

Competition and Economic Equilibrium.

PROF. J. SCHUMPETER, a distinguished German economist of the University of Bonn, contributed an interesting paper on "The Instability of our Economic System" to the proceedings of Section F (Economic Science and Statistics) of the British Association at the recent meeting in Leeds. Pounding the question "In what sense can the present economic system of capitalist production and distribution be said to contain possible causes of instability?" Prof. Schumpeter said that by the phrase 'capitalistic system' he understood an economic order characterised by: (1) Private property and private initiative; (2) division of labour or production for the market; and (3) credit creation by banks, which latter he considered an essential element of that system. Neglecting disturbances which might arise from without the economic sphere and would react on economic life, for example, reactions of a policy of deflation in certain circumstances, he showed that the capitalistic system is in itself economically stable, and would not show any tendency to outgrow the elements of which it consists, and would therefore last indefinitely if left to itself.

Prof. Schumpeter pointed out that, as has been demonstrated by the economic analysis of which the late Dr. Marshall is the greatest exponent, there is to be found under competitive conditions a stable equilibrium of the economic process, to which in given circumstances real life tends to conform. This theorem, it has to be admitted, is not accepted by the 'man in the street,' who, on the contrary, is in the habit of attributing all sorts of instability to competition, though this he usually does under misapprehension. But though competitive conditions prevailed during the nineteenth century with sufficient approximation to theoretical hypotheses, Prof. Schumpeter pointed out that they certainly do not prevail at the present time, and it is therefore necessary to prove a similar proposition in the case where monopoly is the rule among various industries. This is not so easy a task, and there are many economic authorities who do not admit that a stable equilibrium of economic life can exist in this case. Nevertheless, such equilibrium can be shown to exist. It can also be proved that the increase of population is never by itself a cause of economic instability.

Prof. Schumpeter next went on to explain that there remains the fact that the business cycle destroys the state of equilibrium, which may have established itself. The business cycle cannot be accounted for by outside impulses such as harvests, wars, and so on, but is, on the contrary, the necessary form which economic evolution takes under capitalistic conditions. But although every boom destroys an equilibrium, every depression tends to establish a new one, and there is nothing in these recurring waves of prosperity and depression to affect the capitalistic system as such, nor are extensions and contractions of banking credit causes of instability.

Economic stability, however, Prof. Schumpeter stated, does not imply or guarantee political or social stability, and a position of stable economic equilibrium may be socially or politically unstable. For a variety of reasons the political and social circumstances of our time are in fact unstable in the highest degree. By its own working the capitalistic system evolves a mentality and a way of arranging life and looking at life which is bound to undermine what are regarded as indispensable psychological bases of capitalistic society.

Our modern attitude towards taxation, inheritance, home life, etc., which attitude is not dependant on

economic necessities, are illustrations of the development of this psychological process. The capitalistic system provokes discussion, and discussion is the beginning of all revolutions. When psychological reactions have proceeded far enough they may exert a destructive effect on the system itself by removing the motives which have been the mainsprings of that system. People may get into a mental attitude in which they would do away with the economic system without any economic pressure and even against economic interests. If the capitalist system passed away in that fashion many other things would necessarily die, including even, as a possibility, family life as we now know it.

University and Educational Intelligence.

ST. ANDREWS.—At the autumn graduation ceremony on Friday Oct. 7, the Vice-Chancellor, Sir James Irvine, announced that the donor of the gift of £100,000 to the University was Dr. E. S. Harkness, of New York, well known on both sides of the Atlantic for his generosity in the cause of education. More than one-fourth of the gift was allocated by the donor towards the cost of building a new residential hall for men students. The intention is to restore the old collegiate system which was a feature of university life until a century ago. The honorary degree of LL.D. was conferred upon Prof. John Burnet, who has just retired from the Chair of Greek in the University; Sir Richard Gregory; Dr. Knud Rasmussen, Copenhagen, the Arctic explorer; and Mr. Benjamin Thomson, Rector of Forfar Academy.

CO-OPERATION between universities and industrial and commercial firms is increasingly close and effective in the United States and is being systematically fostered by the American Council on Education. Remarkable progress has been made in developing ways and means of securing for educational institutions suitable kinds of trustworthy occupational information. Large industrial organisations have co-operated in the task of formulating detailed specifications of the work required to be done by the various classes of persons employed by them, and these 'job specifications,' as they are called, have been proved to be of great value both to schools and colleges and to the employers. The following description of methods of co-operation between the Yale University Bureau of Appointments and the industrial organisations with which it is in touch is based on an article published in the April number of *The Educational Record*. The Bureau is in touch through its bulletins with about 1200 firms, and almost daily from early in March until late in May, representatives of one or more firms, frequently one of the chief executives, attend at the Bureau to interview undergraduates in their final year. Even where the interviews do not lead directly to appointments they are useful to the undergraduates, for in most cases the firm's representatives are glad to give general vocational advice and talk freely and helpfully even with candidates who are not so much interested in the particular company represented as in obtaining specific occupational data, which is, in fact, regarded by many as the most valuable advantage of the scheme. When applying for interview dates—and many more apply than can be accommodated—the firms furnish an outline of the positions to be filled, salaries offered, nature of work, etc., which enables the undergraduates to judge which representatives they wish to see.