



科目 經濟學參考筆記 *Now*

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"Principles of Political Economy"

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General Notions.

Chapter (1) Economic Science.

1. The Object of Political Economy: — Economists, lawyers, and moralists look at things from different points of view, though they often meet on the same ground. "To do our duty," "to exercise our rights," "to provide for our wants" are 3 different aims of human activity; & it is the last of these that is the proper subject of economic science. We may say, therefore, that political economy has to do with only those relations of men living in society which tend to satisfy their wants & promote their welfare, so far as this welfare depends upon the possession of material objects."

At present, there is a tendency to divide the science into 2 branches: (A) Pure political economy studying those economic relations that arise among men living together. It does not undertake to pass judgment on these relations, but simply to explain what they are.

(B) Social economics, studying the voluntary relations which men have established.

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among themselves in the form of social organization, written laws, or other institutions of any kind with the object of improving their social conditions. It undertakes to investigate & determine the best means for achieving this end.

2. The Formation of Economic Science; — It was in 1615 that political economy first received the name under which it is now known. It was in a French book by Antoine de Montchrétien, called "Traicté de l'Économie Politique". In ancient times the name economy was already in use, but it meant what we may call domestic economics, or household economy.

In 1758, one of the physicians of the French King Louis 15, named Quesnay, published "Le Tableau Économique". He introduced 2 new ideas into economic science, namely (1) The Belief in the existence of natural order, & (2) The superiority of agriculture over commerce & industry.

The publication in 1776 of "An Inquiry into the Nature & Causes of the Wealth of Nations,"

by a Scotch professor, Adam Smith, marks a decisive era in the history of Political economy.

No long after Adam Smith, 2 economists appeared in England, namely, Malthus & Ricardo. Malthus was still celebrated for his famous theory of the increase of population (1803), & Ricardo, for his theory of rent (1817).

In France, at the same period, Jean-Baptiste Say published his "Treatise on Political E.". It was in Say's book that set forth clearly the character of political economy as a purely descriptive science. Adam Smith defined it as "proposing to enrich both the people & the sovereign" thus making it an art rather than a science. But Say writes "the object of political economy is to make known the means by which wealth produces itself, distributes itself, & consumes itself".

Chapter 2 The Various Schools of E. Thought.
(A) From the point of view of method: — The term "method" is used to designate the road

that must be followed to lead to the discovery of truth.

(1) The deductive method starts from certain general data that are admitted to be beyond dispute; & then proceeds, by way of logical reasoning, to deduce an infinite series of propositions. This method is also called the abstract method, for it aims at simplifying phenomena by reducing them to the single element & setting aside all the rest.

(2) The inductive method starts from the observation of certain definite facts, & bases general propositions upon them;

(i) historical school: — maintaining that history alone can enlighten us as to the actual character of social facts, by showing us how social & economic institutions arose, & how they become transformed. This school of economy first arose in Germany. It dates from the publication of Roscher's Grundriss of Political Economy in 1843, or perhaps more truly from List's National System of Political Economy in 1841.

(ii) Statistical school : — Only public authorities are in a position to undertake this task.

(iii) Experimental school : — In the social sciences direct experiment is impossible. It is not the same thing as scientific experiment. The form of experiment with which the economist should content himself is that of comparing the results accruing from different laws & different institutions.

It was certainly by the deductive method that political economy was first established. The classical economists erected the framework of their splendid edifice on the foundation of a small number of principles that were suggested by many general observations — such as the growth of population & the diminishing return in agriculture. The deductive method ~~is~~ lives to-day in the form of 2 new methods : —

(i) Mathematical school : — considering the relations which arise among men in any given circumstances as relations of equilibrium, & capable of being expressed as algebraic equations. It was started by Cournot in France, & was reintroduced

by Jevons, Marshall in England, Gossen in Germany & Fisher in United States.

iii) Psychological school, - called also the Austrian school, devoting its attention to the theory of value & Value, according to this school, is only the expression of human desires. economic science is naturally reduced to a study of human desires & the causes which intensify or diminish them, which involves a very subtle psychological analysis. Its representatives are professors Karl Menger, von Bohm-Bawerk, & Wieser.

B) From the point of view of solutions:-

(1) The Liberal School.

The doctrines of the school may be summed up in 3 points:

i) Believes in the existence of a natural Order, in the sense that human societies are governed by it which we could not alter for it is not of our own making. Thus the duty of individuals & of governments, according to this school, is to strive to regulate their conduct in accordance with it.

ii) It is individualist, in the sense that

it regards individual effort as the prime power of social evolution. Men are born free to act according to their own interest.

(iii) The role of the legislator must be limited to developing individual initiative, removing whatever might hinder such initiative, & only preventing individuals from injuring each other in the exertion of it. Consequently, the intervention of authority should be reduced to the minimum, that is to the policy of *laissez faire*.

It is because of the belief of such natural law that the liberal school regards the wage system as a fixed & definite ~~system~~ institution.

2. The socialist Schools

The doctrine of this school may be summed up as follows;

(i) Regarding the existing social orders as evil for it confers on a small number of parasites the power of exploiting the masses by making them work for the benefit of their masters. Also regarding it as anti-economic because it involves a waste of labour & health.

ii) Revolutionary, without denying the doctrine of evolution. Modern socialists, unlike their predecessors, believe no longer that the existing social order can be changed at will!

