



# Ragnar Frisch and the Postwar Norwegian Economy: A Critical Comment on Sæther and Eriksen

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[LINK TO ABSTRACT](#)

Arild Sæther and Ib Eriksen (2014), professors from the University of Agder in Norway, argue with great zeal that Ragnar Frisch, who was professor at the University of Oslo from 1931 to 1965, exerted a strong and dogmatic influence on Norwegian economists as an ideologue of central economic planning, with important and detrimental impact on the Norwegian economy in the post-WWII period. Upon my initial reading of their argument I found them far-fetched and unreasonable, and I communicated with the editor of this journal about the matter. I am happy to accept the editor's invitation to scrutinize their facts and give my assessment. I will not keep from the readers that I have been closer to Frisch's world than have Sæther and Eriksen. I began to study economics at the University of Oslo at the time Frisch retired and spent many years in a team of researchers in Statistics Norway working inter alia on developing model tools for use by the Norwegian government in the conduct of macroeconomic policy.

Sæther and Eriksen assert that Ragnar Frisch in the late 1930s propounded an economic-political system for Norway with "no place for private investors or entrepreneurs in the system" and in which "[e]conomists should make the important investment decisions" (2014, 54). They claim that, due to Frisch's influence, the postwar Norwegian economy "became close to the centrally planned economies of Eastern Europe" (2014, [abs.](#)), with detrimental consequences for economic development. The authors provide only weak evidence for these strong assertions, which run counter to much historical research and general knowledge.

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## The legacy of Ragnar Frisch

Paul A. Samuelson wrote after Frisch's death in 1973 as follows:

Ragnar Frisch dominated analytical economics from the early 1930's founding of the Econometric Society to his wartime internment in a Nazi concentration camp. He combined fertility and versatility with depth. Although this was the golden decade in which the world came to realize his genius, both in the years before, and the years after, Frisch made numerous important contributions to (a) economic theory, (b) economic measurement, (c) economic policy, and (d) scientific methods in statistics, mathematics, and economics. (Samuelson 1974, 7)

As an epitaph of excellence in economics this statement is surpassed by few. Samuelson's article was a *tour de force* packed with dense mathematical exposition. Samuelson made the pertinent observation that the word "model" in its present economic sense was actually introduced by Frisch. It can be traced to the following passage of a lecture given by Frisch at Yale University in 1930:

The observational world itself, taken as a whole in its infinite complexity and with its infinite mass of detail, is impossible to grasp. Taken in its entirety, in its immediate form of sense impressions, it resembles, so to speak, a jelly-like mass on which the mind cannot get a grip. In order to create points where the mind can get a grip, we make an intellectual trick: In our mind we create a little model world of our own, a model world which is not too complicated to be overlooked, and which is equipped with points where the mind can get a grip, so that we can find our way through without getting confused. And then we analyze this little model world instead of the real world. This mental trick is the thing which constitutes the rational method, that is, theory. (Frisch 2010/1930, 31-32)

The rational, instrumental use of models is indeed characteristic of Frisch's approach to economic analysis: no dogmas, just stringent reasoning. Frisch's "depth" as mentioned by Samuelson was not least the ability to resolve a problem from a penetrating insight into its inner mathematical structure. He also hinted at Frisch's deep econometric insight on the confrontation between theory and data, the role of structure, simultaneity, and autonomy (Samuelson 1974, 22). Frisch's position as an internationally renowned economist need not be further elaborated.<sup>2</sup>

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2. Sæther and Eriksen (2014) provide some information about Frisch's life and career but could have been more helpful for foreign readers, as only one of nine cited papers by Frisch is in English.

Like many of his contemporaries Frisch was deeply affected by the depression of the 1930s, on which he commented that “poverty is imposed on us in the midst of a world of plenty” (Frisch 1934, 259). The depression imprinted on him an almost passionate opinion that an economist had a duty to work for the betterment of society. As a teacher, for more than forty years he infused his students with an instrumental view of economics and equipped them with skills and tools to exercise it. Naturally he took a great interest in economic policy in his own country, both in the 1930s and in the postwar period, and it influenced his research. Frisch exercised his right and duty as a citizen to take active part in public debate both on economic and other issues.<sup>3</sup>

Frisch’s willingness to marshal all resources and when necessary to work day and night was legendary among his assistants. It was an attitude like that expressed by Henrik Ibsen in the national epos *Peer Gynt*:

