

Scandinavia, Economics in

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Abstract: Scandinavia includes in a narrow sense Denmark, Norway and Sweden, which have similar languages and have strongly influenced one another. Nevertheless, it is possible to distinguish different histories of learning. Danish economists made early contributions to neoclassical distribution theory, econometric analysis and multiplier theory. Like most economists from small-language communities they understood the major European languages but wrote in their domestic languages, which delayed international knowledge about their contributions. In Norway Ragnar Frisch revolutionized economics in the 1930s, but met opposition from colleagues. Swedish economics flourished in the early 20th century with Knut Wicksell and Gustav Cassel and later with the Stockholm School. In recent decades national traits have largely disappeared.

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Scandinavia, Economics in*

Scandinavia includes in a narrow sense Denmark, Norway and Sweden. The three countries have very similar languages and have influenced each other, but it is possible to distinguish separate histories of learning.

I. DENMARK-NORWAY BEFORE 1814

Before 1814, Denmark and Norway constituted a dual monarchy. Ludvig Holberg (1694-1754) was the first to forcefully advocate political economy as a science and as an academic discipline. Today he is recognised as the Moliere of Northern Europe, but few know about his contribution to economics. Strongly influenced by the natural law philosopher Samuel Pufendorf (1632-94), but also by English and French Enlightenment philosophy, he studied economic phenomena and problems from the perspective of moral philosophy. His contributions cover a wide spectrum and include his literary authorship, his achievements at the University of Copenhagen, and his efforts in re-establishing Sorø Academy as a modern centre of higher education. The latter was made possible in 1747 when Holberg bequeathed his estates to Sorø Academy.

The Academy placed modern sciences on in its curriculum, and quickly became an alternative to the University of Copenhagen, which was marked by a strong theological influence. At the Academy students were taught “Political Economy, Commerce and Cameral Sciences”. This proved a great success. In the second half of the 18th century the Academy functioned as the academic home for social scientists and social critics. At Sorø the first professor of political economy and public law, Jens Schelderup Sneedorff (1724-1764) was appointed in 1751. He and his successor Andreas Schytte (1726-77) were influenced by both German cameralism, and as Holberg, by English and French philosophers. Schytte wrote the first textbooks in political economy in the local language.

At the university the first professor in political economy Ole Stockfleth Pihl (1729-1765) was appointed in 1761. Before that he had been the editor and publisher of the monthly *Oeconomisk Journal*. As the position had no salary he resigned after two years. The next professor Johan Christian Fabricius (1745-1808) was appointed in 1772. His salary was so small that after four years he accepted a chair in natural history, political economy and cameral sciences at University of Kiel, the second university in the dual monarchy. Here he created ‘an economic garden’ and wrote a widely used textbook in political economics.

Another important factor in the development of political economy as a science was the establishment of *Danmark og Norges Oeconomiske Magazin* in 1756. Its initiator and editor, the bishop of Bergen Erik Pontoppidan (1698-1764), was an enlightened mercantilist, whom the king had called to carry out reforms at the university. His reforms were not successful, but the *Economic*

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Magazin became a sanctuary and a workshop for those who were occupied with economic questions in the middle of the 18th century. Its most important contributor, Otto Diderich Lütken (1713-88), is considered the most original of economic thinkers in Denmark-Norway in the 17th Century. He published several essays discussing theoretical as well as practical economic issues. In one article he claims, as Malthus did 40 years later, that there is a connection between population and available food and that population would increase until a shortage of food put an end to further growth.

The influence of the *Economic Magazin* was considerable. People connected with this periodical and with Sorø Academy gained influence from the mid 18th and far into the 19th century. Their thinking found expression in the agricultural and social reforms carried out towards the end of the century, and is credited with giving impetus to a translation of Adam Smith's *Wealth of Nations* in 1779, initiated by Norwegian tradesmen.

