Contrary to a popular view, Dr. Liefmann does not think that "capitalism" is on its death-bed, but that it is showing renewed vigour in "creating new forms of organisation" and in "adapting itself to the many changes in the economic structure consequent on the War"—an opinion expressed, apparently, before the world slump. He does not agree in having one planned economy (Planwirthschaft) and thinks that "there is nothing whatever to be gained from the State organising all firms compulsorily in trade associations, and prescribing to them their prices and volume of production." "I consider," he adds, "planned economy, *i.e.* planned interference in economic life, to be far more desirable, and even perhaps necessary, in respect of the choice of occupations —that the State should regulate the entry into all the various branches of manual and intellectual work. Were the State to pursue a far-sighted economic policy in this respect, it could bring about the necessary process of readjustment of the German economic apparatus far more easily than through the direction of enterprise or of capital. It might very well take in hand the necessary placing of young workers in agriculture through the medium of an energetic small holdings policy, possibly in connection with the enforcement of universal compulsory labour for a certain period (*e.g.* a year of compulsory labour service). But in this field practically nothing has been done." With this somewhat startling suggestion we take our leave of a wonderful and stimulating book and offer our homage to the distinguished doyen in this field of economic inquiry.

HENRY W. MACROSTY

The Co-ordination of the Laws of Distribution. By PHILIP H. WICKSTEED. No. 12 in Series of Reprints of Scarce Tracts in Economic and Political Science. (London, 1933. London School of Economics and Political Science. 60 pp. 5*s*.)

WICKSTEED'S essay, first published in 1894, is now available in the admirable series of reprints issued by the London School of Economics. The essay is devoted to proving the proposition that "under ordinary conditions of competitive industry, it is sensibly or approximately true that if every factor of production draws a remuneration determined by its marginal efficiency or significance, the whole product will be exactly distributed."

A large part of the argument is devoted to showing that there is no difference in this respect between land and other factors of production. The modern reader who finds Wicksteed's intricate and ingenious argument unnecessary must be grateful to him for making it so. For it is characteristic of the progress of economic theory that a proposition which in one generation requires elaborate proof and gives rise to ponderous controversies appears to the next generation to be self-evident.

Wicksteed, like most pioneers in the field of theoretical analysis, attributes too much importance to his discovery. He does not discuss the conditions of supply of the factors of production to the unit of control, but tacitly assumes a perfect market in the factors of production, and puts forward as his only contribution to this side of the question the curious view that (in wage bargaining) "the man, on his side, can insist on having as much as the marginal significance of his work, *i.e.* as much as the difference to the product which the withdrawal of his work would make." But in spite of the fact that he has nothing to say on the conditions of supply of factors, he feels impelled to pour scorn on the traditional theory of rent, a theory which is essentially bound up with peculiarities in the conditions of supply of factors to an industry or to industry as a whole, and has nothing to do with the conditions of demand for a factor by a firm, the subject with which Wicksteed's proposition is concerned.

Moreover, while his mathematical proof and his general argument apply only to the division of the product of a firm, he assumes that each factor receives a reward determined by its marginal productivity to society. His conclusions are thus given an appearance more grand and sweeping than his own analysis can justify.

But his main purpose is to isolate the conditions under which his proposition is fulfilled. He writes, "I use the mathematical form of statement . . . as a safeguard against unconscious assumptions, and as a reagent that will *precipitate* the assumptions held in solution in the verbage of our ordinary disquisitions," and he succeeds in precipitating two fundamental assumptions, (1) that competition is perfect, (2) that constant returns prevail, in the sense that an equal proportionate increase in each factor of production will yield the same proportionate increase in the product. In these conditions his proposition holds good.

It is the second of these conditions that has received the most attention from Wicksteed's successors. For when there are economies of large-scale production an obvious difficulty arises. A certain proportionate increase in each factor will then yield a more than proportionate increase in physical output, and Wicksteed's proposition appears to be invalidated. With this and other objections Wicksteed's critics drove him to abandon his precise mathematical statement, and in *The Common Sense of Political Economy* the assumptions are once more dissolved in verbiage, although they still appear to be necessary to the argument.