To set one’s own goal is uplifting, I feel,  
and to carry it through, hard as flint or steel!  
(with quiet emotion)  
Break all connections and ties, all that tends  
to bind one with bonds to home and to friends, —  
blow one’s treasure sky-high to heaven above, —  
bid a goodnight to the pleasures of love, —  
all to uncover the truth’s hidden mystery —  
(wipes the tear from his eye)  
there you’ve the true researcher in history! —  
I feel there’s no limit now to my pleasure.  
Now I have taken my destiny’s measure.  
Now, simply hold out, thick and thin, that’s my stint!  
(Ibsen 2007/1867, 78)

A number of statements in Sæther and Eriksen (2014) are incorrect and some of them severely so. They write as follows:

During the second half of the 1930s, Frisch and his disciples became increasingly skeptical of the use of market forces to obtain an efficient allocation of resources and distribution of goods. ... The solution was a state macroeconomic planning system and state governance with detailed regulations and selective policies for all branches of industries. The extent of such controls would depend on the economic situation.

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3. On Frisch in this regard, see Thonstad (2005) and Bjerve (1998).

There was no place for private investors or entrepreneurs in the system. Economists should make the important investment decisions. (Sæther and Eriksen 2014, 53-54)

That Frisch's vision of economics in the late 1930s had "no place for private investors or entrepreneurs" is blatant untruth. I am not aware of any document by Frisch—published or unpublished—giving any kind of support to these curious assertions. Politically and economically the ideas expressed are totally remote from Frisch's thinking. Also the implied assertion that Frisch's students and assistants would go along with such nonsense is absurd.

This kind of programmatic politics wrapped up as part of the teaching of economics is entirely out of character for Frisch, who imprinted on every cohort of his students since 1937 the distinction between a scientific statement and a value judgment. The distinction is far from trivial, as descriptions of economic problems often hide tacit value assumptions:

In tackling scientific problems...the aim is to find solutions that can be subjected to the criterion of correct or false. In the case of practical rules of conduct, on the other hand, the question at issue is one of desirability and expediency—or belief in expediency—and this is based on a number of value judgment elements which must be considered in relation to the *practical or political object* in view, and on which it would naturally be impossible to expect unanimous agreement. (Frisch 1965, 5)

This does *not* mean that the economist, like the scientist, should fail to preoccupy himself with problems involving value judgments. ... It merely means that he should always endeavour to draw the line of demarcation as clearly as possible. He should bear in mind the extent to which the results of his analysis are dependent on the non-scientific presuppositions from which his analysis proceeds. To the extent that he succeeds in making a clear and definite distinction between what is a scientific statement in the proper sense and what is a value judgment, he will be able to preserve his *objectivity*. And this is, in fact, the only way in which it can be preserved. It was the German economist and sociologist Max Weber who first clearly pointed this out. (Frisch 1965, 7-8)

In discussions Frisch was often a boisterous participant who tended to dominate the discussion. In the heat of the battle he could be opinionated and even forget his own prescriptive advice of Weberian objectivity.

## The postwar Norwegian economy

The Labor Party government which came to power at the end of 1945 had to cope with economic problems quite similar to those facing other war-devastated countries in Western Europe. The problems included reconstruction, inflationary pressure, and the balance of payments. The political stability and the postwar mood of broad consensus regarding the reconstruction provided the foundation for the Norwegian government in adopting goals for its economic policy more ambitious than those of most other Western governments.

The government put in place a system of preparation of plans and programs for economic policy, often referred to as “national budgeting” after the key policy document: the annual white paper called *National Budget* setting out the policy, the assumptions on which it was based, and the expected results. These plans were not directives but rather expectations and intentions. The fulfillment of plans and programs depended upon the external environment and the use of economic control measures. In the early years the monitoring of the economy took place at a detailed level and so did the use of control measures.

During the early post-war period, when excess demand existed in almost all fields, a very comprehensive system of direct controls was used to prevent prices from rising, to prevent imports from exceeding exports by more than a given amount, and to allocate resources and redistribute incomes consistent with particular goals. Direct quantity controls were used primarily in a negative manner, i.e., by prohibitions and permits. As excess demand subsided, direct quantity controls became correspondingly less essential for the prevention of price increases and less effective for the allocation of resources. However, ambitious allocative and distributive goals continued to be maintained, and instruments other than direct controls had to be more intensively applied for these purposes, e.g., indirect taxes and subsidies for redistributive purposes plus various forms of credit control for allocative purposes.