II. DENMARK AFTER 1814

Characteristic of the Danish Development

Compared to many other countries, the social development in Denmark has been characterized by its continuity. There have been no political changes of a nature sufficiently radical to create a break in academic traditions. In 1849 the country changed from being an absolute monarchy to being a democracy, but A. F. Bergsøe was professor in political economy during the whole period 1845-1854. In 1901, after decades of political struggle, a right-wing government was replaced by parliamentarism and a left-wing government, but H. W. Scharling, Minister of Finance in the last conservative government, was professor in political economy without interruption from 1869 to 1911. Furthermore, the economic systems in Denmark have not been subjected to disturbances great enough to leave traces in the science of economics. Danish economy has been marked by a relatively stable growth for two hundred years.

Apart from continuity, a dominant fact is the small size of the country. Until 1936, The University of Copenhagen was the only institution offering university level teaching in economics. An education in economics was started in 1848, and from that time, there were two chairs in political economy (one of these was a chair in cameralism and public economics dating back to 1762). In 1886, Harald Westergaard was given his own personal chair, bringing the number of professors up to three. This number did not increase again until after World War I, and not dramatically until after World War II. In the 1960s and 1970s, the number of professors begins to shoot up with 5 universities and 14 full professors in economics in 1960, and 8 universities and 34 chairs in 1995. These figures actually underestimate the growth; before 1960, there were scarcely any teachers who were not full professors, whereas the number of assistant and associated professors today is much greater than the number of professors.

International contacts

Perhaps the tiny domestic research environment made international contacts even more necessary than would have been the case in larger countries. An example of this can be seen in the marginal revolution at the beginning of the 1870s. When this revolution was started by Jevons, Menger and Walras, they had no contact with each other. Jevons died in 1882 without having heard of

Menger (Howey, 1972). In Denmark, the publication of Walras' first volume was reviewed by *Nationaløkonomisk Tidsskrift* in 1875, and the reviewer (an institutional economist, A. Petersen) found it "surprisingly" that Walras did not know Jevons' work (Kærgård, 1996).

Danish economists corresponded in French with Walras and in English with Jevons at a time when Danish economics was largely German-oriented. Particularly close contact was with other Scandinavian economists. From 1863 onwards, there were regular Scandinavian conferences on political economy, and a "Marstrand Meeting" for Scandinavian economic researchers was arranged for most of the years between 1936 and 1985.

All this has changed in the last decades where Danish economists have become an ordinary part of the general international research community. At the same time, the trend has been to move from publishing in books towards publishing in international journals, and from publishing in Danish to publishing in English.

Danish contributions

If we consider the contributions made by Danish economists, we find none who have come even close to an established position in the history of economics. Hutchinson's standard text, *A Review of Economic Doctrine 1870-1929*, mentions 359 names; these include six Swedes, one Norwegian and no Danes (Boserup, 1980).

Thus the history of Danish economics cannot until the very last decades show internationally known names, but it is filled with overlooked precursors and with discoveries described in Danish never known outside the domestic border. Mentioned can be Otto Ditlev Lütken, who wrote on population growth and scarcity of food before Malthus (Sæther, 1993); Bing and Julius Petersen, who wrote on neoclassical distribution theory in 1873 (Whitaker, 1982); Westergaard, who in the 1870s was the first to use mathematical maximization theory in economics (Creedy 1980, Davidsen, 1986, and Kærgård & Davidsen, 1998); Mackeprang, whose thesis of 1906 was the first econometric analysis (Kærgård, 1984); Warming's description of the identification problem from 1906 (Kærgård, 1984, and Kærgård et al, 1998); Wulf and Warming's development of the multiplier theory from 1896 to 1932 (Boserup, 1969 and Topp, 1981); Frederik Zeuthen discussion of monopolistic competition in the late 1920s (Brems, 1976); Jørgen Pedersen's description of fiscal policy in 1937 (Topp, 1988) and Gelting's derivation of the balanced budget multiplier in 1941 (Hansen, 1975). None of these discoveries were published in English, and were not made known internationally until after the theories had become widely known.

There are several possible explanations for the high number of unknown Danish contributions to economic theory. Brems (1986) suggests two barriers to the dissemination of economic theories, a linguistic barrier (Anglo-Saxons do not understand German and French) and a mathematical barrier (economists did not understand e.g. Walras' mathematics). Unlike the economists in the larger European countries, those from the small language communities such as Denmark understood all major languages, and were therefore better acquainted with all the international schools and could combine their ideas. However, economists from smaller countries often wrote in their own language, and consequently their work never became widely known. With so few professors of economics in small countries it was furthermore necessary for

them to be very versatile, and they therefore tended to move from one subject to another, and a more persistent approach is necessary to be established as a pioneer (one might recall Walras' battle over years to achieve recognition).

