

Wicksell's Selected Essays

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Knut Wicksell, *Selected Essays on Economics*, translated by Timothy Chamberlain and Julie Sundqvist, edited with an introduction by Bo Sandelin, Volume 1 (London: Routledge 1997). Pp. xiii + 267. ISBN 0-415-15512-6. (Price: £50.)

This volume of selected essays on economics by the great Swedish economist Knut Wicksell is very welcome. Together with a projected second volume, it intends to make accessible to the English reader the last significant items of Wicksell's voluminous writings in economics so far left untranslated. This volume has the following content. It reproduces four essays on marginalism and capital of which three are devoted to capital theory and one contributes a defence of marginal utility theory; eight essays on taxation, including the long section on tax incidence from Wicksell's investigations into public finance and an essay on 'forced saving'; and finally a single, pre-World War I essay on unemployment. The second volume will include material on monetary economics, the population question (in which Wicksell was very actively involved) and a number of reviews of work by Walras, Clark, Seligman, von Mises, Knapp and others prepared by Wicksell (pp. xii-xiii). Since the von Mises book must be his *Theory of Money and Credit*, Wicksell's review will be eagerly awaited by this reader, as will be the review of Knapp's monetary work, so frequently mentioned by Wicksell in the second volume of his lectures dealing with money.

Bo Sandelin's modest introduction, which recounts the slow progress of Wicksell translation from the 1930s in minimum detail, is itself prefaced by two tributes to the great Swedish economist. The first is Paul Samuelson's pertinent observation - 'Usually when a great economist is translated into English, reputation is deflated. Not so with Wicksell'; Schumpeter's superbly worded praise that 'No finer intellect and higher character has ever graced the field', is the second. The validity of Schumpeter's judgement is abundantly confirmed through a reading of Torsten Gårdlund's *The Life of Knut Wicksell* (Swedish edition 1955, English translation in 1958 and recently re-issued by Edward Elgar). The last is both a model and inspiration for economist biography and an essential introduction to the work of this great master in economics. This work itself had to wait much longer than the biography before it appeared in the English translation. When Wicksell died in 1926, all that was available in English were three articles on monetary economics and international finance in the *Economic Journal*. (Wicksell, 1907, 1916, 1918b) and one in the *Quarterly Journal of Economics* (Wicksell, 1918a), a total of about twenty printed pages from a prodigious output of literally hundreds of works including close to a hundred unpublished manuscripts preserved in Lund (p. ix).

This is not to say that Wicksell was unknown in England. Marshall owned a copy of Wicksell's *Interest and Prices* (in the German 1898 edition) which he had annotated and used with profit (I have recounted this aspect, and others, of their relationship elsewhere). The Marshall Library Catalogue of 1927 also lists a copy of Wicksell's *Lectures* in the 1913 German edition but this was probably a donation from Pigou, for reasons to be explained shortly. Edgeworth, the great linguist of English political economy contemporary to Wicksell

and the enthusiastic and prolific reviewer of books does not appear to have applied these talents to reviewing Wicksell's work in the pages of the *Economic Journal*. In fact, during Wicksell's life time, the *Economic Journal* only reviewed the first volume of Wicksell's *Lectures* in the 1913 German edition in a brief, one paragraph comment by Pigou who does not seem to have been greatly taken by the work. The review ended in the statement that 'the somewhat laborious character of the exposition, coupled with the general familiarity of the ground covered; makes it unlikely that this new textbook will find many English readers - unless, indeed, an English as well as a German translation is produced (Pigou, *Economic Journal*, vol. 23, December 1913, pp. 65-6). The real cost of Pigou's gift to the Marshall Library was therefore not very great in terms of utility foregone; Pigou's pious hope for an English translation had to wait two decades for its fulfilment.