The postwar economic policy, planning, and control are well documented in official documents, studies by participants such as Petter Jakob Bjerve (1959), and postwar history accounts. Such studies are often more oriented towards political history, with little emphasis on the intricacies of economic policy. The sources relied on in Sæther and Eriksen (2014) seem somewhat inadequate.

The European postwar development was given much attention in the United States. Norway was given more attention than other countries. The high planning ambition combined with political democracy caught the attention of the Columbia University sociologist Paul Lazarsfeld, who wanted to conduct a large-scale study

of planning in Norway as an observed social and economic experiment. It comprised a number of projects, and while the overall study never got off ground, a student of Lazarsfeld completed some of the projects (Barton 1957).

Lawrence Klein visited Oslo in 1947 and wrote a remarkable and concise account of Norwegian planning in the modern economist's language, giving background, structure, numbers, and an appraisal (Klein 1948). There were no less than three major studies of the Norwegian postwar economy made at Harvard University by Walter Galenson (1949), Alice Bourneuf (1958) and Mark W. Leiserson (1959). Galenson (1949) and Leiserson (1959) paid particular attention to the labor relations in the postwar economy.<sup>4</sup> Bourneuf (1958) had a broader coverage and is the most cited of these authors. Below I quote some passages from these studies to elucidate the character of the postwar economic policy regime.

Bourneuf (1958) pinpointed the key strategic choice at the start of the postwar years:

When World War II finally ended, Norway, like most other European countries, was faced with the difficult job of rebuilding an economy both devastated and dislocated by long years of war and occupation.

...

Extreme dependence on imports combined with wartime destruction of much of its foreign-exchange earning capacity made Norway's situation exceptionally difficult. The investment needed to restore export earnings would be a serious drain on foreign-exchange earnings and would compete with imports of food and raw materials which were sorely needed. Productive capacity had to be expanded, especially foreign-exchange earning capacity, to support a growing population at prewar living standards. This would require even more investment. Norway had to choose between rapid reconstruction and development and rapid restoration of the prewar standard of living. (Bourneuf 1958, 198)

Galenson spent time in Norway in 1946–47 and observed at close range the postwar economy in the period of the strictest planning measures. He made the following assessment:

It is one thing to plan the orderly disposition of resources, but quite another to accomplish the plan without impinging upon democratic

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4. It is noteworthy that these studies took place in the wake of the Taft-Hartley Act, which was adopted over Truman's veto and pretty much destroyed Truman's efforts at providing the consensus needed for building a welfare state in the United States.

freedoms. The Soviet experience has made it clear that scientific techniques of control render a comprehensive national plan feasible. But Soviet plans are executed by fiat; the barrier to centralized allocation of labor and capital tends to be physical rather than institutional. Norwegian planners must face the fact that the great bulk of national output is produced by private entrepreneurs seeking their individual profit, and that the labor force possesses not only the theoretical right to strike against unpalatable planning decisions, but also the organizational and political capability of translating that right into reality.

The system of controls devised to channel individual initiative into socially desirable activities is neither as complete nor as authoritative as a planner might desire, although it is drastic by prewar standards. It reflects the weakness as well as the strength of democracy. Constructed by compromise between conflicting interest groups, it is in some respects a patchwork. The process by which agreement was achieved, however, was essential to the growth of mores that make it possible for the system to operate with a minimum of compulsion. (Galenson 1949, 261-262)

Leiserson, who covered the medium-to-long horizon of postwar planning, paid particular attention to the instrumental character of the economic planning in Norway:

It is important to emphasize the aggregative character of the Norwegian economic plans, since it had a decisive influence on the means employed in achieving planned objectives. ... Such policies may be distinguished in the first instance by their generality and secondarily by their tendency to operate indirectly. ... Within this framework of macro-economic policies and controls, there was a whole range of more detailed regulations and controls of varying degrees of specificity which can be distinguished by their particular or differential character ... (Leiserson 1959, 18)

This more or less purely “instrumental” attitude toward economic policy pervaded the whole structure of Norwegian postwar economic planning, giving it a uniquely “enlightened,” “unorthodox,” or “radical” character.... The resulting process of national planning and control can be schematically described as an attempt to formulate economic objectives (as quantitatively as possible) in real terms and then to adapt and employ from the whole range of direct and indirect,

physical and financial controls available, those which a pragmatic and objective evaluation indicated to be the most effective in achieving the basic economic objectives.

