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THE LIFE OF KNUT WICKSELL AND SOME CHARACTERISTICS OF HIS WORK

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Knut Wicksell was born in Stockholm in 1851. This was the year of the Great Exhibition in London, to which millions of people from the British Empire and the Western world came to admire the products of a rapidly expanding industrial system. In 1851 John Stuart Mill had married Mrs Taylor and with her begun to work on the radical pamphlets which were to be of a far greater general influence than the *Principles of Political Economy* he had recently published. 1851 was also the year of birth of two other members of the rising profession of economists—Böhm-Bawerk and von Wieser—and several of their colleagues-to-be were born only a few years earlier: Wicksteed, Edgeworth, Clark and Pareto.

Bearing in mind that Wicksell was not only to become an economist of great originality but also an aggressively radical pamphleteer, it seems reasonable to ask whether there were traits in his family background which could explain his lack of adjustment to the conservative social and intellectual climate of his time. I have found no such traits. His family was fairly well-to-do, his father being a prosperous provision-dealer. Although his parents died when he was young—his mother when he was 7 and his father when he was 15—he received much understanding and encouragement from aunts, cousins and older sisters. He remembers his childhood as a reasonably happy one. However, at the age of 16 he was prepared for confirmation by an extremely severe and demanding pastor. He now became an ardent believer and was to live a pious life for a number of years, striving for spiritual improvement.

Wicksell began his university studies in Uppsala at the age of 18, studying mathematics, astronomy and physics. But he was not to receive his MS until 15 years later. In the meantime many things had happened to him.

In 1874 he lost his faith completely—under the influence of Renan, Strauss and other agnostic authors. Relieved from the bans of religion he began to take a more active part in student life and to read the new radical literature—Ibsen, Björnson, Strindberg.

A decisive influence was exerted on Wicksell and a group of liberal friends by a strange 600 page dissertation, *The Elements of Social Science. Physical,*

Sexual and Natural Religion. An Exposition of the True Cause and Only Cure of the Three Primary Social Evils: Poverty, Prostitution and Celibacy. The book, which had been published anonymously in England in 1854, was to be printed in 35 English editions and ten foreign-language editions, the Swedish one being published in 1879. The author was a Scottish medic by the name of George Drysdale, a friend of Charles Bradlaugh, the politician who openly fought for birth control, inspired by Malthusian ideas.

In 1880 Wicksell gave his first public lecture on Neo-Malthusianism in Uppsala, and he came to spend most of the eighties preaching its gospel and publishing a number of pamphlets. His first lecture was reprinted four times and sold almost 7 000 copies, which was enormous considering the time and country.

In 1885 a small inheritance made it possible for him to go to London, where he did some economic reading: the English classical economists, from Adam Smith to J. S. Mill, Jevons and Walras, Sidgwick and Goschen. But his thoughts mostly turned to matters of politics and social philosophy, and when he came back to Sweden he spent most of 1886–87 lecturing on Neo-Malthusianism and related subjects. His central theme was that overpopulation and not private ownership of the means of production was the cause of poverty. Late in 1887 he was given a travel grant from the Lorén Foundation—any *public* support being excluded by his radical ideas—and he now returned once more to London, where he spent most of his time talking to such reformers as Drysdale, Bradlaugh, Besant and Kautsky. He continued to Strasbourg where he listened to lectures which were mostly of a historical kind, and to Vienna where Menger also disappointed him by lecturing along the lines of the Historical School. He missed meeting Böhm-Bawerk but was able to procure his *Geschichte und Kritik der Kapital-Zins-Theorien*. He went back to Sweden via Berlin, where he stayed a few months in late 1888 and early 1889. There he found the newly published, second part of Böhm-Bawerk's *Positive Theorie des Kapitaless* and "was soon lost in the book ... it came to me as a revelation ..."

