A NOTABLE SWEDISH ECONOMIC WORK

There has recently appeared an English translation of the *Lectures on Political Economy** of the Swedish Economist, Knut Wicksell, who died in 1926. The work is edited by Mr Lionel Robbins, Professor of Political Economy in the University of London, who says in his introduction: "There is no work in the whole range of modern economic literature which presents a clearer view of the main significance and interrelations of the central propositions of economic analysis than these lectures."

Many passages in this book show remarkable analogy to the ideas of Henry George, although the conclusions are not arrived at by the same method. Wicksell defines economic activity to mean every endeavour to satisfy a material need "which seeks with the available means to achieve the greatest possible result, or a given result with the least possible exertion." George says that the fundamental principle of political economy "is that men seek to gratify their desires with the least exertion."

Wicksell defines the factors of production in much the same manner as George. Land (or nature) "denotes the external natural forces at the service of man." Labour means "human labour, whether manual or mental." Capital "is itself a product ('produced means of production' is a common, and in a sense very good, definition of capital)"; And again "capital itself is almost always a product, a fruit of the co-operation of the two original factors: labour and land."

He deprecates the attempt to include land under the designation of capital, and reproves Professor Cassel for including the increase in the value of land and sites as part of the total income of society. He criticizes Marshall's attempt to introduce a fourth factor of production, called "organization." Such a classification "lacks *quantitative precision*." When organizing talent is incorporated in certain individuals of outstanding gifts or specialized education, then "'organization' cannot be distinguished from 'labour'; it is only a special form of labour, and has always been so treated."

As a consequence of Wicksell's strict delimitation of the factors of production into three, the channels of distribution are also only three, rent, wages, and interest. The anomalous category "profits" finds no place in his analysis.

His treatment of the wage fund theory also has a resemblance to George's method. Wicksell says: "Since, in our day, almost all labour—at any rate in industry—is hired labour, the means of subsistence, in proportion as they are consumed by the labourers (in other words *real* wages) may be regarded as the *price* of the labour which the capitalist acquires in their stead, and which he adds to his stock of capital-goods, in the form of saved-up labour of one kind or another." Compare George's statement: "The payment of capital in wages presupposes a production of capital by the labour for which the wages are paid." Wicksell also makes the acute observation that if wages are advanced to the labourer by the capitalist, it is equally true to say that "rent also is advanced by the capitalist . . . in so far as the final product—the product ready for *consumption*—is brought into being at a later date than the use of land."

Wicksell is careful to point out that although "he who works and produces only for his own gain also confers benefits upon others—indirectly by exchange," it does not follow that in all cases individual and national economic interests coincide. There are cases in which they do not. "The most important is surely the distribution of property, in so far as possession of land or an exceptional monopoly of any kind necessarily excludes others from that land or that monopoly."

He returns to this theme several times. He approves of the argument of the physiocrats and the Manchester School that free exchange tends to maximize the production of wealth. But he denounces the attempt of the "harmony economists," Carey and Bastiat, to extend this doctrine so as to make it a defence of the existing distribution of wealth. This they did by reducing "all the shares of the product, even including the rent of land, to wages of labour." "The absurdity of such arguments is obvious and has perhaps contributed more than anything else to the charge of dishonesty and subservience to the interests of the powers that be which has been levelled against scientific, or quasi-scientific economics."

On the question of population he says that "the growth of population will obviously exercise a most damaging effect on the position of labour and the propertyless classes as a whole. Particularly will this be the case under the existing system of private ownership of land. . . . There will be a lowering of wages all round owing to their (the labourers') mutual competition; so that the landowners' share of the product will be correspondingly greater." Technical progress, by raising the marginal productivity of labour, may however maintain or raise wages. "In other words, technical progress, so far as the labourers are concerned, only protects them against the absolute fall in wages which would otherwise be inevitable, whilst at the same time increasing frequently to a high degree the surplus accruing to the landlord." Those who deny this, if they are consistent, must deny the existence of rent.

He makes an acute reply to those who anticipate an increase in general welfare from a progressive reduction in the rate of interest to a very low or nominal figure. "Such a state, however, would be far from desirable in an individualist society based on private property. So far from disappearing, the gulf between the propertied and the propertyless classes would be well nigh impassible if land, capitalized at an extremely low rate of interest, possessed almost infinite exchange value. Even now, a very large part of what is commonly called capital and interest, is, in reality, land and rent. Think, for example, of the colossal increase in site values, especially in the large towns. Even capital goods proper have their value increased in so far as the land incorporated in them is now re-assessed according to a higher standard of value; or, as it is said, because the cost of reproduction has increased. A large part of apparent annual savings is accounted for by this increase in the capital value of land and is thus not a real increase in wealth at all."

* Publishers: George Routledge & Sons, Ltd.

Land Value Rating by F. C. R. Douglas, the new text book (price 2s. 6d. published by the Hogarth Press) has been very widely reviewed. It has been gratifying to see this good publicity for the attention it has called to the land values principle and policy. *The Schoolmaster* for example, says: "The reader who has no knowledge of Ricardo or Henry George will not be at a disadvantage for the subject is explained in such a way that the non-technical mind can quite easily grasp it. . . . No person interested in municipal affairs should be without it."