

GIDE'S PRINCIPLES OF
POLITICAL ECONOMY

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PRINCIPLES OF POLITICAL ECONOMY

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AUTHORIZED TRANSLATION FROM THE
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GEORGE G. HARRAP & COMPANY LTD.
LONDON (SYDNEY

TRANSLATOR'S NOTE

This book is a translation of the twenty-third edition of Professor Gide's *Principes d'Économie Politique*, published in 1921, the first edition having appeared in 1883. In accordance with the plan followed in the English versions of earlier editions of the book, a certain number of modifications and adaptations have been made, with the object of making it more suitable to the needs of English readers. Thus illustrations and statistics drawn from French sources have, wherever possible, been replaced or supplemented by English ones, and in a few cases the text has been slightly abridged by the omission of details relating solely to French economic or legal procedure. But no material alterations or omissions have been made in the author's text without notice being given of them in the footnotes, and all matter for which the translator is responsible — other than English statistics, etc., substituted for French ones — is placed within *square brackets*.

The translator has made some use of Professor Veditz's English version of the eighth French edition, where the author had left his text unchanged. But this book may be regarded, broadly speaking, as an entirely new work.

It might perhaps be added that *sums of money* have been converted for the most part into their approximate English equivalents at the pre-war rate of exchange.

AUTHOR'S PREFACE

Since the publication of the fourteenth edition this book has been printed from stereotypes, so that it has not been possible to make the alterations necessitated by the great events of the last few years, except in the form of short notes added at the end of the volume.

For the present edition, however, the text has been set up afresh, and this has enabled us to bring the facts and figures up to date, though it has caused much delay in publication.

At the same time we would remind our readers that in this treatise there are practically no statistics, or bibliographical references, or even applied political economy. Those who wish for information on these subjects must refer to the two volumes of the *Cours d'Économie Politique*.¹ For though we have slightly enlarged the text of this book we have tried to make it retain the character it has had ever since the first edition appeared — now many years ago. We have aimed, not at a statement of new economic theories, or a new social programme, but at giving a clear view of the economic world, so vast, varied, and dramatic. For what this world shows us is not the play of impassive laws, dispensing good and evil fortune to individuals and to nations, but rather the spectacle of the passionate struggles on the one hand and the friendly help on the other, by which men strive to seize the good and shun the evil.

Whatever may be said to the contrary, the Great War and the Russian Revolution caused by it have certainly not proclaimed the bankruptcy of economic science. On the contrary, they have, generally speaking, confirmed, completed, and sometimes rectified, by experiment on the most gigantic scale that has ever been tried, the essential principles of political economy as they have been taught hitherto. They have only brought more clearly into view the injustice and confusion of the existing economic order, and the need for a sustained effort at improvement.

They have led, besides, to an enormously increased interest in economic problems, by showing their importance in the lives of peoples, whether it be the older nations, half ruined, and clinging to the edges of the abyss, or those that have but recently been formed

¹ [English translation by C. H. M. Archibald, entitled *Political Economy* (Harrap and Co.)]

and that are seeking to find their way. Many young folks of the generation that is gone, both in France and elsewhere, have found in this book a guide and a friend to introduce these problems to them and to make them love them: I hope it may render the same service to the new generation.

CHARLES GIDE

First published February 1924
by GEORGE G. HARRAP & CO. LTD.
39-41 Parker Street, Kingsway, London, W.C.2
Reprinted January 1927

CONTENTS

GENERAL NOTIONS

CHAPTER I — ECONOMIC SCIENCE		PAGE
✓ I.	THE OBJECT OF POLITICAL ECONOMY.....	1
✓ II.	THE FORMATION OF ECONOMIC SCIENCE.....	3
✓ III.	WHETHER THERE ARE NATURAL LAWS IN POLITICAL ECONOMY.....	7
CHAPTER II — THE VARIOUS SCHOOLS OF ECONOMIC THOUGHT		
I.	THE SCHOOLS FROM THE POINT OF VIEW OF METHOD	13
II.	THE SCHOOLS FROM THE POINT OF VIEW OF SOLUTIONS	19
1.	The Liberal School.....	19
2.	The Socialist Schools.....	22
3.	The Reforming Schools.....	26
CHAPTER III — WANTS AND VALUE		
✓ I.	THE WANTS OF MAN.....	33
✓ II.	WEALTH.....	38
✓ III.	THE DIFFERENCE BETWEEN WEALTH AND VALUE....	41
IV.	WHAT IS VALUE?.....	43
1.	The Utility Theory of Value.....	44
2.	The Labour Theory of Value.....	50
✓ V.	HOW VALUE IS MEASURED.....	54
✓ VI.	HOW THE STANDARD OF VALUE IS CORRECTED — INDEX NUMBERS.....	58

