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THE ESSENTIAL FUNCTION OF COM-
MERCE AND COMMERCIAL ECONOMICS;
AN ESSAY ON THE OBJECTS OF
STUDY IN COMMERCIAL BUSINESS
SCIENCE AND COMMERCIAL ECONOMICS

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1. ECONOMIC ACTIVITIES AND ECONOMIC
PHENOMENA

Economics, many scholars admit, aim at the study of economic events or economic facts. It is not the object of my present article to discuss this problem. I want only to point out that the so-called economic events or economic facts consist of matters which ought to be put into two different categories. In one category comes economic action or economic activity, which is the direct outcome of the unified will of individual economic subjects; and the other covers economic phenomena, which make unconscious manifestations in society as a result of the intentional economic activity referred to. Let me, for convenience' sake, call the former *economic activity* and the latter *economic phenomena*. Putting aside the propriety or otherwise of these terms, nobody can deny that what are called economic facts are amenable to classification into these two categories. The

intentional activity of the individual subject to unify certain economic acts in accordance with its plans, in other words, the activities shown in planning, executing and continuing enterprises and in producing, selling, buying, or consuming goods fall into the former category. When there is a concurrence of many such intentional activities of individual economics in society, there occur economic events as unconscious social phenomena, quite independently of individual consciousness, and these belong to the latter category. The phenomena relating to the prices of commodities, monetary circulation, business cycles, etc., etc., fall into this category.

Economic activities and economic phenomena are economic events which fall into two different categories. In the study of cognitive objects of economics, it is more important than anything else to distinguish between these two. The two are not, however, absolutely independent of each other. In the first place, economic phenomena spring out of the concurrence of the activities of individual economies, and in this sense, it is conceivable that there exists a sort of relation of cause and effect between them. Phenomena are the effect, and activities the cause. Therefore, although phenomena are in themselves unconscious outcomes, they cannot, in a sense, be free from the influence of the intentional activities of individuals. Secondly, economic activities cannot entirely be free from the influence of economic phenomena either, though they are the intentional activities of individuals. From this point of view, the converse relation of cause and effect may be recognised between them. Phenomena are the cause and activities the effect. Thus, a certain phenomenon arises from certain activities, and then another set of activities regulated by this phenomenon is induced, there existing a mutual relationship of cause and effect between them. But this fact does not militate against the contention that they are separate entities.

The only debatable point in this case is whether the economic activities referred to cannot also be recognised as phenomena or, in other words, whether it is not possible, in

the process of our recognition, to abstract from economic activities the personal will embodied in those activities, and regard them as unconscious phenomena. I do not deny that this is possible, but I have at the same time no doubt that there is a distinction between economic facts from which the personal will has been abstracted in the process of our recognition and those from which it has been abstracted in the natural process of our social concurrence. I simply wish to emphasise here the existence of this distinction.

Economics, it is also explained, aim at the study of economic or social relations. In these economic or social relations also, I notice that there are two distinctive categories into which they can be classified. The relations that spring up between men and goods in the process of production and the relations that are formed between men and men through the intermediary of goods in the process of circulation contain both the relations which are created directly by our activities in the production and distribution of goods, which may be termed action-relations or *activity-relations*, and the social relations which are produced as the unconscious result of many conscious relations. To the latter belong what may be described as *phenomenal relations* or unconscious relations. For instance, the relations between cotton importers and cotton mills belong to the former category, while the relations between North American negroes who engage in the cultivation of raw cotton and wearers of cotton cloth in Japan fall into the latter category.

Thus, in the economic relations of society also, we can distinguish between the conscious relations of activity and the unconscious relations of a phenomenal nature. As to their mutual relations, the former relations regulate the latter relations, for the unconscious relations are created as the concurrent result of the conscious relations. On the other hand, if once the phenomenal relations are formed, the activity-relations will be established according to their regulations.

Lastly, it is asserted that economics aim at the study of

economic organisation or the economic mechanism, but in the economic organisation or mechanism also, we can discern two different categories—one embodying the conscious, premeditated and unified activities of individuals and the other representing unconscious phenomena naturally appearing in society. For instance, the factory organisation and the business organisation belong to the former category, while the social economic organisation which comes into being as the natural consequence of the social colligation of a large number of enterprises, falls into the latter category, and it is hardly necessary to repeat here that those *activity-organisations* and *phenomenal organisations* are regulated by each other on account of their mutual relationship of cause and effect in the same way as I have already described.