Wicksell had now safely started on the road to economics—at the age of 37. In 1888 he had applied for a lectureship in Economics at the University of Stockholm but the post had gone to a younger man, Johan Leffler, who had no grasp of modern economic theory. Wicksell then asked the University for permission to give a series of lectures on the new marginal theory of value, but the petition was turned down. Instead, in the spring of 1889, he gave lectures on this topic at the Worker's Association in Stockholm. They were published four years later, with some minor changes, as an introduction to *Über Wert, Kapital und Rente*. During the early part of the nineties he made his first personal contribution to economic analysis by tackling the problem of the 8-hour workday. In several lectures and articles he demonstrated, by means of a marginal productivity model, that the final economic result of a shorter working week was likely to be a decrease in wages. Only a reduction

in the population could produce an improvement in workers' incomes. In 1892 he published his first article in a scholarly periodical: *Kapitalzins und Arbeitslohn* in the *Jahrbücher für Nationalökonomie und Statistik*. Next year, in 1893, he published *Über Wert, Kapital und Rente*.

For his thesis, Wicksell chose a subject which could be treated without mathematics, the problem of the incidence of taxation. The public defense took place in Uppsala in the spring of 1895, and the book *Finanztheoretische Untersuchungen* was published the following year. As his work in value theory, this dissertation was inspired by his deep concern for social questions. "Now I shall set to work on my larger book covering the whole subject of taxes", he wrote to a friend in 1894. "I am truly shocked to see how confoundedly unfair it is to the little man—almost more than it used to be." As an example, the Swedish financier Marcus Wallenberg (1864–1943) had, in 1899, an income of 150 000 crowns and a net fortune of 1.4 million, not bad for a young man. His total tax on this income was not quite 2 100 crowns or 1.4 % of his income.

By the middle of the 1890's Wicksell's theoretical thinking had turned towards a new subject, the theory of money. He had previously been concerned with the problem of overproduction, Malthus' "general glut", which may explain why he now set out to clarify the problem of changes in general prices. During 1896–97 he worked on monetary problems, with economic support from the Lorén Foundation, and his *Geldzins und Güterpreise* was published in 1898. This time his choice of subject matter does not seem to have been directed by his social compassion. But during and after the first World War he certainly did apply his thinking on monetary problems to the politics of the day.

Geldzins und Güterpreise was received without enthusiasm, or even understanding. In the Swedish and Danish journals the reviews were remarkably ungenerous, and in Germany it was not reviewed at all. I have tried to show that Wicksell's new ideas were developed independently of Thornton's and Ricardo's short passages comparing real return to capital and monetary rates in the early years of the century; see Gårdlund (1958).

When he presented his theory before the Swedish Economic Association, not one single word was heard from this forum of economists, bankers and business men. The only exception to the disdain and silence he met was a review in the *Economic Journal* by C. P. Sanger, a lawyer-economist and, as it happens, a close friend of Bertrand Russell. Sanger wrote a warmly appreciative review and even suggested that the book be translated into English. Had the suggestion been followed *then*, instead of forty years later, international monetary theory would almost certainly have advanced more rapidly.

Wicksell's only meeting with Keynes took place almost 20 years after the publication of *Geldzins und Güterpreise*, during a trip to England made in 1916 on behalf of the Swedish *Riksbank*. About this meeting he wrote to his wife:

Then today I met Keynes and lunched with him at his club. We had a very interesting conversation. On some points he was not very well informed; for one thing he had no very clear idea of how to go about arranging a rational standard of value; thought it would be relatively easy, for instance on the lines suggested by Irving Fisher; he was very surprised when I began to criticize Fisher, but admitted straight away that my objections were valid.

On the other hand he has a good mind and, as I said, I gained much from our conversation; only wished it could have been longer; but he had to go as soon as we had finished lunch and had our coffee—however I walked with him to his barber's.

Wicksell was granted a chair in Economics in Lund in 1901, at the age of 50, and was promoted to full professor in 1903. In order to qualify for the chair, which belonged to the Faculty of Law, he first had to spend nearly two years cramming for a BL. The academic authorities had not agreed to a dispensation in spite of his qualifications as an economist.