Danish economists: generalists not specialists

We can see from the above that the relationship between Danish economists and the various international schools has been like that between butterflies and flowers. They have generally fluttered from school to school, taking from each what they felt useable; very few Danish economists have been orthodox disciples of one of the recognized schools. A couple of examples can be mentioned. At the time of the great methodological battle in Germany between the neoclassical and the Christian-social-historical school, Westergaard was in close contact with both schools. In the 1870s, he corresponded with Jevons concerning mathematical-economic problems, and at the same time he was the leading representative in Denmark of the Christian-social-historical school (Kærgård, 1995). During the debate among neoclassicists, monetarists and Keynesians in the 1960s and 1970s, Anders Ølgaard played a central role in the economic debate in Denmark as Chairman of the Danish Board of Economic Advisors arguing from a typical Keynesian viewpoint and at the same time he was writing a substantial treatise on neoclassical growth theory (Ølgaard, 1966).

Danish economists were almost always more than just theoreticians. Between 1870 and 1970 there were a total of fifteen people who held chairs in political economy at the University of Copenhagen; of these, six were Members of Parliament, and of those six three held posts as members of the government. Another was member of the Copenhagen municipal government. Among the remaining eight were Bertil Ohlin, who was in Copenhagen only for a short time and later became politically active in Sweden, Erik Hoffmeyer, who was the first director of the Central Bank of Denmark for more than thirty years, Harald Westergaard, who was a leading church politician and social reformer, and two chairmen of the Board of Economic Advisors (Carl Iversen and Anders Ølgaard). All fifteen were active in the public debate, writing numerous newspaper articles. Jointly, they held an almost uncountable number of positions in commercial life, councils and commissions. The last decades have shown a completely different type of university economists with pure academic and theoretical interests.

III. NORWAY AFTER 1814

Christen Smith (1785-1816) was, in 1814, appointed professor of botany and political economy at the first Norwegian university in Oslo. Botany and political economy would be considered a strange combination of subjects nowadays, but at that time the logic of such an arrangement was clear. The wealth of nature would create prosperity for the people. Unfortunately, before he could take up his position, Smith died during a British led botanic expedition to Congo.

Breakthrough of political economy

His successor, Gregers Fougner Lund (1786-1836) was not appointed until 1822. He wanted to change political economy from the burden of mercantilism toward economic liberalism. His views were supported by the iron work owner

and Member of Parliament, Jacob Aall (1773-1844), who, with his essays on economic problems, became very influential.

Anton Schweigaard (1808-1870), who took over the chair in law, political economy and statistics in 1836, dominated economic thinking in Norway for almost half a century. He supported the liberalistic economic policy recommended by classical economists. However, he did not follow them blindly, since they in his opinion sometimes carried their policies too far. In spite of being a spokesman for free trade he rejected the doctrine of 'laissez faire'. On many questions he was closer to the continental economists, especially Say in France and Hermann and Rau in Germany. With Schweigaard political economy as a science had gained a firm foothold.

Tradition and renewal

When Schweigaard died, his former student, professor of law Torkel H. Aschehoug (1822-1909), took over his teaching responsibilities in economics and statistics. Until his death he dominated political economy within the academic world and beyond. He was behind, or strongly supported, several important events: The creation of the Statistical Bureau of Census in 1876, and, in 1883, the establishment of *Statsøkonomisk forening*, an association for Norwegian economists, which he chaired for 20 years. The latter became a forum, where the enlightened elite of bureaucrats, government ministers, parliamentarians and academics discussed economic issues. From 1887 it published an economic journal, *Statsøkonomisk Tidsskrift*,¹ in which economists discussed both theoretical and practical issues.

A second chair in 'pure economics' was created in 1877, and an independent study programme in 'political economy' was established in 1905. Aschehoug wanted to give an account of economic science in the Norwegian language. The first edition of his *Socialøkonomik* was completed in 1891. In it the theories of Böhm-Bawerk, Jevons, Menger, Schmoller and Walras were treated. Later editions, however, were strongly influenced by Marshall's Principles of Economics and in particular his theory of value.

