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Review of the book:
The Distribution of Wealth. By Thomas Nixon Carver.
New York, The Macmillan Company. 1904.

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This work is a presentation of the laws which, determine the relative size of generic classes of incomes. A preliminary chapter on “Value" is given as a necessary introduction; and the second chapter entitled “Diminishing Returns” may fairly be regarded as laying a part of the foundation for much of the subsequent analysis. The general outcome of the inquiry is not very dissimilar to that reached by Marshall, the law of marginal utility being invoked to explain the magnitude of the shares going to the various productive factors.

Characteristic of Professor Carver’s version of the matter is a certain vigorous impatience of some of the nicer and subtler distinctions which other economists have been disposed to insist upon. He thus attains a directness and compactness in exposition at the sacrifice occasionally of breadth in canvassing certain elements which his theme involves. For instance, there is no analysis of cost, nor any differentiation between various phases of cost, although cost constantly figures in his explanation. There is, as it seems to me, very inadequate realization of the distinction between the technical and the economic aspects of production, the assumption commonly being that the two coincide quantitatively.

Even in the case of the term “value,” though one may grant that it ordinarily implies power in exchange, one may protest against the attempt to exorcise all other content from the term. To say that “value is always and only (*sic*) the power to command other desirable things in peaceful and voluntary exchange" (p. 3) neglects the fact that the economist has no monopoly on a term which is in current use in art, in technology, and in ethics. Even in economics the minimum cash reserve of a banker has value to the banker as a guarantee of solvency, not as a means of exchange. To say that the banker’s cash reserve has for the banker no value but only utility appears both stilted and a trine pedantic. If one were disposed to quarrel further with Professor Carver’s terminology, one might object to defining supply “as the amount on hand ” (p. 25) and demand “as the desire for the commodity, coupled with the ability to purchase it” (p. 25). It seems to me more proper to define both terms in the same kind of units. Moreover it seems logically inconsistent to say “that a commodity has value only when there is a demand for it, and when the supply is insufficient to satisfy that

demand ” (p. 26); and further on to speak of values determined by “the equilibrium of supply and demand” (p. 37). It is true that these are mostly verbal infelicities which do not vitally impair the argument, but this is the price which the author has had to pay for the untempered vigor of his exposition which verges here and there on-the.crude.

The best chapters in the book, in the reviewer's opinion, are those on "Interest” and “Wages.” The first one touches high-water mark as an acute criticism of Bohm-Bawerk. That it is marginal abstinence and not total abstinence which determines the supply of material productive agents commonly called capital seems an unassailable position.

The chapter on “Wages" is good in its insistence that “there are almost as many kinds of labor as of products, and it would be quite as unreasonable to try to find a general rate of wages for labor as to find a general price for products” (p. 134). The exposition of Malthusianism is also clear and cogent.

The chapter on “Diminishing Returns” is evidently the one on which the greatest pains have been spent, and yet the result does not seem quite commensurate with the unflagging toil which it represents. It distinguishes very properly between the law of diminishing returns and the law of the comparative economy of large and small scale production. Many of the corollaries of the first mentioned law arc set forth in a somewhat novel light. The law is universalized so as to read: “There is one law which governs the results of every variation of the proportion in which the productive factors are combined, no matter which factor is varied ” (p. 76); But after all, this cannot be said to be strictly new matter brought to light. When after some considerable manipulation of formulae the conclusion is reached on page 73 that “where land is dear and labor cheap, the tendency is toward intensive cultivation, etc.," one feels a trifle like the young lady who after having threaded the mazes of Mr. Balfour's philosophic defence of religion, remarked that it was “a long way around to the family pew." To one who is approaching the comprehensive study of diminishing returns Professor Carver's chapter may be recommended; but the character of most of its contents seems to be very like the material which Marshall relegates to his Mathematical Appendix—food for reflection but not uniformly matter of the first magnitude in importance.

Professor Carver believes in the validity of the distinction between land and what has commonly been called capital, and insists therefore upon distinguishing rent from interest. He is under the necessity therefore of repelling the recent assaults upon the traditional segregation of land from other material productive agents. A book review of this tenor can hardly canvass the arguments pro and con in this dispute. From the logical standpoint the two sides are nicely balanced. One thing, however, that I should

not like to dismiss without protest is what seems to be Professor Carver's misapprehension of the position of those who hold that land surface is turned into **economic land** (sometimes called land capital), by the same processes and agencies as transmute raw materials into material productive agents.

Professor Carver says of the argument that land surface is turned by labor into land capital (p. 113): "Now land capital can not possibly mean anything else than land *value*. . . . But to argue that though land surface may not be increased, land value may, is to beg the whole question." This transformation of the argument into an issue of enhanced value seems to miss the point altogether. Waiving the question of value wholly, the contention of those who assimilate land and other produced means of production is, as the reviewer understands it, that new economic land is being constantly produced in the same way that new gold is being produced. Just as gold hitherto inaccessible and useless is made accessible and useful, so land hitherto inaccessible and useless is being constantly added to the land which effectually contributes to human well-being. The Panama canal, the work of irrigation, and the extension of railroads are thus in reality "producing" land in as real a sense as the Baldwin locomotive works are producing locomotives.

I have already expressed my hearty approval of Professor Carver's acute criticism of Bohm-Bawerk. I think, however, that the spirit of that criticism is forgotten if not transgressed in the attempt to buttress the *pons asinorum* of the classical school, to wit, that rent does not enter into price. Professor Carver puts the matter thus:

the three following propositions may be laid down respecting labor:

1. In order that there may be production, there must be labor.

2. In order that there may be labor, there must be wages to persuade men to work, and to enable them to do so, otherwise there will be no labor and no production.

3. Therefore wages arc necessary in order to secure the production of goods. . . . Obviously no such propositions as the second and third can be made respecting rent [p. 208].

In an analogous case, however, Professor Carver points out that Bohm-Bawerk is in error in that he fails to distinguish between total saving and marginal saving. Says our author:

Consequently, interest does not correspond to any general discounting of future consumption of commodities, but only to the marginal discount or to the marginal

sacrifice of saving. It must.be sufficient to compensate the capitalist for saving the last increment of capital (pp. 239, 240].

If Professor Carver is to be logically consistent, it seems to the reviewer that he ought to say: “Consequently wages do not correspond to any general sacrifice involved in labor, but only to the marginal sacrifice or marginal cost of the labor.” But if this last admission is required by logical consistency, the three propositions *supra* lose much, if indeed they do not lose all, of their force. The marginal wage which is just sufficient to evoke the last increment of the labor supply, is paralleled by the marginal rental or the sum required to induce the landlord to add the last increment of land contributed to production. The conclusion would seem to be that both rent and wages enter into price, or that neither does.

The chapter on “Profits” is unique in one way, in that the business man's assumed capacity to out-bargain the laborer and capitalist is made a “frequent,” and by implication a common source of profits. There is a reminiscence of Hobson here, but whether the assumption is valid as a normal source of profits, is, in any judgment, open to question.

The social conclusions of the theory are what are logically implied in the distinction maintained between rent and interest. Landowners are commonly mere parasites, receiving a share of the product of the industry of others and lending no aid in return, unless permitting their land to be used can be considered as lending aid. But.... they can hardly be regarded as contributing anything to society when they in turn permit their land to be used [p. 203].

The defence of interest (p. 257) as a social institution on the other hand is a better matured and more satisfactory piece of work. The two contrasted verdicts on practical matters evidence the comparative validity of the theoretical analyses on which they respectively rest.