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It [the book] aims to do two things: first, to present clearly the more important facts of American railroad business, and explain the principles involved; second, to compare the railroad legislation of different countries and the results achieved. The two things need to be viewed in connection with one another. The attempt to manage railroads without regard to public policy, or to legislate concerning railroads without regard to the necessities of railroad business, results in disastrous failure.

Professor Laughlin in his preface says:

And yet it was my hope that the effect of an historical inquiry in suppressing some of the theoretical vagaries of the day might be realized by showing what our actual experience with bimetalism has been, in contrast with the assertion of some writers as to what it may be. The practical lessons from facts in such a subject are more instructive than the suppositions of theory.

Both authors take the ground therefore that the true way to discuss economic problems is to study the past experience of mankind and see what that teaches us. It may be objected that such has always been the method of political economy in dealing with particular questions, and instances to this effect may be cited from Adam Smith down. Nevertheless, it may be asserted that under the influence of the political economy which has until recently been taught in this country, the answer to the railroad problem would have been simply the theory of non-interference; and to the silver question, Gresham's law. That these authors find it profitable to make such extensive inquiries, not only in respect to our own experience, but also in respect to that of other nations, shows that we are awakening to the real complexity of economic problems, and to the fact that their solution is not reached by citing a so-called principle from a standard text-book. Neither does the common objection to this method, *viz.*, that it gives us great heaps of facts but no definite conclusions, seem to be justified by the present instances. No one can read the two books without seeing clearly that both Mr. Hadley and Professor Laughlin have, in their own minds at least, reached very definite conclusions. It is to be hoped that this method will commend itself more and more to the younger school of American economists, so that we may have searching and thorough inquiries in all directions and thus lay the foundation for a genuine New Political Economy.

RICHMOND MAYO SMITH.

*The Scope and Method of Economic Science.* By HENRY SIDGWICK. London, 1885. — Small 8vo, 57 pp.

*System der Nationalökonomie.* Ein Lesebuch für Studierende. By GUSTAV COHN. *Bd. I. Grundlegung.* Stuttgart, 1885. — 8vo, 649 pp.

These two masterly works mark an important epoch in the contest between the old and the new political economy. Professor Sidgwick

has shown in his *Principles* that he is a profound and original thinker, fully acquainted with the most recent results of continental development; Dr. Cohn, Professor at Göttingen, is known to all students of economics as the author of the *Englische Eisenbahnpolitik*, perhaps the ablest work on any question of practical economics that has yet appeared. In the present volume he amply proves that his capacity for treating the more general questions of theory is by no means inferior to his skill in attacking practical problems — a conviction that must already have forced itself on the minds of all those who know his *Essays in Political Economy* of 1882.

The significant part of Professor Sidgwick's essay is that which concerns itself with a criticism of the German school, a criticism in some respects inadequate. The author disclaims all connection with that kind of political economy which flourishes in proud independence of facts, and which is usually called "orthodox" — although, as he well observes, it has the characteristic, unusual in orthodox doctrines, of being repudiated by the majority of accredited teachers of the subject. "The absolute right of the individual to unlimited industrial freedom is now only maintained by a scanty and dwindling handful of doctrinaires, whom the progress of economic science has left stranded on the crude generalizations of an earlier period."

Sidgwick finds the pith of the argument of the German school in the assumption that economic man is not actuated by the motives of self-interest. He asserts that notwithstanding the Germans' higher view of man as a moral, sympathetic, public-spirited being, habitually rising above sordid huckstering considerations, the theory of the determination of economic quantities is actually not affected at all. In examining the new explanations of prices, of distribution, *etc.*, Sidgwick, although gratefully recognizing the immense debt which economics owes to the new school, professes to find everywhere the old economic motives assumed and the old method applied. "The proof of the pudding is in the eating; but our historical friends make no attempt to set before us the new economic pudding which their large phrases seemed to promise. It is only the old pudding with a little more ethical sauce and a little more garnish of historical illustration." (Page 36.)

There is, indeed, a grain of truth in this, in so far as it serves to reject the exaggerated claims of economists like Scheel and Wagner, who affect to regard with disdain the work of Adam Smith. In working out many practical problems, the impartial observer must confess that there is much less divergence between the methods of Smith and the modern school than it pleased the first enthusiasts to imagine. But Sidgwick's criticism is nevertheless in the main unfair. The old school said, the object of political economy is simply to explain; the new school maintains that

the science means more than systematized knowledge, and that the work of political economy is largely to point out the way of reform. The old school was deductive, but drew its conclusions from entirely narrow and untrue premises. The new school is inductive as well, making use of history and statistics to confirm the validity of its conclusions, and opposing the assumptions of immutable law and universal applicability of the principle of self-interest, whether they result in the pessimism of Ricardo or in the optimism of Bastiat. And had Sidgwick looked a little closer, he would have observed that the modern doctrine of wages, for instance, is something more than mere "ethical sauce," and that the wage-fund theory, as originated by Malthus and formulated by Senior, has long since been relegated to the limbo of oblivion.

Cohn's book amply demonstrates the merits of the new school, while at the same time avoiding the exaggerations of certain German extremists. And Cohn moreover possesses a gift on which few of the German economists, except Held and Schmoller, can pride themselves — an attractive style, the lack of which all must deplore in Wagner, Schäffle, or the more acute Knies. The historical survey of the literature (pages 91-181) is necessarily somewhat superficial, but contains a comparatively just estimate of the position of the English school, recognizing what there is of value in their expositions.

The *Grundlegung* is a striking disproof of the erroneous idea that the new school necessarily implies a leaning to *Kathedersocialism*, or flatly opposes the principle of competition in itself. Cohn indeed calls economics an ethical science, and shows how the doctrine of price, of certain canons of taxation, of railway tariffs, can be adequately comprehended only through a recognition of certain moral considerations. (Pages 74, 374, 500.) But in the discussion of private property and state intervention, he takes the essentially critical and sceptical standpoint. The old conception of the state as a mere machine to protect property must indeed be abandoned; it must be recognized that the state also has certain positive moral duties to perform. But modern economics does not discard all competition; it asserts that free competition is in itself a neutral force, that it may produce good or evil results in different cases, and that only when its influence has been shown to be undeniably bad, is interference legitimate. In other words, the duty of the hour is to examine the particular facts of each individual case, and to refrain from positing any general laws, either of extreme individualism or of extreme socialism: to avoid the tendencies of a Bentham on the one hand, or of a Rodbertus and a Wagner on the other. Modern economics is historical, statistical, and therefore sceptical; and Cohn, in taking approximately a similar position, has made no mean contribution to the science.

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