2. BUSINESS SCIENCE AND SOCIAL ECONOMICS

When it is admitted that economic facts, economic relations and economic organisations, which are asserted to constitute the object of study in economics, fall, as I have already explained, into two different categories, which are clearly differentiated, it is only natural that there should be two different branches of study, since the objects of study are different. In my opinion, economics in a narrow sense, viz., social economics, theoretical economics, or national economies, have for their object the study of what I have described as economic phenomena, phenomenal relations and phenomenal organisations. On the other hand, what is now known as business science has for its object of study economic activities, activity-relations and activity-organisations. Prof. Kojima has long been expounding the theory that "the physical life of human beings has two phases of economy and business management" and that "business management means systematic action of human beings in acquiring and employing, under the direction of one leading

will, the physical materials necessary for their life."¹) I entirely agree with Prof. Kojima in this respect.

With regard to the object of study in economics, it has been studied by many eminent economists for over 100 years since the science of economics was born. It often happens that we can recognise our object more accurately when our antagonism appears in the face of day. One advantage we have over the luminaries of our science in former days is that we are in possession of facts which many of them could not conceive. One of these facts is "Neben der Volkswirtschaftslehre steht heute die Betriebswirtschaftslehre."²) Economics to-day seem to call for re-examination in contrast to business science which has gradually witnessed such remarkable development that it has now acquired practically the same importance as economics, so that a more clear conception may be formed of the object of the science.

I take the economic phenomena, such as I have already described, to form the objects of cognition in the study of national economics or social economics, while I regard the economic activity or action, such as I have mentioned, as the object of business science. The two sciences ought to be strictly differentiated in regard to their objects of cognition and study. I think, however, that most scholars make no clear distinction in this respect. It is hardly necessary to dwell upon here the controversies that have arisen among many scholars regarding the relations between economics and business science in the sequel of the development of the latter. More important is it to examine the grounds on which various scholars base their different views than to study the varying conclusions which they reach—some affirming and some denying the existence of business science, some regarding it as a branch of economics and some merging it in economics. An examination of the views

¹) Prof. S. Kojima; The essential character of the science of insurance (Economic Journal XXVI. 4, P. 59.)

²) H. Nicklisch; Betriebslehre 6 ed., (1922) P. 1.

held by many scholars regarding the objects of the study under discussion shows that most of them, regardless of their points of view about the relationship between two sciences, evidently make no distinction between the respective objects of study.

To quote the views of Professors Brentano and Ehrenberg, two eminent objectors to Business science the latter contend that "in private economics there exist no special object of study....., the object and the method are identical everywhere."¹⁾ According to their views, therefore, the only difference between private economics and national economics is that the former has the private interests of individual enterprisers in view, while the latter has the public interests in view, and thus the two writers deny the study of enterprises aiming at the promotion of private interests as a branch of the science of economics.

Next, to quote the old theory of Professor Schär, who is a typical advocate of the merging view, private economics are one element or one cell of national economics, the latter being the sum total of the former. Therefore, he argues, there is essentially no distinction between them, except that one represents part, while the other embodies the whole. Private economics are, in his view, "an important component part of national economics"²⁾ as a matter of fact, and "it is impossible to draw any line of demarcation between the study of pure national economics and that of pure private economics."³⁾

Thirdly, Professors Diehl, Spann Liefmann, and almost all the national economists, who, while recognising the independence of business science from the technical point of view, try to deny its independence as a science, seem also to refuse to recognise the distinction between the objects of these two kinds of economics. Of these scholars, Professor

¹⁾ R. Ehrenberg; *Keine „Privatwirtschaftslehre“!* (Bank-Archiv. 1912. Jahrg. XII. P. 57.)

²⁾ J. F. Schär; *Allgemeine Handelsbetriebslehre* I Bd., 2. ed., (1913) P. 40.

³⁾ *ibid.*, P. 37.