Professional build up

Oskar Jæger (1863-1933), Peder Thorvald Aarum (1867-1926) and Ingvar Wedervang (1891-1961) were the central persons in the Norwegian economic profession between Aschehoug and Ragnar Frisch (1895-1973).

Jæger's contributions span from treatises on methodology to thoughts on public finance, including an active, although disputed, participation in economic politics. His historical lectures in political economy were concerned with the development of 'modern' analysis from an Austrian point of view. He mentions Marshall, of course, but his mainstay is Böhm-Bawerk.

Aarum's university career was relatively short, but due to his textbooks in theoretical and practical economics his influence was considerable. He followed Marshall, and claimed that the interactions of demand and supply in the market simultaneously determined price and quantity. Market equilibrium became a key concept. He also introduced the extensive use of diagrammatic exposition in his lectures and books. Aarum was regarded as 'the modern' among Norwegian economists.

1. 100 years later the journal was renamed *Norsk Økonomisk Tidsskrift*.

Wedervang is considered one of the great profession builders in Norwegian economics. He was behind the parliament's decision to create a new Economic Institute at the university in 1931, as well as its decision to appoint Ragnar Frisch as a professor and director of research. Furthermore he was in the forefront when a new five-year study programme in economics was adopted in 1934, and when the Parliament decided to establish the Norwegian School of Economics and Business Administration in Bergen in 1936.

The Oslo School

In 1919 Ragnar Frisch graduated from the study programme in political economy. After studies in France, Germany, England, USA and Italy he became Aarhus's research assistant in 1925. After defending his doctoral dissertation '*Sur un problème d'économie pure*' in 1926 he again went to the US, but returned when the university made its offer in 1931. During the 1930's Frisch participated actively in international economic activities and conferences. He was among the small group of initiators, who, in 1931, established *The Econometric Society*. In 1933 he became the first editor of *Econometrica*, a position he held for more than twenty years. When the Prize in Economic Sciences in Memory of Alfred Nobel was created in 1969, Frisch together with Jan Tinbergen received it for their development and application of dynamic models for the analysis of economic problems.

In the beginning of the 1930's not only was Norway's economy at a low ebb but also the status of economics as a science. Frisch started his grand project of bringing economics as a science out of "the fog". He believed that economic theory should be based on mathematical models and quantitative analysis. The new economics should be shaped in a precise mathematical language. It was only with mathematical models that it would be possible to carry out complicated analysis and reasoning. He promoted this with enthusiasm, genius and force. All opposition was brushed aside. The study programme in economics was changed into a programme with strong emphasis on mathematical analysis and economic research. His best students were attached to the institute as research assistants.

Frisch created a revolution, but change did not come without conflicts. He was applauded, but also met with opposition from his colleagues. There was, however, no organized opposition against him. When Wedervang left in 1937 to become the first rector of the new Business School, his and other positions were filled with Frisch students. On the strength of the new study programme and his new staff Frisch succeeded, in a short time, to create his own school within economic research. This "Oslo School", which to this day influences Norwegian economics, particularly at the University of Oslo, broke with tradition by introducing quantitative methods into economic research and teaching. The development of national accounts and national budgets was given top priority. This work was strengthened by Leif Johansen (1930-82), who took over Frisch's chair, when he retired in 1965. Among Johansen's most important contribution was his doctoral dissertation, *A Multi-Sectoral Study of Economic Growth*, which became the basis for the long-term economic planning by the Ministry of Finance. Macroeconomic planning, research and policy, became the alpha and omega in the Norwegian post war economy.

Trygve Haavelmo (1911-99) joined Frisch as a research assistant in 1933. In 1938 he was visiting professor at University of Aarhus and in 1939 research fellow at Harvard University. Caught in the US by the war he worked

for Nortraship, an organisation set up by the Norwegian government in exile to administer the war effort of the Norwegian merchant marine. After the war he stayed a year with Cowles Commission in Chicago, where he, according to Schumpeter (1954), 'exerted an influence that would credit to the lifetime work of a professor'. Returning to Norway he was appointed professor of economics in 1948, a position he held until his retirement in 1979. With his research contributions, teaching, generosity and gentle personality, he had a decisive influence on the development of economics. He won the Nobel Prize in 1989 for his fundamental contribution to econometrics.

