

Gunnar Myrdal (1898–1987): A Memorial Tribute

Nicholas W. Balabkins*

Gunnar Myrdal, co-winner of the 1974 Nobel Prize in Economic Science, passed away in May of 1987.¹ The Prize was given for his pioneering work in the theory of money and economic fluctuations and for the penetrating analysis of the interdependence of economic, social and institutional phenomena.² Alas, for the majority of contemporary academic economists in America and Western Europe, Gunnar Myrdal is thought of as not really an economist, but a sociologist. How, many asked in 1974, could a sociologist win the Nobel Prize in Economic Science? Lest there are any among us who still ask that question today, it is relevant to recapitulate the basis for his place in the history of our discipline.

THE MAN AND HIS CAREER

Gunnar Myrdal was born in 1898 in the village of Solvarbo, in the central Swedish province of Dalarna.³ Even today this province reflects old Sweden in miniature; farms, woods and lakes still predominate. In summer Swedes still flock there to savor the pleasure of small scale-village life as it has been lived in Dalarna for centuries. The rural folk remain freeholders of their land whose history knew little of either nobility or serfdom.

Myrdal's father, Carl Adolf Pettersson (1876-1934) was himself the owner of a landed estate,⁴ a successful, self-made man of conservative political leanings. His child was christened Karl Gunnar. The childhood memoirs of Gunnar's son, Jan Myrdal, recall how Karl Gunnar Pettersson became Gunnar Myrdal. After graduation from the gymnasium, as a student of jurisprudence, he called himself Gunnar Myrdahl. Eventually, the letter h also disappeared from the last name and the young student became Gunnar Myrdal.⁵ At the University of Stockholm, he studied with Knut Wicksell, David Davidson, Eli F. Heckscher and Gustav Cassel. He was a brash young man and Gustav Cassel once warned him by saying: "Gunnar you should be more respectful to your elders, because it is we who will determine your promotion." "Yes," young Myrdal replied, "but it is we who will write your obituaries."⁶ Nevertheless, he and Cassel became very close and he eventually succeeded to the latter's chair in political economy at Stockholm University. When Cassel died in 1945, Myrdal wrote his obituary which was eventually translated in 1963, into English.⁷ In 1924, Gunnar married Alva Reimer, who became a leading feminist as well as a diplomat and cabinet member and, in 1982, winner of the Nobel Peace Prize.⁸ The Myrdals had three children: Jan, an essayist and political scientist, Sissela Ann, an authority on ethics and the wife of Derek C. Bok, president of Harvard University, and Kaj Folster, a sociologist, who resides in Göttingen, West Germany. Jan, their oldest son, caused Gunnar much grief by publishing childhood memories of his parents that portrayed them as popularity seekers, opportunists, and bleeding hearts. Jan Myrdal did not attend either of their funerals. But whatever Jan Myrdal wrote about his parents, Gunnar and Alva got along splendidly and were a happy couple indeed.

*Lehigh University, Bethlehem, Pennsylvania, 18015-3144

Myrdal held the Lars Hierta professorship in Economics and Finance at the University of Stockholm from 1934 to 1950. In 1960, he became Professor of International Economy at the University of Stockholm, a post he held until his retirement in 1967. Myrdal was a prolific writer and his bibliography, published in 1976, listed 1051 citations.⁹ His best-known books are *An American Dilemma* (1944), *The Asian Drama*, 3 volumes (1968), *The Challenge of World Poverty. A World Anti-Poverty Program in Outline* (1970), *Against the Stream: Critical Essays of Economics* (1973), *The Political Element in the Development of Economic Theory* (1930) and the *Monetary Equilibrium* (1931). The latter two were translated into English and were published in 1953 and 1938, respectively.

