LUND UNIVERSITY

# Knut Wicksell, Gustav Cassel, Eli Heckscher, Bertil Ohlin and Gunnar Myrdal on the Role of the Economist in Public Debate

Carlson, Benny; Jonung, Lars

*Published in:*
Econ Journal Watch

2006

Link to publication

*Citation for published version (APA):*
Carlson, B., & Jonung, L. (2006). Knut Wicksell, Gustav Cassel, Eli Heckscher, Bertil Ohlin and Gunnar Myrdal on the Role of the Economist in Public Debate. *Econ Journal Watch*, *3*, 511-U4.

*Total number of authors:*
2

**General rights**
Unless other specific re-use rights are stated the following general rights apply:
Copyright and moral rights for the publications made accessible in the public portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.
• Users may download and print one copy of any publication from the public portal for the purpose of private study or research.
• You may not further distribute the material or use it for any profit-making activity or commercial gain
• You may freely distribute the URL identifying the publication in the public portal

Read more about Creative commons licenses: https://creativecommons.org/licenses/

**Take down policy**
If you believe that this document breaches copyright please contact us providing details, and we will remove access to the work immediately and investigate your claim.

LUND UNIVERSITY

PO Box 117
221 00 Lund
+46 46-222 00 00

Discuss this article at Jt: http://journaltalk.net/articles/5521

*Econ Journal Watch,*
*Volume 3, Number 3,*
*September 2006, pp 511-550.*

## CHARACTER ISSUES

# Knut Wicksell, Gustav Cassel, Eli Heckscher, Bertil Ohlin and Gunnar Myrdal on the Role of the Economist in Public Debate

BENNY CARLSON* AND LARS JONUNG**

Abstract

WHEN SWEDEN WAS HIT BY A DEEP ECONOMIC CRISIS IN THE fall of 1992 and was forced to abandon the pegged exchange rate, the government appointed a commission of primarily university economists under the chairmanship of Assar Lindbeck, the most well-known economist in the country at the time. The commission was assigned to present an analysis of the problems facing Sweden. Appearing in March 1993, the report had a major impact in the media and in public debate. Several of its 113 proposals eventually served as a source of inspiration for political action.[1]

* Departmentof Economic History, Lund University
** DG ECFIN, European Commission, Brussels
This paper has evolved from a book chapter published in Swedish as "Hur såg de stora nationalekonomerna på sin roll i samhällsdebatten?", chapter 4 in Jonung (1996). It is an updated and revised version of Chapter 3 in Bellet et al (2005). Geoffrey French made the translation from Swedish (including quotations from Swedish language sources). We have benefitted significantly from the views of Michael D. Bordo, Bruno Frey, Torsten Gårdlund, Rolf Henriksson, Christina Jonung, David Laidler and Bo Sandelin. We owe a special debt to Hans Brems and Mats Lundahl for their insightful comments.
[1] An English translation of the commission report is available in Lindbeck et al (1994).

This event illustrates the strong position of the economics profession in Swedish society—no historians, philosophers, management consultants or former political leaders were considered for this task, as may have been the case in other countries. Economists play a prominent role in public debate in Sweden, many appear on radio and television, write for the daily press, magazines and books, and serve as experts on government inquiries and commissions.[2] In Sweden, economists probably have more influence than any other category of social scientists. In other countries there is usually a wider gulf between academically active economists and the world of politics and the media, more so in the United States than in Europe.

In Sweden, the high standing of the economics profession has existed for a long time.[3] A significant number of Swedish university economists in the twentieth century have been influential participants in the public exchange of opinions. Some have made the move from policy debate into practical politics. The founders of economics as a scholarly discipline at Swedish universities, first of all Knut Wicksell, Gustav Cassel, and Eli Heckscher, addressed the general public as popular educators and debaters.

Here we concentrate on five outstanding—and internationally renowned—Swedish professors of economics: Knut Wicksell (1851-1926), Gustav Cassel (1866-1945), Eli Heckscher (1879-1952), Bertil Ohlin (1899-1979) and Gunnar Myrdal (1898-1987)—with a view to ascertaining how they regarded their own and their profession's role in public debate.[4]

These five economists hold a central position in the development of economics in Sweden in the twentieth century, laying the foundations for modern Swedish economics. They represent two generations. The first generation, of Wicksell, Cassel, and Heckscher, with a clear set of values and eager to promote their views and policy recommendations. The second generation, Ohlin and Myrdal, with equally clear values, and critical, at least in Myrdal's case, of the older generation's, i.e. their teachers', lack of clarity in defining the boundary between scholarship (science) and politics, yet

---

[2] One confirmation of this is provided by a postal inquiry addressed to all Swedish professors of economics in 1989. The aim of the survey was to chart their contributions to the daily press, to the journal *Ekonomisk Debatt*, to SOU (*Statens Offentliga Utredningar* - Swedish Government Reports) and to similar activities. The postal replies disclosed an extensive external activity according to Jonung (1992: 42). See also Sandelin (2000) on the public activities of Swedish economists in the post-War II period.

[3] The word *economist* refers henceforth to economists employed at universities.

[4] We exclude several prominent economists such as David Davidson and Erik Lindahl, active roughly at the same time as Wicksell, Cassel, Heckscher, Ohlin and Myrdal, because they were not as visible in public debate.

most willing to move from the world of scholarship into public affairs and politics. A major line of demarcation between older and younger is marked by Myrdal's book from 1930, *Vetenskap och politik i nationalekonomien* (*The Political Element in the Development of Economic Theory*).

The five represent a broad political spectrum. Taking "liberal" in its European meaning, Cassel was a right-wing liberal with a strong conservative leaning; Heckscher an ultra-liberal deeply influenced by the great British nineteenth century economists, and Wicksell a radical liberal. Each held back from direct party-political commitment. Ohlin was a liberal, classifying himself as a "social liberal" to distinguish him from classical or old liberalism, and Myrdal was a social democrat. Both engaged in party politics; Ohlin as the head of the Liberal Party (1944-67), and Myrdal as Member of Parliament and Cabinet Member (1945-47) for the Social Democratic party.

The five were deeply engaged in public debate. They produced a copious stream of books and articles addressed to colleagues, politicians and the public at large, gave lectures and participated in debates. One measure of this high ambition is the number of articles in the daily press: Wicksell published about 450 articles, Cassel about 1,500 in *Svenska Dagbladet* alone, Heckscher about 300 articles in *Dagens Nyheter* alone, Ohlin about 2,000 articles, chiefly in *Stockholms-Tidningen* (a large number of them before he moved into party politics), and Myrdal about fifty articles.[5] Between them, the five economists published a round total of 4,300 articles in Swedish daily newspapers, mainly during the first three decades of the twentieth century. This avalanche of words coincided with the establishing of political economy as an academic discipline with a powerful influence on public opinion and politics.[6]

The five had an important platform in the meetings of the Swedish Economic Association to spread their views to the public. Here they confronted politicians, policy-makers, businessmen, and fellow economists (Henriksson 2001). The proceedings were covered in the press and later published. (Table 1 summarizes some basic information on the quintet.)

---

[5] *Svenska Dagbladet*, *Dagens Nyheter* and *Stockholms-Tidningen* were daily newspapers with wide circulation, published in Stockholm. Data on the number of articles are from Jonung (1991).

[6] See Magnusson (1993) for a discussion of the journalistic activities of Swedish economists during the first three decades of the twentieth century. Similarities and differences between the five economists are discussed for example in the introduction and contributions in Jonung (1991). Sandelin (2000) considers why economists in small countries like Sweden tend to get involved in public policy discussion.

**Table 1**: Profiles of Knut Wicksell, Gustav Cassel, Eli Heckscher, Bertil Ohlin and Gunnar Myrdal

| | Main academic post | Major scholarly works | Newspaper articles | Political outlook | Role in party politics |
|---|---|---|---|---|---|
| Knut Wicksell (1851-1926) | Lund University 1901-1916 | *Value, Capital, and Rent*; *Interest and Prices; Lectures on Political Economy* | *ca* 450 | Radical liberal | None |
| Gustav Cassel (1866-1945) | Stockholm University 1903-1936 | *Nature and Necessity of Interest*; *Theory of Social Economy* | More than 1,500 | Right-wing liberal | None |
| Eli Heckscher (1879-1952) | Stockholm School of Economics 1909-1945 | *The Continental System*; *Mercantilism*; *Economic History of Sweden* | More than 300 | Classical liberal | None |
| Bertil Ohlin (1899-1979) | Univ. of Copenhagen 1925-1929, Stockholm School of Economics 1930-1965 | *Theory of Trade*; *Interregional and International Trade* | *ca* 2,000 | Social liberal | Liberal Member of Parliament 1938-1970, Minister of Trade 1944-1945, Liberal Party leader 1944-1967 |
| Gunnar Myrdal (1898-1987) | Stockholm University 1933-1947, 1960-1967 | *Political Element in the Development of Economic Theory*; *Monetary Equilibrium*; *An American Dilemma*; *Asian Drama* | *ca* 50 | Social democrat, socialist | Soc. Dem. Member of the Parliament 1936-1938 and 1944-1947, Minister of Trade 1945-1947 |

The appearance of these five economists on the public arena invites a number of questions such as: Can an economist working in academia be scientifically objective and politically committed at the same time? Ought he to confine himself to scholarly discussion or attempt to play a pedagogical public role as well? Ought the economist to strive for expertise within a narrow field or for broad knowledge and understanding?

