

ELEMENTS OF ECONOMICS

VOL. I.



ELEMENTS OF
ECONOMICS OF INDUSTRY

BEING THE FIRST VOLUME OF
ELEMENTS OF ECONOMICS

BY

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PREFACE TO THE FIRST EDITION.

THIS Volume is an attempt to adapt the first Volume of my *Principles of Economics* (Second Edition, 1891), to the needs of junior students.

The necessary abridgement has been effected not by systematic compression so much as by the omission of many discussions on points of minor importance and of some difficult theoretical investigations. For it seemed that the difficulty of an argument would be increased rather than diminished by curtailing it and leaving out some of its steps. The argumentative parts of the *Principles* are therefore as a rule either reproduced in full or omitted altogether; reference in the latter case being made in footnotes to the corresponding places in the larger Treatise. Notes and discussions of a literary character have generally been omitted.

The influence of Trade-Unions on wages depends much on the course of Foreign Trade and on Commercial Fluctuations; and therefore in the *Principles* all discussion of the subject is postponed to a late stage. But in the present Volume, the practical convenience of discussing it in close connection with the main theory of Distribution seemed to outweigh the disadvantages of treating it prematurely and in some measure incompletely; and a Chapter on *Trade-Unions* has been added at the end of Book VI.

A few sentences have been incorporated from the *Economics of Industry*, published by my wife and myself in 1879.

Though she prefers that her name should not appear on the title-page, my wife has a share in this Volume also. For in writing it, and in writing the *Principles*, I have been aided and advised by her at every stage of the MSS. and the proofs; and thus the pages which are now submitted to the reader are indebted twice over to her suggestions, her judgment and her care.

Dr Keynes, Mr John Burnett and Mr J. S. Cree have read the proofs of the Chapter on Trade-Unions, and have given me helpful advice with regard to it from three different points of view.

18 February, 1892.

* * * The changes in this edition follow those made in the third edition of my *Principles*. Book I. Ch. iv. and v. and Book III. Ch. vi. have been rewritten in order to make more clear how closely the economist adheres in substance to the methods of inference and judgment of ordinary life; and how thorough are the harmony and the mutual dependence between the analytical and the historical methods of economic study. In Book II., Ch. iv. and v. have been thrown together to make a new Chapter iv.; the old definition of Capital regarded from the point of view of the business man is retained; but Capital is defined from the general point of view as wealth which yields "income" in forms that are admitted in the broader use of the term in the market place. Book VI. Ch. i. and ii. have been recast, with further explanations, and a fuller rehearsal of the chief results obtained in the earlier Books.

June 1896.

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[*Italics are used to give references to definitions of technical terms.*]

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References to the "Principles" are generally applicable to its second and third Editions, except when "Ed. III." is added. Most of them are applicable also to the first Edition, if it be remembered that Book VI. of the first Edition was absorbed into the latter part of Book V. of the second and third; and that consequently Book VI. of the new editions corresponds to Book VII. of the first Edition.