MYRDAL THE ECONOMIC THEORIST

In the fall of 1967, Gunnar Myrdal gave a series of lectures on economic development at Lehigh University. After his presentation, many of my colleagues in the School of Business commented on Myrdal's "vagueness." "Too bad," some noted, Myrdal gave up his theoretical work to descend into the "lower depths" of institutional economics to become a "story-telling" economist. In former years, from 1925 to 1933, Erik Lundberg characterized him as "a pure economic theorist."¹⁰ His 1927 doctoral thesis dealt with *The Problem of Price Formation under Economic Change* which led to his early 1930's work in macroeconomic theory. His first major theoretical work was published in 1933 as *Der Gleichgewichtsbegriff als Instrument für geldtheoretische Analyse*. [The original Swedish version in 1931.] This work had an important impact on the debates on monetary analysis in Europe. Its *ex ante* and *ex post* concepts were quickly incorporated into the terminology of the dynamic analysis of saving and investment. The 1933 German volume, with some changes, became available in English in 1938 and Myrdal emerged as one of the founders of the "Stockholm School" of Economics. This was Myrdal's major contribution to pure macroeconomic analysis. In this early period, Myrdal was fascinated by abstract mathematical models of the 1920's and was active in establishing the Econometric Society, based in London.

With the onset of the Great Depression in the early 1930's, Myrdal lost interest in theory. He was particularly dissatisfied "with the results of isolated theoretical reasoning."¹¹ His grumblings were expressed in a 1930 book which was published in 1932 in German as *Das politische Element in der nationalökonomischen Doktrinbildung*. It became available in English in 1953 under the title of *The Political Element in the Development of Economic Theory*. Its most distinctive feature is that Myrdal rejected the widely accepted doctrine of value-free economics, which most economists accepted since the publication of the *Scope and Method of Political Economy* in 1890 by John Neville Keynes. Its publication data coincided with Lionel Robbins' influential publication of *An Essay on the Nature and Significance of Economic Science*, whose basic message reaffirms that economic analysis is *wertfrei* in the sense of Max Weber. Yet, the brash young Myrdal bluntly told his fellow economists "don't pretend, don't play games with your value-free stance."¹² From that moment on, the problem of bias in the social sciences was posited and, to some extent, had remained on the front burner. Myrdal's own preoccupation with the sources of bias in the social sciences and particularly in economics is apparent in his two major works, the *American Dilemma* (1944) and the *Asian Drama* (1968) as well as in *Objectivity in Social Sciences* and *Against the Stream*. To eliminate bias and to avoid unintentional falsification of reality, Myrdal urged economists to make their value-premises *explicit* and to test them for relevance, significance, compatibility and feasibility.¹³ He also insisted that every economist give a clear-cut account of the

institutional conditions underlying his model or hypothesis. From the time of the publication of his *An American Dilemma* in 1944, Myrdal called himself an "institutionalist economist." In his Nobel lecture, Myrdal referred to himself as "... an institutionalist economist, compelled to conceive of development as a movement of a whole political, social and economic system."¹⁴ Once he had widened the scope of his research and writing interests, Myrdal ceased being an economic theorist. With the publication of his 1930 book in which he dealt with the value-loaded terms of economics, Gunnar Myrdal became a social scientist first and economist second. He remained so till the end of his days and left to posterity his concept of the *explicit value premise* and the indictment against mainstream theorists for practicing what he called "illegitimate isolation" of the economic variables from the social and institutional variables.¹⁵ Thus, as a thirty year old economist, Gunnar Myrdal contributed three novel concepts to the economists tool box: the first was his separation of the *ex ante* and *ex post* concepts in macroeconomic theory. The second was the postulate of the explicit value premise. The third was the rejection of the practice of 'illegitimate isolation' of strictly economic variables from the rest of social phenomena. In this respect, he was probably consciously or unconsciously doing what Gustav Schmoller insisted on three decades earlier.¹⁶

MYRDAL THE POLITICIAN, POLICY MAKER AND MINISTER OF TRADE

As the Great Depression spread, Myrdal became interested in questions of economic policy making. He and Alva were ardent social democrats. Sweden elected a new socialist government in 1932, and Myrdal became an advisor who strongly favored the possibility of an expansive fiscal policy. Together the Myrdal's helped shape the contours of the Swedish welfare state; they prescribed family planning, sex education, public housing, child care and a comprehensive framework for the fiscal policy. In 1934, he was elected to the Senate as a member of the Social Democratic Party.¹⁷

In the late 1930's, Myrdal went to the United States to study racial discrimination. His work was published in 1944 as *An American Dilemma*. Upon his return to Sweden in 1942, he was re-elected to the Swedish Senate. During World War II, as Sweden remained neutral, he served as a member of the Board of the Bank of Sweden and was also Chairman of the Post-war Planning Commission. Like most economists, Myrdal expected that the end of hostilities would bring an economic depression, similar to the sharp economic downturn at the end of World War I. Sweden prospered during the war by supplying wartime Germany with high-grade ore and ball bearings. Myrdal was apprehensive about the post-war years to come spelling out his fears in *Warnung vor Friedensoptimismus*, published in Switzerland in 1945. In this volume, Myrdal anticipated the economic difficulties likely in the USA after demobilization and the shift from war production to peace time economics. He was particularly afraid of the negative repercussions on Sweden of large-scale unemployment in the United States.

