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Review of Political Economy: Past and Present by Lord Robbins

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social costs and benefits are accounted for in individual, public and private, investment decisions.

As a final statement, the authors advise the DC's that their foremost contribution would be to open up their markets to the LDC's; further, it would be in their own interests to do so. If this advice is refuted, then the authors' thesis is strengthened — the impetus for development must come from within. If the DC's were to capitulate, to various degrees, then beneficial consequences could evolve.

Bruce Paul Calkins

Washington State University

Political Economy: Past and Present. By Lord Robbins. New York: Columbia University Press, 1976. Pp. xi, 203. $12.50 cloth.

The present work by Lord Robbins is neither an essay on the history of economic thought, nor an essay on the problems of contemporary economic policy. The author, a distinguished economist at the London School of Economics, has written widely on both topics, and this work is a combination of the two. The book is a statement of what the classical policy prescriptions were and how Lord Robbins views their relevance today. The main fields considered are consumption, the organization of production, the stability of the system as a whole, welfare and distribution, and international trade.

Classical political economy developed during a period influenced by the recognition and prominent acceptance of the role of civil and intellectual liberties. Such an intellectual environment meshes easily with the notion of order arising from spontaneous exchange relationships in which each person judges and decides for himself while striving to attain the greatest happiness. Therefore, "liberty in the field of individual choice and liberty in the organization of production" (6) became the central and innovative doctrines of classical political economy.

There is, however, a distinction to be made here. "[F]reedom in the sphere of consumption can be regarded as an ultimate end", whereas "[f]reedom in the sphere of production . . . is broadly to be considered as . . . a *means* . . ." (28) Although this distinction is not pronounced by the classical writers, Robbins feels certain they would have admitted its importance.

Although much consumption is necessarily collective in nature, the classical prescription for the non-collective sector of consumption was for freedom of choice, a prescription Robbins finds essential to the good society.

The classical emphasis on *caveat emptor* falls short today due to the need to insure that consumers receive adequate information concerning the quality and potentialities of what is being bought. Diseconomies of consumption (e.g., automobile pollution) were remote from the classical economists' solicitations, but Robbins feels they would not strongly reject today's growing demand for controls to offset, as much as possible, these diseconomies.

Regarding the organization of production, the classical answer revolved around self-interest expressed in the market. Even though diseconomies in production were not explicitly recognized, Robbins feels there is little doubt that classical economists would agree, in this regard also, with the desirability for control of such negative aspects.

The classical writers were opposed to monopolies because of their inequitable distributional effects. Their pronouncements were limited to a concern with the fostering activities of the state, but today there are other manifestations of monopoly, such as patent rights, technological factors that arise out of the optimal productive installations, cartels and combinations which have the same ultimate effect as those that were of concern to the classical economists. The classical prescriptions were opposed to the public support of monopoly but said little or nothing of unsupported monopoly; however, Robbins feels that unsupported monopoly is no longer insignificant and does warrant attention and intervention.

The author states, "There is no need to spend much time on combinations of the employers' side of the labour market." (58) This is because "[t]imes have changed" and employers can no longer be accused of being in "a continuous tacit combination." (58) Today, either employers bid against each other, driving wages up for scarce labor, or their combinations are, at best, unstable, defensive associations. Regarding trade unions, the classical (as well as neoclassical) economists were ambiguous; however, it seems doubtful that unequivocal support in favor of trade unions could be obtained since the original, feeble associations have developed into formidable combinations.

A central issue to classical analysis of stability was the assumption that available resources would be reasonably fully employed in the long run. Say's Law of Markets held that the system was inherently stable because the process of production creates income and, therefore, its own demand. Although Malthus had argued for the possibility of underconsumption, J.S. Mill, by claiming that money must be considered a commodity, opened the road to understanding the instability of the system. Appreciation of this contribution was not immediate, states Robbins, since, "the full development of the analysis which Mill's insight made possible did not take place until comparatively recent times." (69)

A second facet of stability centers on money and credit. In this regard, Robbins gives the reader a short review of the history of development of the monetary system, beginning with the classical economists' concern with the leading question of whether metal or paper should be the basis for the monetary system. After briefly touching on the controversy surrounding the issue of bimetallism, Robbins drifts into, and dwells at length on what has remained to this day the central issue: the problem of management of the monetary system.

