

## BOOK REVIEW

## A HISTORY OF ECONOMIC DOCTRINES\*

This work makes a useful addition to a branch of economic study not much cultivated in this country. English economists have contented themselves rather with incidental references to their predecessors than with systematically recording the development of economic theories. The authors trace the development of political economy from the time of the Physiocrats down to the present day, and covering so large a field they must be excused if the attention given to particular writers is somewhat scanty. In a study so compressed the problem of what to put in and what to leave out is a difficult one, and we feel that in some cases the authors have given a very inadequate idea of the teaching of the writers they discuss. Gossen and Walras, for instance, deserved more than the few pages allotted to them.

The discussion of Karl Marx's economics, on the other hand, although it occupies a considerable space, is rather misleading. No doubt this is due to the fact that Marx is not always quite consistent. Still there should have been some discussion of his definition of capital, which, he says, is not a thing but a social relationship between persons established through the instrumentality of things. If attention be concentrated on this definition, and upon his explanation that capitalism, or exploitation, depends upon the existence of a supply of unemployed labour, M. Gide would not have devoted so much space to the time-worn discussion of Marx's value-theory and would have seen the significance of that final chapter of *Das Kapital* where Marx discusses the land question.

Let us turn now to the theory of rent. Most of our readers are aware that the physiocrats held that land was the only object which gave a net product, that this was one of the cardinal points of their theory, and that they considered that the land should be the only source of taxation. It is true that they had not grasped the law of rent, and that they considered only agricultural land—a fault they share with many later economists—but still they hit upon some cardinal truths. They realised for instance that a tax on land would diminish the selling value of the land by the amount of the tax capitalised at the current rate of interest—a fact which is only another way of saying that a tax on land values is not shifted, unlike taxes on other objects. Strange to say, M. Gide remarks (p. 40) that this "might be applied not merely to taxes on land, but also to taxes on capital." In view of this statement it is hardly a matter for surprise that M. Rist, who writes the chapter on "proposals to confiscate rent by means of taxation" is unable to see much fiscal benefit in Henry George's plan.

In the discussion of Henry George's theories, there is nothing new in the way of criticism. Indeed M. Rist seems to be very little acquainted with what Henry George really taught; and in some cases he is in positive error, as, for instance, when he says that Henry George did not take into account "unearned decrement." This is to confuse the taxation of land values with Mill's proposal to take the increment of land values. The argument in favour of taxing land values is quite independent of whether the value of any particular plot of land rises or falls. In view of errors such as this, it is not surprising to find no demonstration of the "obvious economic heresies" of *Progress and Poverty*. We are told that the taxation of land values is inadequate as a remedy for economic mal-adjustments, and that it is unjust to the land-owners. M. Rist does not seem to consider that the present system of taxation is unjust to the non-landowners who are immensely more numerous. Also we are invited to consider the quasi-rents of

capital and the rent of ability, and asked why we should isolate one kind of rent only and demand that it should be confiscated. However, M. Rist goes so far as to admit that John Stuart Mill "has given the only reply that is possible by showing that none of the other rents has either the permanence or the generality of the rent of land. That reply seems clear enough to justify at least a partial application of the systems of Henry George and Stuart Mill." The practical success attained by Henry George's followers seems quite unknown to M. Rist, who says that some leagues were founded about 1880 to propagate his ideas, but that "during recent years they have not been nearly so active." The truth is that they are more active than ever and have attained the most remarkable success, especially in Australia, New Zealand, and Canada. If M. Rist had subscribed to, and studied *LAND VALUES*, he would have been saved making such mistakes.

Some of the most interesting pages in this volume are those devoted to Gossen and Walras's views on the land question (pp. 570-577). Gossen's book entitled *Entwicklung der Gesetze des menschlichen Verkehrs* (Evolution of the Laws of human Commerce) appeared in 1853. In it he argues that the community's right to the soil should be restored to it, "so that everyone might be free to demand and obtain the use of as much of it as he required. Every industry could then choose the locality which seems best suited for it. The right of using the land might then be disposed of by public auction and given to the bidder who offered the highest rent. There would thus be a kind of guarantee that the organisation of production at any one moment was being carried on in the most favourable fashion—relatively, that is to say, to the knowledge possessed by the community at that period." He also anticipated that the confiscation of rent would reduce the possibility of living without working, would simplify the legal transfer of property, and take the place of taxation to a considerable extent and would free the collection of it from every trace of vexation and injustice.

Walras's position is developed in his *La Théorie générale de la Société* (1867) and in other essays. He sought to reconcile the state and the individual. He felt that there was no necessary antagonism between them, but if both of them "are to perform their respective tasks efficiently, they must be supplied with all necessary resources. To the individual should accrue the wealth which results from labour and saving, to the State the revenue which results from general social progress—i.e. the rent of land." "Collective ownership of land and rent, private ownership of capital and labour, together with their incomes—such is the social organisation which Walras thought would solve the problem of distribution: equal conditions, coupled with unequal situations." The resemblance between the views of Gossen and Walras and those which Henry George developed quite independently is truly remarkable. They have now become known to fame as the earliest exponents of the marginal utility theory of value, commonly called the Austrian theory, but their views on the social problem are still more deserving of study and repute, and we must express our indebtedness to MM. Gide and Rist for causing us to turn our attention to these writers.

F. C. R. D.

And what is there for which life gives us opportunity than can be compared with the effort to do what we may, be it ever so little, to improve social conditions, and enable other lives to reach fuller, nobler developments.—HENRY GEORGE.

\* A HISTORY OF ECONOMIC DOCTRINES. By Charles Gide and Charles Rist. Translated from the French by R. Richards, B.A. G. G. Harrap & Co. London. 15s. net.

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