Liefmann most clearly asserts that both have individual economy for their object of study, and that there is no other object of theoretical economics. In this way, he denies the independent nature of business science as a branch of science.¹⁾

Lastly, even among those scholars of business science who recognise the independent and scientific nature of that science, there are few who clearly see the essential difference between the objects of study. For instance, Professor Nicklisch maintains that the object of study of the two branches of science is one and the same.²⁾ It also appears that even the scholars who admit the separate existences of individual economy and social economy fail to make clear the essential distinction between the two, holding, as they do, that the former constitutes a part of the latter.³⁾

Note: Professor Nicklisch's new book is not very clear on this point, but judging from his assertion "the nucleus of this science is enterprise and management, and that what this science strives to explain is the laws of economic life," he seems to have forsaken his former view and have come to regard⁴⁾ enterprise or management as the object of study. No attempt is, however, made to explain the essential nature of management.

If these scholars do not recognise the prime distinction between the objects of study in economics and business science, how do they propose to justify their claim of the independence of business science? Most of them seem to try to find justification in the distinction between the *stand-points*—the one individual and the other general. Indeed, the difference of standpoints or points of view is a term which is very often employed in economics. It is certainly a very convenient expression, but what is meant by the standpoint or point of view and how the general point of view differs essentially from the individual point of view is by no means clear.

¹⁾ R. Liefmann; über Wesen und Systematik der Betriebswirtschaftslehre (Zeitschrift für Betriebswirtschaft. 1926. 3 Jahrg. P. 22-37.)

²⁾ H. Nicklisch; Betriebslehre I Bd., (1912) P. 1.

³⁾ F. Leitner; Wirtschaftslehre der Unternehmung. 5. ed., (1926) P. 2.

⁴⁾ H. Nicklisch; *ibid.*, 6 ed., (1922) P. 1.

In the opinion of many of these scholars, the point of view of individual economy or that of national economy evidently refers to the *interests* of individual economy or those of national economy, and the standpoint or point of view means nothing more or less than the criterion by which the interests are judged. It may, however, be mentioned that efforts have lately been made by many writers, which would substitute the economical principle for the profit-making principle in management. But if, in society nowadays, the economical principle of individual economy can be brought into harmony with that of national economy, the interests of individuals also will be harmonised with the interests of the nation. This is one fundamental point which is still left unsettled in business science. As Prof. Ueda pointed out some time ago, it is a question yet to be solved "whether in framing the price policy of a trust, for instance, it will not be advisable to consider the effects of the policy on society, after considering the maximum amount of profit in the point of view of private economy."¹ Even Professor Nicklisch, who seems to have found a solution by replacing the profitmaking nature by the economical nature, insists that the economical nature of industrialists should be judged by that of labourers and consumers and that the economical nature of labourers should be judged by that of industrialists and consumers, thereby implying that both do not necessarily accord with each other. Here I am not concerned with this phase of the problem. I only doubt whether the independence or business science as a branch of science can be effectually justified on the ground of the difference of the points of view. At any rate, if we refuse to recognise the essential distinction between the objects of cognition, we must of necessity recognise a distinction between the attitude of the subjects of cognition, or the difference of the points of view, regardless of their profit-

¹ Prof. T. Ueda; On commercial science (Kokuminkeizai Journal. XXXVIII, 1, P. 21-22.

making or economical nature. This is a point deserving of special attention.

I am not, of course, blind to the fact that different points of view of cognition cause differences in the nature of science, but the difference thus caused refers to the distinction between an *economic policy* and a *business policy* rather than the distinction between economics and business science. The science of business policy aiming at the study of "sollen" of business management with regard to the interests or economical nature of individual economy is just as possible as the science of economic policy which has for its criterion of judgement the interests or economical nature of national economy. Such being the case, although the difference in the points of view can constitute the criterion of policy, it cannot be the standard of dividing between economics and business science, both of which are claimed to be "Wissenschaft" for the study of "sein." Thus, it may seriously be questioned how those scholars who attempt to recognise business science by force of the difference of points of view, instead of by the difference of the objects of study, can prove its scientific nature and accordingly its independence as a science. It is not, however, the aim of the present article to dwell on this phase of the question.