We seek to chart how the five economists themselves answered these questions concerning the role of the economist in public debate. We seek their answers first in their own writings, chiefly "mature" works and autobiographical articles or memoirs, and, second, in biographies and other writings about them. In our conclusions we consider briefly the present tendency of university economists of shunning away from public debate.[7]

## KNUT WICKSELL—EDUCATOR OF THE SWEDISH PEOPLE

Knut Wicksell is considered Sweden's foremost economic theorist of all time. He was a great innovator in economic theory, principally monetary theory, public finance, and capital theory. But he also devoted himself to economic, social and political issues on a broad front. Wicksell stood out as a social critic of rank, questioning established institutions such as marriage, the church, the monarchy, and the military. All his life he enjoyed a well-founded reputation as an independent radical, always ready to defend and advocate views that were regarded as extreme in public debate.

Some have found it perplexing that Wicksell could simultaneously play these two roles: on the one hand, the unassuming academic, on the other, the vociferous agitator. There are two different interpretations. The first, which we can call the Gårdlund-Ohlin line, sees Wicksell as having a dual nature. The second, the Lindahl-Åkerman line, points to Wicksell's passionate commitment to everything he undertook.

Torsten Gårdlund (1956, 371) formulates Wicksell's dual nature in these words: "Knut Wicksell's character sometimes gives the impression of a strong inner conflict, almost a split personality in fact. He was a wild

[7] The great five were all men. Women entered Swedish economics at a much later stage in the 1970s. For an overview of women's entry into economics and participation in economic debate see Jonung and Ståhlberg (2002) and (2003).

agitator and an objective scholar at one and the same time." Bertil Ohlin (1972, 558) muses along the same lines:

> To me it is a riddle that Knut Wicksell, who for most of his life was a fanatical representative of extreme opinions in the social debate, could present a completely different personality in the scholarly context. During the period when I knew him he was the diffident seeker after scientific truth.

In a more detailed discussion of Wicksell's nature, Gårdlund (1958, 200) writes:

> In the political sphere he recognized no authority. No institution was sacred; no hallowed law could prevent him applying the test of democracy and utility. To plead tradition in politics was 'obscurantism', to suppress criticism was 'under any conditions an evil'. But as a scientist he submitted himself voluntarily and with remarkable consistency to the traditional demands of the scientific world. His ideal scientist was one who sought the truth sincerely and without prejudice and who presented his findings objectively and modestly.

Erik Lindahl (1953, 304-305)—supported by Johan Åkerman (1956)—preferred to emphasize that Wicksell's scholarly and political activities were founded on the same passionate commitment.

> Wicksell was both a scholar and a social reformer, the latter on the ideological plane in the capacity of popular orator, debater and author of controversial pamphlets on social policy. One feels that it should have been an abrupt reversal for him to tear himself away from his hyper-theoretical work at the desk in order to make an agitator's speech to a demonstration meeting or to speak from the platform at a young socialists' meeting. But Wicksell performed the one task just as intensively as the other. ... And in his case it is evident that the one activity had as fruitful an effect as the other. [It was] Wicksell's social interest which impelled him to take up economics. . . . On

> the other hand, his social preaching achieved greater cogency through being buttressed by scholarly arguments.

Mats Lundahl (2005b, 170-171) has recently added to the discussion by supporting the view that there was basically only one Wicksell. In a pathbreaking interpretation of Wicksell's analysis of poverty and population growth, he argues:

> The result of putting all the bits and pieces of Wicksell's scattered analysis of population growth together is astonishing. Far from confirming the conventional wisdom that what he wrote on the population question was mechanical and simplistic, it turns out that the exercise results in a coherent general equilibrium framework which very much resembles the specific factor models of international trade developed by Ronald Jones (and Paul Samuelson) in 1971. Within this setting Wicksell handled factor growth (population, natural resources, capital), technological progress, tariffs and factor movements. In this, he stands out as a precursor of the modern theory of international trade.

Concluding his book on Wicksell on poverty, where this argument is developed in depth, Lundahl (2005a, 102) states:

> All the time, however, what Wicksell did in the public sphere had a solid foundation in his scientific thinking, and despite what has been alleged, this is the case also with his views on population growth and poverty.

Lundahl reveals the close connection between Wicksell's popular writings and his scientific work. This suggests that the two interpretations on Wicksell's nature are not contradictory. It is partly a matter of where the emphasis is placed: on the unifying commitment of penetrating deep into social and economic issues or on the dissimilar modes of expression in public debate and in scientific work.

One explanation for the view that Wicksell had a dual nature can be sought in the fact that he had a natural bent for abstract and logical thought—he was the archetype of the deductively-working scholar. "The abstract intelligence of which he early showed proof must have helped

greatly to make him a man of principle and opinion," Gårdlund (1956, 364) contends. In all likelihood, Wicksell's acting in accordance with his nature produced differing effects on his scholarship and his politics, respectively. To argue with uncompromising logic is one thing in an academic discipline where the dominant tradition prizes logic above adherence to reality, but it is something else in a political reality, which builds on historical circumstances rather than on logical designs. Wicksell's critics often argued that in his economic policy recommendations he tended to think too straightforwardly, without taking account of the complications entailed in translating ideas into practice.

Wicksell's close friend, Hjalmar Öhrvall, put his finger on this sensitive spot in one of his many letters to Wicksell.

> I can understand quite easily that a man can have a definite, contrary idea about a scientific proposition and be willing to defend it against the whole world; but how it can be possible to be as definite on political, strategic or similar questions, I do not understand. (Quoted in Gårdlund 1958, 242)

On top of this there was the fact that in his political appearances Wicksell was driven by his urge to provoke scandal. Actually, he used the scandal as a method of bringing out his message to the public.

Wicksell might be dubbed a radical liberal. He fought for a more equal distribution of wealth and income. But he did not share the Marxist notion of capitalism as a system of exploitation. He believed that on the whole the market economy would give the best economic outcome and that the distribution problem could be solved by means of education and inheritance taxes. He cherished a deep sympathy for the social democratic cause and at one time in the 1880s nearly became a member of the party, but he preferred to function as "a radical taskmaster untrammeled by party ties" according to Gårdlund (1958, 307).[8]

[8] According to Erlander (1972, 122), Wicksell was invited to speak at the twenty-fifth anniversary of the local labour party organization in Lund in 1926. Wicksell expressed his appreciation of being the keynote speaker but added: "I do not belong to the herd. I am a sheep all by myself."

Knut Wicksell

One of Wicksell's clearest manifestos is to be found in his inaugural lecture as professor in Lund "Ends and Means in Political Economy."[9] Here Wicksell (1904, 460, 470) discusses why it is so difficult to agree on anything in economic science. Is it because the problems of political economy are so difficult that we have not found the right way to solve them? Or

> is it perhaps the various scholars' individual sympathies and antipathies, their diverse political ideals, their conception, in a word, of the aim of practical social and economic activity which lends its color even to their treatment of theoretical questions?

Wicksell moves quickly to the heart of the question:

> That the aim of economic activity must be the greatest possible prosperity of society, individually and collectively, on that point we are all formally agreed; but what is meant here by society? Shall our endeavors embrace all classes, races, linguistic groups, creeds, nations?

[9] Reprinted in Lindahl (1958).

Wicksell contends that the answer is yes, and he gives expression to his utilitarian view that "our aim here on earth is to extend the greatest possible happiness to all" (470). If economists would only adopt this view, they could also attain unity.

Wicksell believed that modern economics had got past the short-sighted vision of the harmony economists and was no longer the creature of any special interests.

> I have always regarded it as a criterion indicating that modern theoretical economics is on the right road that the scorn for everything that economists stand for, so common among the working class in bygone days, has died away . . . the workers probably sense instinctively that the watchword of economics has again become the unconditional quest for truth. (472)

It is clear from his writings that Wicksell viewed himself as an educator of the general public on any issue he found of interest to bring to the public. Through his many articles, lectures and comments, he wanted to foster public knowledge of the science of economics or, as he sometimes wrote, of the laws of economics, in particular of Malthus' population theory. He was convinced of his mission as a public educator (*folkbildare*).[10] His view is revealed in a letter to Hjalmar Öhrvall at Christmas 1916, shortly after Wicksell had retired from his chair in Lund and returned to Stockholm. Here, he contemplates his future as a professor emeritus.

> Yes, it feels somewhat strange to have been 'removed from office', but not very much since, in particular in later years, I took very little part in academic life. H. Hildebrand, my old friend from school, who retired already last summer, says that he finds it so strange to wake up in the morning and 'not have any duties'. As for me, I still find it my foremost duty to educate the Swedish people, and I must still try to do this, as long as I have the

[10] During the controversies surrounding the chair in Lund, the critics of Wicksell opposed his propensity to make his views known to the public. Gårdlund (1956, 244) quotes a comment against Wicksell, based on his "detrimental activities against his native country as a public educator."

