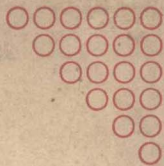


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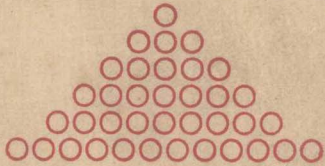
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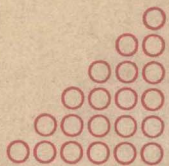
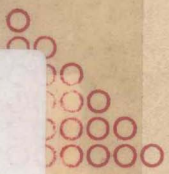
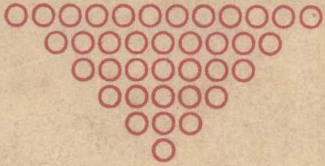
Twentieth Century

and

Other Lectures in Political Economy



LIONEL ROBBINS



THE ECONOMIST IN THE
TWENTIETH CENTURY

TO
ANNE AND RICHARD

I graunt yf men might live with in them selves altogether, with oute borowinge of anie thinge outwarde, we might devise what coine we would; but sence we must haue nede of other, and other of vs, we must frame oure thinges, not after oure fantasies, but to folowe the common market of all the world; and we maie not set the price of thinges at oure pleasure, but folowe the price of the vniversall market of all the world.

*A Discourse of the Common Weal
of this Realm of England
(Lamond's Edition, p. 87).*

PREFACE

THE lectures which form the main body of this collection are all concerned in one way or another with the general problems of financial and commercial policy as they have presented themselves to the Western World in the period since the war. Although they were not designed as a strictly consecutive argument, I hope they have enough unity of purpose to justify presentation in a single collection. I have added at the beginning a general oration on the position of the economist in the present age and at the end an excursion into the field of international politics; and I have included in an annex a short survey of general economic policy during the war.

In various ways the general themes of the main collection have been the subject of many lectures which I have delivered in recent years, both in the London School of Economics and in several universities and institutions which have done me the honour of inviting me to address them, at Brussels, at Geneva, at Madrid, at Newcastle, at Strasbourg and at Zürich. I should like to take this opportunity to tender to my hosts at all these places sincere gratitude for much hospitality and encouragement. But the final impulse to assemble my material in its present form was provided by an appointment to lecture this summer at the Instituto Brasileiro de Economia at Rio de Janeiro, one of the conditions of which was the delivery of a manuscript to be published in Portuguese in the *Revista Brasileira de Economia*. Lectures III-VIII are the outcome of this obligation; and I have to thank the authorities of the Instituto for permission to publish here the original English version. I have to thank, too, in a more personal manner, my many friends in that notable centre of study, in particular, its presiding genius,

THE ECONOMIST IN THE TWENTIETH CENTURY

Dr. Eugenio Gudín, for kindness and companionship which made my stay in their enchanting city one of the most rewarding experiences of my life.

Professor Frank Paish, with whom I seem to have been discussing the subject matter of these lectures since the winter of 1916, has helped me greatly with technical advice — he is not, of course, to be held responsible for any of their, probably many deficiencies — and Miss Helen Bevan, the secretary to the economics department at the London School of Economics, has materially lightened my editorial labours. To each I tender grateful thanks.

LIONEL ROBBINS

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I

THE ECONOMIST IN THE TWENTIETH CENTURY¹

*An Oration Delivered on the 53rd Anniversary of the Foundation of the
London School of Economics*

I TAKE it that the object of an occasion like this is to enable us to stand back, as it were, for a short interval and to endeavour to see what we do in our daily lives against something larger than its accustomed setting. When, therefore, you did me the honour of inviting me to deliver this oration, it seemed to me that the best thing I could do would be to take my own profession, the profession for which several hundreds of you are preparing yourselves, and to try to examine its place and its duties in the century in which we now live. The position of the economist at the present day is undoubtedly very different from what it was in earlier times. Wherein does the difference consist? What is expected of us in our day and age? How far are we capable of performing what is expected?

