

# *political economy* Studies in the Surplus Approach

volume 2, number 2, 1986

contents

- 115 **Mauro Caminati**, Technical Innovations, Life of Equipment and Effective Demand.
- 147 **Edward J. Amadeo**, The Role of Capacity Utilization in Long Period Analysis.
- 161 **Marco Committeri**, Some Comments on Recent Contributions on Capital Accumulation, Income Distribution and Capacity Utilization.
- 187 **Giorgio Fodor**, The Wicksell Preface: a Presentation.
- 191 **Knut Wicksell**, Preface to the 1922 German Edition of Volume Two (Money and Credit) of the *Lectures*.
- 199 **Abel G. Aganbegian**, A Change of Course and More Rapid Growth.

# The Wicksell Preface: a Presentation

Giorgio Fodor

Although Wicksell's influence on Economics has been extraordinarily deep, the process by which this has happened has been surprisingly slow and tortuous. For many years the diffusion of his ideas abroad met with obscure obstacles which are not easy to understand even today. The usual explanation — that he was a Swede — is clearly not enough. He published a major book in German in 1898 which was for a long time almost totally ignored even in Germany itself; he also published his main theories in the major English journal, *The Economic Journal* (1907) as well as in the *Jahrbücher für Nationalökonomie und Statistik* (1897). Marco Fanno, who had read these writings and realised their importance, wrote before the First World War about Wicksell's "well-known works"<sup>1</sup>, but he suffered from the optimistic delusion of believing that others were as widely read as himself. In fact, outside Scandinavia, Wicksell's ideas were discussed only in Austria. The main authors there were Mises and Somary<sup>2</sup>. Unfortunately, not only Wicksell's writings remained almost unknown outside Scandinavia; the books that commented his work suffered a similar fate.

It should not be forgotten that before the era of inter-library loans and photocopies, getting hold of some books could be very difficult. In the thirties, C. Rist complained that Wicksell's *Geldzins und Güterpreise* was "aujourd'hui presque introuvable"<sup>3</sup>, while the second volume, *Money*, of

<sup>1</sup> M. FANNO, *Le banche e il mercato monetario*, Roma, Athenaeum, 1913, p. 170.

<sup>2</sup> L. VON MISES, *Theorie des Geldes und der Umlaufsmittel*, München und Leipzig, Duncker Humblot, 1912; F. SOMARY, *Bankpolitik*, Tübingen, J. C. B. Mohr, 1915, p. 122.

<sup>3</sup> C. RIST, *Histoire des doctrines relatives au credit et à la monnaie*, Paris, Recueil Isiréy, 1938, p. 299, n. 2.

the German edition of the Wicksell *Lectures on Political Economy*, "was out of print within less than year" of its publication<sup>4</sup>. It may also be mentioned that Fanno's book was also "out of print and extraordinarily difficult to find"<sup>5</sup>.

Finally, in the thirties, Wicksell's main books were translated into English. In the case of the *Lectures* "Edited with an introduction by Lionel Robbins", a serious mistake was made when the prefaces to the Swedish editions were severely cut or eliminated altogether. The preface to the German edition of the volume on Money (1922) was also omitted. Although at the time this was noticed by some, gratitude for Robbins' efforts prevented protests. With time, however, when interest in Wicksell became widespread, authors were frequently forced to quote from these prefaces which had been omitted from the English edition. The curious result was that references to the *Vorlesungen* continued, although an English translation had appeared; very frequently the preface to the second volume of the German edition had to be quoted.

This happened, for example, to Myrdal in his important *Monetary Equilibrium*, when he was explaining that Wicksell had intended his theory to act as a link between the quantity theory and the theory of price formation. After the German reference, he was forced to issue a warning: "The English edition does not contain Wicksell's preface to the second volume of the German edition"<sup>6</sup>. Later others were more outspoken. Per Jacobsson, a Swedish friend of Wicksell's who played a key role at the Bank for International Settlements and later became Managing Director of the International Monetary Fund, protested more than once about the fact that the Swedish prefaces had been omitted. "The revealing Foreword to the Swedish (1906) edition has for unknown reasons been omitted from the English edition"<sup>7</sup>.