BOOK I — PRODUCTION

PART I — THE AGENTS OF PRODUCTION

CHAPTER I — NATURE		
I.	LAND.....	64
II.	THE LAW OF DIMINISHING RETURN.....	69

	PAGE
III. MOTIVE FORCES.....	72
IV. THE PROBLEM OF MACHINERY.....	76
 CHAPTER II — LABOUR	
I. THE PART PLAYED BY LABOUR IN PRODUCTION.....	85
II. HOW LABOUR PRODUCES.....	87
III. THE EVOLUTION OF IDEAS CONCERNING THE PRO- DUCTIVENESS OF LABOUR.....	90
IV. HARDSHIP AS A CONSTITUENT ELEMENT OF LABOUR .	95
 CHAPTER III — CAPITAL	
I. WHAT IS CAPITAL?.....	98
II. WEALTH WHICH IS CAPITAL AND WEALTH WHICH IS NOT CAPITAL.....	102
III. THE MEANING OF PRODUCTIVENESS OF CAPITAL.....	105
IV. FIXED CAPITAL AND CIRCULATING CAPITAL.....	108
V. HOW CAPITAL IS FORMED.....	111
 PART II — THE ORGANIZATION OF PRODUCTION	
CHAPTER I — HOW PRODUCTION IS REGULATED	
I. BUSINESS MANAGEMENT AND COST OF PRODUCTION.	115
II. THE AUTOMATIC REGULATION OF PRODUCTION.....	120
III. COMPETITION.....	124
IV. OVERPRODUCTION AND THE LAW OF OUTLETS.....	127
V. CRISES.....	130
 CHAPTER II — ASSOCIATION IN PRODUCTION	
I. SUCCESSIVE FORMS OF ASSOCIATION IN PRODUCTION .	139
II. ASSOCIATION AMONG WORKERS.....	142
III. ASSOCIATION OF CAPITAL.....	145
 CHAPTER III — THE DIVISION OF LABOUR	
I. HISTORY OF THE DIVISION OF LABOUR.....	150
II. CONDITIONS OF THE DIVISION OF LABOUR.....	153
III. ADVANTAGES AND DISADVANTAGES OF DIVISION OF LABOUR.....	155

CONTENTS

ix

CHAPTER IV — THE CONCENTRATION OF PRODUCTION	PAGE
I. THE STAGES OF INDUSTRIAL EVOLUTION.....	160
II. CHARACTERISTICS OF MODERN INDUSTRY.....	164
III. THE LAW OF CONCENTRATION.....	167
IV. CARTELS AND TRUSTS.....	173
V. STATE AND MUNICIPAL BUSINESS UNDERTAKINGS....	179

BOOK II — CIRCULATION

CHAPTER I — EXCHANGE	
I. HISTORY OF EXCHANGE.....	185
II. THE DIVISION OF BARTER INTO SALE AND PURCHASE	187
III. EXCHANGE VALUE OR PRICE.....	189
IV. THE LAW OF SUPPLY AND DEMAND.....	193
V. THE QUANTITY THEORY OF PRICE	197
VI. ADVANTAGES ARISING FROM EXCHANGE.....	203

CHAPTER II — METALLIC MONEY	
I. HISTORY OF MONEY.....	206
II. FUNCTIONS OF MONEY.....	211
III. VARIATIONS IN THE PRODUCTION OF GOLD AND SIL- VER AND THEIR EFFECTS.....	215
IV. CONDITIONS THAT GOOD MONEY MUST FULFIL.....	219
V. GRESHAM'S LAW.....	222

CHAPTER III — MONETARY SYSTEMS	
I. THE MAKING OF A MONETARY SYSTEM.....	226
II. DIFFICULTIES IN THE WORKING OF A BIMETALLIC SYSTEM.....	228
III. HOW BIMETALLIST COUNTRIES COME TO HAVE REALLY ONLY ONE MONEY.....	230
IV. WHETHER IT IS ADVISABLE TO ADOPT MONOMETAL- LISM.....	234

