

## BOOK REVIEW

### *AN OUTLINE OF INTERNATIONAL PRICE THEORIES*

CHI-YUEN WU

AUBURN, ALA.: LUDWIG VON MISES INSTITUTE, 2007, 373 PP.

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The present volume, prepared as a Ph.D. dissertation, is the only known work of Chi-Yuen Wu, a Chinese scholar contemporary with Ludwig von Mises. In 1939 Wu completed his doctorate at LSE under Lionel Robbins, and then returned to China at Southwest Associated Universities. Since nothing is known of his career after this time, we are left wondering if he kept writing, or how he coped with the rise of the communist regime in his native country. Nevertheless, the achievements of the present work are even greater for this reason. *An Outline of International Price Theories* was single-handedly able to keep Wu on the radar of economic research for almost a century, a testimony to his acumen and mastery of his topic.

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The book is an overview of the historical development of international price theories. All such theories attempt to answer a manifold question: what are the relationships among trading countries concerning (1) the value of their currencies, (2) the price level, (3) the prices of similar goods and (4) the prices of production factors? Wu's analysis is closely structured along these aspects, and outlines a period of four centuries of international trade theory, from the 1500s to the 1930s. Notwithstanding, Wu's survey is more comprehensive than that, as the author brings up issues that pertain also to the monetary, banking, and business cycle theories of those centuries.

Wu opens with a detailed analysis of the economic aspects of mercantilism. Chapter II discusses the theoretical systems of Thomas Mun and Gerard de Malynes, and maps the price revolution controversy and the balance of trade debate. Chapters III to V are structured in a similar manner. Wu reviews the contributions of Hume, Smith, Ricardo and John Stuart Mill to the equilibrium theory of international price relationships, and laces his presentation with historical information about 18th and 19th century debates. We learn in this way how theories have been "attacked and refined" by participants in the Restriction controversy and the Bank Act controversy in England. (p. 142)

Further, Wu meticulously reviews the doctrine of comparative costs and the theory of international values, building blocks of the classical international trade theory. In chapter V, the inquiry continues with the post-classical developments, viz. the works of Marshall, Wicksell, Taussig, Mises and Hawtrey. On the subject of the purchasing power parity doctrine, the author extensively quotes passages of "great clarity" from Mises's *Theory of Money and Credit*. (pp. 232–235)

The analysis contained in these chapters is very valuable for several reasons. First, the finesse of Wu's inquiries, as well as the rich historical information he offers, contextualize and enhance what could have otherwise been a wearisome list of theories. Second, Wu brings to light the works of some economists that are now neglected or forgotten, like Weatley, Blake, Bosanquet, Goshen, Bagehot, Laughlin, Nassau Senior, and John E. Cairnes. The only regret is that Wu restricted his investigation to the British contributions, and thus overlooked the French liberal tradition.

Third, the author challenges some of the well-established assumptions of international price theories, e.g., the theoretical separation between domestic and international trade. Wu writes: “unimportant as it may appear, [this] has been the subject of much criticism. First there has been the criticism that the difference between international and intra-national trade is only a difference in degree and not a difference in kind.” (p. 154) A decade after the publication of Wu’s book, this became a crucial insight of Mises’s *law of association*, and had significant implications for the theory of the division of labor and social evolution. Though Wu’s conclusions regarding this ‘unimportant’ point are not necessarily those of Mises, Wu should be commended for his judicious and thorough scrutiny.

Finally, the last four chapters look at international price theories after the Great War, in connection with the most important controversies of the period: international exchange with depreciated currencies and the transfer problem. Pigou, Viner, Heckscher, Cassel, and later Keynes, Ohlin, and Haberler are some of the economists whose views Wu analyzes closely. In chapter IX, Wu discusses the state of the theory of international price relationships at the time and its perspectives for the future. He concludes: “There is, of course, much room for improvement, especially in the dynamics of the theory” (p. 321), a remark still valid today.

All throughout the volume, Wu is poised and thoughtful, so in turn his analysis is lucid and sharp. Despite it being such a comprehensive survey, the writing style is effortless and uncomplicated, and makes the book a pleasure to read.

There are few works that undertake the considerable task of mapping the theoretical development of international economics. Among these select few, the present volume stands out. Wu’s approach to the topic is more balanced than Viner’s *Studies in the Theory of International Trade* (1937), and his analysis of mercantilism more penetrating than Heckscher’s (1955). Also, Wu goes into more depth with his inquiries than did Angell (1926) in a similar endeavor. Consequently, *An Outline of International Price Theories* is a perfect complement to these works, as well as to the noteworthy contributions of Joseph Salerno (1980) and Murray Rothbard (1995).

Such a well-written outline of international price theories is indispensable to any serious student of international economics and of the history of economic thought.

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