

PRINCIPLES OF ECONOMICS

BY

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SECOND EDITION, REVISED AND ENLARGED



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PREFACE

THE present work is the fourth edition of my *Introduction to Economics*, which was first published in 1904. I have changed the title to *Principles of Economics* to prevent the confusion of this book with my *Economics: Briefer Course*, which appeared in 1909, and to conform to the usage which has grown up of designating as *Principles* any treatise which covers the whole field of economics.

The purpose of the book is to introduce college classes to the study of the subject. This is, if I may repeat what was said in the preface to the first edition, "a task of no little difficulty. If lectures are depended upon exclusively, much time must be wasted in imparting information that could be acquired more quickly and more surely from the printed page. On the other hand, exclusive reliance on a text-book results in narrowness and dogmatism on the part of both teacher and student." The obvious escape from this dilemma is to combine the text-book and lecture methods, and it was to facilitate such a combination that the book was first written.

In revising it for this new edition I have done a good deal more than bring the information it contains up to date, important as this part of my task has been. I have rewritten several of the theoretical chapters and recast the explanations of the laws of value and distribution so as to anticipate difficulties and clear up possible misunderstandings. While continuing to describe the explanation of distribution presented as the "productivity theory," I have tried to make it perfectly clear that this phrase is intended merely to emphasize the intimate relation between distribution and production, which some economists have seemed to deny. An understanding of distribution requires constant attention to both sides of the value problem, the demand side and the supply side, and no theory, by whatever name it be called, can be complete which wavers in this attention or gives undue

prominence to one side to the neglect of the other. The presentation of economic theory which results from this revision will be found, I believe, both simpler and more accurate than in the previous editions.

With a view to harmonizing, so far as possible, the nomenclature of this book with that employed by other American economists, I have throughout substituted the phrase, "want gratification" for "want satisfaction" of the earlier editions, and "enterprisers" for "entrepreneurs." The first change is an undoubted improvement. I am not so confident as to the wisdom of the second, but have decided upon it on the ground that "enterpriser," notwithstanding that it is etymologically less elegant than "entrepreneur," has the great advantage of seeming like an English word and, therefore, a better chance of making its way into everyday speech.

The changes in the second half of the book, dealing with practical economic problems, have been even more extensive. The rearrangement and expansion of the material have resulted in four new chapters on the Reform of the Tax System of the United States, Profit Sharing and Labor Co-partnership, Social Insurance, and Socialism, in place of the single chapter on Plans of Economic Reform in the previous edition. Not only in these new chapters but throughout I have tried to bring together the latest information in regard to new governmental policies in the economic field and their results.

The increased attention devoted to socialism reflects the increasing importance of that subject. No sincere, high-minded person can fail to be strongly attracted by the ideal which socialism presents. A reorganization of industrial society which promises to make the brotherhood of man something more than an empty phrase, which proposes to dispense with the wastes of competition and which undertakes so to exalt the functions of the state that the best capacity of the nation will be constantly in its service, merits not only the most careful but also the sympathetic consideration of economists. In the current literature in advocacy of socialism, the Marxian theories of value and interest still figure prominently, although they are no longer accepted by all socialists. It

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has seemed worth while, therefore, to restate with special care and clearness the conclusive objections to the labor theory of value and its corollary, the exploitation explanation of interest. In doing so I have tried to bring out clearly the distinction between the so-called "scientific socialism" of Marx, at which my criticisms are directed, and socialism as a program of social reform.

Though this edition is perhaps more largely my own work, the fruit of my own thought and teaching experience, than earlier editions, it still owes much of its form and content to suggestions derived from other writers. I desire particularly to record my indebtedness to the writings and teachings of Professors J. B. Clark, S. N. Patten, Eugen von Böhm-Bawerk and Alfred Marshall. More concrete is my obligation to Professor R. C. McCrea, who suggested changes in the figure on page 190 and other improvements in Chapter XI. Greatest of all is my indebtedness to my wife, whose unflagging interest and patient criticisms have been an aid and encouragement at times when both were much needed.

PREFACE TO THE SECOND EDITION

THE reason for bringing out a new edition of this book at this time is the highly important legislation enacted by Congress since 1913, when it was last revised. The principal changes made are, therefore, the addition to chapters XX., XXII., XXV., and XXVII. of descriptions and discussions of the Federal Reserve Act, the Underwood Tariff Act, the Clayton and Trade Commission acts, and the Income Tax Act, resulting in an expansion of the text from 642 to 654 pages. For the rest, occasional changes in phrasing have been introduced and the statistical and other information presented has been brought up to date. The theoretical chapters remain unaltered and I have seen no reason to modify materially the conclusions reached in the chapters on practical problems.

HENRY R. SEAGER.

RIVERDALE, N. Y.,
January 15, 1917.

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