

## **ECONOMIC FACTS AND FANCIES.\***

Political economy is no longer a dismal science. Its devotees have ceased to picture the future of humanity as a thoroughly discouraging prospect of geometrically increasing population and consequently decreasing standard of living, with poverty and starvation as the inevitable condition of mankind. Despair has given place to hope, and students of economic science are now to be found among the most ardent supporters of sundry schemes for social betterment. Moreover, the true science of man never can be 'dull and uninteresting.' On the contrary, it is always full of unexpected

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\* **ECONOMIC METHOD AND ECONOMIC FALLACIES.** By William Warrand Carlile, M.A. New York: Longmans, Green & Co.

**FACTS AND FIGURES.** The Basis of Economic Science. By Edward Atkinson. Boston: Houghton, Mifflin & Co.

**ECONOMIC ESSAYS.** By Charles Franklin Dunbar, late Professor of Political Economy in Harvard University. Edited by O. M. W. Sprague, with an Introduction by F. W. Taussig. New York: The Macmillan Co.

turns and curious surprises. The fact that the frivolous fancy for ornament should have laid the foundation on which the genius of the race has reared the great structures of money, commerce, and credit, has many parallels. As Emerson remarked, 'the magnet was used as a toy long before it was used in navigation.'

Economics seems to stand in far greater danger of not being able to justify its title of science at all. In the first place, there is absolutely no agreement as to the use of such terms as money, rent, capital, and so forth. The Ricardian theory of rent, having joined hands with Jevons's theory of value, has become the fountain-head of an endless stream of technical terminology, so that not infrequently the study of the subject is really being carried on in a new language for which special glossaries will soon be necessary. Palgrave's 'Dictionary of Political Economy' bristles with the new phraseology on every second page. The whole system of modern economics rests on what Mr. Carlile, the author of 'Economic Methods and Economic Fallacies,' believes to be a false basis, — namely, a confusion between the principles that are applicable in physics, and those objective sciences wherein appeal to the outward fact is possible and profitable, and the principles and methods applicable to those sciences, of which economics is the most conspicuous, in which one moiety of the questions discussed may be said to belong to the sphere of matter, while another moiety belongs to the sphere of mind and of subjective investigation. Between these two is a great gulf fixed; and it is because the mathematical economists have underestimated this distinction that another great gulf has become fixed between the theoretical economics of the University and the practical economics of the newspaper and the Stock Exchange. The reason for the chasm, as well as the way to bridge it, Mr. Carlile finds in the false conception of money as an entirely negligible intermediary in economic relations (p. 180). Here is 'the true view that was like enough to the false one to be mistaken for it. If we conceive of economic life as having come to divide itself into two departments, the one devoted to the obtaining of *money* [the italics are mine], and the other devoted to the expending of it (p. 130), we can at once get rid of the palpably false assumption of the universal irksomeness of labor. We can also very well do without both of those doubtful postulates of invincible laziness in human nature, and of inevitable misery in the world that we inhabit.' He justly adds that if the *homo economicus* were the sort of creature that such writers as Jevons and Pantaleoni describe him as being he would certainly be the most

contemptible as well as the most uninteresting of all existing animals. In the latter part of his book, Mr. Carlile brings the general line of reasoning to bear on the Fiscal Problem, as it is called in England; and although an uncompromising free-trader, he finds himself obliged to throw overboard a number of the arguments that have done yeoman service in the past, but cannot be expected to tell effectively on the mind of the average voter — the 'cheapening' of commodities to produce mere abundance, the appeal to 'natural' rights, the exclusive stress laid on the interest of consumers as contrasted with those of the producers, the fondness for broad generalizations regarding prices in general, and the taking of isolated cases and relying on them for the substantiation of universal propositions. He is particularly severe on some of the arguments of the too ingenious Bastiat, and the *laissez faire* school.

Mr. Edward Atkinson would do well to read, ponder, and follow the advice given by the English free-trader. Certainly the cause he has at heart cannot gain adherents from the camp of the enemy by such argument as the following (p. 128):

'It would be about as wise to attribute the progress and prosperity of this country to a protective system, and to attribute the variations in our progress which have occurred to the change in the tariff, as it would be to count the number of red-haired children born at given periods, endowed with a sanguine and aggressive temperament, and then to attribute to their influence when reaching adult age the variations which have occurred in our progressive conditions.'

It may also be doubted whether the science of economics will be greatly advanced by papers which the author admits were sent to press without such complete revision and condensation as would have been suitable. Mr. Atkinson believes that 'Facts and Figures' are the basis of economic science; but the fact that the large majority of men in business fancy they are protected in some mysterious way is the all-important fact with which the legislator and the tariff reformer has to deal. To such men the figures presented do not appeal. The theory of protection may have become intellectually dead, as Mr. Atkinson fondly reiterates; but the 'misleading imagination' remains, and to it our arguments must be addressed.

If 'taxes on crude wool, ores, lumber, dyestuffs and chemicals . . . tend to protect the foreign manufactures,' cannot the manufacturers thus handicapped be organized into an effective Reform Club? If 'taxes on food and fuel, on fish, vegetables, provisions and coal increase the cost of living, and oppress those

who earn the least wages more than any other class, while they are of advantage to no one,—mere obstructions to progress,' cannot the facts be presented to labor leaders rather than to the American Social Science Association, so that an organized effort may be made to modify the tariff in the interest of wage-earners rather than to revise it in the interest of some particular group of manufacturers? It seems to be the prime fault of certain philosophers in every field, 'from chemistry to crime,' that they are prone to mistake cause and effect. Evidently what is needed in the public discussion of industrial problems and policy is clear and concise statement of the simple truths and plain facts of social life, not vague meandering comment.

Another and perhaps the chief cause of the popular contempt for political economy is the fact that most economists seem to forget the complex character of all social problems. In their public utterances they preach an economic doctrine and ignore the political, legal, or ethical side of the question. Private property in land, public ownership of certain monopolies, the different methods of taxing real and personal property, trusts and trade-unions, the relation of the state to each, questions of currency and banking, the tariff, eight-hour law, and the most fundamental question of all as to the organization of society on a more or less complete communism,—these are only partially economic questions. As such they require investigation by methods as scrupulously scientific as those of mathematics. But they also require an equally scientific study from the legal, the ethical, the political, and the social point of view. The application of all these laws in the particular circumstances is the duty of the legislator and administrator. It is the art of politics. 'The investigation of economic law is a strictly scientific inquiry, as much as the investigation of the law of gravitation; and the determination of economic law falls within the competence of the University.' As Professor Dunbar points out in his volume of 'Economic Essays,' it is of far more consequence that the student should learn to reason truly than that he should perceive and accept any particular truth. His volume, made up largely of contributions to the 'Quarterly Journal of Economics,' exemplifies to the full this vital distinction and his high ideal of the duties of the University teacher. He separates fact from fancy, and presents the results of scientific inquiry, largely in the field of banking and currency, in an eminently judicious and scholarly manner. It leads one to regret his unwillingness to contribute more widely to the discussion of current questions of economics and politics.

ARTHUR B. WOODFORD.