In short, I take the view that economics and business science, national economics and business economics have different objects of study or cognition, that is to say, while the one takes cognizance of the economic activity of individual subject, the other has for its objects of study the economic phenomena that arise in society as the unconscious result of individual economic activity. By so regarding them, can we recognise their respective status of independence, notwithstanding the fact that both have for their object of study the economic phases of things. Again, in this way, both can co-operate in consummating an effective study of the economic phases of things. Especially in the study of the branches of the science bearing on commerce, viz., commerce proper, transportation, insurance, and banking,

this definition acquires special importance when it is intended to put in order things which have hitherto been promiscuously thrown together, and systematise them, so that they may be studied from the point of view of national economics, on the one hand, and from that of business economics, on the other. Let me now proceed to study the subject in so far as it concerns commerce.

3. THE ESSENTIAL FUNCTION OF COMMERCIAL ACTIVITIES AND COMMERCIAL BUSINESS SCIENCE

If, as already stated, business science and social economics can be formed separately according to the difference in economic activities and economic phenomena, it must be obvious that commercial business science and commercial economics can with equal justice be formed according to commercial activities as a part of the economic activities and commercial phenomena as a part of economic phenomena respectively. The only point requiring settlement in this regard is: What is commercial activity within economic activity, or, in other words, what is the essential function of commercial activity, and accordingly what is the essential object of study in commercial business science?

What is, then, the essential function of commerce as embodying conscious, premeditated and unified activity of individual economy? Needless to say, commercial activity in the present social organisation means nothing more or less than transactions in commodities. There can hardly be any doubt that the essential function of commercial activity consists in the action or activity shown in purchasing commodities with the object of resale and selling the without converting them into other commodities. It is, of course, undeniable that most of the commercial activity in present-day society is carried on as profit-making activity, but the profit-making motive is by no means confined to commercial activity. It, therefore, follows that the mere

profit-making activity does not constitute the essential moment of commerce.

That the essential function of commercial activity consists in transactions in commodities does not, however, imply that commercial activity must rigidly be kept within the bounds of transactions in commodities. Present-day commerce covers many activities resulting from the purchase or sale of commodities such as transport, division, storage and financing, but these activities are simply concomitants of the essential activities of commerce. How can we distinguish the essential moment of commerce from its incidental moment of? If activities, lacking in certain moment, could not be regarded as commerce and, containing that moment, could be regarded as commerce, such a certain moment must be considered as essential to commerce. Transport, division, storage and financing, which are not attendant on purchases or sales are simply the transport, the warehousing, and the banking businesses, and not commerce.

Secondly, the conclusion that the essential function of commerce lies in transactions in commodities marks a line of demarcation between commercial activities and the productive activities of industry and agriculture. Different views may be advanced as to how the essential function of *production* ought to be defined, or the re-creation of goods in some measure done in commercial activities cannot be regarded as productive activity. Some scholars set such qualifying restrictions as "without noteworthy re-construction (ohne nennenswerte Umgestaltung)"¹⁾ or "without any special re-construction."²⁾ I put it "without converting them into other commodities." In my opinion, production means conversion of certain kinds of commodities into those of other kinds. The only criterion by which to decide the point of how much re-construction ought to be regarded as production is to see whether the original commodity have

¹⁾ Van der Borgh; *Handel und Handelspolitik*. 2 ed., (1907) P. 1.

²⁾ Late Prof. K. Toda; *Commercial Economy*. P. 1.

been converted into commodities of other kinds. Even if some re-construction may be effected, it does not mean production, provided the commodities concerned remain the same kinds as formerly, and consequently I hold that working-up of this extent does not prevent it from being called commercial activity.

Thirdly, opinion may also differ as to whether the sale of agricultural and industrial products ought to be regarded as commerce. Professor Borgh includes "Fabrikhandel und Handwerkshandel" in commerce in a wide sense. Most of the present-day industries are devoted to the production of commodities, for sale, so if, simply because manufactures are sold, it is called commerce, all industries will have to be called commerce. While there is no doubt that most of the present-day industries partake of the nature of commerce, it is doubtful whether such industries may be called commerce merely on that account.