Needless to say, the actual planning process only approximated any such austere logical ideal. Numerous other considerations did enter into policy formation as is inevitable in a democratic country with healthy political institutions. (Leiserson 1959, 20)

Alice Bourneuf made these concluding observations on how the planning process was carried through:

Norway's experience provides a case study of comprehensive planning designed to achieve a rapid rate of economic growth in the face of serious limiting factors. Before the war, Norway had been less fully industrialized than some of the other Western European countries. Her greatest resource, hydroelectric power potential, had only begun to be exploited. The country was not underdeveloped in the sense of having a very low level of per capita income or of having political, institutional, or educational barriers to economic growth; but there were important possibilities for expanding productive capacity and raising the level of income. ...

Economic planning and direct controls did not lead to interference with political and civil liberties. The character of the Norwegian people suggests that such interference would not be tolerated. Nor were recovery and development achieved at the expense of the lower income groups. The heavy investment program went hand in hand with expanded welfare and social security programs, and also with a considerable redistribution of income within the wage earning group. (Bourneuf 1958, 2)

While Galenson (1949) and Leiserson (1959) did not mention Ragnar Frisch at all in their comprehensive studies, Bourneuf (1958) mentioned him once in the following passage:

The fact that a large number of well-trained economists were available for the job was due largely to the work of Professor Ragnar Frisch of the economics department at the University of Oslo. Of the considerable number of economists who were trained at the University, only a few were absorbed by the University; most of the others, whether Conservative, Liberals, or Labor Party members were drawn into government service. In many countries, the scarcity of highly

trained economists and administrators is a serious bottleneck in attempts at over-all economic planning. The success of any economic plan is bound to depend on the individuals available to carry it out. (Bourneuf 1958, 206)<sup>5</sup>

Patrick Salmon (1990) discussed the roots of the postwar consensus that emerged in the Nordic countries, not least due to the early postwar experience. He reports the growth rate of GDP 1946–56 as 5.1% for Norway against 3.2% and 3.9% for Denmark and Sweden, respectively (*ibid.*, 156). Salmon noted that “one of the most distinctive features of Norwegian postwar development [was] a very high level of capital formation. . . . The reasons had to do, on the one hand, with the government’s commitment to capital and energy-intensive industries which could utilize Norway’s hydro-electric reserves, while at the same time contributing to the economic development of the more northerly regions (as well as, debatably, demonstrating the superiority of state over private enterprise); and on the other hand, with the social priority of improving living standards, in this case housing” (1990, 162-163).<sup>6</sup>

Another work of interest is Francis Sejersted’s comprehensive and impressive study of Norway and Sweden in the twentieth century (Sejersted 2011). The study pays attention to the rise of the social democratic welfare state—also referred to as the Scandinavian or Nordic model—and its historical roots, including the social and economic experience of the early postwar period.

In European countries, measures of comprehensive planning in the early postwar period were the rule rather than the exception. In some countries new institutions were erected, such as Commissariat général du Plan in France, established in 1946 to be in charge of economic planning, particularly through Five Year Plans, and Centraal Planbureau in the Netherlands, founded in 1945 by Jan Tinbergen.<sup>7</sup> No such institution was erected in Norway. Such difference may be interpreted as illuminating the instrumental and temporary character of the economic planning in Norway, in line with the studies discussed above, as opposed to an emphasis on a planning ideology favoring a regulatory regime, as implied by Sæther and Eriksen (2014). The absence of large-scale nationalization measures in

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5. The “large number of well-trained economists” mentioned by Bourneuf calls for a brief comment. Through 1945, the number of graduates from the master-level program opened in the mid-1930s was only 64. There were however well-equipped economists of earlier vintages with shorter education.

6. Salmon (1990) noted that investment in Norway comprised, by the accounting rules, also repair and maintenance of capital goods, and the definition of the investment rate thus differed somewhat from that of other countries.

