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THE SCIENCE OF PRICES

THE
SCIENCE OF PRICES

A HANDBOOK OF ECONOMICS

(PRODUCTION, CONSUMPTION AND VALUE)

BY

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PREFACE

IN his *Political Economy for Egyptian Students*, first published in 1910, the writer tried to carry out for a special class of students his idea of what a text-book of Economics should be. Part of that book was extended in 1916 into *The Mechanism of Exchange*, a handbook of currency banking and trade for English students; and its success has encouraged the writer to attempt a text-book on similar lines dealing with the general theory of Economics—the Theory of Value.

In a text-book there is little room for originality. The principles of Economics are now well established, but they have to be applied under conditions which vary from one country to another, and are constantly changing. That is inevitable because the raw material of Economics is human nature, which acts and reacts differently under different conditions. It is to the late Alfred Marshall more than to any other economist that we owe the development of the human side of Economics; the very name that he gave it—the “science of everyday life”—breathes the new spirit of the subject. It is on Marshall, therefore, that this book is mainly based. His statement of economic theory is full and well balanced; and while the present generation may well be chary of repeating Mill’s statement¹ that “there is nothing in the laws of value which remains for the present or any future writer to clear up, the theory of the subject is complete”, at least Marshall’s own generation has added nothing fundamental to his statement of it, nor is it easy to see in what direction such additions are likely to be required in future.

¹ *Principles*, III: i. 1.

Marshall's books, however, have unfortunately proved very difficult to young students on their first introduction to the subject ; they cannot easily follow the thread of his argument. The writer has never forgotten his own first despairing struggle to trace unaided the consecutive line of reasoning through the *Economics of Industry* ; and it has ever since seemed to him that the greatest service he could render to would-be students of Economics was to put Marshall's theory before them in a form at once simple and easily followed, and yet not inaccurate or misleading through its omission of the refinements and qualifications which are characteristic of Marshall's own exposition.

The writer's first object in this book is therefore to make plain to his readers what Economics is, namely, the systematic study of their ordinary business and social relations, in the world in which they make and spend their money. The essential point is to make it clear that there *is* a science of everyday life ; that life is not merely a chaotic welter of brute force, euphemistically called Competition, but that the modern individualist system is really a system which has on the whole, during the past century and a half, worked for the good of the one class of the community to which all belong, namely, the consumers. While industrialism brought great evils in its train, it is now certain that many of these evils are not inherent in the system, but can and will be eliminated, or at least greatly modified, as the world gets to understand the system better.

The next point is to show the student how to apply the principles of this system to the conditions of his own life ; he must learn how to handle everyday problems, where to get hold of the facts, and how to test and prove them. Economic materials are often in the form of statistics, which are no less useful as a safeguard against the danger of hasty generalisations than they are dangerous as pitfalls to the unwary or prejudiced. The statistics given in the Appendix are therefore meant as examples to be used in teaching the student how to handle statistics.

In the same way some outlines of the historical side of Economics have been included, simply as an illustration of the fact that every economic problem has a history, and to show the student where such history may be found, and how it is to be handled and studied.

In selecting illustrations the writer has made rather free use of the cotton industry in all its branches, not only because it happens to be the one he knows most about, but because it is one of the greatest industries in this country and indeed in the world, and is perhaps the most completely organised and highly specialised industry of modern times. Nothing can happen in the world that does not affect the cotton trade; there is no economic problem of to-day that cannot be illustrated from the experience of the cotton industry in one part of the world or another.

An elementary text-book should not be overburdened with acknowledgements or references. After nearly thirty years of teaching it is often difficult to remember whether the exact form of a statement is one's own or unconsciously borrowed. In any case frequent references to authorities are worse than useless to the elementary student. The writer has therefore confined himself to giving, at the end of each chapter, references to the books or sections of books on which it is mainly based, which should also serve the student as a guide to further reading. The latter is specially necessary in such subjects as Trade Unions, which cannot possibly be dealt with adequately in a general text-book.

JOHN A. TODD.

LIVERPOOL, *February* 1925.

TO THE
MEMORY OF
THREE BALLIOL MEN
ADAM SMITH (1723-1790)
SNELL EXHIBITIONER, 1740-1746
ALFRED MARSHALL (1842-1924)
FELLOW AND LECTURER IN POLITICAL ECONOMY, 1883-1884
ARTHUR LIONEL SMITH (1850-1924)
MASTER, 1916-1924

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