(I) THE PRESENT POSITION OF ECONOMICS

If we approach this problem from the point of view of descriptive economics, the conspicuous difference between the position of the economist now and his position earlier on is the emergence of economics as a professional study, with organized centres of learning and permanent positions for its practitioners. The change in this respect is remarkable. The great works in which economics was first given systematic form were not written by professional economists. Cantillon was a banker, Adam Smith a professor of

¹ This was first published in *Economica*, May 1949.

philosophy, Ricardo a stockbroker and John Stuart Mill an official of the East India Company. In a very few universities in the nineteenth century there existed chairs of political economy whose occupants, in their inaugural lectures, would insist on the practical utility of their subject and plead for a wider recognition of that fact. But, for the most part, the duties were light. In this country at least, the statutory obligations seldom required full-time residence or extensive teaching. While in the world of affairs there was much discussion of economic questions, often of high quality (higher, I should say, than the quality of such discussion at the present day), in the universities political economy, as it was then called, was a mere adjunct to moral philosophy, a matter of subsidiary questions to be taken in Greats or the History School, without any pretence of thoroughness or indeed severe requirements as regards analytical or statistical competence. It was not until the time of Alfred Marshall at Cambridge and the foundation of the School of Economics in London that the study of the subject can be said to have been put on a serious basis, comparable in extent and severity with other important branches of learning.

Development since that time has been spectacular. At the beginning of the century there were perhaps six active chairs in the country, with hardly any further teaching posts or specialized fellowships to support them; the yearly output of trained economists (by which I mean graduates with good honours degrees) can hardly have been more than a dozen. At the present day there are twenty-six chairs, and other teaching posts of one kind or another amounting to something like a hundred; while the yearly output of graduates with good qualifications must run into three figures. In the School of Economics alone — which of course does many other things besides train economic specialists — there are at present over three hundred students preparing themselves for one or other of the economics options in the final examinations.

I do not think that this development is to be attributed only to the merits of modern economics as an intellectual

training. With reserves which will become apparent as the argument proceeds, I should be prepared to maintain that in fact these merits are quite considerable ; when studied in appropriate conjunction with certain other subjects, there appears to be something very congenial to all-round intellectual development in the blend of theory and fact, intuitive imagination and practical judgment, which characterizes what Keynes once called 'this most agreeable branch of moral science' ; and some, at least, of its improved status in the hierarchy of university subjects is due to recognition of this fact. But clearly this is not the whole explanation ; indeed, it is probably not the larger part of it. There are many subjects of like educational value where there has been no comparable educational expansion ; and it is certainly not to be thought that, had the driving force been only considerations of pedagogic efficiency, the expansion here would have been of anything like its actual magnitude. No, the main driving force has been external rather than internal. For good reasons or bad, there has arisen a strong demand for trained economists and the services they can render ; and this demand has manifested itself not only in an increasing call for the occasional services of university economists, but also in the establishment, in private business, in journalism, in central and local government, of positions where men and women with a university training in economics may hope to use their knowledge with advantage. It is not my intention here to survey this field in any detail. But I think we may note, as symptomatic of a trend which has become general, the establishment, within the charmed circle of the higher grades of the Civil Service, of the special designations of economic assistant, economic adviser, chief economic adviser and the like.

Why has this come about ? It would be agreeable to believe that it was entirely due to appreciation of our achievements : that, without anything else happening, the excellence of our analysis and the correctness of our practical judgments had so impressed themselves on the public mind that eventually we had been accorded the recognition which was always our due. As I shall argue later, I am not

prepared entirely to dismiss this hypothesis ; I think it may fit some of the facts. But we should surely be very unworldly if we were to believe that it was the whole explanation. The world has not stood still while our profession has expanded. The development of interest in economics has not taken place in a setting of Victorian tranquillity. There are obvious features of contemporary history which go far to explain why, quite apart from the question of their merits, our services are in greater demand.