7. Commissariat général du Plan was abolished in 2006. The Centraal Planbureau exists today as an independent government agency known as CPB Netherlands Bureau for Economic Policy Analysis.

the Norwegian postwar policy, such as took place in some other countries, again illuminates the non-ideological, pragmatic character of the Norwegian experience.

We have shown by drawing on foreign studies that the Norwegian postwar planning was something quite different from what is asserted by Sæther and Eriksen (2014). They apparently believe that the market economy was abolished in Norway, even for decades after the war. I have cited the evidence for the wrongness of such an assertion.

Sæther and Eriksen do not distinguish between “planning” and “controls” (or “regulations”). All modern governments do a lot of planning and programming; how could they otherwise manage their economies and fulfill their international obligations? The European Recovery Program (better known as the Marshall Plan) required by agreement plans to be prepared and commitments to execute them from the participating countries.<sup>8</sup> The authors also have difficulties with aspects of how policy is conducted, e.g., the role of models, but that will not be pursued here.

Just as Sæther and Eriksen have opinions different from mine about Norway’s cultural insularity and the meaning of “plan” versus “regulation,” I note also other differences. Although the authors do use the term “market economy” they seem to prefer “free market economy,” or even “free enterprise economy.” I do not know exactly what they mean by the latter terms—perhaps *laissez-faire*? Obviously they are much opposed both to the plans prepared and to the controls put into effect in the early postwar years, such as the import licensing and the consumer rationing. But how do they think about circumstances at that time? What were the policy options in 1946? I find no clue to this, except vague suggestion that a free enterprise economy would have managed better. Would it?

The *National Budget*, the key policy document, was presented to the Norwegian Parliament and the public for the first time in 1946. Since then, a national budget has been presented every year for the same purpose, namely to present the short-term program for the government and its view on major policy issues. The content naturally has changed over the years. Sæther and Eriksen (2014) provide no explanation of what the *national budget* is, as they ought to have done as this term is not generally used in other countries. What they say about Frisch and “national budgets” before and during the war (*ibid.*, 53, 48) is meaningless, as the national budget was not yet invented. An interesting and relevant fact in this connection, but also unmentioned, is that the econometrician and future Nobel laureate Trygve Haavelmo was in charge of the *National Budget* 1948. He returned

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8. See the Foreign Assistance Act of 1948 (P.L. 80-472 ([link](#))), particularly Sec. 115(b). A recent Norwegian white paper recapitulated this requirement: “A condition for receiving American support for reconstruction was that each country presented an economic four-year plan as a basis for assessing the need for support” (St.meld. nr. 9, 2008–2009 ([link](#)), p. 128, my translation).

from the USA after eight years in 1947 and served as the chief coordinator of the economic policy for one year. Lawrence Klein, who visited, reviewed the national budgets for 1947 and 1948 and noted the improvements in national budgeting achieved by Haavelmo resulting in a much slimmer and more transparent publication in 1948 and with some elements of welfare economics added to it (Klein 1948, 812). Bourneuf (1958) also commented upon this improvement.

The studies cited above remarked on the healthy and resilient political democracy in Norway. Sæther and Eriksen have the guts to assert that when, after twenty years, the Labor Party was voted out of power in 1965 and replaced with a majority coalition government “the power of the Oslo School economists in the ministries was so strong that there was no change in the main features of the economic planning” (2014, 62). The suggestion that a government which came into power after 20 years in opposition, not least about economic policy, refrained from action due to the “power of...economists in the ministries” is neither believable nor true. There is an air of unreality over this and some of the other of the authors’ statements.

Sæther and Eriksen have difficulty explaining when the regime they have conjured up ended. They write in one place about “the central economic planning system from the mid-1940s to the mid-1970s” (2014, 73) and in another place that “at the end of the 1970s the inefficiency of the planned economy impelled a change” (abs.). They seem to suggest that the Norwegian economy had come to the brink of collapse, which is what centrally planned economies do when they are abolished, but there wasn’t any collapse, and rationing and the strict control measures had ended 20 years earlier. The austerity policy of the early years continued in a relatively smooth way in the build-up of the Norwegian welfare state. Internationally the 1970s were marked by oil price hikes and stagflation. It was a difficult period in many countries, including Norway but not due to “central economic planning.” The difficulties included the readjustment of the industrial structure, as pointed to by the authors. They let it pass unmentioned, though, that the GDP growth rate through the 1970s was higher in Norway than in any other OECD country, while the inflation rate was below the average.