> strength. (Jonung, Hedlund-Nyström and Jonung 2001, 19)

Here, Wicksell puts his mission in life on paper: "my foremost duty to educate the Swedish people".[11]

Wicksell was very outward-looking all his life. He wrote pamphlets, lampoons and articles, and he went out on tours giving, as he said, 'lectures to the peasants'—and he also held the view that his intuition led him correctly in his communication with the public:

> As for myself, I will say one thing in my favor; that I have a nose for what *can be done*. In other words, I feel that if something is obvious enough to penetrate my simple understanding, it cannot be long before it will conquer the masses—and I have never been wrong about this, although sometimes things have moved a *little* more slowly than I expected. (Quoted in Gårdlund 1958, 307)

## GUSTAV CASSEL—THE VOICE OF REASON

In his day—during the 1920s at least—Gustav Cassel was one of the world's most renowned economists, a theoretical innovator as well as a leading expert on current monetary problems. In the late 1920s he was introduced to the American House of Representatives as the world's most famous economist; his only competitor for that "title" was John Maynard Keynes. According to Magnusson (1991, 134), his reputation did not rest so much on his role as innovator and theorist: "His strength lay rather in economic pedagogy, in teaching, and as an inexhaustible promoter of the subject of economics to the lay public and political society."

Cassel started out around the turn of the century 1900 as a fairly radical liberal—he was even accused of being a socialist! However, by the end of World War I he had developed into a right-wing liberal who fought relentlessly against socialism, state enterprises, economic planning, government regulation

[11] The quote is from Gårdlund (1956: 337). It is adopted as the title for the publication of about eighty previously unpublished manuscripts by Wicksell. See Jonung *et al.* (2001).

and the like. For him, the question of whether the scholar ought to become involved in public debate was easily answered. The scholar represented the clear voice of reason in a world governed by superstition and dilettantism. The task of the scholar of economics was to look at the whole, to elucidate the inexorable economic laws from a standpoint high above the clash of interests and thereby help the public, politicians and businessmen to see beyond their own narrow interests and time-horizons. Out there in the economic and political jungle all kinds of delusions flourished, and it was the task of the scholar to clear up the miserable mess with the shining weapon of reason.

> In my scholarly work I have chiefly been seeking clarity. I have called for rational action in the life of society, with the accent both on a reason, which does not allow itself to be tied down by arid dogma or sterile party formulae, and on a robust will that is prepared to act at the right moment. These main aspects of my work have been linked together inasmuch as my efforts to bring clarity to the elements of economic science have become of crucial importance to my practical standpoint, and also because my scholarly work has been stimulated by the immense problems with which life has confronted me.

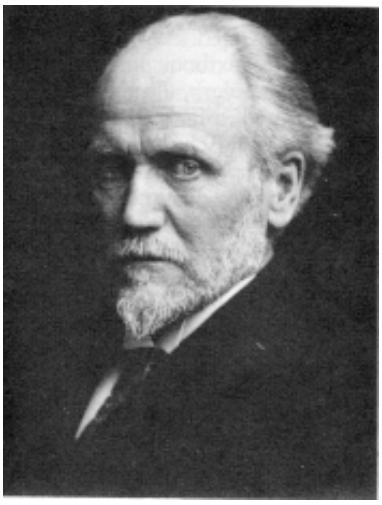
Thus writes Cassel in the preface to his memoirs *I förnuftets tjänst* (*In the Service of Reason*) (1940, 7). In his final words (1941, 455-56) he returns to this theme.

> It fell to my lot to work in the service of reason. And this is a duty. It requires fidelity all through life. . . . To serve reason certainly requires humility in face of the task. But this humility is essentially different from the obliteration of one's own personality, when one joins a party or takes refuge in the bombproof shelter of collective programs. He who fights for reason must give himself to the struggle, sticking it out though he finds himself standing alone.

Cassel wrote his memoirs after the depression of the 1930s and at the beginning of the Second World War. By then he thought that most of what he had struggled to achieve was reduced to ruins.

> Everything I have fought for now lies in dust and ashes. Scholarly enlightenment counts for nothing in an age, which feels more comfortable with drivel. Free speech is suppressed and the technical means of reaching listeners are cut off or monopolized. International communications are impeded and mankind is excluded from mutual discussion of its vital affairs. . . . Sensible economic management by government is regarded as an obsolete prejudice and huge budgets are run up with nothing on the revenue side. Law is thrust aside by administrative arbitrariness, and democratic essentials are either shattered or diluted to empty formulae. Of the freedom of the individual scarcely more than the name is left, and the value of his personality is set at naught. Wherever one looks, only destruction! Destruction at least of that which I had wished to build. (Cassel 1941, 456-457)

In Cassel's description of this heap of ruins we discern the foundations of the proud edifice for which he had fought and which bears the characteristic marks of liberal progressive optimism: individualism, free enterprise, free trade, free pricing, policies devoted to the creation of law, order and a stable currency, peace and progress (that is to say economic growth).



Gustav Cassel

In other words, Cassel saw himself as a scholarly interpreter of economic conditions and relationships that were virtually to be regarded as laws of nature. He summarized the chief tasks of economic science in the introduction to his *Teoretisk socialekonomi* (*Theory of Social Economy*) (1934) under five points: (1) "to view society as a whole entity and to try to trace the total nexus of causality within this society" (social economic thinking instead of private); (2) "to bring real phenomena out into the light of day" (for example, the utilities that in everyday terms are expressed as a sum of money); (3) "to try to penetrate to the essentials of economic phenomena and situations"; (4) "to penetrate to the necessary facts of economic life" (for example the proposition that capital formation is necessary for progress); and (5) "to give a simplified picture of economic life", in other words to formulate a theory.[12]

In spite of his lively interest in the issues and realities of the day, Cassel, whose early training was in mathematics, was at heart a logician. The scientist in economics must, in turns, make use of deduction and induction, but the point of departure must be deductive: "The main thrust of the simplification procedure consists in isolating the essentials from the very start and reproducing them in a logically coherent presentation" (Cassel 1934, 20). One may think that, as a scholar who expressed himself decidedly, Cassel here exposed himself to a considerable risk. Suppose his theory has indeed isolated essential relationships and is logically coherent, but is not the only logical model capable of being constructed around a number of essential empirical factors and relationships, what then? The risk is lessened in Cassel's case by his known lively interest in facts, in "reality".

At the same time, however, he was aware that his preaching rested not merely on logic, but also on value judgments. When other economists and politicians accused him of marketing his political opinions as scholarly conclusions, he admitted without equivocation that his positions rested on certain fundamental value judgments.

> If my theoretical studies have contained any subjective value judgment, then this has amounted at most to a preference for freedom and progress rather than state control of the economy and distribution of such scanty prosperity as may be available for distribution at a given moment. I have wanted to make it clear that this preference is a great common interest of all parties, both in the management of the world economy and in every

[12] This introduction is not included in the English edition of 1932.

> individual nation. Such a position may be attacked, but it cannot be denominated as party-politics in the ordinary sense. (Cassel 1941, 440)

To be pushed into a party pigeonhole was, in Cassel's eyes, one of the worst fates imaginable.

Cassel's strong position in public debate rested in large part on his capacity to explain economic issues clearly, simply, and elegantly so that politicians and the public could keep up with him. He himself was very aware of this capacity, and we have testimony as to how hard he actually toiled over texts that seemed to flow with their own momentum. In a letter to Ohlin he declared: "Economics is in high degree a pedagogical discipline, and an economist must be in close touch with popular psychology in order to know what ought to be said at any particular moment" (Quoted in Ohlin 1972, 107).

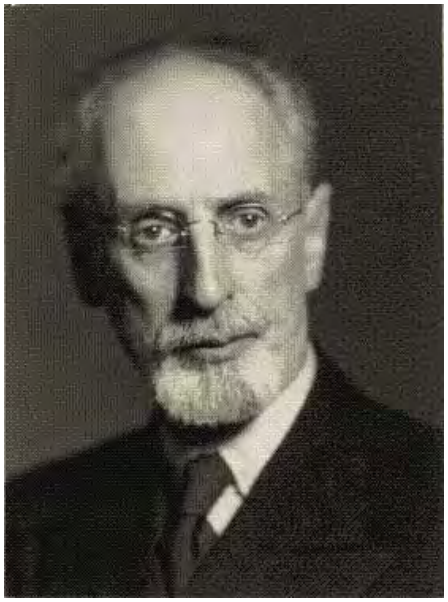
## ELI HECKSCHER—LIBERAL BEACON

Eli Heckscher was first professor of economics and later (from 1929) professor of economic history. In fact, he established economic history as an independent academic discipline in Sweden. In his younger days he was a social conservative, but after World War I he emerged, much like Cassel, as a full-fledged liberal with strong sympathy for British 19th century economic liberalism.