In this connection, we may note two influences. First comes that stream of tendencies in public policy which, with Dicey, we may label collectivism. Can there be any doubt that it is the extension of state activity in the economic sphere which is responsible for much of the increase of public interest in economics? I am far from saying that where the tendencies of policy are otherwise — in the so-called *laissez-faire* system — the explanation of economic phenomena is at all an easy matter ; very much the contrary indeed. But while, in such a system, such matters may be of absorbing interest for the economist, for the world at large it is otherwise. The business man is not likely to think that very much depends upon a knowledge of economics. The civil servant and the politician, although more intimately affected, are very likely to feel that for all ordinary affairs at any rate, rule of thumb or intuition will see them through. Contrast now a situation where the functions of the state are extensive and continually changing. The business man finds his activities limited and conditioned by rules and regulations whose *rationale* he does not necessarily understand and whose repercussions he cannot easily foresee. The civil servant and the politician find themselves confronted by tasks where mere rule of thumb or intuitions are helpless, or at least liable to extensive and conspicuous error. Small wonder that, in such circumstances, there is a call for the services of those who have some technical pretensions to furnish advice and assistance in these matters.

Beyond this there is a still deeper tendency, springing from the disturbed circumstances of our times. Judged by

all civilized standards, this is an atrocious century. Two great wars and their accompanying upheavals have brought the culture of the West, the only culture of hope and improvement, nearer to the verge of ultimate dissolution than at any time since the collapse of the Roman Empire. It is true that we have improved anaesthetics and that our knowledge of industrial technique advances by leaps and bounds. But truth and tolerance have declined and the decent order of the world is broken. I suppose that, in the last fifty years, more men have been killed or condemned to forced labour in concentration camps than during any other such period in history — and that, not only in the inadvertent course of brute warfare, but deliberately and of set intention, in the interest of half-baked creeds, too silly for words, flaunting the labels of pseudo-scientific justification. I do not think we are as aware of these things as we should be; perhaps we have supped so full with horrors that our palates have become insensitive. But even in our numbed reactions, we know that something is wrong. We are anxious about the world. We do not know where we are going. And, in their anxiety, men turn to anything which they think will provide an explanation and a possible solution. Some, at least, of the increased interest in our subject is to be attributed to this attitude. Somehow, some day, it is hoped, we shall bring to light the magic word, the open sesame, that in a trice will bring order out of present confusions and give meaning and direction to human effort.

(2) THE UTILITY OF ECONOMICS

Now there are few things more difficult than to see ourselves in proper perspective: there are difficulties of optics and there are difficulties of interest. Yet if we are to answer the questions, to what extent we respond to these high expectations and to what extent we are capable of so doing, it is just this thing that we must try to do. Let us first enquire concerning the standard of present performance.

Here, if we are candid, we must surely admit that there

is no strong ground for complacency. It is quite true that the extension of teaching posts and facilities for research has been accompanied, as was to be expected, by a vast increase of scientific output. If we compare the position now with the position, say, at the time of the foundation of the Royal Economic Society, we see a difference of degree so great as to be almost a difference in kind. Then there were less than ten scientific journals in the world whose contents were noted in the summary at the end of the *Economic Journal*; now there are at least fifty. Then the volume of important books in our field appearing yearly in the leading languages ran into, perhaps, two dozen; now it runs into several hundreds. Yet with all this increase of counsel, who of us can be really satisfied with the present state of our knowledge? Who is there who does not feel the most profound sense of inadequacy, of insufficient knowledge of fact and imperfect apparatus of analysis, when faced with even the simpler problems of the day? Indeed, I will go even further and ask who is there who is really complacent about the rate at which knowledge advances? For myself, I admit that when I turn back to the works of an earlier generation, in particular when I read the writings of Alfred Marshall, when I regard his superb analytical insight, his wide range of information and, above all, his strong sense of proportion and relevance, I am often tempted to ask what right have we to regard ourselves as superior and further along the road?