Also notable is the blame put on economists. Sæther and Eriksen assert, with reference to Espen Søylen (2002), that in the 1970s “economists at the Ministry of Finance were unable to level self-criticism” (Sæther and Eriksen 2014, 70), rubbing the point in by adding that “the top management of the Ministry...for years had indulged a system in defiance of economic reality” (ibid.). This is unusual criticism in a Norwegian context and hard to take seriously. Although the authors state, as mentioned above, that the central economic planning lasted until the 1970s, they seem to revise this towards the end of the paper as they state that first “during the 1990s the elaborate system of detailed economic planning and control came

to an end” (ibid., 73). In the very last sentence they say further that “Norway has overcome the worst excesses of the tide that rose and partially receded in the twentieth century, but there still remains much scope for improvement” (ibid., 74). Is “improvement” perhaps suggesting eradication of irresponsible economists?

## The demonization of Frisch

The most problematic—and somewhat unpleasant—aspect of Sæther and Eriksen (2014) is what for lack of a better word can be called the attempted demonization of Ragnar Frisch by means of false assertions, tainted terms, made-up ‘facts’, and odd imputation of intentions. The authors foreshadow their infamous treatment by noting that “as often is the case for famous people, there is also another story to be told” (p. 48), like a suggestion of hidden truth.

Frisch was, needless to say, very well known, highly respected, and admired by most Norwegian economists. This is not inconsistent with the fact that many—perhaps most—of them disagreed with Frisch on many issues, particularly on economic policy. Except during the war years, discussions among economists were indeed frequent, conducted openly in newspapers and other media, especially about the government’s economic policy. Sæther and Eriksen (2014) make a point of denoting some economists, whether Frisch’s university colleagues, assistants, or others, as Frisch’s “disciples” and “supporters” as if he was a religious sect leader or a political agitator. It is unseemly and uncalled for.

But it is worse than that. Sæther and Eriksen make up a story that Frisch in the 1930s built up the “Oslo School of economic research and teaching” (2014, 53). The term itself is innocent enough. But what is the purpose? The authors use this label to speak about, for example, “leading economists of the Oslo School” (ibid., 72) or “the fundamental principles of the Oslo School” (ibid.).<sup>9</sup> According to the authors Frisch gathered his “disciples” in the “Oslo School” and indoctrinated them in the 1930s to believe in “state governance with detailed regulations and selective policies for all branches of industries” with “no place for private investors or entrepreneurs” and where “economists should make the important investment decisions” (ibid., 53-54). It is false through and through, although we cannot rule out that this is what these authors believe. They also depict Frisch as a scheming Machiavellian in the 1930s: “A crude theory would be that a yearning to see himself in with a governing set led Frisch to bend his thinking to make himself viable with

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9. The expression “Oslo School” could be heard used occasionally in the 1960s and 1970s, e.g., by Copenhagen economists who generally had great admiration for the economics that emerged from Frisch’s Institute and used the expression as a counterpart to the (defunct) “Stockholm School.”

the one power faction that seemed open to him” (ibid., 51). Again a derogatory insult without a shred of evidence.

In the world of Sæther and Eriksen, Frisch was in complete control of his “disciples” and he directed them to put in place all the evil deeds of the postwar economic policy, such as when they assert that Minister of Finance Erik Brofoss, the strong man in the postwar cabinet, merely “implemented Frisch’s economic thinking in government” (ibid., 59). The foreign researchers cited above did not have Sæther and Eriksen’s imaginative power and apparently did not fathom that Frisch was behind it all! The demonization ends with “Frisch’s grand vision being dissolved,” the “overcoming of Frisch’s influence and legacy,” and it becoming “brighter” (ibid., 71, abs.). This comes amusingly close to evoking Frisch as the Prince of Darkness! This kind of denigration and calumny of Frisch is quite deplorable, and it is astonishing that it has found its way into the columns of a respectable journal.<sup>10</sup>

This odd treatment of Ragnar Frisch evokes Henrik Ibsen’s statement in *Peer Gynt* that “no man’s a prophet in his native land” (Ibsen 2007/1867, 68).<sup>11</sup> Sæther and Eriksen may have seen themselves in the role of the somewhat dubious character of the “Button molder” who bestows the final verdict on Peer Gynt:

You were ordained as a button that shone  
on the coat of the world—but your shank has gone;  
and so for you it’s the reject dump,  
there to be rendered (we say) in the lump.  
(Ibsen 2007/1867, 107)

## Additional comments

Sæther and Eriksen (2014) is fraught with numerous infelicities; just for the record a few of them are commented below.