Lastly, the conclusion that the essential function of commercial activity consists in transactions in commodities is valid for present-day commerce only. The essential function of commercial activity is going through evolutions and developments historically, and it is hardly necessary to point out here that commerce in the Middle Ages and before had within its scope of operation transport, storage, financing and other activities, besides transactions in commodities. In these days, however, these activities have become detached from commerce; they are now not even complementary to commerce. The essential function of commerce, as conceived by many writers, must also change with the age. In Japan, there is still what Professor Ono calls the "orthodox science of commerce," which is wont to include in the outline of commerce, banking, transport, insurance, and warehousing, in addition to commerce proper. This is reminiscent of the commercial activities in the Middle Ages and before. Seeing, however, that these industries have ceased to be complementary to commerce even, such a view is not only of no significance from the

point of view of scientific study but also calculated neither to afford facilities to nor to help the development of scientific research, if it may be found convenient from the educational standpoint.

If the essential function of commercial activity lies in transactions in commodities, it is a matter of course that commercial business science, which has this activity for its object of study, is essentially devoted to the study of buying and selling activities. But in order that commerce may continue its buying and selling activities, it must carry on many other activities of various kinds necessary for the purpose. For instance, a shop must be provided, clerks must be employed, the business must be organised and controlled, and the result of its transactions must be calculated and superintended looked over. These internal activities are nothing but means to help the external activities in the shape of purchases and sales. In this sense, they are certainly complementary activities, but as the external activities are impossible without these internal activities, they may at the same time be regarded as basic activities. Such being the case, in commercial business science which aims at the study of commercial activities, these internal activities must also constitute an object of the study. When we refer to business management in a narrow sense, these internal activities or internal organisation only are sometimes meant, but as I have already explained, the essential function of commercial business management should be the buying and selling activities.

In short, commerce, as the activity of individual economy, has for its essential moments buying and selling activities, and in order to ensure these external activities, various internal activities have to be set going. Inasmuch as commercial business science aims at the study of these commercial activities, it must naturally include both the external and internal operations of commerce.

4. THE ESSENTIAL FUNCTION OF COMMERCIAL PHENOMENAL AND COMMERCIAL ECONOMICS

The essential function of commerce, regarded as the conscious, premeditated and unified activities of individual economy is, as already stated, nothing but the buying and selling activities of individual economy. The concurrence of a number of such buying and selling activities leads to the certain appearance of commercial phenomena in society as an unconscious result, independently of their consciousness. This commercial phenomena represent the social circulation of commodities.

In society as at present constituted, the social circulation of commodities first manifests itself in an unconscious social economic phenomenon. This is, no doubt, the outcome of the concurrence of individual commercial activities, of conscious buying and selling action. But the buying and selling action of the large majority of present-day merchants is dictated solely by the object and desire of realising profits by purchasing commodities when and where their prices are low and selling them when and where their prices are higher. It is neither their intention nor their object to promote the circulation of commodities from producers to consumers. Merchants will be glad to sell their goods to any buyers who are willing to pay the prices which they ask no matter whether the purchasers are producers or consumers; they will not refuse to sell their commodities because the transaction puts the goods into circulation in a direction opposite to the one in which they ought to be circulated. The sale and resale of commodities by the dictate of such a will and object, however, produce one phenomenon which is independent of the will and object by which individual merchants are actuated in the purchase or sale of commodities. I mean the phenomenon of the social circulation of commodities from producers to con-

sumers. This is nothing more or less than the commercial phenomenon.

Note: According to Prof. Uchiike "the exchange or sale and purchase of commodities" is simply a means of commerce and the object of commerce is to "connect producers and consumers who are separated from each other in respect of person, place and time."¹⁾ What the Professor mentions as the object of commerce tallies with what Professor Borghet enumerates as the functions and operations (Aufgabe und Wirkung) of commerce, to which I shall refer later on. Presumably, Prof. Uchiike means the functions and operations of commerce when he speaks of the object of commerce, and so I believe that what he calls commerce does not refer to individual commercial activities.

