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The Scandinavian  
Journal of Economics

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Source: *The Scandinavian Journal of Economics*, 1978, Vol. 80, No. 2, The Arne Ryde Symposium on the Theoretical Contributions of Knut Wicksell (1978), pp. 236-249

Published by: Wiley on behalf of The Scandinavian Journal of Economics

Stable URL: <https://www.jstor.org/stable/3439889>

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# THE WORLD WAR: AN ECONOMIST'S VIEW

*Knut Wicksell*

## I

### Economic Prerequisites and Consequences of the World War

The study of economic phenomena during the world war contains a gold mine for future economists. The most remarkable item is *the war itself* as an economic accomplishment—a fact unforeseen by economists despite Lord Kitchener's (The British Minister of War) prediction of a duration of at least three years.<sup>1</sup>

#### *The Economic Feasibility of the War*

The war was essentially a war of positions. However, this is an insufficient explanation. The tremendous increase of expenditures (food, clothes, ammunition etc.) required by the war and the reduction of available productive power (in Austria up to 80 % of those liable to military service, 18–50 years of age, were called up by the middle of 1918) inevitably calls for a corresponding reduction in consumption or an increase in production on the part of the civilian population. The former reduction has undoubtedly taken place. (This is evident in unprecedented privation bordering on starvation and famine, particularly among the countries of the Central Powers.) That the latter increase has occurred is evident in the fullest utilization of the labour of women, children and old men, the extension of the working day, and the abolition of the Sabbath rest.

This in itself is not an adequate explanation. In addition another important factor should be stressed: the *capitalistic nature* of present day production (the word "capitalistic" is not being used here in its *socialist* meaning as denoting ownership of the means of production by the few while the masses remain unpropertied, but rather in the economic sense, as expressing the fact that production to an ever greater extent is directed toward the future). Capital proper (distinguished from natural resources) in all its various shapes (land improvement, cattle, machines and tools, buildings, ships, railways and railway equipment, as well as *stocks* of finished and semi-finished goods) represents on final account, saved or stored up labour or natural resources. When labour is aided in production by capital, then capital is not an increment

<sup>1</sup> Wicksell apparently refers to the opinion generally held at the beginning of the war that the war could only last for a few months because of the effects of mass mobilization.

in addition to labour (and natural resources) but is in itself labour and natural resources in another form. Capital must continually be replaced as it is used and worn out (or more than replaced if population grows) and the amount of labour and natural resources needed for this purpose does not satisfy present consumption. On final account each year has, for fulfillment of its own consumption needs, only one vintage or "yearly increment" of labour and natural resources—exactly as in the case of primitive production. But there is a difference in that this increment now to a great extent is composed of labour and natural resources from earlier periods, whereas the greater part of presently available labour and natural resources are used up in preparation for future production.

During the war accumulated capital is exploited at the expense of the future. However, if it is a question of releasing the greatest possible outpouring of economic strength at the present time, which would be decisive for the outcome of the war, then all of the accumulated capital *can* be used more or less for the needs of the moment. One can at the same time spend the treasures of the past and the resources of the present—but only at the expense of the future.

First to be utilized are the accumulated stocks of commodities (in Germany they amounted to, according to Cassel, including livestock, 30 milliards of marks at the old value). Next, fixed capital such as factories and equipment built for other purposes can be adapted for production of the requirements of war. Finally we observe the withholding of the normal replacement of capital—buildings not repaired or constructed, rails and ties as far as possible not being replaced and the exhaustion of agricultural land.

#### *The Consequences of these Developments for the Immediate Future*

It is possible in the above way for an enormous economic expansion to take place during a few years in exactly those countries which have advanced the farthest in material culture and capitalistic production. But this can only be achieved at the expense of the future and only to the extent that this outpouring has been great and has had the potential to be great in the past. For, after peace is finally restored and production and consumption return once more to their normal paths, then the prerequisites of capitalistic production will be missing since all stocks will have been depleted, all machines and parts, buildings and so forth will have been altered for the use of war and partly worn out to the outmost degree. (Aside—elaborate on the importance of inventories for production.) Now all this must be replaced, inventories to be replenished, machines and buildings to be repaired, not to speak of the destruction in the ares of combat which fortunately are not very vast, before normal production can take place. Normal production can only be purchased for the next few years of peace by a continuation of greatly reduced consumption. One could possibly believe that a country which has been capable of great

exertion during the war would also have a corresponding capacity for rapid recovery after the war, but the opposite should be the case. (Russia, less capitalistic, withdrew from the war sooner and perhaps shall recover before the others.) To live in a primitive way, from hand to mouth, is impossible in the densely populated highly capitalistic countries.

