

Economy: True and False

Economics in Practice (Macmillan, 4s. 6d.) is a series of six lectures recently delivered by Professor A. C. Pigou. They deal in non-technical language with a number of problems of topical interest, such as The Balance of Trade, Inflation, Deflation and Reflation; State Action and *Laissez Faire*; and The Economics of Restrictions. Those who remember his "Economy and Finance of the War" will not be surprised to find that he deals some shrewd blows at many popular fallacies. It is a pity that someone cannot compel the members of the Cabinet to study the essay on Restrictions.

The central idea that runs through the lectures is a simple one. It is that the test of whether an economy is functioning properly or not is whether any of its resources are being wasted or whether they are being employed so as on the whole to give the maximum return that they are capable of yielding. Such waste occurs not only when resources are actually standing idle, but also when they are being employed for some purpose which gives less return than some other available use.

This principle is a simple one, yet it is flouted every day. Tariffs are being erected for the purpose of subsidizing inefficient industries at the expense of those which are more efficient. Four and half million pounds a year is added to the price of bread in order to encourage the growth of wheat in a country which is not adapted to it. Nearly the same amount every year is taken from the consumer in order to foster the beet sugar industry

which cannot produce sugar as cheaply as the sugarcane with the aid of the sun can do it in the tropics.

Every country is endeavouring to reduce imports and to increase exports, a policy which as we have seen can only result in decreasing both. This process wastes the resources of all countries and directs them into less productive channels.

The greatest waste in our economy is, however, waste of natural resources in unused and under-used land, as to which, strangely enough, Professor Pigou has nothing to say. The concomitant of this wastage is the wastage of labour power embodied in some two million men standing idle who have to be maintained by the labour of the rest. Some positive statement with regard to this would have made the destructive criticism of false economies in this book of far greater permanent value.