Yet it is possible to be too despondent. I do not doubt that there is some progress. If it be true — and there is much in the contention — that a great deal of what we have regarded as most novel in recent years is, in fact, ‘all in Marshall’ — as at one time they used to say in Cambridge — it is also true that it takes a great deal of perceiving and that it is something to have dragged it out into the light of day. The re-examination of fundamentals in the central core of economic analysis, which has been going on ceaselessly since there were enough professional economists to provide a forum for debate, has doubtless involved much superfluous acrobatics and many mere disputes about words. But in the

end it has produced a certain unity of technique and a common understanding. Despite the sound and fury of controversy at the frontiers of knowledge — always a healthy sign — it is safe to say that at the present time, wherever a man begins his studies, provided that there is reasonable competence on the part of his teachers, he acquires a technique similar to what he would have attained elsewhere; and, if he shifts his habitation to other parts of the civilized world, he is able to talk a common language with those with whom he comes in contact. To those who can remember conditions even twenty-five years ago, this represents considerable progress.

In fact I am prepared to make the claim a little higher. There are branches of the subject where we have definitely passed beyond the stage of consolidation of the intuitions and discoveries of our predecessors. I am not clear that this is so in the much discussed theory of imperfect or monopolistic competition; for all the multiplication of diagrams in recent literature, I doubt whether, analytically, we have advanced very far beyond Marshall's few lines of algebra; and I suspect that, in practical judgment and sense of proportion, we are often some way behind. But I am less doubtful about the general theory of money and output. I know that this is a part of the field where there still persist acute differences of opinion on vitally important questions. I know that the history of thought in this connection has been marked from time to time by the most extraordinary jubilation at the re-discovery of the well known. I know, too, how much of recent development can be discerned, dimly foreshadowed, in the literature of the past. But I would maintain that the man who would argue that the work of the last fifty years, the work of Stockholm, of Cambridge and of Vienna — to say nothing of a host of devoted workers elsewhere — has added nothing to knowledge, is suffering from a very bad kind of melancholia. I can think of few economists who are satisfied with the present state of this branch of theory. But I think it would be hard to contend that at least we do not know better than we did the questions which we have to ask in this

connection and the nature of the problems which are involved.

My task to-day, however, is not a survey of modern economic theory, but rather an appraisal of the capacity of modern economists for practical usefulness. And here, within limits about which I shall be talking in a minute, I think that the verdict may be somewhat more favourable. The deficiencies of our knowledge are indeed lamentable and must continually be a source of embarrassment. But there are certain bedrock fundamentals — or perhaps I should say certain basic habits of mind involved in our training — which I venture to think have considerable practical utility. I have not always thought this way. Before the war I should always have been disposed to claim speculative value for the principles of economics: I should have argued, that is to say, that general economics was an almost indispensable preliminary to the higher flights of social philosophy and to general reflection on problems of policy. But where more practical claims were concerned I should have been disposed to be more cautious. Edwin Cannan would never claim more than that no student of the School of Economics had ever ended his days in a workhouse. I am not sure that I should have pitched the claim as low as that. I should always have argued that it was a good thing for ministers to know a little economics, and that, powerful as was the general intelligence of the higher branches of the Civil Service, a certain contact with the subject would not be without its uses. But I should have been cautious in making very positive claims. The propositions of which we are certain seem so trite, the less obvious inferences are still so much a matter of dubiety, that I would not have pushed far the claim for the practical utility of economists in the day-to-day conduct of affairs. To-day I think somewhat differently. Experience during the war has convinced me that, provided that he is not headstrong and superior and is willing to learn the necessary conditions of his job, the trained economist has a substantial contribution to make in this sphere — and that, not so much on the strength of his more esoteric learning, but rather on the strength of his grasp of the more elementary platitudes of the subject.