CHAPTER IV — PAPER MONEY	
I. WHETHER METALLIC MONEY CAN BE REPLACED BY PAPER MONEY.....	238

II. WHETHER THE CREATION OF PAPER MONEY IS EQUIVALENT TO THE CREATION OF WEALTH.....	PAGE 243
III. THE EXCESSIVE ISSUE OF PAPER MONEY AND THE SIGNS BY WHICH IT IS INDICATED.....	245
CHAPTER V — INTERNATIONAL TRADE	
I. ADVANTAGES OF INTERNATIONAL TRADE.....	249
II. WHAT IS MEANT BY THE BALANCE OF TRADE.....	252
III. THE TENDENCY OF INTERNATIONAL TRADE TO BECOME BARTER.....	255
IV. PROTECTION.....	259
V. FREE TRADE.....	266
VI. COMMERCIAL TREATIES.....	269
VII. HISTORY OF INTERNATIONAL TRADE.....	272
CHAPTER VI — CREDIT	
I. HOW CREDIT IS SIMPLY AN EXTENSION OF EXCHANGE.....	278
II. CREDIT INSTRUMENTS.....	280
III. WHETHER CREDIT CAN CREATE CAPITAL.....	283
IV. HOW CREDIT ENABLES US TO DISPENSE WITH MONEY	285
CHAPTER VII — BANKS	
I. FUNCTIONS AND HISTORY OF BANKS.....	289
II. DEPOSITS.....	292
III. CHEQUES.....	295
IV. DISCOUNT.....	298
V. THE FOREIGN EXCHANGES.....	300
VI. BANK-NOTES.....	305
VII. DIFFERENCES BETWEEN BANK-NOTES AND PAPER MONEY.....	307
VIII. RAISING THE RATE OF DISCOUNT.....	310
IX. THE ORGANIZATION OF BANKS	
1. Monopoly or Competition.....	314
2. Regulation or Freedom of Issue.....	317
X. THE GREAT BANKS OF ISSUE	
1. The Bank of France.....	321
2. The Bank of England.....	322

BOOK III — DISTRIBUTION

PART I — THE VARIOUS MODES OF DISTRIBUTION

CHAPTER I — THE PRESENT MODE

	PAGE
I. THE INEQUALITY OF WEALTH.....	325
II. THE WEALTH OF NATIONS.....	330
III. HOW THE DISTRIBUTION OF WEALTH IS EFFECTED...	332
IV. HOW PROPERTY IS ACQUIRED.....	335
V. THE KINDS OF WEALTH TO WHICH PROPERTY RIGHTS MAY APPLY.....	339
VI. THE PERSONS WHO MAY ACQUIRE PROPERTY.....	341
VII. THE ATTRIBUTES OF PROPERTY RIGHT: INHERI- TANCE.....	343

CHAPTER II — THE SOCIALIST MODES

I. THE SOCIALIST SYSTEMS.....	349
II. THE PRINCIPLES OF DISTRIBUTIVE JUSTICE.....	351
III. COLLECTIVISM.....	355
IV. SYNDICALISM.....	361
V. CO-OPERATION.....	363

PART II — THE VARIOUS CLASSES OF RECIPIENTS

CHAPTER I — THE OWNERS OF LAND

I. THE EVOLUTION OF LANDED PROPERTY.....	368
II. INCOME FROM LAND. THE LAW OF RENT.....	371
III. THE RISE OF RENT AND SURPLUS VALUE.....	375
IV. THE LEGITIMACY OF PROPERTY IN LAND.....	381
V. SYSTEMS OF LAND SOCIALIZATION.....	386
VI. THE DEMOCRATIZATION OF LANDED PROPERTY.....	390
VII. SYSTEMS FOR THE PRESERVATION OF LANDED PROP- ERTY.....	393