This is the real danger that threatens the world in the near future (it would be a good thing if this danger could be somewhat alleviated by peaceful cooperation among nations). The colossal debts of war that burden all the warring states, represent properly speaking, only a symptom of reality, certainly not the reality itself. As a matter of fact they only represent a claim on the treasury (e.g., on the taxpayers by certain other individuals (possibly in another country)). If these claims were evenly distributed, they would *as such* have no influence at all. But the reality behind the transfer of real capital from productive activity to a use where it acts in the service of destruction and is itself destroyed—this reality no compensation can undo.

To this must be added the unprecedented destruction of human material itself. Not only the cripples but all the participants of the war return marked for life by a ruined nervous system or bad health. In the civilian population you observe malnutrition, especially fatal in childhood, tuberculosis etc. Finally you observe the problem of the widespread dispersion of venereal diseases.

The direct and indirect *losses of human life* during the war (fallen on the battlefield, increased mortality in the civilian population and decreased birth-rate during the war) are given primary importance by many observers. (According to Döhring, *Selskab för social forskning*, Bulletin II, the postwar population in Germany and Austria–Hungary together is about 10.82 millions less than it would have been, had there been no war.) But this matter has from a pure economic perspective, as shall be demonstrated later on in these lectures, two sides.

From a social point of view there is to be noted first the great number of widows and orphans as the calling up to war duty has been extended so high up in the age groups, and second among youth, the serious disproportion between young men and women. For instance in Austria–Hungary, before the war there were 1 000 men between 20 and 30 years of age corresponding to 1 052 women of the same age. As 20 % of these young men have been lost in the war, the proportion should now be: men 1 000, women 1 315. From a human standpoint, this can be seen in the tears of the unfortunate mothers and other surviving relatives. This presents an extremely sombre picture, which would be cause for despair were it not for the hope of it changing to a brighter future.

The neutral countries have in every respect had a more lucky escape. But we will certainly not be spared of all influence from the difficult conditions of production abroad. (International trade is mainly an exchange of different products not a competition with products of the same kind.) As far as our

own country is concerned, we have used up a great amount of real capital—although with one great difference—that as a nation we have been compensated for this and thus accordingly we ought to be able to procure real capital in exchange for our monetary claims. The unfortunate thing is: a) that these claims are possessed by a relative minority of the population of the country; and b) that their real value is in doubt. In this connection, there are two further questions which complicate the problems of the world war and the peace: (1) the colossal transfer of property, between individuals, and (2) the neglected state into which the world's monetary system has fallen during the war and as a consequence of the war. The first of these questions can be mentioned here only in passing, but the second is to be dealt with at length in the next lecture.

## II

### The Monetary System, Increases in the Price Level and the Exchange Rate during and after the War

#### *Dear Times during a War are not an Absolute Necessity*

War and dear times are two afflictions that usually come together. On first view, this is self evident. The need for practically all goods is increased during the war whereas the supply decreases, unless foreign credits (or existing stocks) can meet the shortage. Housing is well nigh the only consumption good to which this does *not* apply (in fact rents actually fell during the war, for instance in Germany). However, a strong need is not sufficient for an increase in the price of a commodity. In addition there must be *effective purchasing power*. Were it possible to decrease the purchasing power of the civilian population to the same extent as the government's has been increased, then a powerful drag would have been put on price increases. This can be done, at least in theory, with the aid of taxes and loans (within the country). (To be expanded Wagner's system of war taxes, loans for subscription at extremely high interest rates.) To be sure, even so general a price increase could not be avoided if the quantity of goods had been reduced in relation to the existing quantity of money (the quantity theory of money, which to a great extent has been confirmed during the war) but in that case the inflation would have been trifling—some tens of percent. This holds for the general price level, as well as certain particularly essential goods: provisions (if not rationed), fuel etc. would probably rise *more* in price, while other commodities, not just rents, would fall in price.