Heckscher's work was marked by the tension between scholarship and politics. Rolf Henriksson (1979, 519-520) describes the matter in this way: "In Heckscher's work as an economist the tension between the political and scholarly sides emerges clearly. In his academic work he never relinquished the politico-ideological starting point, and in his political attitudes the scholarly dimension was always present." Heckscher himself was highly conscious of the dilemma.

> For on the one hand he [the scientist or scholar] is a citizen and accordingly has the same duty as others to form a subjective, practical opinion concerning matters which in a democratic society depend on the decisions of all citizens. . . . But his practical standpoint must

> necessarily contain a purely personal value judgment, which is not that of a scholar. On the other hand, however—perhaps even first of all—his duty is that of the scientist or scholar, viz. to present objective truth to the utmost of his ability, regardless of his own sympathies or antipathies. He can—and if he is conscientious must—seek to make clear to his readers and listeners where the boundary lies between the objectively valid and the subjectively evaluated; but even to make it clear to himself is a very difficult task. (Heckscher 1936, 2)



Eli Heckscher

Heckscher elaborated on this view ten years later:

> In some cases . . . the conclusion has been drawn that scholars ought to keep themselves politically neutral: on this view the representatives of economic science must not pronounce on what ought to be done but confine themselves to analyzing the actual circumstances of economic

> life, in other words analyze what has happened and is happening (and possibly also state what *will* happen under various conditions). . . . [W]ithout doubt it is usual for economics scholars also to make frequent pronouncements about what ought to happen. This is hardly to be condemned, either, since their theoretical insights and overall view may be expected to enable them to avoid many mistakes which otherwise are easily made. Like all citizens they have the right to plead their case on the problems of society and in their special field more so than others if they understand the questions better. But the last part of their submission, amounting to a specification of claim, falls beyond their scope as scholars, at least as long as they have not clarified for themselves and declared to their public the unscientific *value-premises* which underlie their recommendations and advice. Of course it is never easy for economists strongly interested in the problems of society thus to split their personalities, as it were, into a scholarly and a civic half. (Heckscher and Knoellinger 1945, 25-26)

Heckscher's argument concerning the importance of scholars' declaring their value-premises was probably influenced by Gunnar Myrdal's demands in the same direction.

The only general advice Heckscher was willing to offer those thinking of studying economics was:

> that which applies to all honest study: to use your intelligence, to be receptive to all enlightenment but not to take anything for granted beforehand, whether your own previously-formed opinions or statements made by those who are regarded, or want to be regarded, as authorities, whether in theory or practice. (Heckscher and Knoellinger 1945, 16)

Nevertheless Heckscher (1936: 4) considered that an adherence to neoclassical theory, to concepts of equilibrium and scarcity, and to an atomistic approach was a great help along the road which "enforced objectivity and respect for given scientific assumptions." Indeed, he declared outright that economic theory as it evolved in the 1930s, i.e. the emergence of the theories and economic policy recommendations

associated with the Stockholm School and Keynes' *General Theory of Employment, Interest and Money* (1936), had expanded the scope for "cobbling up theory so as to suit the cobbler's own political or social viewpoint."

However, for anyone not starting out from the same "given" (liberal) premises, it was an obvious step to suspect a subjective/political bottom below the objective/scientific surface. The economist and conservative politician Gösta Bagge reproached Heckscher for "being unwilling to regard liberal politics as politics" but presenting liberal desires as being "objective" or "economic". The economist and left-wing politician Gunnar Myrdal likewise accused Heckscher of promoting liberal policy in the guise of objectivity (Carlson 1994, 21).

Thus, Heckscher stood on liberal ground. His uncompromising attitude and steadfastness amidst the ideological and political storms blowing in the 1920s, 1930s and 1940s made him, in Ernst Wigforss' (1951, 155) words of reluctant admiration:[13]

> something of a beacon when navigating the waters of economic policy, inasmuch as he was regarded as a representative of a reasoned and coherent economic ideology whose liberal argumentation the socialist could not by-pass but had to consider and pronounce upon.

In his later years Heckscher came round to the view that "everything was better in the old days." By "in the old days" he meant the liberal era from the middle of the nineteenth century up to the outbreak of the First World War, or what Heckscher called "nineteenth century economic order." Heckscher's stance now was not merely a manifestation of the conservatism which easily comes creeping in with age but a quite reasoned reaction to the horrors visited on the world during the twentieth century—First World War, the Great Depression, Second World War—especially if, like him, one regards these horrors as being caused by high-handed politicians and national power-plays and not, as socialists saw the matter, by capitalist rapaciousness and market anarchy.

Like Cassel, Heckscher tended to think that the economics scholar must begin at the deductive end by abstracting and theorizing, by evolving for himself a view of "the elements of what is common to all economies." To avoid the temptation of regarding the economic organization of his own

[13] Ernst Wigforss was a leading socialist and social democratic ideologue. He was minister of finance 1925-26 and 1932-49.

time as a manifestation of ineluctable and universally valid laws he also ought to obtain "concrete knowledge of the external phenomena of the life of the society, and most especially of its economic life, during different eras;" in other words, he ought to study economic history (Heckscher and Knoellinger 1945, 18-24). Heckscher strove as an economist and economic historian for both breadth and historical depth in the study of economics.

Towards the end of his life Heckscher, like Cassel, felt himself to be standing in a world laid to waste; one of his late works is entitled *Ödeläggelsen av 1800-talets hushållning* (The Destruction of the Nineteenth Century Economic Order).[14] During the 1930's, unlike Cassel, he became less active as a public debater and molder of public opinion—not because he had capitulated to the "new" currents of economic policy opinion in any way. Rather, he kept a lower profile for two reasons: first, he was concentrating on his research in economic history after obtaining a personal research professorship in economic history in 1929; second, after Hitler's rise to power in Germany, he feared that polemical contributions by a Jewish scholar would spark anti-Semitic reactions.

When the Hitler regime collapsed, Heckscher began to play a leading role again in the economic policy debate as one of the most incisive figures among opponents of the economic planning advocated by Myrdal, Wigforss, and other leading social democrats. One of his crucial arguments in the debate was that "scholars are free because they have access to a free market, they can publish books, they can write in the newspapers, they can make their voices heard generally in the national life, because the means of production are free" (see *Röster i Radio* 1945, no 28, 36). State ownership or direction of the means of production would end up with standardization of opinion and intellectual dictatorship. In this respect Heckscher followed the same line as Hayek.

Heckscher (1944, 92-93) believed that economists of his own generation had had very limited opportunities of influencing economic policy directly. "As far as I can understand, the only point at which we managed to make any mark was in influencing public opinion." But the economists of the next generation were deeply involved in party and government machinery. Perhaps they had succeeded in influencing events in certain respects, Heckscher argued, but:

> I believe one may say that independence and influence stand in an inverse relationship to one another; and when

[14] See Heckscher (1948).

> influence has now become so great, then scholars more or less inevitably must feel themselves fettered by every possible consideration from which we were free.

## BERTIL OHLIN—SWITCHING ROLES ELEGANTLY

Bertil Ohlin enjoyed a brilliant academic career, being professor of economics at the University of Copenhagen by his 26th year. A decade later he began an astounding political career. For 23 years he was head of the Liberal Party (*folkpartiet*) and an almost indefatigable contender against the Social Democrats, whom he never was able, however, to defeat in an election.

Ohlin began as a scholar, then wandered back and forth for a time across the boundary between the academic and political worlds, eventually becoming a full-time politician. Ohlin and Cassel are the only two of the five economists who wrote detailed memoirs. Ohlin might be expected to have been one of the economists with the most to say about economists' participation in public debate and the art of tightrope-walking between scholarship and politics. As a matter of fact, he did not say much, at least not in his memoirs.[15] As long as the discussion centers on himself as a scholar and a newcomer to politics it is always "I" saying and doing this and that; when it turns to himself as party leader, the wording changes so that it becomes "we" saying and doing things.

[15] Working with his monumental study of Bertil Ohlin, Sven-Erik Larsson (1998) was unable to find Ohlin discussing in earnest the division of roles between the politician and the scholar. Larsson stated in personal communication with Lars Jonung that this had to do with "the reticence that Ohlin always displayed with respect to personal problems." Ohlin, the family man, the professor and the politician, is portrayed in a number of contributions in Findlay *et al.* (2002). They provide the best picture of him available in English.

Bertil Ohlin

From the outset Ohlin was tuned into public debate. He published his ideas from the early days in *Svensk Handelstidning, Svenska Dagbladet* and elsewhere. From 1925 to 1929 he was professor at Copenhagen. "In Danish newspapers there is a mass of evidence of his efforts as economic debater and popular educator," writes Larsson (1998, 53). When Ohlin returned to Sweden as professor at the Stockholm School of Economics in 1930, he continued as an assiduous producer of articles on economic questions. The articles flowed from his pen in the early 1930s in a stream of swiftness hard to surpass.[16]

Ohlin's transition from scholar to politician seems to have taken place simply and elegantly—and scarcely unexpectedly.[17] It may well have been relatively painless to begin with: Ohlin, as an independent thinker, presented ideas about what a liberal party ought to be doing, whereupon the party approached him with the request that he put his ideas into effect on its behalf. But conflicts must still have arisen sooner or later between the independent thinker and a political party's need for troops and tactics.