After 1942, Myrdal's political career progressed at a dizzy pace. From 1945 to 1947, Myrdal was Sweden's Minister of Commerce.¹⁸ To protect Sweden from possible economic mega-blows coming from America, he concluded, a five-year trade agreement with the Soviet Union in the fall of 1946. It called for the delivery of Swedish electrical equipment and machinery in the amount of SK 200 million (Swedish Kronas)¹⁹ This was one way to assure reasonably high levels of activity in a few important sectors of Swedish industry. However, before that agreement was concluded, Myrdal had to pave the way, so to speak, for closer contacts with the Soviet Union.

In 1944, as the Red Army pushed the German Army westward and the Soviets reentered

the former Baltic states of Estonia, Latvia and Lithuania, tens of thousands of Baltic refugees fled to Sweden where they found a warm welcome from the Swedish population and authorities. Among these refugees were some 200 Latvians who had been conscripted into the German Army and who also had sought refuge in Sweden at the last days and weeks of World War II. The Soviet Union did not want Sweden to shelter these refugees; for Stalin they were traitors he wanted back. Gunnar Myrdal's role in the stormy cabinet debates on whether to return the Baltic POW's interned in Sweden have been described by the former Swedish cabinet Minister N. Quensel in his memoirs, *Minnesbilder* (1973). According to this volume, Myrdal supported the repatriation of the Baltic soldiers to the Soviet Union. The deportation action produced a veritable storm in the Swedish public opinion as the former Latvian soldiers were taken forcibly to the waiting Soviet ship in January of 1946.²⁰ The soldiers were deported and their fate in the Soviet Union forgotten, but Gunnar Myrdal was criticized by Swedish public opinion for his involvement in this matter.²¹ Ironically, the five-year contract with the Soviet Union turned out to be a disaster for Gunnar Myrdal and marked the rapid end of his political career. The much feared economic contraction in the USA and the UK did not take place after the end of the war. Both countries had booming economies, with rising prices and wages. Though Sweden, too, was enjoying boom time prices and wages, it soon discovered that it was short almost 100,000 workers that it needed to fulfill the Soviet-Swedish trade agreement.²² Understandably, Swedish opposition newspapers blamed Minister of Trade Gunnar Myrdal for his role in the Swedish-Soviet trade pact.²³ As the public pressure mounted, Myrdal was replaced.

In April of 1947, Secretary General of the United Nations, Trygve Lie, asked Gunnar Myrdal to take over the post of Executive Secretary of the Economic Commission for Europe.²⁴ Myrdal accepted and served with distinction in this capacity from 1947 to 1957, even though the rising cold war limited the Commission's effectiveness.

Towards the end of his stay in Geneva, Myrdal became interested in problems of economic change and development. In 1958, he wrote *Rich Lands and Poor: The Road to World Prosperity*, a small and widely read book. It stressed the complexity of economic development problems. From then on, Myrdal devoted his heart and mind to the problems of economic development.

MYRDAL'S VIEWS ON ECONOMIC DEVELOPMENT

From 1958 on, Myrdal spent ten years working on economic development. The Twentieth Century Fund financed his research venture and his monumental three-volume work, *Asian Drama: An Inquiry Into the Poverty of Nations* was published in 1968. Like *An American Dilemma* this book is predicated on the *Weltanschauung* of the Enlightenment: Reason, Nature and Progress.²⁵ Throughout his life, Myrdal viewed himself as a man of the Enlightenment. The value premises of *Asian Drama* were the rationalistic ideals of the Enlightenment preserved and developed in the liberal thought everywhere.²⁶ As Myrdal himself has said: "In the Age of Enlightenment, social science made a gigantic stride towards liberating itself from all influences other than observations of reality and analysis of observations in rational terms."²⁷ As a man of Enlightenment, Myrdal let his views on the application of Reason, his concept of Nature, and the idea of Progress shape his aims, hopes and policy prescriptions for economic development. In his words,