During the economic depression of the inter-war period Frisch developed a deep mistrust in the market economy and the working of the price mechanism. National economic planning administered and managed by well-trained economists was, in his opinion, clearly superior to the shifting bustles of the market. As a consequence Frisch, as well as Johansen, were great admirers of the Soviet economic planning system, and claimed it was superior to the market economies of the Western world. They were therefore not easily attuned to other ideas.

Challenges to the Oslo School

Karl H. Borch (1919-1986) was in 1959 recruited to the Norwegian School of Economics and Business Administration, first as a university fellow and from 1963 as a professor of insurance. This institution, was at the time not so strongly focused on research. However, Borch stood out as an eminent researcher and a spiritual leader for the younger researchers. With his international network he strongly urged his students to pursue doctoral studies abroad and particularly in North America.

The new competence-building and international recognition achieved by Borch and his colleagues slowly broke the monopoly and the influence of the Oslo School in Norwegian economics and politics. Economic planning in the Frisch – Johansen tradition was from the end of the beginning of the 1980's no longer alfa and omega. More emphasis was placed on the functioning of competitive markets under uncertainty. Two of Borch's students should in particular be mentioned: Jan Mossin (1936-87) and Agnar Sandmo (b. 1938). Mossin was among a group of international researchers who independently contributed to the development of the modern theory for financial markets, the Capital Asset Pricing Model. Sandmo's research, to a large extent focused on the theory of taxation, is based on the assumption that we live in a world where we must deal with uncertainty, and where there are limited opportunities for action. Markets and social institutions do not function in an ideal way. We must accept compromises and second best solutions.

This work had a marked influence on Norwegian monetary and fiscal policies and also laid the basis for increased independence of the Central Bank. This line of research was also pursued by the Norwegian Finn E. Kydland (b. 1943), who, in 2004, together with Edward C. Prescott (b. 1940) was awarded the Nobel Prize for their contribution to dynamic macroeconomics, notable the time consistency of economic policy and the driving forces behind business cycles.

IV. SWEDEN

Institutional evolution

As an academic discipline, political economy in Sweden can be dated back to 1741 when the first chair was created at Uppsala University. Official policy in the mid-1700s aimed at promoting economic growth, and economic debate was flourishing. The creation of three more chairs in political economy before 1760 was an element in this effort. However, because of changed priorities and loss of territories, a decline soon occurred, and during most of the 19th century political economy at Swedish universities was quite weak.

At the end of the 19th and beginning of the 20th century, culture and science in Sweden were especially influenced from the German-language area. Study tours were mainly directed to Germany. Doctoral theses in economics were written either in Swedish or German; the first in English was published in 1929, while virtually all have been in English in the 2000s. Half of the books on economics acquired by university libraries in 1903-07 were published in Germany or Austria, and only a fourth in the UK or USA. Fifty years later the proportions were almost reversed. The two world wars and Nazi oppression help explain the transition from German to Anglo-Saxon influence, as do faster growth of American population and academic research, less importance of geographical proximity and possibly a lingering dominance of the historical school in Germany (Sandelin, 2001).

Lacking a better measure, the growth and specialization of academic economics may be described by the number and scope of chairs. At the beginning of the 20th century, there were only two chairs of economics in Sweden, one in Uppsala (David Davidson) and one in Lund (occupied in 1901 by Knut Wicksell). Both were located in the faculty of law, and both also included fiscal law. In 1903 a chair in economics and sociology was created in Gothenburg (Gustaf Steffen), and in 1904 one in economics and public finance was created in Stockholm (Gustav Cassel). By comparison, in 1996, a few years before the principles for appointing professors were radically changed, there were 57 chairs in Sweden, of which 45 were directed towards a special field within economics, and only one formally included more than economics (Sandelin, 1998, p. 2, Sandelin, 2000, Sandelin, Sarafoglou and Veiderpass 2000, p. 46).

