sup> *ECONOMIC JOURNAL*, Vol. VII. p. 237 note; and see Index, s.v. *Monopoly*; Taxation in regime of.

<sup>4</sup> See above, p. 77.

Production being the subject of the third subdivision (*afdeeling*) which forms Mr. Pierson's second volume, he first clears away the misconception of over-production, then makes "the conception of production" clearer by defining the terms goods and income. Under the head of "production and self-interest" are considered depressions, which are seen to be unavoidable; crises, the evils of which can be only palliated by an improved banking system; trade unions, which cannot exercise a great influence in a poor and undeveloped population; social legislation, which is in principle perfectly justified, but is often powerless and always difficult; in fine, socialism, which preaches ideals for which we must cherish the highest sympathy, but has not shown how they are to be realised. The imperfections of a social machinery driven by purely economic motives may partly be corrected by charity. Charity performs a part like that of the weaver in a mill who takes up the broken thread. The State, besides its direct action in the way of poor relief, may do something to excite charity by means of *enquêtes*, which open the eyes and direct the opinion of the public.

The evils which charity palliates would be much less formidable were it not for the danger of the too rapid increase of population. Mr. Pierson truly says: "It is no light task to give a just exposition of Malthus' doctrine." Readers of the *ECONOMIC JOURNAL*<sup>1</sup> may remember the surprise with which they learnt from Mr. Cannan that the law of diminishing returns was not an essential part of Malthus' original doctrine. We commend Mr. Pierson's version of the theory as a sufficiently accurate summary. He clears away some misconceptions. M. Leroy Beaulieu's polemic against the particular rate of increase, doubling in twenty-five years, assigned by Malthus is shown to be irrelevant, if not erroneous. Mr. Pierson does not subscribe to M. Leroy Beaulieu's description of large families as schools for forming character, while in small families the children are liable to be spoilt by too much care. This argument contains some grains of truth, in so far as it relates to the more favoured classes. But think of the majority of little urchins among the struggling masses. There is no danger of their being unnerved by over care. As to the objection that the struggle for life is a necessary condition of energy, may there not be a struggle for the comforts of life rather than for life itself; such a struggle as we see in the case of the banker, the manufacturer and the shopkeeper? Among the theories which run counter to that of Malthus, a foremost place is occupied by the pro-Malthusian doctrine that increased

<sup>1</sup> Vol. II, p. 53.

population brings increased employment. The principles of *Beccaria* and J. J. Becker have been revised in a modern form by Professor Cort Van Linden. It is not very creditable to the Socialists, Mr. Pierson justly thinks, that they for the most part pass over the Malthusian theory in silence. Marx is hardly an exception. However, Mr. Pierson thinks him worthy of a serious refutation. To the contention that Malthusianism makes against charity, Mr. Pierson quotes with approbation the words of Malthus himself :

“ Supposing it to be allowable that the exercise of our benevolence in acts of charity is not upon the whole really beneficial to the poor, yet we could never sanction any endeavour to extinguish an impulse, the proper gratification of which has so evident a tendency to purify and exalt the human mind ” (p. 443, 7th ed.).

Besides, as imprudent marriages spring from want of foresight, the mitigations of consequences—not being foreseen any more than the consequences themselves—would not tend to increase the imprudence. Extreme uncharitableness is like extreme punishments, which long experience has proved a failure.

These and other objections having been met, there comes the question, to what practical conclusion does the Malthusian theory lead? To none, would be the simple answer, if, as M. Leroy Beaulieu holds, it is a law that the proportional excess of births over deaths tends to decrease among civilised people—the more rapidly the greater their progress and intellectual culture. Mr. Pierson, with that mastery of figures which he ever evinces, marshals statistics against this proposition. The decennial excess of births over deaths—or “ natural increase ” as our statisticians say—in England during the 18th century was some 6 per cent. on an average, and in no decade greater than 10·3 per cent.; while since 1801 the decennial increase has been some 14 per cent., and in no decade less than 11·7 per cent. In Holland the natural increase has steadily increased since 1840–9. Comparing countries we find, for the decade 1871–80, the annual natural increase per 10,000 in Great Britain 140, in West Austria, Galicia and Bukowina 75. What a low state of culture there must be in Great Britain as compared with those provinces! M. Leroy Beaulieu relies on statistics of birth-rate in several countries in the triennium 1874–6 compared with the corresponding figures for the period 1889–92. But if he had begun sooner and ended sooner the results would have been different. For the three decades 1851–60, 1861–70, 1871–80, six of the countries show a continued progress.