#### *The Emission of Paper Money*

Now, warring states have in all times made use of another means to procure the necessary purchasing power: increases in the quantity of money. [Aside:

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the collecting of treasures in ancient times. The war treasure of Charles XI of 1.2 million daler silvercoins was spent (together with the liquid assets in the treasurer's office) by Charles XII. During the 18th and 19th centuries the same thing happened on a much larger scale through the emission *en masse* of bank notes and government paper money. (Sweden in the beginning of the 18th and 19th centuries, the French "assignats", the Danish "kurant" notes during the Napoleonic war, confederate currency during the North-American civil war. During the civil war in the republic of Columbia in the eighteen nineties the paper peseta fell in only a few years from one dollar to one cent.) In this way governmental borrowing is to a large extent facilitated because holders of goods, and businessmen, who earn excessive profits as a result of the rise in prices, place these gains at the government's disposal by subscribing for governmental loans. But in reality it is the great public that in the first instance has to subscribe for these loans through their privation—they starve for the money and, in addition, later on in the future they pay the interest and amortization on these loans with their taxes, which they by compulsion have saved up for, but from which other people have benefitted. (For instance take the wholesale dealer in hides with stocks worth 100 000 crowns—what would have happened if the government *from the beginning* had borrowed from the public to pay for the leather.)

Take the case of a small region at war, with a gold 'agio' [premium] and a deterioration of the exchange rate. Now, if the war is restricted to a smaller region the consequence of the above mentioned will be that the value of the paper currencies of the warring states will fall not only in relation to commodities but also in relation to the precious metals (gold and silver, nowadays mainly gold) on which the currency system of other states still rest. Gold will flow out of the country or will have to be kept back by artificial means; paper money will have to be declared irredeemable, if this has not been done from the beginning, and will reach a lower value in relation to gold and the essentially unaltered currencies of other countries. The decrease of paper money in relation to gold is called a 'disagio' (discount) and it manifests itself as a deterioration of the exchange rate with foreign countries. (To be worked out later on.) The price level in other countries and hence the *world price level* will thus remain almost unaltered. But in the warring countries, which by now have a depreciated paper currency, prices will have risen, to be sure, but only in terms of paper money. They will remain practically unaltered in terms of gold—to the extent that such a relation is still applicable (after the war the country has to raise its notes to the old parity).

*The World War, General Inflation, No or Uncertain Gold Agio*

However, if the war comprises a great, or the greater part of the world, as has been the case, the result will be different. If then there is a great emission of notes in all or most countries (including the neutral) and there is an ensuing

rise in prices (inflation) gold will have no reason to travel to one place more than to another, even if gold exports are unrestricted. Bank notes can still be kept redeemable (at least if it is insured so that there exists a supply of low denomination notes as has been the case in our country) no gold 'agio' will occur, there will be no alteration of exchange rates from par, and everything can seemingly go on as under the full gold exchange standard, which in actual fact it has not been necessary to abandon. Yet even under these conditions there still can occur a tremendous rise in prices and deterioration of the purchasing power of money. The value of gold has fallen together with the value of bank notes.

Certainly the actual development of the currency systems of the world shows in its details a very different picture. The value of money has in some countries fallen considerably more than in others and as a result exchange rates have fallen far below par and have fluctuated greatly (for instance with Germany). As far as gold is concerned there has hardly existed a free gold market since the beginning of the war to the present (we ourselves have been redeeming notes since January 1916 but gold exports on private account is still barred). Hence, it is in reality impossible to tell the value of gold, or rather, what its value would be were the free exchange of gold to be resumed. But there is hardly any doubt that the value of gold would turn out to be scarcely worth more than banknotes in countries now having the most favourable exchange rates (Austria, The Netherlands, Sweden) and perhaps not even that. (Digression on the exchange rate.)