During his 15 years at the University of Lund he wrote his *Lectures in Political Economy* and a number of articles in *Ekonomisk Tidskrift* and other journals. He also continued his radical lecturing and newspaper writing, on such subjects as population policy, free speech, the extension of suffrage, women's rights, antimonarchism, atheism, disarmament, and the appeasement of Russia—all extremely controversial subjects. In 1909 he was sentenced to two months imprisonment for "reviling and mocking God's holy word in such circumstances as to cause general offence", which he had done in a speech before an audience of young socialist clubs in Stockholm the year before. He served his sentence—thereby increasing his unusually thorough knowledge of social affairs.

After his retirement in 1916 he moved back to Stockholm and spent the last ten years of his life working on scientific articles and taking part in royal committees on monetary policy and public finance. He was also the center of the select Economists' Club in Stockholm—the GOM of Swedish Economics, admired and loved by all his younger colleagues with the possible exception of Cassel.

When Wicksell died in May, 1926 at the age of 74, the sad news made the first page of all the leading newspapers. In the elaborate funeral procession, similar to those usually reserved for statesmen, most of the 30 banners presented were red standards of the Labor Movement. Although he never was a Socialist, his memory was honored by all the main organizations of the Labor Party and the Trade Union Movement. Mr Wigforss, Minister of Finance in one of the early Labor governments, said in his speech that Wicksell, without being a party member, had been close to the hearts of the workers. He had enjoyed such confidence as rarely is given even to those who have totally accepted the pronouncements of the party.

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Some of the characteristics of Wicksell's scientific work are reflected by the simple facts I have just mentioned. As the classical economists and many of the neo-classicals such as Jevons, Marshall and Wicksteed, Wicksell believed that economic analysis should be developed to elucidate contemporary social problems and should be made to serve "human progress". In spite of his criticism of the Historical School he often related his thinking to historical facts and problems. He warned against a purely abstract kind of analysis, and although originally a mathematician by training, he went out of his way to stress the limitations of mathematical treatment of economic problems. He also declared his admiration for economists such as Böhm-Bawerk and Marx who were able to tackle difficult analytical problems without any knowledge of mathematics. I think he rather exaggerated his criticism of mathematical expression in economics, but he did it out of consideration for those who lacked the proper training.

In his political struggle Wicksell often displayed a contempt for conservative and conventional opinions. But in the academic field he seldom gave vent to arrogance. In his bird's eye view on the development of the theory of value in the introduction to *Über Wert*, he shows great tolerance and understanding toward the generations which had grappled with the central problem without finding the solution that eventually was provided by the marginalists. As a scientist he was not only tolerant but also humble. He never bragged about his own performance, and when on some rare occasion he wrote degradingly about a fellow economist, it was about someone who had shown a *lack* of humbleness; Gustav Cassel is one example, Wilhelm Keilhau perhaps another.

If you were to count the number of words Wicksell had in print and include his pamphleteering, Wicksell had an enormous production. Even his books and articles in economics add up to a considerable life production. To a certain extent his political work and scientific work were mutually exclusive. But, as I have said, his political thinking played an important role in motivating his work as an economist.

In his most productive periods he actually worked simultaneously as a pamphleteer and a scientist. I think Wicksell's work gives good support to the rule that great academic contributions are made by those who work at their trade tenaciously, every day. With the exception of a few periods of inactivity and personal depression, Wicksell was at work at his desk for many hours every day. Most of the time he was actually *writing*: letters or newspaper articles, popular lectures or political speeches, and his masterpieces of economic analysis.

I had occasion, the other day, to go back to John Morley's great biography of Gladstone, which was published in 1903. Before forming his fourth administration in 1892, Gladstone spent a short holiday in Biarritz, accompanied by Morley. One of the general subjects they discussed and which Morley has reported verbatim was the possible benefit of *habitual* intellectual work. And

in this context Gladstone asked a question: "How comes it that during the hundreds of years in which priests and fellows of Eton College have retired from hard work to college livings and leisure, not one of them has ever done anything whatever for either scholarship or divinity—not one?"

Knut Wicksell certainly was never able to retire from hard work to a life of leisure. Through his radicalism he had placed himself in a position where he *had* to work hard for his living, and this, I believe, kept him active and mentally fit—all to the benefit of his great scientific work.

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