"The Modernization Ideals in the countries of South Asia are now likewise forming a sort of national ethos, expressed as motivation for all planning and all public policies. They form what is nearly the ideological framework for every major policy discussion in these countries."²⁸

In his view, the on-going population explosion prevents reliance on *laissez-faire* and modernization has to be achieved by planning from above, to assure progress. Myrdal was not an advocate of Soviet-style direct controls: but neither did he advocate elimination of private ownership of the means of production. His call for planning as a tool for achieving economic development basically referred to creating an efficient government bureaucracy, probably *a la* Sweden, and as a believer in the Enlightenment, Myrdal had always subscribed to the idea that man and society could be reformed by changing and improving social institutions. This meant that Myrdal had always used the interventionist approach to social problems.²⁹ Because of this, one English free-market economist, Peter T. Bauer, now Lord Bauer, dismissed Myrdal's *Asian Drama* as "The Million Word Pamphlet" as advocating too much coercion in his policy prescriptions.³⁰

Myrdal set his development theory into the framework of the abstract modernization ideals that make up the official creed of the new countries of Asia and Africa. The gist of these ideals is that economic development should be a conscious and deliberate effort, based on rational considerations, and a major effort should be made to apply modern technology to solve the pressing social and economic problems. There is no room in this new era for custom, tradition, or *laissez-faire*. Myrdal's modernization ideals comprise a long list and some of them overlap, but he presents them as follows: (1) rationality; (2) development and planning for development; (3) rise of productivity; (4) rise of levels of living; (5) social and economic equalization; (6) improved institutions and attitudes, that is, (a) efficiency, (b) diligence, (c) orderliness, (d) punctuality, (e) frugality, (f) scrupulous honesty, (g) rationality in decisions on action, (h) preparedness for change, (i) alertness to opportunities as they arise in a changing world, (j) energetic enterprise, (k) integrity and self-reliance, (l) cooperativeness, (m) willingness to take the long view; (7) national consolidation; (8) national independence; (9) political democracy; (10) democracy at the grass roots level; (11) social discipline.³¹

Myrdal's analysis of these modernization activities and their implementation made depressing reading. All the new Asian countries and their governments paid lip service to the abstract modernization goals, but the first decade of their independence gave ample evidence of disappointment and rising bitterness among the masses. Faced with such trends in the Asian countries, Myrdal drew a conclusion that shocked him profoundly: political democracy need not be a requirement for modernization. Stated in his own words,

"The writer may be permitted the observation that few things in the outcome of this study have been more disturbing to him, in view of his own personal valuations, than the conclusion that political democracy is not a necessary element in the modernization ideals."³²

He thought that, for the time being, modernization "... can be attained by an authoritarian regime bent on their realization."³³ He regarded the replicas of Western democracies left behind in the newly independent countries by the departing overseas colonial powers were essentially "functioning anarchies"³⁴ working mostly for reaction and stagnation.³⁵ For this reason, Myrdal believed that the "gradualist approach" so dear to many American economists will never bring about improvement in the living standards of the impoverished masses in Southeast Asia.³⁶

Myrdal's chief ire was reserved for the advocates of the Harrod-Domar-Hicks growth models that offer, in essence, savings-investment oriented explanations of the economic growth process. Savings-centered growth theory has been acclaimed as having universal applicability, and it is precisely this claim that Myrdal questions. As Reynolds put it, the "basic weakness of these models . . . is the effort to isolate capital-output relations from the larger social system."³⁷

In Myrdal's terminology, such a procedure involved what he called "the logical fallacy of illegitimate isolation."³⁸ Myrdal's "realistic" conception of economic development focused on the "upward movement of the entire social system."³⁹ In particular, he rejected the widely-held and popular idea that economic development represents an increase "of national income per head."⁴⁰ In his view, a social system consists of six broad categories: 1) output and incomes; 2) conditions of production; 3) levels of living; 4) attitudes toward life and work; 5) institutions; and 6) policies.⁴¹ He stressed that the first five categories are characterized by "mutual dependence through circular causation."⁴² Whatever may be the merits of this *Asian Drama*, Myrdal introduced and tried to popularize the principle of *circular causation*.