M. Leroy Beaulieu's statistics acquire plausibility from the fact that the period 1874-6, which he has selected as one term of his comparison, was a period of particularly high natality in most countries. The more decisive reply is that diminished birth-rate may be attended with still more diminished death-rate. There is, doubtless, this kernel of truth in Leroy Beaulieu's theory that the birth-rate is particularly high among the less favoured classes, as was illustrated by a recent Dutch *enquête* (referred to in the *ECONOMIC JOURNAL*, Vol. VI. p. 665).

Other more positive prescriptions having been dismissed, there remain over only the "moral restraint" advised by Malthus and the counsels of the Neo-Malthusians. The former alternative, Mr. Pierson thinks, requires too much from human nature. The latter is not to be hastily rejected as immoral; as if over population were not productive of immorality. The end proposed is good; our judgment about the means should be suspended until an impartial verdict of medical experts can be obtained.

The greater the difficulties in the way of accommodating population to production, the stronger the motive to increase production. Of the immense range of topics thus presented, Mr. Pierson selects two for special consideration: protection, and the tenure of land. He reviews and refutes the principal arguments of the Protectionists. This task of slaying the slain has been made necessary by the recent revival of Protectionist fallacies, which is attributed to three causes. There is first the fall of prices which now, as in the period after the Napoleonic war, swells the cry against free trade. Then the faith in *laissez-faire* as part of a "natural order" has declined. Mr. Pierson, as usual in sympathy with the best thought of his age, holds that the unfettered action of self-interest is in many cases injurious to the public welfare, but in still more cases beneficial; so that the burden of proof rests upon those who propose restrictions. [*Cp. Sidgwick, Scope and Method of Political Economy.*] A third cause is the advent to power of the working classes who believe in Protection as a means of increasing employment. In his refutation of erroneous theories, Mr. Pierson makes good use of a conception which he introduced in his first volume, the price of labour (*arbeidsprijs*) being, as we understand, the monetary equivalent of what Professor Bastable has called, with reference to international trade, the unit of productive power. Passing over all that is well said about bounties and other aspects of the controversy, we come to the chapter on Land Tenure. Mr. Pierson gives a comprehensive survey of the conditions under which land

has been held in different ages and countries. The latest English researches are incorporated; but the point of view is cosmopolitan. There could not be a better preparation for a discussion of the nationalisation of the land. This cannot be defended, Mr. Pierson holds, as tending to increased production, but only as a means to more equal division of the produce. Mill's arguments on that head may quite possibly become applicable, if there should be a general rise of rents before another century passes. Still, the financial difficulties of the operation would be formidable. Then the salaries of the public stewards or bailiffs who would be required would be burdensome. These expenses might indeed be reduced by leases of the nationalised lands for 100 years. But who would benefit by the arrangement? Our great-grandchildren. But if we want to benefit posterity, there are more certain ways: *e.g.* paying off the National Debt. In these reasonings it is taken for granted that compensation is to be given to the owners who are to be expropriated. Henry George's plan is rejected as one of the most wasteful forms of confiscation.

It will be understood that we are presenting only samples of Mr. Pierson's reasonings. We still cherish the hope that the work in its entirety will be made accessible to the English reader by being translated into some language more generally familiar than the Dutch. There is a quality in the work which is probably demanded by our public more than much of the home-made article. *The Times* no doubt expressed a national sentiment when, reflecting upon Walker's death, their leader writer said that he resembled the older classical economists who kept in touch with practical life and had no idea of making their science a collection of refinements remote from the business of the world.

That combination of the man of affairs and the professional economist which has become uncommon in England is to be found in the Prime Minister of Holland.

#### PROFESSOR GRAZIANI ON THE MATHEMATICAL THEORY OF MONOPOLY.<sup>1</sup>

ECONOMIC controversy is generally a thankless task. You cannot hope to make any impression on your opponent. Yet he is the only reader on whose interest you can count. However, a

<sup>1</sup> Augusto Graziani, *Sulla ripercussione delle imposte nei casi di monopolio (A proposito di alcune osservazioni del prof. Edgeworth)*, Torino, Fratelli Bocca, 1898, p. 12. [Referring to a review of Professor Graziani's *Istituzioni* by the present writer in the *ECONOMIO JOURNAL*, Vol. VII. p. 403. Above, p. 80.]