Naturally under these conditions gold production is scarcely profitable. Goldminers or goldmining companies can only produce a given quantity of gold per day or per year, which now corresponds to perhaps one half or one third its initial value in terms of commodities. Were the high price level to continue, gold mining must be reduced to only the most profitable mines. Were it now as before the war, when gold was used in commerce (instead of notes) by the great trading countries: England, France, Germany etc., then this relative scarcity of gold would soon exert downward pressure on the emission of bank notes and lead to a fall in prices. But now even these countries have turned to the use of nothing but paper (with the exception of silver subsidiary coinage) in commerce, and gold only in the banks. In this case very little gold is needed. Only if gold production dwindles to the extent that industrial demand for it cannot be met, and industrial users have to turn to the bank supply would the banks then sooner or later have to reduce their emission of notes, but this may take a long time. Consequently there is no compelling reason for a continuing fall in prices after the war, nor do sizeable outstanding government debts call for an increase in the value of money (to be worked out) although the matter could be dealt with by an appropriate and just writing down of all debts incurred at a lower value of money. (As opposed to the dissolution of all earlier property relations.)

*Some General Reflections particularly with regard to Swedish Conditions*

Money is a medium of exchange, a measure of the exchange value of commodities. The ideal thing would evidently be to make this measure, like all other measures, as invariant as possible. ("The King's better measure", Jevons). The exchange values of the precious metals *in the last resort* is dependent upon (or at least consistent with) the amount of labour (or "labour and capital") necessary to produce a certain quantity of gold, for example one gram. But this quantity of labour is variable, since it can: (1) be diminished by the discovery of new goldfields or improved techniques in goldmining or be augmented by the exhaustion of the gold fields. In addition, (2) the amount of labour can vary at any given point of time as the various mines have different productivity. Thus the so called marginal cost of gold production is decisive in determining the exchange value of gold but this very margin is alterable according to the greater or lesser need for gold by the banks and industry. Finally, (3) the conditions of gold production must in *the long-run* delimit the value of money and the general level of prices in a monetary system based on gold, but during shorter periods of a few years or even decades this factor can be neutralized by the influence from currency and credit policy, even if full convertibility of bank notes and other bank assets into gold is maintained. In this connection it is also true that a single country cannot possibly protect itself against an inflation or a rise in prices caused by a strong issue of notes in many other countries as long as it has to freely mint gold or give up its notes against gold in a fixed relation.

These imperfections in the gold standard will undoubtedly give rise to a more rational monetary system in the future, when central banks simply will have to limit their issue of bank-notes to such an extent that the value of money and hence the average level of commodity prices will be held constant. It is of interest to note that we ourselves have had approximately such a system for more than three years now, although we are still to some extent tied by the currency union with Norway and Denmark.

*Our Present Monetary System*

In February, 1916 the free minting of gold was abolished and so was the central bank's obligation to accept gold in exchange for 2 480 crowns in terms of notes (less 1/4 %). The same measure was taken in Norway and Denmark but without any further collaboration in currency policy. Thus gold could still be minted in Norway and Denmark (and with the consent of their governments be sent here in the shape of gold coins. But even this was prevented by agreement, although not until the fall of 1917). In reality our central bank is sovereign with regard to the value of money and the general price level in Sweden. The means for achieving this is by controlling the level of the rate of interest of money (the discount rate) but this means would be still more potent if the

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central bank were allowed to accept interest paying deposits. By increasing the interest rates for loans and deposits the central bank can decrease the stock of bank notes in circulation at its own discretion and force down the average price level to any level no matter how low, and [it can do this] totally independent of how high prices are abroad. (Naturally our exchange rates with foreign countries will then fall correspondingly.)

As has been pointed out, this [analysis] applies to the *average* price level not for individual commodity prices. It would still be possible to influence these, at least to a certain degree, if the government had levied adequate export duties on our export commodities during the war, and used the funds thus collected to subsidize the sales of imported goods below their cost-price (to be worked out).

However, none of these measures were resorted to, with the results we have before us; and unfortunately it is impossible to discern any definite course or avenues of direction for our monetary system. Apparently our leaders are dominated by the view that money takes care of itself if it is only left on its own—but unfortunately this is not the case.