Wicksell's *Lectures* were published in English under the patronage of Lionel Robbins and the hard work of one of his graduate students, E. Classen (who had written an interesting dissertation at the London School of Economics on Wicksell's capital theory) and who was assisted in the task of translation by the then Dr. J.R. Hicks. The English edition omitted Wicksell's section on the theory of population (as had been done in the second Swedish edition when this material was published separately). The two volumes, however, include more than the edited text of the *Lectures*. Volume I appends Wicksell's very critical review of Cassell's *Theory of Social Economy* as well as the long and detailed treatment of what became known as Akerman's problem in capital theory; a same strategy which was adopted when in 1936 the Royal Economic Society published Richard Kahn's translation of *Interest and Prices* (at the suggestion of Keynes). This added in translation Wicksell's 1925 article (his last) on 'The Monetary Problems of the Scandinavian Countries' while, to complicate the matter further, its 1962 reissue by Kelley (of New York) and Frank Cass (of London) added Carl Uhr's translation of Wicksell's 1907 article, 'The Enigma of Business Cycles' which earlier had appeared in *International Economic Papers* (No. 3, 1953). By the beginning of the 1950s, which marked the second decade of frenetic Wicksell translations into English, two of Wicksell's major works and seven of his articles were available in English, the *Lectures* enjoying their sixth impression in 1951.

In 1954, Allen and Unwin published Wicksell's first book, *Value, Capital and Rent* (1893) in a translation by S.H. Frowein and with an introduction by G.L.S. Shackle as part of their Library of Economics series. It added a biography of Wicksell's major work compiled by Arne Amundsen. In 1958, as part of the same series, Allen and Unwin published a collection of Wicksell's economic papers, edited with a biographical introduction by Erik Lindahl. It reprinted two early lectures (on ends and means in economics, and on interest and commodity prices), six pieces on famous contemporaries (that is, reviews of Pareto's two major economics books, of Böhm-Bawerk's capital theory, of the second edition of Menger's *Principles* and of Bowley's *Mathematical Groundwork*, as well as an obituary of Menger) and three essays on foreign trade. A volume of *Classics in the Theory of Public Finance* (edited by Musgrave and Peacock for the International Economic Association in 1958) printed an extract from Wicksell's *Theoretical Investigations into Public Finance* (1896), translated by Jim Buchanan under the title, 'A New Principles of Just Taxation'. In 1959, the American Economic Association in its *Readings in the Economics of Taxation* (edited by Shoup and Musgrave) reproduced a short translation from Wicksell by Richard Musgrave on the theory of incidence of a tax on monopolies and a further example of the wealth that laid buried in Wicksell's untranslated work on public finance. (This last item is the only item included - in different translation - in the volume under review, pp. 69-71). In the *Readings on Taxation*, Wicksell's piece was placed next to a very long paper on the same subject by Edgeworth, thereby strikingly showing how superior Wicksell's mathematical expositions were to those of his English contemporary and how far off the mark was Pigou's characterisation of Wicksell's

work as laborious. (Since I started my economics studies as an undergraduate at Sydney in the second half of the 1950s, I was able to buy all these works, including the 1951 printing of the *Lectures; Classics in the Theory of Public Finance* was selected by Ron Gates as the subject for our third year honours' seminars in 1959; I studied segments of Wicksell's other work including the comparative monopoly tax incidence analysis at Frank Dunn's seminar as a young postgraduate while an early acquaintance with Wicksell's capital theory assisted my appreciation and understanding of Bruce McFarlane's splendid 1960 seminars on the role of the rate of interest in the socialist investment planning literature.)

The proceedings of a symposium on Wicksell's theoretical contributions (including papers and comments by Patinkin, Ohlin, Pasinetti and Goodwin) also reproduced two papers by Wicksell in translation; his economist's view of their world war, and 'the theory of population, its composition and dangers' (Strøm and Thalberg, 1979, pp. 105-51), the second being the first chapter of the first edition of Wicksell's *Lectures* omitted from the Classen translation. Bo Sandelin's project of making more Wicksell available in English translation therefore breaks a long drought in this activity of nearly forty years, if the relatively minor contribution in Strøm and Thalberg is neglected. Moreover, the Sandelin project coincides with the centenary of the decade in which Wicksell produced his major theoretical work; *Value, Capital and Rent* (1892), *The Theoretical Investigations into Public Finance* (1896) and *Interest and Prices* (1898). With one exception, the contents of this first volume of new Wicksell essays in translation conform to the subject matter of these first two books.