Early Swedish economists such as Wicksell, Cassel, Heckscher, and the Stockholm School economists had a common forum in the journal *Ekonomisk Tidskrift*, founded by David Davidson in 1899. Its name was changed in 1965 to *The Swedish Journal of Economics* — then in 1976 to *The Scandinavian Journal of Economics*, when the circle of contributors and editors was widened. Those changes left room for a Swedish-language journal directed to a broader audience and dedicated to practical economic problems; so *Ekonomisk Debatt* was born in 1973, published by the economists' association, *Nationalekonomiska föreningen*, founded in 1877.

Before the neoclassical breakthrough

International currents are visible in early Swedish thought. Some early authors have been labelled mercantilists, the most influential probably Anders Berch, who became the first professor of political economy appointed at a Swedish university (Uppsala, in 1741), and who published the first textbook, *Inledning til almånna hushållningen* (1747), which then had a monopoly in academic teaching for more than eighty years. Opponents of mercantilist ideas arose, among them the clergyman Anders Chydenius, who published liberal booklets in the mid-1760s that have resulted in him being called a Swedish physiocrat.

Despite this beginning, political economy at Swedish universities was not strong at the beginning of the 19th century, though there were a few representatives of classical economic thought. Lars Rabenius — who appreciated Adam Smith's ideas, though with reservations — published a textbook in 1829 which finally replaced Berch's old book. Carl Adolph Agardh, who had attended and been influenced by Say's lectures in Paris in the 1820s, thought that the classical economists gave the State too modest a role, so his ideas were more akin to the historical school.

Gustaf Steffen, who was professor of economics and sociology in Gothenburg during 1903-1929, was the last Swedish professor who can be classified with the historical school. The majority of university economists during this period were turning towards neoclassical ideas (Lönroth, 1991, Lönroth, 1998, Magnusson, 1987).

The early modern generation

David Davidson, Knut Wicksell, and Gustav Cassel introduced modern economics into Sweden, around 1900; Eli Heckscher may also be included in this group, although his main works were published later.

David Davidson (1854-1942) was Wicksell's teacher and an important adviser on domestic monetary and fiscal policy, though he did not address an international audience. The editor of the *Ekonomisk Tidskrift* during 40(!) years and one of its main contributors, he also influenced policy directly as a member of several government committees on taxation (Uhr 1991).

Knut Wicksell (1851-1926), an ardent participant in public discussions on social matters of all kinds, was the most important introducer of neoclassical economic thought into Sweden. His book *Value, Capital and Rent* (1893) was permeated with derivatives and marginalist concepts. The original German edition has the subtitle "*nach den neueren nationalökonomischen Theorien*", i.e., "according to the new economic theories", and it is the theories of Walras, Jevons, Menger, and — especially concerning capital — Böhm-Bawerk, that he tries to bring together.

Wicksell's analysis of just taxation from the perspective of the benefit-principle in his next book, *Finanztheoretische Untersuchungen* (1896), has become an unavoidable point of reference. Likewise, his idea of a cumulative process of inflation, expounded in his monetary book *Interest and Prices* (1898), is still referred to. Wicksell's *Lectures on Political Economy* (Vol. 1, 1901; Vol. 2, 1906) is not simply a textbook version of the ideas developed in his earlier books, but contains refined and modified approaches to questions raised earlier.

Gustav Cassel (1866-1945) began as a mathematician but turned later to economics. He studied with Wagner and Schmoller in Berlin, and around 1900 showed doubt about the benefit of unlimited competition; later he became more skeptical of government intervention. His basic economic thought, expounded in his *Theoretische Sozialökonomie* (1918), was evidently much influenced by Walras, although he did not give him proper credit in that book. During the 1920s Cassel worked in various positions with international monetary problems, and during many decades he was, like Wicksell, Heckscher, Ohlin, and others, a persistent participant in public discussions, publishing several hundred newspaper articles (Magnusson, 1991, Carlson, 1994).

Especially because of his book *Mercantilism* (1931), the youngest in the group, Eli F. Heckscher (1879-1952), is internationally known mainly as an economic historian. As such, he pleaded for the integration of historical and neoclassical analysis. His lasting contribution to economic theory is an article in the *Ekonomisk Tidskrift* in 1919, which provided the basis of the so-called Heckscher-Ohlin Theory in international trade (Henriksson, 1991).

