

ON QUANTITATIVE
THINKING IN
ECONOMICS

ON QUANTITATIVE
THINKING IN
ECONOMICS

BY

GUSTAV CASSEL

OXFORD

AT THE CLARENDON PRESS

1935

OXFORD
UNIVERSITY PRESS
AMEN HOUSE, E.C. 4
London Edinburgh Glasgow
New York Toronto Melbourne
Capetown Bombay Calcutta
Madras Shanghai
HUMPHREY MILFORD
PUBLISHER TO THE
UNIVERSITY

PRINTED IN GREAT BRITAIN

PREFACE

A THOROUGH reconstruction of economics as a quantitative science is urgently needed and, indeed, long overdue. In no other branch of modern science would such a general lack of quantitative definiteness as still prevails in economics be tolerated. The aim of the reconstruction must be to present the actual facts and problems of economic life in the most distinct form and, as far as possible, in measurable terms. To succeed in this work, economists must relieve themselves of the oppressive burden of withered notions and barren dogmas, inherited from the highly theoretical and scholastic controversies of a past century, and face with youthful vigour and up-to-date scientific equipment the problems of their own age.

Such reconstruction is of great interest to the steadily growing circle of those who, in their life's practical work, are confronted with economic questions and social relations of a more and more complex nature. What such people naturally demand, and are entitled to demand, is a clear exposition of the elements of economics, detached from old dogmatic controversies, free from contradictions and unnecessary complications, and so generally accepted that it can serve as a reliable basis for a profitable discussion of present-day problems.

The task is great ; it involves in fact a general raising

PREFACE

of the standard of *quantitative thinking in economics*. In the following pages I can only hope to indicate the principal lines of the work required and to illustrate its nature by discussing some few important points relating to the basic concepts and methods of economic science. This discussion, however, will touch and, as I hope, throw some fresh light upon several practical problems of social economy that stand at present in the centre of public interest.

Thus, this little book may perhaps contribute to a more general understanding of the fundamental and indissoluble connexion between theory and practice, and of the truth that there is, in the long run, nothing more practical than sound theory.

G. C.

DJURSHOLM, *June* 1935.

CONTENTS

I. ECONOMICS AS A QUANTITATIVE SCIENCE	1
II. PRODUCTION	13
III. VALUE AND MONEY	29
IV. INCOME AND ITS USE	61
V. GRADUAL APPROXIMATION	90
VI. QUANTITATIVE RELATIONS BETWEEN PRO- DUCT AND FACTORS OF PRODUCTION	119
VII. THE EQUILIBRIUM THEORY OF PRICES	151