It is hardly necessary to say that the social circulation of commodities is impossible unless there are individual acts of buying or selling them. From this point of view, it seems that there exists between commercial activities and commercial phenomena a relation similar to that subsisting between general economic activities and economic phenomena. In a sense, the phenomenon of circulation is an offshoot of the buying and selling activities, and consequently the former cannot be free from the latter; but this fact does not prevent their being two independent entities.

The phenomenon of the circulation of commodities from producers to consumers may also be taken as indicating the existence of a *social organisation* which renders such circulation possible. This organisation is the commercial organisation. But the commercial organisation in this sense, as will be clear from my explanation, has been formed in society, as an unconscious result of individual buying and selling activities. It is, so to speak, a *phenomenal commercial organisation*; it is not an organisation formed directly by the conscious, premeditated and unified activities of individual merchants. It is, therefore, a thing entirely different from what is called the business organisation.

Note: "Commerce is an organisation"²⁾ is a theory advanced by Prof.

¹⁾ Dr. R. Uchiike; Outlines of commerce. P. 2.

²⁾ Prof. S. Mukai; Commerce as organisation (The Journal of Mitagakkai, XVII. 3. P. 20.)

essor Mukai long ago. The term "the distributing organisation in the national economy"¹⁾, which he employs, seems to indicate that he regarded commerce as a social organisation, but he contended elsewhere that "there must be a technical organisation which has for its exclusive function the personal transfer and distribution of commodities, and it does not matter who operates or owns this organisation; it may be operated in pursuance of the profit-making principle, or it may be operated for the common interests of a section of people, or it may belong to independent merchants or be run by the industrialists themselves."²⁾ This seems to point to the conclusion that he looked upon it as an organisation of business management.

This point is put in a clearer light by the Professor's latest contention. Explaining the theory of the system of distribution, he says that "what controls the social transfer of commodities now is an organised of business operations body which is specially designed for such action, and not any fortuitous act."³⁾ He evidently refers to something different from what I mean by the commercial organisation. I have already mentioned that a commercial organisation of this sort exists also. All that I want to assert is that the study of a commercial organisation as a body of business management belongs to commercial business science.

Professor Hirsch⁴⁾ is another scholar who interprets commerce as an organisation. It seems that the organisation to which this Professor refers is something very similar to the system of which Professor Mukai speaks.

The individual economies which are interwoven into the system governing the social circulation of commodities stand in a certain relationship to each other by the fact of their being interwoven into this system, but this relationship is not necessarily formed intentionally by the individual economies. It is naturally formed in society, quite independent of its will. It is, so to speak, a *phenomenal social relation*. There is, of course, no doubt that it is the concurrent outcome of the individual intentional relations, but the social relations that spring up are not voluntary relations. For instance, the relations between Japanese silk exporters and American silk importers are voluntary, and accordingly these relations arising from the silk trade can constitute

¹⁾ *ibid.*, P. 25-28.

²⁾ *ibid.*, P. 29.

³⁾ *ibid.*, Description of Commerce, P. 28.

⁴⁾ I. Hirsch; *Organisation und Formen des Handels und der staatlichen Binnenhandels Politik* (G. D. S. V. I. P. 50.)

the object of commercial business science (the "theory of buying and selling" which forms a part of business science) on both sides, but the relations between Japanese sericultrists and American ladies (as purchasers of silk fabrics) are relations of the nature of a social phenomenon. Consequently, they may form the object of study in commercial economics.

I think I have already made clear that what is called commercial phenomena are unconscious economic phenomena which arise socially in consequence of the commercial activities of individual economies. What is, then, the essential function of such commercial phenomena? In other words, what is meant by the social circulation of commodities? Let us first see how two German scholars who emphasise the national economic nature of commerce explain it.

J. Gruntzel says:—

„Im volkswirtschaftlichen Sinne verstehen wir unter Handel die *räumliche und zeitliche Vermittlung von mirfischaflichen Werten*, um sie ihrem höchstmöglichen Gebrauchswert zuzuführen“.¹⁾

R. Van der Borghst says:—

„Aufgabe und Wirkung jeglichen Handels ist hiernach die *Überwindung der persönlichen, räumlichen und zeitlichen Trennung des Güterverbrauchers vom Gütererzeuger*“.²⁾

Setting apart the points referring to value, etc., the chief points of difference between the views of the two scholars quoted above are that whereas Prof. Borghst refers to "personal" (persönlichen), Prof. Gruntzel makes no mention of it, and simply mentions "mediums in regard to place and time" (räumliche und zeitliche Vermittlung). The question is whether each of these three media in regard to person, place and time forms the essential social function of commerce, or whether one or two of these only constitute the essential function of commerce as a social phenomenon. This point deserves further study.

