

in this analogy is restated with final precision by Professor Carver. Even so elementary a proposition as that which connects value and cost of production comes mended from his pen. Among other improved statements we may refer to that which defines the relation between production on a large scale and the maintenance of "a true equilibrium of demand and supply." Not all have perceived so clearly that there must be postulated a demand large enough to enable a considerable number of establishments to run at their full capacity. The definition of Profits, the conception of the entrepreneur's function, may be mentioned as another subject respecting which our author has cleared up controversy.

A work so complete does not offer much opening to critical comment. We may at least avoid the monotony of encomium by mentioning two points which appear to us debatable: (1) the author's definition of diminishing returns, in relation to economic equilibrium; (2) that "the law of marginal productivity can be applied to the earnings of business management as well as to the wages of other labour." On these points we could have wished that the author had been more explicit; but we do not feel disposed to be so ourselves at present.

*The Present Position of the Doctrine of Free Trade.* By FRANK W. TAUSSIG. (Reprinted from Proceedings of American Economic Association, 1904.)

PROFESSOR TAUSSIG'S Presidential Address to the American Economic Association is worthy of the occasion, the subject, and the man. He begins by remarking on the changed prospects of Free Trade since 1860. Country after country has joined the Protectionist ranks. Even Holland levies duties which are inconsistent with a strict adherence to Free Trade. Reviewing the arguments which are commonest in popular discussion, Professor Taussig says: "I confess to a sense of humiliation when our leading statesmen turn to reasoning easy of refutation by every youth who has had decent instruction in elementary economics." "The common talk about the sacredness of Protection as a means of lifting up the working man is more claptrap." No doubt the maintenance of high wages in certain industries depends on Protection. "Free Traders do not squarely face the difficulties of a transition to their system."

Going on to more difficult matters, Professor Taussig considers together the arguments against dumping and those in favour of

protecting agricultural products against the competition of other countries. The objection to dumping turns on its temporary character. If it goes on indefinitely, where is the harm? A case in point is that of the bounties which caused continental sugar to be dumped on Great Britain. "It is in their probably temporary character that the sober economist finds justification for the policy that led to the abolition" of these bounties. There is tenable ground for arguing that Great Britain, in causing them to be stamped out, acted in the permanent interests of her own industrial organisation. By a parity of reasoning in the case of agriculture, if it were clear that the supply of cheap food from America would cease to be available in ten or twenty years, Europe might have good grounds for resisting this "invasion." But "to attempt to make provision for such an indefinite future is at the least very doubtful policy."

Turning to the argument for the protection of infant industries, Professor Taussig observes that it is less connected with theory than other parts of the controversy. The problem offers an especial field for the inductive and historical method. But experience, when consulted, gives an ambiguous answer. There is good ground for believing that the protective system in France during the first half of the nineteenth century had bad results. On the other hand, says Professor Taussig, "some researches of my own have led me to believe that on the whole the first growth of manufactures in this country, in the early years of the nineteenth century, was advantageously promoted by restrictions on competing imports." Some of these researches, we may remind the reader, are given in Professor Taussig's candid history of the American tariff. But if such Protection is not proved to be useless, it is certainly not indispensable. In the Southern States the cotton manufacture has grown up unprotected in the face of the established industry of New England. The growth of manufactures in the Central States under a regime of complete free trade is even more instructive.

In this connection the author records his impression that the effects of tariff legislation are commonly much exaggerated. There are so many other factors: in particular, the political position of a country, and even, we read with interest, martial success. As Professor Taussig in a remarkable passage explains: "No one is more opposed than I am to all that goes with war and militarism. It is with reluctance that I bring myself to admit that the same spirit which leads to success in war may also lead to success in the arts of peace;" for example, in the case of

Germany, "a spirit of conquest in all directions through the people, bred, or at least nurtured, by the great military conquest of the Franco-German War."

Notwithstanding—as some would say, but, as it appears to us, quite consistently with—all these admissions, Professor Taussig adheres firmly to the principle of Free Trade. He has no sympathy for the "pseudo-judicial attitude" of those who are for judging each particular case on its merits, without any presumption in favour of Free Trade rather than Protection. Such writers are justly suspected of "inability or unwillingness to follow the threads of intricate reasoning." This rejection of general principle is the less excusable in the case of international trade, as that theory has received and required little modification. "The edifice of which the foundation was laid by Adam Smith and his contemporaries, and which was further built up by Ricardo, senior, and the younger Mill, remains substantially as it was put together by these ancient worthies." . . . "That theory in its essentials holds its own without a serious rival." The application is doubtless not so easy and simple as was thought by the economists of half a century ago. But "the fundamental principle of Free Trade has been little shaken."

*Henry Sidgwick : a Memoir.* By A. S. and E. M. S. (London : Macmillan & Co. 1906. Pp. 633.)

HENRY SIDGWICK is remembered by economists as one who shed light upon their science not only directly, but also by reflection from other worlds of thought. In respect of this double service he may be compared with several of his predecessors in that illustrious line of English philosophy which he worthily continued. What he says of J. S. Mill as an economist is true of himself :—"He brought a higher degree of philosophical reflection to bear upon his exposition of the common doctrines of the science."

Among passages in the book before us which refer to Sidgwick's purely economic studies the following appears particularly interesting :—

"I have been reading all kinds of things lately. I find out that political economy is what I really enjoy as an intellectual exercise. It is just at the right stage of scientific progress and there are not too many facts to be got up."

We forbear to expatiate on the reflections which this confession