### III

#### The League of Nations as a Factor in the World Economy

We now turn from this more or less gloomy view of the immediate future to the fortunately much brighter picture which is held out for the subsequent period. The most promising thing in this connection is undeniably the League of Nations—if only its promise could be fulfilled. This ought not to be impossible. It should be possible to avoid war among nations, as well as civil war and insurrection, more easily in the former case than the latter because civil war and insurrection are caused by profound social conflicts. In the case of international conflict, with one exception, there are no conflicting interests that cannot be settled in a peaceful way. This sole exception is the population problem (next lecture). If this problem could be solved, the various nations of the world would live as peacefully together as the different provinces in one country or as do people from all parts of the world now living in the United States.

#### *The Disappearance of the Military Budget*

What influence would this have on the economic conditions of the world? The first, and in itself most important consequence, would be the removal for each country of the intolerable economic burden caused by the costs of armament before the war. If this could be achieved fairly rapidly, then this fact alone would go a long way towards healing the wounds caused by the war. Whereas in earlier times, after a war, nations usually started rearming

with doubled energy in an attempt to keep their gains or to recoup their losses.

The League of Nations (in its present imperfect state) is a factor for mutual aid during the initial years of peace.

Second, comes the probable development of international economic relations. It has already been mentioned that the difficult transition period would demand a certain amount of international co-operation in order to surmount the greatest difficulties in procuring the necessities of life. Even after this transition period one ought to count upon a continuing and accentuated development of international agreements with an economic purpose, following developments started before the war: The Postal Union, similar arrangements for telegraphy. Also the use of the railway network is now to a large extent on an international scale.

#### *The League of Nations and Free Trade*

Still, the most important question is: will international trade be favourably influenced by a state of secure peace?

One could be doubtful about the prospects for peace if the Allies continue to maintain the boycott of the Central Powers that began during the war (The Paris Conference of 1916). But it must be remembered that an important consideration for the Allies is to protect themselves against new attacks from the Germans. If such aggressive tendencies still abide within the German people and their potential allies, then there exists no other means than trying to keep down economically the potential enemy. Even we should prepare ourselves for certain retaliations. If however, Germany should give unmistakable proof of an honest intention towards peace and be admitted to the League of Nations then these causes for continued protectionism should disappear. However, that does not mean that free trade will be attained, since it is likely that each country, particularly the economically feeble, would find reason to protect itself with tariff walls and the like acting in its *own* interest (and not necessarily to damage its opponent).

#### *Protectionism and Militarism*

In this connection one should consider to what extent protectionism is connected with considerations of national defense. Why else should there be this total contrast between complete free trade and liberty to pursue a trade *within* each country and the thousands of obstacles against trade in international intercourse.

#### *International Trade: Exchange not Competition*

What is international trade? Evidently a division of labour on a grand scale. Here there is a contrast between the views from the private economic and national economic perspectives. The individual exporter considers himself first

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and last as a competitor on the foreign market; the domestic producer fears competition from abroad in "his" market. But by and large international trade is of course not competition between similar products but exchange of heterogeneous products, where each country has its own speciality.

(An arithmetic example of comparative costs.) Ricardo's cobbler and hatter. The division of labour is advantageous to both even if one is more skillful in both branches, if only his superiority is more pronounced in one of them. This is its general conception (even though strongly simplified). But if they live in animosity or expect it, it is advisable for both to make their own shoes and hats.

### *The Argument for Economic Isolation for Protective Tariffs*

This in reality is one of the strongest arguments for protection. A country should not to an excessive degree specialize in its production, because if it becomes isolated by war it will run into distress. But even in this respect, the world war has made it evident that reorganization of production to self-sufficiency is much easier than used to be believed—of course with the exception of those commodities a country *cannot* produce at all. However if the danger of isolation through war disappears this argument loses its force. It is a bit late *now* to argue for self-sufficiency, but during the war a reorganization of our production towards self-sufficiency *could* have been made.