It is probably his emphasis on the principle of circular causation, in the realistic study of economic development and of structural change of the Southeast Asia that created the impression among academic economists that Myrdal had become a "vague sociologist," an institutionalist, a story-telling, brash old man. But, whatever the superficial judgment of classroom economics, by the time he published the *Asian Drama*, Myrdal had enriched the economists and social scientists with a legacy of four analytical tools. The first is his *ex ante* and *ex post* concept; the second is the concept of the *explicit value premise*; the third is the principle of "illegitimate isolation" of strictly economic variables; the fourth is the notion of "circular causation."

MYRDAL'S ADVOCACY OF BROAD-BASED METHOD OF ANALYSIS

Even though Myrdal started his career as a pure economic theorist who was very much taken by mathematical methods and econometrics, he abandoned it all and became an institutionalist, much maligned and often not respected by the "new breed" of economists, for whom mathematical shorthand has almost replaced spoken and written English. Myrdal viewed contemporary mathematical economic theory as having come close to natural science *only in form*, but not in substance.⁴³ In very much the same way as did Wassily Leontief⁴⁴ he regarded utterly simplified economic models with mathematical dressing as "false scientism."⁴⁵ He reminded economists that for two centuries economics had been known as a "political" science and that "the cue to the reorientation of our work . . . [came] from the sphere of politics."⁴⁶ To deal adequately with problems of mass poverty in the world, Myrdal pleaded for a *Sociology of Knowledge*.⁴⁷ His yearning for a more thorough epistemological grounding of contemporary and future economists resembles Joseph A. Schumpeter's "prerequisites"⁴⁸ and Schmoller's broad-based *Sozialwissenschaft*. It is their broad-based Sociology of Knowledge that Myrdal was pleading for. His was a powerful plea for the return to broad-based economic analysis to offset or counterbalance the pervasive influence of mathematics in economics. Though Myrdal hardly stands alone in expressing this idea, his eloquence deserves to be noted in assessing the impact of the four major contributions he made to the economists' tool box.

Nothing is subtracted from Myrdal's legacy in recognizing that he was not an easy man to deal with and he remained brash to the end advocating unpopular causes in ways that often invited questions about his integrity. Yet, to those who took him seriously, whatever his faults may have been, as I did after I met him in 1967, he was generous with his professional encouragement and personal warmth. A signed copy of his Nobel lecture is among my personal memoirs.

FOOTNOTES

1. "Gunnar Myrdal, Analyst of Race Crisis, Dies," in *The New York Times*, May 18, 1987, p. 1 and D-14.