In a foreword to the reprint we are recommended to consult the Appendix to Mr. Hicks' *Theory of Wages* for "a review of the main literature concerning Wicksteed's proposition and a tentative solution of the outstanding difficulties." The upshot of Mr. Hicks' argument is to show that Wicksteed's proposition applies only to the product of the firm; that when there are economies of large scale the marginal physical productivity of a factor to the industry is greater than to the firm (though the account which Mr. Hicks gives of the matter is not perfectly satisfactory), but that since in equilibrium firms are working at minimum cost, Wicksteed's condition of constant returns is fulfilled in respect of the output of the firm, so that the difficulty disappears.

This complication, therefore, has both arisen and been dismissed since Wicksteed's essay was published. But Mr. Hicks appears to believe that firms produce the output at which costs are at a minimum for some reason of their own. He fails to show that it is only because competition is perfect that firms are of optimum size, and thus overlooks the fact that his conclusion merely amounts to saying that Wicksteed's first condition (perfect competition) entails his second condition (constant returns to the firm). Now Wicksteed introduced his first condition for quite another reason. He realised that in the real world competition is not perfect, and he attempts to get over the difficulty by defining the product of the firm as the total "Industrial or Economic Vantage," including "Good-will," and defining his factors so as to include "Notoriety . . . (as measured in some such unit as the command of advertising stations of a given quality)" as a factor of production. But when the product and the factors are defined in this way it is obviously unrealistic to postulate constant returns (in the sense that an equal proportionate increase in each factor will yield the same proportionate increase in the product), and in order that the condition of constant returns may be fulfilled, Wicksteed is driven to the extraordinary expedient of regarding the consumers also as a factor of production. In short, he was not perplexed because constant returns in terms of physical output may not obtain, but because constant returns in terms of value of output cannot obtain, and he was feeling his way towards a proof that unless competition is perfect the factors do not receive the value of their marginal physical product as wages. It was to avoid this difficulty that he took refuge in the assumption of perfect competition.

However clumsy his attempt to solve the problem of distribution under imperfect competition may be, the fact that he realised its importance makes his point of view more sympathetic to a modern reader than that of Mr. Hicks, who contents himself with remarking that "further consideration of this point would lead us too far into the more arid regions of higher general theory; its relevance to the theory of distribution is remote."

JOAN ROBINSON

The Common Sense of Political Economy and Selected Papers and Reviews on Economic Theory. By PHILIP H. WICKSTEED, M.A. (London: George Routledge & Sons, Ltd. 1933. Pp. xxx + 871. Two volumes, 12*s*. 6*d*.; one volume, 8*s*. 6*d*.)

THIS work, which has been out of print for some time, is now reissued in two separately purchasable volumes. The division is made for the benefit of the student who would buy "a text-book of manageable length" as a general introduction to Economics. He would, however, be well advised to obtain the two volumes; the first because it contains an admirable introduction by Professor Robbins, the second because it includes the application of Wicksteed's analysis to practical social problems in an exposition which "dates" very little even after the lapse of twenty-three years, and collects in addition a number of papers and reviews not previously published together. These include, among others, the famous analysis of the Marxian Theory of Value, and controversy with Mr. G. Bernard Shaw; an article on Political Economy and Psychology reprinted from Palgrave's *Dictionary*; "The Scope and Method of Political Economy" given as Presidential Address to Section F at the British Association Meeting 1913, and reprinted in the ECONOMIC JOURNAL; a Biographical notice of W. S. Jevons, a Review of Pareto's *Manuele Di Economica Politica*, and a Review of Sir Sydney Chapman's *Political Economy.* They form a well-selected and coherent whole in which the expository articles and the critical reviews alike serve to add further emphasis and afford fresh illustration of Wicksteed's most characteristic doctrines. We may quote as the most noteworthy the reversibility of the market supply curve, with its corollary that there is no law of rent distinct from the general law of