These contents themselves are well worth exploring. Wicksell's defence of marginal utility theory against Cassel's attempted rejection of the concept gives an interesting account of the importance of, and the prospects for, measuring utility; Cassel's critique of the presumed proportionality of marginal utility to prices on the ground that, in general, it does not obtain; and of his rejection of Cassel's critique of Wieser's theory of imputation on the ground of its assumption of fixed coefficients of production. The next three essays tackle what Wicksell called the 'never-ending' controversy over Böhm-Bawerk's capital theory, of which Wicksell himself was a firm but critical adherent. They deal in turn with definitional aspects of capital; a general appreciation of the theory on the occasion of Böhm-Bawerk's death; and an analysis of Böhm-Bawerk's famous third ground justifying a positive rate of interest. This starts with an amusing anecdote of Wicksell's one and only personal encounter with the Austrian theorist. In it, Wicksell sought some clarification on the seeming inconsistencies in Böhm-Bawerk's positive theory of capital which arose, as Böhm-Bawerk's reply candidly explained, from peculiarities in its mode of construction (pp. 41-2). These essays also confirm Wicksell's dislike of Marshall's strong antipathy to Böhm-Bawerk's theory (pp. 27).

The majority of the essays deal with the theory of taxation, few of which have been easily accessible to scholars in the English-speaking world. They open with Wicksell's substantial account of theory of tax incidence, which formed part of his 1896 doctoral thesis and which is a superb piece of work. It highlights the close relationship between incidence theory and distribution theory, which makes tax incidence analysis a simple corollary of the latter, an aspect of the subject fully appreciated by Ricardo and earlier by the Physiocrats. Subsequent essays deal with the inheritance tax, fiscal measures and international trade, and aspects of the definition of income, both in general, and in association with the income tax. The latter demonstrate Wicksell's dissatisfaction with the approach by Schanz to income for tax purposes (developed further in the 1920s by Robert Haig and in the 1930s by the Chicago economist, Henry Simons) because of the many anomalies which this approach to income for tax purposes raises (treatment of capital losses, treatment of windfall gains, treatment of inheritance and so on). They also reveal Wicksell's strong disagreement with the so-called double taxation of saving argument (pp. 208, 223); his critique of the ability to pay principle

and strong support of the benefit principle as the criterion for just taxation, and contributes some interesting thoughts on the consumption versus income tax debate. Those interested in the development of public finance theory in the early twentieth century; and even those largely confined in their interest in current tax policy, will find much of interest in these pioneering essays by a great public finance theorist. The last essay included stands by itself. It covers Wicksell's views of unemployment in the context of business cycles and explanations there in terms of overproduction. It reveals to what extent Wicksell can be seen as an anticipator of Keynes as has sometimes been argued on the widest terms. The essay 'Why are factory operations being curtailed?' does not provide real support for such a proposition, it seems more akin to the Hayekian model of the cycle than to Keynesian analysis of deficient demand. Furthermore, it seems to be more concerned with destroying traditional fallacies involved in argument about the possibility of general gluts and overproduction though it explicitly recognises that a sound model of the business cycle has as yet not been attained (p. 255). Wicksell's general condemnation of the prevalence of unemployment in the aftermath of an economic crisis as its 'saddest' and 'most irrational . . . consequence' indicates why Schumpeter bracketed his high character with his fine intellect. 'Everything else makes sense, but not unemployment. That prices go up and down, that wages are raised or cut according to the circumstances, is [a natural] and perhaps inevitable consequence of the vagaries of the business cycle. But that it can ever pay to do nothing, to leave the available [productive] forces unused, . . . seems . . . like a self-contradiction, a pure paradox.' (p. 253). A frank acknowledgment of a problem is visible in this essay, without giving rise to a satisfactory solution. However, as such, the essay greatly adds to the value of the volume for the historian of economics. For the last this volume in any case is a treasure trove from which more can be learnt about this great Swedish economist, who inspired not only a Swedish school in the decade before and after the Second World War, but whose work continues to act as a useful input for contemporary critical thinkers in economics. These will be essential volumes for all good economics libraries, public and private.

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