---

[16] An example of Ohlin's enormous productivity: in the years 1932-1943 he published on average almost 70 articles a year in *Stockholms-Tidningen* alone. See Carlson *et al.* (2000). Ohlin's newspaper articles have so far not been collected and analysed by scholars. An attempt to convey Ohlin's "popular message" on the Depression of the 1930s is made in Carlson and Jonung (2002).

[17] Professor Thomas Thorburn recalls from his time as a student at the Stockholm School of Economics with Ohlin as his teacher in economics: "His students were guessing at this time as to whether he would join the Social Democrats or the Liberals, but expected Ohlin to go into politics."

Ohlin declares in his memoirs that he counted himself as one of the liberal camp even in his youth. The keystone of his liberal outlook, exactly as with Cassel and Heckscher, was the conviction that an economic system based on individual property rights and competition would foster high growth, and that, in the long run, growth was crucial to the development of prosperity. One of his expressed goals was, just as with Cassel, to "counteract economic superstition" (Ohlin 1972, 61-62, 184). Gradually, he came into conflict with his teachers, especially with Heckscher. Ohlin argued that a liberal social order was compatible with an "active" counter-cyclical policy and, to a certain extent, with economic planning.[18] Heckscher was strongly opposed to such a view.

In his memoirs, Ohlin (1972, 159) discusses very briefly the relationship between scholarship and politics in the course of his references to Myrdal's work *Vetenskap och politik i nationalekonomien* (*The Political Element in the Development of Economic Theory*).

> It became of importance to Scandinavian economic scholarship through its urging of caution when formulating concepts and asserting objectivity. Of course, it is self-evident that an opinion about what ought to be done—that is to say on social policy—is based on subjective value judgments. Caution is advisable here too. What these value judgments are ought to be stated, and naturally terms with a definable content should be used as much as possible. Unfortunately both these requirements are often impossible to fulfill in political work, which I sometimes found embarrassing later on.

Ohlin thought that "facts could speak for themselves," in a way that Myrdal hardly would have accepted. He eventually published a book, *Obekväma fakta* (*Uncomfortable Facts*), where the ambition was to "clarify how

[18] After a debate in Oslo in 1935, Heckscher wrote to Ohlin (in a letter of 21 June 1935) that there was a risk that the "present powers might be able to get you to go along with just about anything" and that Ohlin would not fit in with the Liberal Party but ought to follow Myrdal's example and join the Social Democrats. Ohlin (3 August 1935) replied very caustically. The relationship between Ohlin and Heckscher was never again what it had once been. Letters from and to Eli Heckscher quoted in this article are available at the Royal Library in Stockholm.

things really are" in order to stimulate a more constructive public debate by educating ignorant debaters about important facts, and by forcing debaters who are aware of these facts but find them uncomfortable to take them into consideration (Ohlin 1971, 7-10).

Ohlin felt a calling to serve the public, which may perhaps explain why he donned the political mantle instead of continuing to develop as a theoretician, even though theoreticians also serve the public if their ideas can be translated into practical applications or if they can expunge ideas which ought not to be put into practice. "One problem which I addressed early on," Ohlin (1972, 97) writes, "was whether one ought to strive primarily to be useful, to perform services for the public by one's work. Or ought one to seek to develop oneself?" He chose the former alternative.

That Ohlin was animated by a desire to serve the public, and that he considered himself a strong enough character not to have to compromise his own (scientifically based) views, is apparent from one of his letters (dated 3 August 1935) to Heckscher.

> For my own part I only want to add that if I ever go into politics more actively, it will be for two reasons. Firstly, to try to help to improve the situation of the poorest people in the country, which the Liberal Party ought to be able to do better than the trade union-linked Social Democratic Party. Secondly, because our political life needs upright and independent persons, which is what I should try to be.

## GUNNAR MYRDAL—SOCIAL DEMOCRATIC WONDERBOY

Gunnar Myrdal was an economist who held views on most subjects and delighted in sharing them with the world; in this respect he followed in the footsteps of his teacher Gustav Cassel. His views concerned fiscal and monetary issues, economic planning, commercial, social and housing policy, population, education and development questions, constitutional issues, etc. In fact, he considered it his duty as a scholar to have opinions about most things. "As an institutional social scientist, I believe in principle that everything can be explored, and also that everything which is important ought to be discussed and explored" (Myrdal 1982, 138).

Myrdal believed that economists could develop their capacity for questioning and searching for truth only by attacking on many fronts, acquiring a wide-ranging knowledge of society and taking part in public debate. Economists who isolated themselves "in the little model world of their own and their colleagues" risked becoming narrow-minded, uncritical and conservative scholars. In former times economists had begun their active lives as businessmen, mathematicians, historians, philosophers or lawyers. "Their changing over to economics was regularly caused directly by a strong involvement in the problems of society. Economists almost never started off as economists." When economists began life as economists, they increased the risk of becoming narrow specialists who never questioned the fundamental value judgments and traditions of their own disciplines (Myrdal 1973, 71).

Gunnar Myrdal

The question of deduction and induction was closely associated with these issues. Myrdal held that it was necessary, on the one hand, to think in abstract terms and to find the essential elements of existence by the deductive route, but, on the other hand, to keep in close contact with reality, that is, to work inductively.

> The further away a scholarly opinion is from direct observation and the more abstract and 'theoretical' it is, the

> more defenseless it becomes against insidious opportunist errors of judgment. In economics, model thinking in particular creates scope for systematic biases. . . . But of course all social studies must nevertheless aim at generalization. It is thus important to be able to think concretely at the same time, as I learnt from Gustav Cassel. (Myrdal 1982, 265)

Myrdal had a clear party-political profile. In his youth he belonged to the conservative camp, but turned in the early 1930s into an active Social Democrat and made a rapid career: adviser to the Minister of Finance, Member of Parliament and Minister of Trade for two years immediately after World War II and author of various policy reports.[19] Thus, he went further than his mentor and friend Cassel, who confessed that he had a general liberal outlook but declined to accommodate himself to any party line.

Myrdal's solution to the scholarship-politics dilemma, as is well known and highlighted for example by Klein (2006), was for the scholar to work on the basis of explicit value-premises. He began this line of thought in his *Vetenskap och politik i nationalekonomien* from 1930, a bold and challenging book published when he was just 31 years old. In the preface to the English edition of this work Myrdal (1953, vi) recalled why he wrote it.

> The setting was the Swedish economic discussion in the late "twenties". . . . Particularly after Knut Wicksell's death in 1926, a very uncompromising laissez-faire doctrine dominated the teaching of economics in Sweden. Gustav Cassel, Eli F. Heckscher and other Swedish economists who are less well known abroad . . . were prolific writers. They also wrote popular books and they contributed to the daily press. They had an enormous influence, in Cassel's case far beyond Sweden. This book was planned as a frontal attack on the dogmas of the older generation and it was originally meant to be a popular exposition.

[19] So far it remains an unresolved issue why, around the age of 30, Myrdal left his conservative outlook and became a Social Democrat. In 1932, the same year as the Social Democrats entered government, he and his wife Alva became party members. In personal communication with Lars Jonung, Myrdal stated that his move was influenced by Alva's studies in psychology.

The book from 1930 was thus mainly devoted to criticism. Myrdal wanted to cut away all "metaphysical elements." This ambition was, paradoxically enough, both inspired by and directed against Cassel—inspired by Cassel's attack on value theories and directed against Cassel's laissez faire "prejudices".[20]

Myrdal propounded the view that the scholar should state his value judgments and would then be able to reason objectively, scientifically, logically, and rationally. Little by little he came round to the opinion that this book's conception of the existence of some solid and 'objective' body of economic theory was mistaken and that value-premises are needed even to establish facts, not merely for drawing political conclusions. The value-premises selected have an influence on how research is approached, in other words on what is studied and what questions are asked, on the focus and conduct of analysis and the conclusions drawn (Myrdal 1973, 11 and 1982, 265).

Myrdal had planned *The Political Element* as "a frontal attack on the dogmas of the older generation" (Myrdal 1953, vi). He expressed his criticism of the older generation without reserve in a letter (dated 26 December 1934) to Heckscher:[21]

> As regards the problem of science and politics I shall confine myself to the following: Here for a generation you have pursued a *liberal* policy in objective guise, that is to say without declaring the moral and political value-premises: 'objective' discussion, in your opinion. When we are writing on policy we say so, and also attempt to state our *value-premises*, and then you talk about fanaticism. You have evidently not understood our critique of value. You are still stuck in your 'objective' policy, which shuns moral judgments.

[20] For a more comprehensive exposition of Myrdal's view of his Swedish teachers and colleagues, see the postscript to Myrdal (1958).