But there are two more arguments for tariffs: one social (agricultural vs industrial tariffs); and another, that in most cases is more instinctively felt than clearly conceived. The *internal* freedom and liberty to pursue a trade has resulted in a considerable migration of the population in each country. Some areas have become very densely populated while other areas are more sparsely populated or even depopulated. From a national point of view this involves no real disadvantage: you are a *Swede* whether you live in Stockholm, Scania or Laplandia. But free international trade has doubtless produced the same tendency, for example: suppose that lumber and paper prices continue to be very high while the prices of grain and other provisions return to their pre-war level. (Not entirely improbable, as the world supply of lumber incessantly diminishes while grain harvests do not diminish.) The result would then have to be that with the exception of some particularly favoured agricultural districts, the most advantageous thing from an agricultural point of view would be to let all arable land, meadows and pasture grow into forest. (Janne and his crofter.)

But of course forestry could, even in combination with industries based on it only nourish part of the present population in the country—the remainder would have to emigrate. From the point of view of the world economy this would be best, and also from the viewpoint of the Swedish national economy. (e.g. Two brothers who jointly own a homestead suitable for forestry—the one keeps the homestead and runs a timber business, the other takes his share

in cash, which is greater than he would receive were he to continue farming, and emigrates.) But from a *national* point of view, from the point of view of the country's military defence this would be questionable and one would probably try to prevent it with the aid of agricultural tariffs. But if the need for military defence disappears—and with us perhaps it is more the anxious feeling of insecurity—then even this argument ceases *essentially* to be valid.

By and large, the League of Nations should lead to the weakened importance of national boundaries and ultimately to their final abolition. Even in this respect reservation certainly has to be made for the influence of the population question, to which we will return in the next lecture. (Digression on nationalism: nationalism really is equal to the ability to read coupled with ignorance of all languages other than ones own.) When we speak of human beings in other planets we think of them as one people. In reality the attempts in this direction are more far reaching than surmised—if only the devil of war could be definitely expunged from the earth.

#### IV

#### The War and the Population Problem

I mentioned in my last lecture that all sorts of strife between nations, with the exception of one, are of such a nature that it would be possible to settle them in a peaceful way by agreement or at worst by arbitration. The sole exception is strife over territory. If a people becomes too numerous for its territory and sees no other way out for its survival than to extend its dominion at the cost of its neighbour, then it is hard to see how such strife could be solved by agreement. An arbitrator should in this case probably conclude that each nation should stay within its own boundaries, but that would be no solution and the trouble would remain.

Unfortunately, this is the very strife that in all periods has constituted the foremost if not the only reason for war. There is no doubt about this as far as earlier times are concerned (the ravages of the Vikings etc.). The wars of that time were pure wars of extermination, but, unless they ended too unhappily, they brought relief even to the vanquished—hence they were popular. In medieval times and later on one has generally tried to disguise or embellish the naked purpose of conquest, thus at times wars have been labelled crusades, at times religious wars, at times wars of independence and so on, and of course to some extent they have been just that, but on closer inspection it will turn out that even in these cases it has ultimately been the lack of space to feed the population that has given rise to seething discontent, which is the necessary background and sounding-board for military enterprises. (The American civil war: the abolition of negro slavery an effect but not the cause.) The governing classes in a country are almost always more or less prone to war if

only there is chance of victory because their own *raison d'être* really rests on the military structure of the society (the capitalists as well—hence Wagner's war taxes). The broad masses are mostly of a more peaceful mind, but their will for peace gets weakened when the struggle for existence becomes a more hardfought one, and in the end makes them inclined for a change of whatever kind.

*War and Increase in Population a Circulus Vitiosus*

In addition there is the fact that this connection between war and increases in population is a double one. Throughout history increases in population and wars condition each other in an eternal *circulus vitiosus*. For if on the one hand overcrowding creates the necessity and longing for a war, a numerous population on the other hand is a prerequisite for victory. Therefore steps to check the increase in population in a peaceful way by decreasing birth-rates will always encounter resistance among the ruling and military classes; and at the end of a war, be it won or lost, nothing is generally considered more important than to encourage a strong increase in population in order to "fill the cadres" again.