CHAPTER II — NON-WORKING CAPITALISTS

I. THE POSITION OF THE RENTIER.....	396
II. HISTORY OF MONEY-LENDING: USURY AND THE REGULATION OF INTEREST.....	398

	PAGE
III. THE CAUSE OF INTEREST.....	402
IV. THE DETERMINATION OF THE RATE OF INTEREST....	411
V. WHETHER THE RATE OF INTEREST TENDS TO FALL...	414
CHAPTER III — WAGE-EARNERS	
I. WHO ARE THE WAGE-EARNERS?.....	419
II. HISTORY OF THE WAGE SYSTEM.....	420
III. THE INCREASE OF WAGES.....	422
IV. THE LAWS OF WAGES.....	424
V. THE FAIR WAGE.....	431
VI. THE VARIOUS KINDS OF WAGES.....	434
VII. PROFIT-SHARING AND COPARTNERSHIP.....	435
VIII. TRADE UNIONS.....	439
IX. STRIKES.....	441
X. CONCILIATION AND ARBITRATION.....	445
XI. LEGISLATIVE PROTECTION OF WAGE-EARNERS.....	448
XII. SECURITY AGAINST RISKS.....	456
XIII. THE FUTURE OF THE WAGE SYSTEM.....	463
CHAPTER IV — THE ENTREPRENEURS	
I. HISTORICAL EVOLUTION OF THE EMPLOYING SYSTEM.	466
II. WHAT IS PROFIT?.....	470
III. THE RATE OF PROFIT.....	478
IV. THE ELIMINATION OF PROFIT.....	480
BOOK IV — CONSUMPTION	
CHAPTER I — SPENDING	
I. THE MEANING OF THE WORD "CONSUMPTION".....	482
II. RIGHTS AND DUTIES OF THE CONSUMER.....	485
III. THE CONSUMERS' CO-OPERATIVE SOCIETY.....	488
IV. HOUSING.....	491
V. LUXURY EXPENDITURE.....	495
VI. STATE CONTROL OF CONSUMPTION.....	498

CONTENTS

xiii

CHAPTER II — SAVING

	PAGE
I. THE TWO ASPECTS OF SAVING.....	502
II. THE CONDITIONS OF SAVING.....	506
III. INSTITUTIONS FOR FACILITATING SAVING.....	509
IV. INVESTMENT.....	511

CHAPTER III — POPULATION

I. THE LAWS OF MALTHUS.....	515
II. THE FALLING BIRTH RATE — CAUSES AND REMEDIES	518
INDEX.....	521

PRINCIPLES OF POLITICAL ECONOMY

GENERAL NOTIONS

CHAPTER I—ECONOMIC SCIENCE

I. THE OBJECT OF POLITICAL ECONOMY

The heavenly bodies, the earth that we inhabit, the elements that it contains, as well as the animals and plants that live on its surface — in fact, all the things that constitute the material universe and all the relations that exist between them — are the subjects of a distinct group of sciences known as *the physical and natural sciences*.

But in this vast world there are other objects no less worthy of our study, namely, men themselves, living in society; in fact, they could not possibly live otherwise. The relations that unite men socially form the subject of a separate group of sciences, called *social sciences*. As there are among men many kinds of social relations — moral, legal, economic, political, religious, and, finally, linguistic relations which serve as a vehicle for all the others — so there are many distinct social sciences, known as ethics, law, political economy, politics, the science of languages, the science of religions, and so forth.

It is true that the lines of demarcation among the social sciences, which all deal ultimately with man as a member of society, cannot be drawn so sharply as those that separate sciences having dissimilar subjects, such as geology, botany, and zoölogy. Indeed, the frontiers of these sciences, especially of the three most closely related to each other, will always be more or less indefinite: how are we to study exchange, rent, money-lending, or wages, without reference to property, contract, and duty?

But though the economist, the lawyer, and the moralist often meet on the same ground, they look at things from different points of view. To *do our duty*, to *exercise our rights*, to *provide for our wants*, are three quite different aims of human activity; and it is the last of these that is the proper subject of *economic science*.

We may say, therefore, without trying to be more precise, that political economy has to do with only those relations of men living in society which tend to satisfy their wants and 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 two branches: *pure political economy*, and *social economics*.

On the one hand, *pure political economy* (sometimes called also *economics*) studies those economic relations that arise naturally among men living together, just as one would study the relations arising among any other bodies. It does not undertake to pass judgment on these relations, either from the moral or from the practical standpoint, but simply to explain what they are. Thus it claims to be an exact science, and even to be able to employ the methods of mathematics.

On the other hand, *social economics* studies rather the voluntary relations which men have established among themselves in the form of social organizations, written laws, or other institutions of any kind, with the object of improving their social conditions. It undertakes to investigate and determine the best means for achieving this end. Hence it partakes rather of the character of the moral sciences, which enquire *what ought to be*, and of the arts, which enquire *what must be done*. It is also described sometimes, especially by German economists, as *social politics*.¹

This distinction between pure political economy and social politics is made in all special treatises in virtue of the principle of division of labour. But in a treatise written for instruction, like the present volume, it would be rather awkward than otherwise, for the separation of theory from practice would detract from the interest of the exposition. We shall therefore have to deal with social economics as well as with political economy.