[21] Heckscher wondered (in a letter of 18 December 1934) whether Myrdal "does not at bottom lack the temperament of a scholar and so ought to make his main occupation that of an agitator." It was precisely in his critique of value judgments that the subjectivism of Myrdal's scholarly work revealed itself. "Why does *Vetenskap och politik i nationalekonomien* concentrate its fire solely on liberal ideology and not on socialist also?"

As time went by Myrdal came to the conlusion that it was impossible to proceed by establishing objective scientific knowledge, adding values, and drawing political conclusions.

> This implicit belief in the existence of a body of scientific knowledge acquired independently of all valuations is, as I now see it, naïve empiricism. Facts do not organize themselves into concepts and theories just by being looked at; indeed, except within the framework of concepts and theories, there are no scientific facts but only chaos. There is an inescapable a priori element in all scientific work. Questions must be asked before answers can be given. The questions are an expression of our interest in the world, they are at bottom valuations. Valuations are thus necessarily involved already at the stage when we observe facts and carry on theoretical analysis, and not only at the stage when we draw political inferences from facts and valuations. I have therefore arrived at the belief in the necessity of working always, from the beginning to the end, with explicit value premises. (Myrdal 1953, vii-viii).[22]

Myrdal was inspired by Cassel's endeavors to dispose of utility theory. The efforts made by both Cassel and the Uppsala philosopher Axel Hägerström to avoid "metaphysical speculation" encouraged Myrdal to start grappling with the problem of science and politics. His final solution to the problem was a pessimistic one regarding the possibility of conducting value-free, objective research. Value judgments permeate everything. He stubbornly insisted on calling economics by its old name of political economy.

Over and above that of subjective value judgments, party-political activity presents another problem: that is the problem of being forced to adapt oneself to the value judgments of others. Myrdal apparently believed that when he joined the Social Democratic Party it was so open and tolerant that he would never need to adapt himself to any party line. "With the open-minded character which the party then had, I never had to feel myself subject to the kind of party loyalty which could restrict my freedom of opinion in the slightest degree" (Myrdal 1982, 224). Nevertheless he was

[22] For a discussion of Myrdal and his approach to values in social sciences see, for example, Peltier (1992) and Wundrak (1991).

aware of the dilemma, which became acute in 1945, if not before, when he became Minister of Trade and a cog in the machinery of government.

> When I agreed to become a member of the new entirely Social Democratic government, I remember I was profoundly gripped by the feeling that it must signify a change in the conditions of my work. From having been a wholly independent scholar active in the social and economic field I now became a member of a collective decision-making group. . . . I had to set a boundary to what I personally thought and even to what I could reveal publicly concerning any possibly divergent opinion I might have. I was strongly sensitive to the limitation on what I could declare openly as my own opinion or divulge about what had preceded government decisions. I had never before needed to observe any such limitation. (Myrdal 1982, 225, 229)

In his ambition to speak in a simple way to the people, Myrdal did not lag behind his teacher Cassel. In his book *Objectivity in Social Research* (1969, 41-42), he expressed his concern over recent trends.

> The great tradition in social science and, particularly, in economics has been for the social scientists to take a direct as well as an indirect responsibility for popular education. There is a recent trend, with which I must register my dissatisfaction, to abandon this great tradition. Through generations even the greatest scholars—and they especially—managed to spare time from their scientific work to speak to the people in simple terms that laymen could understand. Yet too many social scientists today are increasingly addressing only each other. This trend to false scientism, this forgoing of our responsibility for the formation of public opinion, is apt to decrease the importance of our work for making people more rational.

Unlike his colleagues, however, Myrdal did not enjoy writing for the daily newspapers. "You know my position: I have never written a newspaper article," he wrote (in an undated letter of 1934) to Heckscher. Still, a few articles did appear by him in time as well as many interviews by the media. Perhaps he

had less of a need to publish in newspapers as he could makes his views known through interviews, government investigations and books once he had reached the position of being a "wonderboy".

## COMPARING THE FIVE

The quintet of Wicksell, Cassel, Heckscher, Ohlin, and Myrdal represents Sweden's foremost economists. They demonstrated a wide-ranging repertoire and worked on a great variety of society's problems. For two of them—Heckscher, the economist and historian, and Myrdal, the institutionalist—this breadth of approach was a consequence of their scientific orientation.

Each had a distinct ideological orientation and was at the same time a committed theoretical economist, political ideologue, economic policy expert and debater. Wicksell performed differently in his roles as scholar and political debater—in the one case, unassuming and cautious, in the other, vociferous and bold. He believed that by having adopted a utilitarian position he had found a way of raising scholarship above the clash of value judgments and interests. Cassel admitted that he built on certain liberal values but held that if only economic life were permitted to rest on this foundation, the result would be a growth of prosperity which would benefit the vast majority. On the whole, however, he seems to have regarded himself as the upholder of reason and more or less absolute truth. Of the earlier economists, it was Heckscher who discussed the relationship between scholarly work and politics in greatest detail. He was somewhat pessimistic concerning the scholar's chances of elucidating even for himself where the boundary came between the one and the other, but he believed that the neoclassical theory gave some degree of guidance. Ohlin—thanks to Myrdal perhaps—was conscious of the complications arising from the fact that the scholar is governed by his value judgments but did not always let the world know of his possible cogitations over the question. Myrdal did cogitate more, and landed in a relativist position. Value judgments entwine most things: choice of problem, empirical material, method, and solution.

The three older economists wanted to stand clear of partisan commitments. They certainly had views about party politics—Wicksell both criticized and commended the Liberal and Social Democratic parties, and Cassel willingly drew the guidelines up for a "true" Liberal party and the

curtains down for the Social Democrats (one of his books was entitled *Socialism eller framåtskridande*: *Socialism or Progress*) but, to cite Cassel's favorite expression again, they were reluctant to find themselves "popped into a particular pigeonhole," because that would curtail their freedom of action and thus their credibility. The two younger economists do not seem to have let that matter worry them but entered the political fray with gusto. Ohlin gives the impression of having assumed himself to be a strong enough personality not to have to compromise his ideals. Myrdal, on the other hand, expressed distaste for possibly having, as a member of a collective decision-making body, to restrain his personal views.

All five were broad, not only in that they addressed a wide set of issues, but also by virtue of their endeavors to reach out to the public at large. To speak clearly and simply to the public was in their eyes an imperative duty of the academic economist, and some of them indeed seem to have felt themselves to stand in an intuitive relationship with the "masses".

The ideological extremes of Cassel and Myrdal display striking similarities. Both held that a good social scientist ought to strive for breadth of approach; both were clear that they did not stand on ground free from value judgments; both sought realism in preference to "metaphysical speculation"; both strove for simplicity and clarity; both believed it their duty to speak to the public at large. The point at issue between them consisted of the differences between their value judgments and of Cassel's being more of an "absolutist"—he considered his values and views to represent some kind of absolute reason, whereas Myrdal was a "relativist" who thought it possible to argue in reasonable terms from different value judgments.

The five great Swedish economists were undoubtedly supported and inspired by their wives. Anna Bugge Wicksell organized the somewhat chaotic life of Knut and made him focus on scientific production. She actively tried to stop him from writing for the newspapers. She also had her own agenda: she fought for women's suffrage, was active in the Liberal Party and worked within the League of Nations actually as the first Swedish woman diplomat.[23] Alva Myrdal worked initially closely together with Gunnar but made later in life a career in some ways more sensational than his: she was involved in the development of Sweden's social welfare system, worked within UNESCO, represented Sweden at the Geneva disarmament conference, was awarded the Nobel Peace Prize and was a Member of

[23] See Jonung and Persson (1997) for a summary of the "story of Anna and Knut".

Parliament and of the Cabinet. In the public debate on the population question in the 1930s, two married couples met: on the one side Gunnar and Alva Myrdal, on the other Eli and Ebba Heckscher. (See the appendix for a summary of the personal relationships that emerged among the five economists.)

## SWEDISH ECONOMISTS IN FUTURE PUBLIC DEBATE?

Wicksell, Cassel, Heckscher, Ohlin, and Myrdal founded Sweden's tradition of media-tuned university economists strongly involved in the current problems of society. They set an example inspiring subsequent generations of economists.[24] Many of today's Swedish economists in academia have followed in their footsteps—often without reflecting much about how and why this pattern originated. More recently, however, there are signs that the opinion held by academic economists, in particular among younger generations, regarding the economist's role in public debate has shifted away from the ideal which this quintet of earlier scholars endeavored to live up to. A number of tendencies are contributing to this shift.