*The Reduction of Population in Germany during the War*

Before the war Germany was severely threatened by overpopulation, the feverish industrial development certainly could not have continued for long at the same rate—in 20 years a doubling in the production of coal, a fourfold increase in production of lignite, a threefold increase in pig-iron—this was admitted by the Germans themselves and was openly given as one of the main reasons for the war—(the same goes for Austria). According to Fried the actual and potential decrease in population amounts to no less than 8 million. But that is not the end of it, the millions of men, mostly unmarried or newly married, that lie on the battlefield or are disabled to such an extent that they are incapable of providing for themselves would under normal circumstances have married before long and raised children in small or great numbers—these will now fail to appear. For Germany this is no doubt a bright feature in the general disaster: the population problem that on the one hand already existed and on the other was bound to occur in Germany has now to a considerable extent been eased for the near future, although the ensuing maldistribution of population for the time being is a drawback. But far from appreciating this the ruling circles are only evolving plans for replacing this "loss" as soon as possible by increased birth-rates.

*Checking the Population Increase as an Indispensable Condition for World Peace*

There can be no doubt that if a population increase were to occur in all the countries of the world on the same scale as during the past century, all hopes

for a world peace would be in vain. The stomach is a stern ruler, against its demands all treaties are annulled. (At the Russian-Finnish frontier it has come to the point where slain enemies are cooked and eaten—just like in the oldest times of humanity—and warfare.)

Fortunately, the prospects for this condition to be fulfilled by degrees are not poor. The great peace organization, the League of Nations, is in itself to a certain degree a guarantee for this, at least to the extent that the menace of war can no longer be given as a reason by those who advocate a perpetual increase in population in the various countries. If population increase and war form a *circulus vitiosus*, then population control and peace ought to form a *circulus favorabilis*.

An even more hopeful fact that made its appearance in the decades preceding the world war in well-nigh all civilized countries is the spontaneous movement for a decrease in birth-rates, and it will certainly not cease to act after the war. The movement was prominent not least in Germany. Although the growth of the German population had not yet noticeably started to decline, the birth-rate had ceased increasing and instead had declined in absolute numbers, a fact that naturally would have led to a decrease in the younger age classes. (From 1916 the number of school children in the lower forms would not have increased any further even if there had been no war.) However paradoxically as it may sound, it is quite probable (Öhrvall) that this circumstance gave the military party cause for striking as soon as possible. In about 25 years (from 1914) the population of Germany would have become stationary (Bortkiewich). As a result of the war this will probably happen *now*, and hence one should be able to depend upon the same love for peace within the German nation as within the French—even without a League of Nations and *à fortiori* with it.

#### *Population Control and the Social Question*

With the cessation of the growth of population, prerequisites are created for a successful settlement of the social question, which quite likely will come to the forefront when it no longer is disturbed by political strife among the nations. The social question is briefly: (a) a wages-question (the 8-hour working day is also mainly a wages-question); and (b) a question of the distribution of property. When the supply of workers becomes more limited then (a) labour will be more valuable and wages will rise, while capitalists and landowners will have to be content with less. (The relative amount of capital will increase and the rate of return on capital will fall; with soil-improvement the tilled area will increase and rent will fall.) But (b) one has to pursue a more just distribution of property (the German property tax and Ebert's promise to confiscate war profits) for instance, by creating funds for the welfare of the working class, sickness- old age-, unemployment insurance. Obviously these measures are more easily carried out and more promising the less numerous is the unappropriated class.

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Socialization will not solve the problem. It is an excellent measure and should also, according to my view, without doubt be adopted whenever an industry shows a tendency towards high concentration, monopoly or trust-formation, but hardly before that. Socialization is then foremost a technical question. But a measure that is prompted by equity and fairness should evidently not be postponed while waiting for a certain technical development that perchance will be late in coming or never come to certain branches of economic activity (agriculture).

*The State of Affairs in Sweden*

*Concluding Remarks*

The number of newborn in Sweden is scarcely sufficient to maintain the present numbers in the age groups of 20–30 years. Under such conditions the population will still increase for some time, but thereafter decrease. It is however unlikely that its number will fall to zero. There is a special reason to wish a decrease in population in Sweden. At present, certain of our natural resources are undoubtedly overtaxed. But after a moderate decrease in population (for instance to 3 million) they should suffice to a well-nigh unlimited degree, whereas in other countries the abatement of the coalseams will necessitate a far more considerable reduction of the stock of population.

But small or large, the main thing is that our population, and the world's, will have the opportunity for a happy and rich life befitting human beings, that is among other things, a *peaceful* life.