As noted, the early modern generation were extensively involved in public debate; Wicksell considered it his "foremost duty to educate the Swedish people" (Jonung, Hedlund-Nyström and Jonung, 2001, p. 19). This attitude was taken over by several of the Stockholm School economists.

The Stockholm School

Both Cassel and Heckscher were advocates of traditional economic liberalism, and skeptical of major government intervention. Around 1930, when nobody could overlook the problem of unemployment, this skepticism was challenged by a group of young economists, some of whom were disciples of Cassel and Heckscher. Dag Hammarskjöld (1905-1961), Alf Johansson (1901-1981), Karin Kock (1891-1976), Erik Lindahl (1891-1960), Erik Lundberg (1907-1987), Gunnar Myrdal (1898-1987), Bertil Ohlin (1899-1979), and Ingvar Svennilsson (1908-1972) were in this group, called the Stockholm School by Ohlin in an article in the *Economic Journal* in 1937. Ohlin believed that the Stockholm School had developed a theory of employment and had demonstrated how employment can be stimulated by economic policy, before Keynes did so.

Although several individual members are well-known, sometimes for other contributions, such as Myrdal's institutional analyses and Ohlin's contributions to the theory of international trade, the Stockholm School did not live on like Keynes's thinking did, it was hardly more than a national phenomenon, for several reasons. The few university positions in Sweden could not absorb all of them. They wrote mainly in Swedish, often in the form of government reports. They emphasized the dynamics of economic problems, which were difficult to present pedagogically. They also tended to analyse special rather than general cases, in the belief that useful general conclusions were difficult to draw. And their approach in some ways conflicted with techniques coming into vogue after WWII (Siven, 1985, Jonung, 1987).

The first post-war decades

Although it can be considered as a national phenomenon in the sense that it had not much influence outside Sweden, the Stockholm School itself was not devoid of influences from abroad. It was mainly a theoretical school, and theory is more international than empirical knowledge.

Swedish economics in the 1940s and 1950s was not more internationalized. As before, most economic research was performed when students wrote their *magnum opus*, the doctoral dissertation. (A new system of graduate education, similar to the American, was introduced in 1969.) And most of the dissertations were more empirical than theoretical, focusing on the Swedish economy.

Outside the university world, the trade union economists Rudolf Meidner and Gösta Rehn developed ideas on the relationship between inflation and employment, and recommended a general deflationary policy, combined with selective measures directed towards those parts of the economy that would suffer from it. The latter part of the recommendation, selective means, was

politically accepted and characterized the "Swedish model" of actual economic policy for many years.

Disappearance of national traits

The closer we come to our own time, the less reason there is to classify economic thought geographically. National traits have become less evident as communications have improved. In an evaluation of Swedish economic research, Dixit, Honkapohja and Solow (1992, p. 129) concluded that "over the past three or four decades the literature of analytical economics has become almost completely homogenous worldwide. Mainstream economists in all countries now contribute to a single international literature as part of a single intellectual community. ... One can easily imagine a new idea or technique arising anywhere in the world of mainstream economics, and being pursued at first by its originator and his or her graduate students, but one cannot easily imagine a distinctively national school arising within the mainstream. Good ideas circulate much too rapidly."

Nevertheless, we may point to a couple of Swedish characteristics. Persson, Stern and Gunnarsson (1992, p. 118) found that non-mainstream economists like Neo-Ricardians and Post-Keynesians were much less cited by Swedish economists than by the world's economists on average, and this probably remains true. Similarly, as found by Dixit, Honkapohja and Solow (1992, p. 139), the focus on application of advanced econometric techniques rather than on the creation of new ones, seems still to prevail.

Stockholm University's Institute for International Economic Studies has remained the most successful research unit in Sweden for several decades. As in other small European countries, many Swedish university economists have traditionally been involved in government committees and commissions. A change may have occurred in recent years, however, partly as a consequence of faster growth in the supply of qualified economists than in the demand for people willing to accept such side-commissions, and partly because young economists may be giving pure research higher priority than before.

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