There is today an inclination among academic economists either to withdraw from public debate or else to call debating contributions into question by arguing that "strict" or "rigorous" scientific proof does not exist for policy recommendations. Consequently, the "serious" economist would do best to refrain from expressing himself or herself in public

[24] Ohlin and Myrdal were followed by a third generation of economists who presented their doctoral theses in the 1930s. Some of the members of this group became prominent civil servants like Dag Hammarskjöld and initially Erik Lundberg. Dag Hammarskjöld left academic life for a career as civil servant. However, as Secretary to the Ministry of Finance 1936-46 and as Chairman of the Board of the Riksbank 1941-48 he was one of Sweden's most influential economists. He was in fact a "politician," although he regarded himself as being elevated above party politics. In public debate, however, he kept a very low profile, leaving no journalistic traces in economics. Erik Lundberg was his opposite; he became a public figure through his position as head of Konjunkturinstitutet from its start in 1937, as publisher of books, articles in the press and in the quarterly journal of *Skandinaviska Banken* in the 1950s, 1960s, 1970s and 1980s. After returning to academia as full professor, he carried on the tradition of Wicksell, Cassel and Heckscher by being highly active and visible in public debate. For a summary of Lundberg's life and contributions, see Henriksson (1994).

debate—in sharp contrast to the relish with which earlier economists hurled themselves into public controversy. One example is a study by Skedinger and Johansson (2004) demonstrating that the most merited economists, full professors conducting research on international trade and capital movements, have been inactive in the debate on globalization. However, their article, which appeared in a Swedish version in 2002, inspired a change and led to greater efforts aimed at the lay public.

In addition, competition for jobs in the increasingly "technicized" and "mathematicized" field of economics requires heavy concentration on academic production, that is, on articles accepted by refereed journals in English. Professional prestige rests today almost solely on the number of articles published and citations received in the professional journals, all printed in English. Thus, writing in Swedish is counterproductive for the young scholar who has not obtained a permanent position.[25]

The teaching load at the universities makes heavy inroads on the time and commitment of professors as well. Wicksell, Cassel, Heckscher, Ohlin, and Myrdal were operating in a different academic environment, far from today's mass production of undergraduate and graduate students. In their day, advising and training future doctors of economics was a minute element of a professor's work as doctoral students were expected largely to look after themselves.[26]

A growing group of today's academically active economists, often with an abstruse mathematical specialization, seems to be more isolated from the public debate than earlier generations of economists, while functioning at the same time as trend-setters and role models for young aspiring PhDs and researchers. The researcher who involves herself or himself in burning issues of the day runs the risk of being regarded as less earnest and academically ambitious, besides spending time on publications that will be classified as of no academic merit. The next step may be that polemical articles and debating contributions will be regarded as demerits.[27]

---

[25] This is seen for example from an article by Lindqvist (2003) which ranked all economists at Swedish universities according to their publications in a number of English-speaking scientific journals. No weights were given to any publications in Swedish. This ranking set off a lively debate within the profession.

[26] See Jonung (1991, 1992) for a discussion of the five economists' contributions to the nurturing of new generations of Swedish economists.

[27] If these tendencies persist, who is going to ascend to the throne of public debate from which academic economists have abdicated? Will it be economists associated with banks, brokerage firms and other organizations or will it be representatives of other social sciences than economics? Here political science is at present a major challenger of economics.

If this trend continues, less and less importance will be attached in the future to the duty and social responsibility of participating in public debate and imparting some grasp of economic thought to the public at large. Perhaps we are moving towards a future in which academic economists have abandoned the social commitment that served as a guiding principle for the founding fathers of the field in Sweden.

There have been voices raised against this development. As we have seen, Gunnar Myrdal issued a warning already in the late 1960s. Several of the contributions in Jonung (1996) express fear for a withdrawal of economists from public debate.[28] Another warning was given by Assar Lindbeck (2001, 32) who argued that "we do not educate enough 'two-legged economists,' who both master analytical techniques and have a feeling for real-world problems." He went on: "This may be a reason for the receding role of academic economists in the general discussion of economic and social problems in several European countries."

Four Swedish PhD students recently conducted a survey with results in support of Lindbeck's observation. Boschini et al (2004) examined if Swedish graduate students in economics were "one-legged" when admitted to the PhD program, and if they risked "losing a leg" during their doctoral studies. Their conclusions are broadly similar to those reached earlier for the US by Colander and Klamer (1987). Students entering the program were "two-legged" but there was a risk they left "one-legged," at least the graduate program did not encourage an interest in real world issues.

The study by the four PhD students represents a challenge to the old tradition of university economists taking part in public debate, but also a sign of hope. Many of the doctoral students expressed a desire in taking part in public debate, many were pulled into graduate studies by an interest in the social sciences, and 17 percent of them had already published a debate article while being in the doctoral program. This suggests that the tradition from the great Swedish economists may be surviving.

[28] This volume was initiated by the complaint raised in the media against the economics profession for not giving adequate warning of the depression that hit the Swedish economy in the early 1990s.

## APPENDIX: A NOTE ON THE PERSONAL RELATIONS BETWEEN THE FIVE

With such a group of strong personalities moving around in the Swedish academic and political ponds, both friendly and hostile relations developed, and of course there were many incidents of one kind and another. They were all strong-willed individuals and were deeply engaged in debate, public as well as academic. Some spectacular examples demonstrate how messy things can be when personal, scientific, journalistic and political lines and ambitions criss-cross in a small country like Sweden. Hopefully, these examples may also illustrate some similarities and differences between the five.

—Wicksell and Cassel fought like cat and dog. The conflict started when Cassel attacked and Wicksell defended marginal utility theory, accelerated when they competed for the chair in economics at Lund University at the turn of the century, and culminated when Wicksell published a derogatory review of Cassel's *Theoretische Sozialökonomie*. Wicksell was especially critical of Cassel's self-assured scholarly attitude.

—Cassel and Heckscher were both, after World War I, classical liberals and fought for many years side-by-side against socialism, economic planning, and the policy views of the Stockholm School and Keynes. But Heckscher was critical of Cassel's attitude, just as Wicksell was, and the two of them fought a fierce battle over tariffs since Heckscher was a "dogmatic" free-trader while Cassel had a more pragmatic view of the usefulness of tariffs.

—Wicksell and Heckscher had very friendly personal relations. Both Heckscher and Cassel, however, were critical of Wicksell's tendency to disregard complications of the real world, such as when, after World War I, Wicksell wanted to push the price level back to where it had been prior to the war in order to eliminate the injustices of wartime inflation.

—Cassel was Myrdal's mentor and, while Cassel was the most right-wing and Myrdal the most left-wing of the five, they retained a close and warm personal relationship over the years. When Myrdal succeeded Cassel as professor of economics at Stockholm University, Cassel embraced him

and said that he (Myrdal) was the most dangerous man in the country, but at the same time his only worthy successor.

—Heckscher was Ohlin's mentor and the latter succeeded him as professor of economics at the Stockholm School of Economics. While the political rift between the two was less glaring than that between Cassel and Myrdal the consequences for their personal relationship were much more serious. The relationship collapsed when Heckscher accused Ohlin and Myrdal of being economic planning zealots and (in a separate letter) accused Ohlin of kowtowing to the people in power, that is to the Social Democrats.

—Ohlin and Myrdal were allied at the outset of the battle over unemployment policy, which gradually evolved into a debate over economic planning; their main opponents in this debate were, of course, Cassel and Heckscher. Ohlin and Myrdal formed, with Erik Lindahl, the "older", neo-Wicksellian nucleus of the Stockholm School—the name that Ohlin gave the school of thought that emerged in Sweden in the early 1930's. (This concept should not be confused with the business school in Stockholm bearing the same name.) But they parted ways and became political adversaries, Myrdal being a Social Democratic strategist and leading Swedish advocate of the planned economy, Ohlin stepping forward, as leader of the Liberal Party, as the main contender against the Socal Democratic hegemony. In the end, consequently, Ohlin had to fight the battle against advancing socialism and economic planning, much as Heckscher had done before him.[29]

[29] The list can be made longer. Actually, one reason why the Stockholm School did not develop into an expanding and active body of thought was personal tensions between leading economists in Sweden. See the introduction and summary in Jonung (1991).

## REFERENCES

**Åkerman, J**. 1956. Sanningssökare och sanningssägare. *Sydsvenska Dagbladet*. October 16.

**Bennet, M., S. Gloria-Palermo and A. Zouache**. 2005. *Evolution of the Market Process. Austrian and Swedish Economics*. Oxon: Routledge.

**Boschini, A., Lindquist, M., Pettersson, J. and Roine, J**. 2004. Learning to Lose a Leg: Casualties of PhD Economics Training in Stockholm. *Economic Journal Watch* 1(2): 369-379. (Published in Swedish as "Framtidens nationalekonomer: Vilka är deras incitament till "tvåbenhet"? *Ekonomisk Debatt*. 2002(2): 147-153).

**Carlson, B**. 1994. *The State as a Monster. Gustav Cassel and Eli Heckscher on the Role and Growth of the State*. New York: University Press of America.

**Carlson, B. and Jonung, L**. 2002. Ohlin on the Great Depression: The Popular Message in the Daily Press. In *Bertil Ohlin. A Centennial Celebration. 1899-1999*, ed. R. Findlay, L. Jonung, and M. Lundahl, 263-301.

**Carlson, B., Orrje, H. and Wadensjö, E**. 2000. *Ohlins artiklar. Register över Bertil Ohlins artiklar i skandinaviska tidningar och tidskrifter 1919-1979*. Stockholm: Institutet för social forskning.