Leif Johansen was the only student of Frisch and Haavelmo who measured up to his teachers’ excellence. Those who knew Johansen will hardly agree to Sæther and Eriksen’s characterization of him as “aggressive” (2014, 56). Johansen’s doctoral dissertation of 1960 is characterized by the authors as “the foundation for

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10. Another grudge from Sæther and Eriksen is that due to Frisch’s influence the entrepreneur “remains absent from economics education in Norway,” and it is worse than that as this is “representative of more general problems in much of mainstream professional economics” (2014, 74)!

11. Ibsen had borrowed it from the New Testament: “But Jesus said unto them, A prophet is not without honour, save in his own country” (Matthew 13:57).

long-term economic planning by the Ministry of Finance” (ibid.). It is correct that it was adapted to fit the Ministry of Finance’s model needs in the late 1960s. In fact it is still used, in newer versions, by the Ministry for Finance for the same or similar purposes. But the authors suppress that Johansen’s dissertation originated the computable general equilibrium model tradition, a versatile tool used in hundreds of applications by the World Bank alone (Bjerkholt 2009). Some of the early practitioners in this line of modeling, who used Johansen’s dissertation as a manual, are convinced that Johansen would have been awarded the Nobel Prize for this work if he hadn’t died prematurely in 1982 at the age of 52.

For no obvious reason the authors provide the following information: “Clifford Hildreth (1917–1995) at the University of Minnesota was advisor for Arild Sæther from 1966 to 1968. He was at the Cowles Commission at the same time as Haavelmo. He claimed that Haavelmo had a tremendous influence on the research environment. At lunch and coffee breaks Haavelmo distributed new ideas and research proposals freely to his colleagues” (Sæther and Eriksen 2014, 56 n. 19). But Haavelmo had left Chicago two years before Hildreth arrived.<sup>12</sup>

Haavelmo was *not* visiting professor in Aarhus in 1938 (he was a lecturer), and he was *not* a research fellow at Harvard (he studied at Harvard while a Rockefeller fellow), nor was he a contemporary at the Cowles Commission with Gerard Debreu and Herbert Simon. Sæther and Eriksen describe Haavelmo’s famous 1944 dissertation as showing “that the results of many of the methods used to that time had been misleading,” but Haavelmo’s 1944 dissertation did not discuss statistical methods in use or the work of any practitioners. The authors assert that Haavelmo “did not believe in neoclassical equilibrium theory,” but Haavelmo did not consider theories as objects of belief (cf. Sæther and Eriksen 2014, 55-56).

Ragnar Frisch graduated from the University of Kristiania, also known as the Royal Frederick University. Frisch did not work in 1925 as assistant on a “research program in production theory led by professor Petter Thorvald Aarum”, as no such research program existed at that time, and neither did professor Aarum work on production theory in 1925–26. Frisch’s doctoral dissertation from 1926 was not on time series. Frisch’s chair was not created by the university by funding from the Parliament (an impossible procedure) but granted in the fiscal budget after approval by the Parliament (cf. Sæther and Eriksen 2014, 47).

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12. See the Cowles Commission reports for 1947 ([link](#)) and 1948–49 ([link](#)).

## Conclusion

Sæther and Eriksen (2014) tell their story of the role of economists in an important period in Norwegian economic history. One of their assertions, although not about economists, is that Norway is (was?) a “relatively culturally insular country” (p. 46). In fact, after the independence of the State of Norway in 1814, authors, playwrights, and poets were joined by painters, sculptors, composers, philosophers, mathematicians, explorers, and scientists in an active exchange and interaction with other nations. The assertion adds to the impression noted above that Sæther and Eriksen’s perception of reality is sometimes peculiar. They have difficulty in setting out a structured argument and in distinguishing between proper evidence and casual and irrelevant statements. A further weakness of the article is a slight element of prejudice and ideological bias, not sobered by adhering to facts. They have obviously worked very hard to complete the paper.

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