The preface translated below concerns the second volume of the German edition (1922) and contains the most important parts of the earlier (1906) Swedish prefaces. The following are some of the points of particular interest.

1) Quantity Theory. Wicksell's attitude towards the quantity theory changed with time and many authors have maintained that his explanation of the causes of changes in the price level is incompatible with the quantity theory. The German preface is very revealing on this point and was used

<sup>4</sup> B. OHLIN, "Knut Wicksell (1815-1926)", *Economic Journal*, September 1926, p. 507.

<sup>5</sup> F. HAYEK, Introduction to *Beiträge zur Geldtheorie*, Vienna, Springer, 1933, p. vi; the same fact is repeated in his *Prices of Production*, London, Routledge, 1935, p. 25, n. 1.

<sup>6</sup> G. MYRDAL, *Monetary Equilibrium*, London, W. Hodge, 1939, p. 20, n. 1.

<sup>7</sup> P. JACOBSSON, "Knut Wicksell and Sweden's Monetary Policy", *Schweizerische Zeitschrift für Volkswirtschaft und Statistik*, December 1952, pp. 474-5, n. 1.

by Ohlin prove that Wicksell's reasoning "did not mean more than an amplification of the old quantity theory"<sup>8</sup>.

2) Changes in Wicksell's monetary theories between *Interest and Prices* and the *Lectures in Political Economy*. The explanation given in the preface has attracted very wide attention by specialised scholars - in particular the mention of the direct effect on prices of an increase in gold production. This passage prompted Rist to entitle the eight pages he devotes to Wicksell's monetary theories "M. Knut Wicksell et sa conversion"<sup>9</sup>.

3) Thornton. Thornton's *Paper Credit in Great Britain* is now widely regarded as a masterpiece; but for many decades it was totally forgotten. Although the merit for its rediscovery belongs to Davidson, Wicksell's German preface played a key role. It was because of Wicksell's reference that it came to Hayek's attention, who in 1939 edited it with a long introduction<sup>10</sup>.

4) Impact of the monetary events of the war on Wicksell's theories. Although toward the end of his life Wicksell seems to have developed serious doubts about the validity of his theories to explain the behaviour of prices during the war and early postwar period<sup>11</sup>, we see that in 1922 this had not yet happened: he still believed that his theories could explain war-time and postwar events. His ideas with regard to the relationship between stable prices and stable exchange rates, as well as his recognition that gold does not offer any guarantee of stable prices and that its value is determined by U.S. policy all precede Keynes articles in *The Manchester Guardian Reconstruction Supplement* and show an extraordinary capacity for grasping the essential elements of contemporary events. His comments on the problems of justice posed by returning to the prewar level of prices antedates similar considerations made by Irving Fisher.

Wicksell's writings are of the greatest interest and it would be easy to say more. Schumpeter once wrote an introduction to an article by Wicksell which was almost as long as the article itself<sup>12</sup>; to avoid any such danger it may be as well to stop here.

*Dipartimento di Economia Politica, Università di Modena*

<sup>8</sup> B. OHLIN, Preface to the English edition of *Geldzins und Güterpreise*, London, Frank Cass, 1936, p. viii; it may be noticed that otherwise Ohlin uses the later (third) Swedish edition of the *Lectures*.

<sup>9</sup> C. RIST, *op. cit.*, pp. 299-306.

<sup>10</sup> F. HAYEK, *Geldtheorie und Konjunkturtheorie*, Vienna, Österreichischen Institut für Konjunkturforschung, n. 1, 1929, p. 57, n. 1; see also E. SOMMARIN, "Das Lebenswerk von Knut Wicksell", *Zeitschrift für Nationalökonomie*, 1931, p. 252, n. 3.

<sup>11</sup> See K. WICKSELL, "The Monetary Problems of the Scandinavian Countries" (1925), in the English edition of *Geldzins und Güterpreise*, *op. cit.*, Appendix, in part. pp. 202-6 and 210-12.

<sup>12</sup> J. SCHUMPETER, "Zur Einführung der folgenden Arbeit Knut Wicksells", *Archiv für Sozialwissenschaft und Sozialpolitik*, Vol. 58, n. 2, 1927, pp. 238-51.