**Cassel, G**. 1934. *Teoretisk socialekonomi*. Stockholm: Kooperativa förbundets förlag.

**Cassel, G**. 1940-41. *I förnuftets tjänst I-II*. Stockholm: Natur och Kultur.

**Colander, D. and Klamer, A**. 1987. The Making of an Economist. *Journal of Economic Perspectives* 1(2): 95-111.

**Erlander, T**. 1972. *1901-1939*. Stockholm: Tidens Förlag.

**Findlay, R., Jonung, L. and Lundahl, M**. eds. 2002. *Bertil Ohlin. A Centennial Celebration. 1899-1999*. Cambridge: MIT Press.

**Gårdlund, T**. 1956. *Knut Wicksell. Rebell i det nya riket*. Stockholm: Bonniers.

**Gårdlund, T**. 1958. *The Life of Knut Wicksell*, Stockholm: Almqvist och Wiksell. Reprinted in 1996 by Edward Elgar.

**Heckscher, E**. 1936. *Det privata näringslivet i tvångshushållningens tid*. Stockholm.

**Heckscher, E**. 1944. Erfarenheter av ekonomi och ekonomisk politik under fyrtio år, *Ekonomen*.

**Heckscher, E**. 1945. *Sveriges mynthistoria: Vägledning vid studiet av Kungl. Myntkabinettets svenska myntsal*. Stockholm.

**Heckscher, E**. 1948. *Ödeläggelsen av 1800-talets hushållning*. Stockholm: Bonniers.

**Heckscher, E. and Knoellinger, C.E**. 1945. *De ekonomiska studierna och deras hjälpmedel*. Stockholm: Norstedt och söner.

**Henriksson, R**. 1979. Eli F Heckscher och svensk nationalekonomi, *Ekonomisk Debatt,* no 8: 510-520. Translated as Eli Heckscher—The Economic Historian as Economist. In *The History of Swedish Economic Thought* ed. Bo Sandelin. London and New York: Routledge, 141-167.

**Henriksson, R**. ed. 1994. *Erik Lundberg. Studies in Economic Stability and Change. Selected writings through five decades together with an obituary by William J. Baumol*. Kristianstad: SNS.

**Henriksson, R**. 2001. Nationalekonomiska Föreningen—A central forum for economic debate in Sweden. *Royal Economic Society Newsletter*, no. 113.

**Jonung, C. and Persson, I**. 1997. Anna and Knut. In *Economics of the Family and Family Policies*, ed. I. Persson. and C. Jonung. New York: Routledge, 3-9.

**Jonung, C. and Ståhlberg, A-C**. 2002. En jämställd ekonomisk debatt? *Ekonomisk Debatt,* no 6: 549-562.

**Jonung, C. and Ståhlberg, A-C**. 2003. Nationalekonomins frukter - även för kvinnor? *Ekonomisk Debatt,* no 3: 5-20.

**Jonung, L**. ed. 1991. *The Stockholm School of Economics Revisited*. Cambridge: Cambridge University Press.

**Jonung, L**. 1992. Economics the Swedish Way 1889-1989. In *Economics in Sweden: An Evaluation of Swedish Research in Economics*, ed. L. Engwall. London: Routledge, 19-48.

**Jonung, L**. ed. 1996. *Ekonomerna i debatten—gör de någon nytta?* Otta: Ekerlids Förlag.

**Jonung, L., Hedlund-Nyström, T. and Jonung, C**. eds. 2001. *Att uppfostra det svenska folket: Knut Wicksells opublicerade manuskript*. Stockholm: SNS.

**Keynes, J.M**. 1936. *The General Theory of Employment, Interest and Money*. London: Macmillan.

**Klein, D**. 2006. Sense and Sensibilities: Myrdal's Plea for Self-Disclosure and Some Disclosures About AEA Members. *Econ Journal Watch* 3(1): 180-205.

**Larsson, S.-E**. 1998. *Bertil Ohlin: Ekonom och politiker*. Stockholm: Atlantis.

**Lindbeck, A. et al**. 1994. *Turning Sweden Around*. Cambridge and London: MIT Press.

**Lindbeck, A**. 2001. Economics in Europe. *CESifo Forum*, no. 1: 31-32.

**Lindahl, E**. 1953. Knut Wicksell 1851-1926. In *Stora nationalekonomer* ed. J. Schumpeter. Stockholm: Natur och Kultur, 267-309.

**Lindahl, E**. ed. 1958. *Knut Wicksell—Selected Papers on Economic Theory*. London: Allen and Unwin.

**Lindqvist, T**. 2003. Nationalekonomisk forskning i Sverige – publiceringar och rankning av forskare och institutioner, *Ekonomisk Debatt*, no. 3: 21-32.

**Lundahl, M**. 2005a. *Knut Wicksell on Poverty: 'No Place is Too Exalted for the Preaching of These Doctrines'*. London and New York: Routledge.

**Lundahl, M**. 2005b. Knut Wicksell and the Causes of Poverty: Population Growth and Diminishing Returns. In *Economists and Poverty: From Adam Smith to Amartya Sen*, ed. Rauhut, D., Hatti, N. and Olsson, C-A. New Delhi: Vedams, 138-176.

**Magnusson, L**. 1991. Gustav Cassel, popularizer and enigmatic Walrasian. In *The History of Swedish Economic Thought*, ed. B. Sandelin. London and New York: Routledge, 122-140.

**Magnusson, L**. 1993. The Economist as Popularizer: The Emergence of Swedish Economics 1900-30. In *Swedish Economic Thought: Explorations and Advances*, ed. L. Jonung. London: Routledge, 82-108.

**Myrdal, G**. 1929. *Vetenskap och politik i nationalekonomin*. Stockholm: Rabén och Sjögren.

**Myrdal, G**. 1953. *The Political Element in the Development of Economic Theory*. London: Routledge & Kegan Paul.

**Myrdal, G**. 1958. *Value in Social Theory: A Selection of Essays on Methodology*. London: Routledge & Kegan Paul.

**Myrdal, G**. 1969. *Objectivity in Social Research*. New York: Pantheon Books.

**Myrdal, G**. 1973. *I stället för memoarer*. Stockholm: Prisma.

**Myrdal, G**. 1982. *Hur styrs landet?* Stockholm: Rabén och Sjögren.

**Ohlin, B**. 1971. *Obekväma fakta*. Stockholm: Bonniers.

**Ohlin, B**. 1972. *Ung man blir politiker*. Stockholm: Bonniers.

**Peltier, J**. 1992. Myrdal and Value Loaded Concepts. In *Gunnar Myrdal and His Works*, ed. G. Dostaler, D. Ethier, and L. Lepage. Montreal: Harvest House, 188-205.

***Röster i Radio***. 1945. No 28: 6, 36.

**Sandelin, B**. 2000. The post-1945 Development of Economics and Economists in Sweden. In *The Development of Economics in Western Europe since 1945*, ed. A.W. Coats. London and New York: Routledge, 142-164.

**Skedinger, P. and Johansson, D**. 2004. In Sweden, Anti-Globalizationists Dominate Public Discourse, Econ Profs Do Little. *Econ Journal Watch* 1(1): 175-184. (Published in Swedish as "Syns professorerna i globaliseringsdebatten? *Ekonomisk Debatt*, 2002, no. 7: 605-609).

**Wicksell, K**. 1904. Mål och medel i nationalekonomien. *Ekonomisk Tidskrift*, 457-474.

**Wigforss, E**. 1951. *Minnen II*. Stockholm: Tidens förlag.

**Wundrak, R**. 1991. Myrdals lära om värderingar. *Ekonomisk Debatt*, no 8: 675-678.

## ABOUT THE AUTHORS

**Benny Carlson** (born 1950) is associate professor at the Department of Economic History at Lund University. He started out as a journalist in the 1970s. His main area of interest is the history of economic and social ideas, particularly the exchange of ideas between Germany, the United States, and Sweden during the 20th century. His research has of late revolved around "Sweden and Bretton Woods" and "American welfare capitalism and social engineering." He is also engaged in research and evaluations concerning immigrants on/off the Swedish labor market. His email address is benny.carlson@ekh.lu.se

**Lars Jonung** has since September 2000 been Research Adviser at DG ECFIN, European Commission, Brussels, dealing with macroeconomic issues. He was previously professor of economics at the Stockholm School of Economics. His research is focused on monetary and fiscal policies and the history of economic thought. His books include *The Long-Run Behavior of the Velocity of Circulation: The International Evidence.* (with M. D. Bordo, 1987); *The Political Economy of Price Controls: The Swedish Experience 1970-1985* (1990); and as editor *The Stockholm School of Economics Revisited* (1991); *Lessons for EMU from the History of Monetary Unions* (with M. D. Bordo); *Bertil Ohlin. A Centennial Celebration. 1899-1999* (with R. Findlay and M. Lundahl as co-editors). He has also published several books in Swedish. His email address is Lars.Jonung@ec.europa.eu.



Discuss this article at Jt: http://journaltalk.net/articles/5521