Baring complications introduced by international economic relations, Robbins advocates monetarist policies much in accord with Milton Friedman's school of thought. Such policies are not seen as cure-alls and are not promoted at the exclusion of fiscal policy. However, if fiscal policy is invoked, Robbins would much prefer some form of "automatism . . . rather than unpredictable antics by not particularly well-qualified, and not always well-advised, Chancellors." (99)

Contrary to the widely held belief by the lay public and by some professional economists, classical political economy was not indifferent to the problems of poverty and the questions of distribution, but the basic approach was that increases in the standard of living result from increases in production per capita. There was, of course, great optimism associated with the growth of knowledge relevant to production, increases of "accumulation", and "the hope that realisation of the connection between numbers and income would eventually influence the rate of [population] increase." (106)

Concern over problems of inequality was based on the belief in wide spread sharing of the burden of expenses of the state and in the desirability of more centers of independent initiative (and nothing so guarantees personal freedom more effectively than a reserve of capital wealth). The classical economists did accept the appropriateness of rendering assistance to various victims of poverty and distress and some supplements to family provision for meeting certain needs. In accordance with the overridding theme of freedom of choice, they favored relief in cash rather than in kind, and free cash rather than cash tied to particular forms of expenditure. But always, the position of the relieved should be inferior to the position of the employed. Robbins feels that these prescriptions are widely accepted today as basic principles of classical political economy.

Just as it is unfair to say that classical economists were indifferent to the problems of poverty and the distribution of wealth, it is unfair to call their position totally individualist. Much of their program essentially reflected collectivist beliefs; however, with respect to a condition of total collectivism, the classical economists would have rejected this as detrimental to productive efficiency and to personal liberty.

The classical formula for international economic relations was that traders and financiers in different countries should be as free in the international sphere as they would be if the transactions occurred within their own borders. Although the arguments in support of this position were humane and intellectually well articulated, they were based on the implausible assumption that, left to their own discretion, various national authorities would avoid interference.

Even if the classical hopes were based to an extent on a delusion, the model upon which they built their analyses is still attractive. Indeed, to Robbins, the classical prescription seems to be one of the essentials of a sensibly organized world. With respect to trade as well as money and credit, the classical economists expounded sound ideas and ones that we should strive for — surpassing the current state of affairs.

Political Economy: Past and Present is well written, but to those concerned with the complex problems facing society today, I fear it will be anything but inspiring. The positions advocated by Lord Robbins are positions well ingrained in the conventional wisdom and popular philosophy, although I should add, they are being exorcized. The book is, in short, a defense of the faith; its main theme is the defense of liberty, the freedom from constraint that Western civilization has been obsessed with for two hundred years. Lord Robbins does not write with a mind geared to the developing problems of the environment, limits to growth, or the possibility that the doctrine of economic progress has reigned long enough. Concern is expressed in the final chapter about the threats to a free society, external as well as internal; and the author identifies "the prevalence of a belief . . . that the age of scarcity is at an end" (191) as possibly the greatest menace of all.

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Money, Banking, And Macroeconomics: A Guide to Information Sources. By James M. Rock. Foreword by Axel Leijonhufvud. Economics Information Guide Series, Vol. 11. Detroit: Gale Research Co., 1977, xvii + pp. 281. $18.00.

James Rock's book, *Money, Banking, and Macroeconomics: A Guide to Information Sources,* will prove to be a useful bibliographical reference to students, teachers and others interested in the fast-growing literature of this area of economics.

From macro-money reading lists of twenty-two leading universities in the United States and Great Britain, Rock has diligently prepared for the reader a number of avenues or routes by which macroeconomic and monetary topics can be reconnoitered. The text itself is divided into five chapters but there are basically only two sections to the book. Chapter one offers the reader an introduction to the literature. Chapters two through five contain readings on specific subdivisions of the macro-money field: Financial Intermediaries and Commercial Banking, Macro-Monetary Theory, Central Banking, and Stabilization Policy.

Chapter one may prove most valuable to those students initially experiencing macroeconomics and money and to those who are just beginning research in this field. Following an introductory summary of some of the major issues in this area, the first chapter presents a list of readings books, conference volumes, collections of essays and textbooks that give a "general overview" of the subject. For most of these books the author has prepared notes which discuss topics covered and, in appropriate places, his critical comments are included. Also of interest to someone relatively new to the field is Rock's "Basic Library" of macro-money books, which presents the best of important works in