"By changing their methods of production, men change all their social relations" (Marx). Thus: the hand mill will give you a feudal form of society; the steam-driven mill, a society ruled by the industrial capitalists.

iii) Limiting or transforming into public services everything that falls to-day within the scope of private enterprise.

iv) It is a class socialism; This is meant that the interests of the wealth-possessing classes are antagonistic to those of the workers. Hence Class War is the fundamental principle of the socialist programme.

3. The Reforming Schools.

The characteristics common to these schools are: i) Rejecting the principle of the liberal school, the doctrine of *laissez faire*. Believe that the public interest stands in a great need of being safeguarded, & therefore, seeking for institution which

shall achieve this end.

(ii) Rejecting the absolute separation sought to be effected by the school of pure political economy between justice & utility, between law & morals.

(A) State Socialism: — This school rejects all idea of natural law & attaches greater importance to the positive laws promulgated by the legislator, by regarding them as one of the most powerful factors in social evolution. It is led, then, to extend the functions of the State. (Germany.)

(B) Solidarism: — The desire of the solidarist school is that solidarity — the mutual interdependence of mankind, so clearly demonstrated by the division of labour, by exchange & by heredity — should become a rule of conduct, a moral duty, even a legal obligation having legal sanction. Human society must be transformed, then, into a sort of vast mutual aid society, in which every man will be called upon to assume his share of other men's burdens & to take his share of other men's profits. (France.)

(C) Social Christianity: — This school

believes strongly in natural laws, & calls themselves laws of providence. It does not regard the social order as good, nor even as tending to become better. Man's duty is not to follow his own nature but to overcome it. It denounces competition & the pursuit of profit. It accepts the institution of property; but regards it as a social function.

Chapter (2) Wants & Value.

The Wants of man. —

Every living being needs to borrow certain elements from the world around it in order to develop & accomplish its purposes, & when they are lacking, the result is suffering & death. Every unsatisfied want, however, gives rise to an impulse which seeks the means of satisfaction, & as soon as it finds it, becomes a desire. This desire induces the effort necessary to obtain the ~~obtain~~ object that will satisfy it.

The wants of man, therefore, are the underlying motive of all economic activity & the starting point of economic science.

The wants of man have several characteristics which will be illustrated followed; - -

(1) Unlimited in number. — The more we see the more we learn, & the more our curiosity is awakened, the more do our desires increase & multiply. The indefinite multiplication of wants, then, has created modern civilization.

(2) Limited in intensity. — Every want goes on decreasing in intensity as it becomes satisfied up to the point of satiety.

(3) Wants are competitive. — One want can be developed only at the expense of other wants which it abolishes or absorbs, & they are very often interchangeable.

(4) Wants are complementary; — For instance, the want of a carriage often involves the want of a horse.

(5) All wants are appeased or even extinguished for the time being when they are satisfied. And when a want has many times found the same means of satisfaction, it tends to become fixed as a habit.

Wealth:-

The remarkable property possessed by certain objects of satisfying one or other of our wants + supporting our life or increasing our well-being, is called utility. And every object which has this property is called wealth, independently of the amount of value it possesses; a glass of water is wealth in the economic sense of the word.

The Difference Between Wealth + Value:-

(A) The idea of wealth implies a relation between man + things, whereas value implies a relation between things — a relation that takes actual form in the shape of exchange. Value, then, is a relative notion, like size + weight.

(B) The idea of wealth is bound up with that of abundance; the more goods a man has the wealthier he is; The idea of Value is bound up with that of scarcity, i.e. of limitation of quantity. — Ricardo was the first to call attention to this point.

What is Value?

Why is it that one thing is worth more than another? The answers that have been given to it

may be grouped into two great theories;

(A) The Utility Theory of Value. Suggesting that things ought to be more or less valuable according as they more or less completely satisfy our wants. i.e. according as they are more or less useful. The word useful implies a ^{man's} judgement, & suitability of the object for satisfy certain wants which are considered good. Hence, the term "utility", in its economic acceptation, can only mean the property of satisfying any want or desire whatever.

Value is determined not by total utility, but only by the utility of that portion of the object of which we are in need. This utility is not the same for each unit that we possess, & it goes on diminishing as the number of units that we possess increases. Now it is the utility of the last unit possessed which determines & limits the utility of all the others. That is why it is called final utility. — The term, final is not a satisfactory one. Some prefer the term marginal utility, as the Germans call it. Limited utility

might be better still.

This theory is admirable as an accurate psychological analysis of human wants & their varying intensity. Yet it only ~~reviv~~ revives an old doctrine, which attributed value to scarcity, with the understanding that the scarcity applied to a desirable object, for otherwise it could not create any value at all.

B. The Labour Theory of Value. — Setting up a moral element (Labour) as the foundation of value. Every object, said Proudhon, is worth what it costs. And what it costs is not the money we pay for it, for purchase is only the transfer of a thing that already exists: it is the labour that has been expended in producing it. A watch, for instance, is worth a hundred times as much as a loaf of bread because it represents a hundred times as many hours of ^{work} ~~work~~.

Consumption.

Chapter (1) Spending