The wide field of political economy must itself be subdivided, to

¹ Social economics, or social politics, should not be confused with *applied* political economy. The latter points out the best practical means of increasing the wealth of a country, such as banks, railways, monetary and commercial systems, and so forth, whereas social economics seeks especially to make men happier by providing them not only with more comfort but with more security, more independence, and more leisure. Consequently it is concerned more particularly with the working classes. These two sister sciences live in two different worlds and are scarcely even on friendly terms: one dwells in the world of business and the other in social reform committees.

Questions of applied political economy are scarcely touched on in this volume: they will be found dealt with in the author's *Political Economy* (Translated by C. H. M. Archibald, M. A.).

make it easier for us to find our way through it. The classical three-fold division into Production, Distribution, and Consumption is due to the French economist, Jean-Baptiste Say. This division corresponds to the three fundamental questions: How do men produce wealth? How do they share it among themselves? What use do they make of it? Then later on there was withdrawn from the immense domain of Production all that has to do with Exchange — commerce, credit, etc. — and to this part was given the name Circulation. But, as we shall see, to exchange is to produce; the only difference is that this kind of production of utilities does not involve material alterations in the object exchanged, as industrial operations do.

On the other hand, most economists have dropped that part of the science which relates to Consumption, because, they say, the question of the use made of wealth is a moral one. Such is not our opinion. The use made of wealth, whether it be consumed or saved, is an economic act of the first importance, and one which is obviously the final cause of all the economic acts which precede it. Political economy, it is true, has hitherto looked almost entirely at the producer, but there is some ground for thinking that the consumer is destined to play the leading rôle on the economic stage.

These divisions of our subject are regarded nowadays as somewhat out of date, and in modern books on political economy they are often replaced by other classifications which aim at presenting the facts in a more scientific form. That plan may have its advantages, but we have not thought it expedient, in a book like this, to upset the traditional framework at the risk of bewildering the students for whom it is particularly intended. We have thought it necessary, however, to add an introductory section concerning Wants and Value.

II. THE FORMATION OF ECONOMIC SCIENCE

It was in 1615 that political economy first received the name under which it is now known. This was in a French book by Antoine de Montchrétien, called *Traicté de l'Économie Politique*.

This name has been criticised, and many others have been proposed in place of it, as being more scientific. It would obviously be better, from a terminological point of view, if our science were described, like most sciences, by a single word, such as *economy* or *economics*, especially since the name *economy* was already in use in ancient times and one of the books of Xenophon even bears this word as a title. But for the ancients it meant what we may call

domestic economics, or household economy (*οἶκος*, household, and *νόμος*, law or rule). The qualifying adjective *political*, chosen by Montchrétien, indicated that the science had no longer to do with the economy of the household, but with that of the nation, and the name was particularly appropriate because it announced a historic revolution — the establishment of the great states of modern Europe.

But we must beware of regarding this date, which saw the baptism of political economy, as the date also of its birth. As a study of facts, political economy goes back to a far earlier date, and, as a science, which means a systematic arrangement of these facts, it is more modern.

Economic facts, or some of them at any rate, take such a prominent place in the life even of primitive man that we can well believe that they must always have engaged man's attention. Exchange was practised as early as the stone age, and the law of labour is written in the first pages of Genesis. But a fact may be familiar without furnishing material for science. On the contrary, it only arouses curiosity and provokes a desire for explanation if it is something out of the ordinary. The subtle Greek philosophers do not seem to have felt any need to explain to themselves how and why free men were exempted from the law of labour by the institution of slavery: it seemed quite natural to them. But they observed and analysed with extreme care the nature of money, the division of industry into separate trades, and the methods of acquiring property. It was first the prophets of Israel, and, at a later date, the Church Fathers and the Doctors of the Middle Ages who, inspired by the same religious spirit, were impressed by the contrast between wealth and poverty. They condemned luxury, and, in particular, the practice of lending money at interest, which they called *usura vorax*.

Yet no one ever sought for the connection between these different questions; no one dreamed of grouping them together into a single science. They counted among the accomplishments of the sage rather than of the savant. They were matters of morals, or politics, or theology, and took the form of good advice, offered either to rulers or to individuals.

The discovery of America gave the first impetus, during the sixteenth and especially the seventeenth centuries, to the formation of a true economic theory in a systematic shape; that is to say, what had been merely advice now took the form of a body of co-ordinated and logical precepts. Countries like France, Italy, and England, seeing with envious eyes how Spain was acquiring treasure from her mines in the New World, sought to discover how they too might