2. "The Nobel Memorial Prize in Economics 1974. The Official Announcement of the Royal Academy of Sciences," in *Swedish Journal of Economics*, Vol. 76, 1974, p. 469. See also A. Lindbeck, "The Prize in Economic Science in Memory of Alfred Nobel," in *Journal of Economic Literature*, vol. 23, 1985, pp. 40-41.
3. Streeten, P., "Gunnar Myrdal," in *International Encyclopedia of the Social Sciences, Biographical Supplement*, edited by D.L. Sills, New York, The Free Press, vol. 18, 1979, p. 571.
4. *Vem ar Vem*, Stor-Stockholm, huvudred Paul Harnesk, 2: a uppl., bokforlaget Vem ar vem AB, Stockholm, 1962, p. 935.
5. Myrdal, J., *Barndom*, Stockholm, Norstedt & Soners, 1982, p. 108.
6. "Gunnar Myrdal, Prophet of Race Crisis, Dies at 88," in *The New York Times*, May 18, 1987, p. D-14.
7. Myrdal, G. "Gustav Cassel in Memoriam (1866-1945)," in *Oxford Bulletin of the Institute of Economics and Statistics*, vol. 25, #1, 1963, pp. 1-10.
8. E. Pace, "Alva Myrdal, Nobel Winner, Dies in Sweden at 84," in *The New York Times*, February 3, 1986, p. 43.
9. H. Bohrn, *Gunnar Myrdal. A Bibliography, 1919-1976*, Stockholm, Acta Bibliothecae Regiae Stockholmiensis, 1975, 188 pp.
10. Lundberg, E. "Gunnar Myrdal's Contribution to Economic Theory. A Short Survey," in *Swedish Journal of Economics*, vol. 76, 1974, p. 472.
11. Lundberg, E. *ibid.*, p. 473.
12. Myrdal, G., *The Political Element in the Development of Economic Theory*, Cambridge, Mass., Harvard University Press, 1954, p. X.
13. Myrdal, G., *Against the Stream: Critical Essays on Economics*, New York, Pantheon Books, 1973, pp. 55, 82, 134, 147-148, 153-154, 232, 300, 315.
14. Myrdal, G., "The Equality Issue in World Development," in *Les Prix Nobel en 1974*, Stockholm, The Nobel Foundation, 1975, p. 280.
15. *Asian Drama*, vol. 3, New York, The Twentieth Century Fund, 1968, p. 1540.
16. Schmoller, G., *Grundriss*, Vol. I, Berlin Duncker & Humbolt, 1900, p. 110.
17. Myrdal, G., "The Equality issue in World Development," in *Les Prix Nobel en 1974*, Stockholm, The Nobel Foundation, 1975, p. 261.
18. *ibid.*, p. 261.
19. The Annual Register. *A Review of Public Events at Home and Abroad for the Year 1947*, Edited by I.S. Macadam, London, Longman, Green and Company, 1948, p. 294.
20. Carell, P. and Boddeker, G., *Die Gefangenen. Leben und Überleben deutscher Soldaten hinter Stacheldraht*, Frankfurt M., Verlag Ullstein, 1980. The relevant chapter is called *Der Sündenfall Schwedens*, which details the process and reasons for the deportations, pp. 189-199. See also, "Vēlreiz Legionāru Izdošana," in *Brīvība*, published in Stockholm, #3, 1974, p. 5.
21. In 1984, Curt Ekholm, the Swedish officer who was a member of the contingent guarding the Balts, published his memoirs. Ekholm concluded that Sweden acted contrary to its obligations as a neutral country.
22. "Soviet Trade Flaw is Noted in Sweden," in *The New York Times*, March 28, 1947.
23. "Soviet Pact Blamed in Sweden for Prices," in *The New York Times*, March 17, 1947.
24. The Annual Register. *A Review of Public Events at Home and Abroad for the Year 1947*, Edited by I.S. Macadam, London, Longmans, Green and Co., 1948, p. 295.
25. Bartley, R.L., "A Conversation with Gunnar Myrdal," in *The Wall Street Journal*, February 13, 1979.
26. *Against the Stream*, p. 234.
27. *Objectivity in Social Research*, p. 40.
28. *Ibid.*, p. 68.
29. *Ibid.*, p. 91.
30. Bauer, P.T., *Dissent on Development. Studies and Debates in Development Economics*, London, Weidenfeld and Nicolson, 1971, p. 183.
31. *Asian Drama*, pp. 57-67. See Also Myrdal's, *The Challenge of World Poverty*, New York, Pantheon Books, 1970, pp. 208-252.
32. *Asian Drama*, p. 65, footnote 2.
33. *loc.cit.*
34. *The Challenge of World Poverty*, 1970, chapter 7 is called "The 'Soft States' ", pp. 208-252.

35. *Asian Drama*, p. 300.
36. *Asian Drama*, p. 701.
37. Reynolds, L.G., "Gunnar Myrdal's Contribution to Economics, 1940-1970," in *Swedish Journal of Economics*, vol. 76, 1974, p. 485.
38. *Asian Drama*, vol. 3, p. 1535.
39. *Asian Drama*, vol. 3, p. 1869.
40. *Asian Drama*, vol. 3, pp. 1868-69.
41. *Asian Drama*, vol. 3, pp. 1860, 1866, 1885.
42. *Asian Drama*, vol. 3, p. 1866.
43. *Against the Stream*, p. 141.
44. Leontief, W., "Academic Economics," in *Science*, vol. 217, 1982, p. 104.
45. *Against the Stream*, p. 143.
46. *Objectivity in Social Research*, p. 68.
47. *Asian Drama*, vol. 1, p. 8.
48. Schumpeter, J.A., *History of Economic Analysis*, New York, Oxford University Press, 1954, pp. 12-21.