¹⁾ J. Gruntzel; System der Handelspolitik, 3. ed., (1928) P. 1.

²⁾ R. Van der Borghst; Handel und Handelspolitik. (1907) P 4.

There is no room for doubt that commerce as a social organisation acts as a means for the circulation of commodities in regard to place and time, but the question is whether these two constitute the essential function of commerce. The settlement of this point depends on the decision of the point whether the circulation of commodities in regard to place and time, *not accompanied by personal circulation*, forms commerce or not. Needless to say, these two simply mean the movement or storage of commodities. On the contrary, the mere personal circulation of goods, *not accompanied by circulation in regard to place and time*, suffices by itself to produce a commercial phenomenon. Thus, it must be said that personal circulation is the only necessary and complete requisite for the social circulation of commodities. I cannot, therefore, understand why Professor Gruntzel refers only to the mediums regarding place and time, and makes no mention of that of the person. In this respect, I prefer the view of Professor Borght, though I cannot quite agree with him in that he evidently sets the same amount of value on each of these three media. Needless to say, the medium regarding the person is, in most cases, accompanied by the media concerning place and time, which are probably accessory factors, but it is impossible to give them the same valuation in settling which of these three constitutes the essential function of commerce. This accords with the contention put forward in the preceding chapter that the essential function of commercial activity lies in the buying and selling operations of commodities.

In this regard, I concur with Professor Hirsch in his view. He looks upon "interpersonalen Güterübertragung" as the national economic function of commerce, and in a footnote he says:—*Güterübertragung ist nicht lediglich wortlich zu verstehen; es braucht keine wirkliche übertragung von Güter zu folgen, sondern nur übertragung der Verfügungsgewalt über Sachgüter.*¹⁾ This is a very pertinent remark.

¹⁾ I. Hirsch; Organisation und Formen der Wandels usw. (G. D. S. V. I. 1918. P. 50.)

But when I say that the essential function of the social circulation of commodities consists in their personal circulation, I am, of course, only speaking of the social circulation in society at present. In regard to past society, the circulation in respect of place and time formed its essential function just as the personal circulation did. Nor is it easy to predict whether the personal circulation will remain as the essential function of social circulation forever in future society. The partial tendency to exclude merchants which is already observable in present society may be taken as indicating that the essential function of social circulation is gradually changing from the personal circulation to the circulation in regard to place and time. This tendency seems to foreshadow a gradual reduction in the scope of the phenomenal commercial organisation in favour of more extension in the scope of the conscious organisation of activity. It is our problem which of the two generally prevails in present society; and it is open to doubt whether personal circulation will speedily disappear from our society.

I believe I have made clear that the personal circulation of commodities constitutes the essential function of the social phenomena of commerce. In my opinion, it is commercial economics that study the commercial phenomena of this kind. They correlate to commercial business science which I discussed in the preceding chapter. Business science studies our economic activities, and so it follows that commercial business science studies commercial activities, which are essentially buying and selling activities. On the other hand, economics studies the economic phenomena which come into being in society as the unconscious outcome of individual economic activities, and accordingly commercial economics studies the commercial phenomena, the unconscious outcome of commercial activities.

Commercial science and kindred science have hitherto hardly been constituted and systematised. In them have been thrown together promiscuously theories bordering on business science, jurisprudence, technics, and policy, these

clustering around the theory of economics. Quite recently, however, there has arisen a noteworthy tendency in our scientific world to adjust their contents and systems, to establish these sciences on scientific lines, so that the study of economics or national economics may be perfected. My present article is a study in commercial economics which has been induced by this tendency. I fully expect that on the part of business science also there is a tendency to complete these sciences as one system along the lines of business science. It is desirable for the cause of science that both should complete their respective systems in this way.

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