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Trygve Haavelmo [[Ideological Profiles of the Economics Laureates](#)]

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Abstract

Trygve Haavelmo is among the 71 individuals who were awarded the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel between 1969 and 2012. This ideological profile is part of the project called “The Ideological Migration of the Economics Laureates,” which fills [the September 2013 issue of *Econ Journal Watch*](#).

Keywords

Classical liberalism, economists, Nobel Prize in economics, ideology, ideological migration, intellectual biography.

JEL classification

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http://econjwatch.org/file_download/727/HaavelmoIPEL.pdf

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Trygve Haavelmo

by Daniel B. Klein, Ryan Daza, and Hannah Mead

Trygve Haavelmo (1911–1999) was born in Skedsmo, Norway, and grew up in Stømmen. Haavelmo graduated from high school in 1930, during the Great Depression. He intended to pursue his university degree in philology or engineering but decided on economics (Bjerkholt 2006, 319).

Haavelmo earned his undergraduate degree in economics from the University of Oslo in 1933, studying under and greatly influenced by Ragnar Frisch. Haavelmo became a research assistant in Frisch's Institute of Economics between 1933 to 1937. Over the following decade, Haavelmo had a variety of appointments and positions in Norway and the United States. Germany's occupation of Norway kept Haavelmo in the United States longer than anticipated (Bjerkholt 2006).

Olav Bjerkholt suggests that Haavelmo worked to shore up ideas put forward by John Maynard Keynes:

A large proportion of Haavelmo's theoretical work during the war concerned macroeconomic questions, based, not least, on Keynes. He was not convinced of the excellence of Keynes's theory in every area and propounded the need to "dynamise Keynes". Keynesian theory also informed a paper on fiscal policy in a situation with unemployment, which he published towards the end of the war. Haavelmo became known as the father of the balanced budget multiplier theorem. (Bjerkholt 2006, 346)

After the war, Haavelmo spent a year at the Cowles Commission in Chicago before returning to the University of Oslo and becoming a professor there for thirty-one years. He was awarded the Nobel Prize in 1989 "for his clarification of the probability theory foundations of econometrics and his analyses of simultaneous economic structures."

Haavelmo seems never to have expounded his political views. His fellow Oslo professors Karl Moene and Asbjørn Rødseth (1991, 175) remember, "Although intensely interested in policy questions, he has never entered public debate and has always avoided publicity."

Still, Haavelmo certainly had an impact on Norway's policies. In 1945 he joined the Labour party committee for economic policy. Two years later he became chief of Norway's finance ministry, and he was key in Norway's reconstruction path (Moene and Rødseth 1991, 177). His students, as well, often went into government service, and "[f]or a couple of decades there was hardly a cabinet in Norway without a minister who had been taught by Trygve Haavelmo" (Christiansen and Rødseth 2000, 182).

While involved in politics, Haavelmo advocated "for more market-oriented policies with less price regulation and fewer subsidies" (Christiansen and Rødseth 2000, 185). In his economic work, he opposed rent-seeking as being inefficient (ibid., 183). Bjerkholt (2006, 348) writes: "Politically, Haavelmo remained closely attached to the Labour Party all his adult life. He hardly ever considered a career in politics, but he always displayed a strong interest in policy-making and an ability for giving constructive advice." Bjerkholt describes Haavelmo's activities in government service and advising, and continues:

In the early post-war period Haavelmo enjoyed good relations with the leading Labour politician and future prime minister Trygve Bratteli. ... Following Labour's electoral defeat and return to the opposition benches in 1965, Haavelmo agreed to sit on the Labour Party's economic policy committee, which was headed by Bratteli. There was one basic political question on which they could not agree. Haavelmo,

like Frisch, actively opposed, if somewhat less vociferously, Norway's prospective membership of the EEC. Membership returned to the political agenda in the early 1960s, and again in 1972, with the referendum. Haavelmo remained a member of Labour's economic policy committee for a good many years after the referendum. Haavelmo's contributions were few, but each one was a well-thought-through, concise and pedagogically brief lecture. (Bjerkholt 2006, 349)

Haavelmo expressed concerns about sustainability with large populations, particularly because of accumulating pollution (Haavelmo and Hansen 1992, 40; see also Christiansen and Rødseth 2000, 190). The tension between economic growth and use of natural resources was a common theme in his work (Moene and Rødseth 1991, 177). Haavelmo had a love of nature, which he at times expressed in art: "A painting of a bulldozer threatening some flowers reveals his preoccupation with the environment and the future of the earth. Proximity to nature was of great importance to him." (Christiansen and Rødseth 2000, 182).

Haavelmo saw economic systems as endogenous—best decided by the preferences of the people in a society (Moene and Rødseth 1991, 189). In his Nobel lecture, Haavelmo avoided any policy discussion, sticking to proposing a new way to approach economics, namely, analyzing society instead of individual choice: "Starting with some existing society, we could conceive of it as a structure of rules and regulations within which the members of society have to operate" (Haavelmo 1992).

Sukhpal Singh and Vinod Vyasulu read Haavelmo's work as leaning toward planning, rather than *laissez-faire*: "Although Haavelmo himself does not get into issues of ideology and politics, it appears to us that many of the conclusions that follow from his models would tend to suggest a framework of economics that we would call a planning framework as opposed to a free market framework" (Singh and Vyasulu 1989, 2649).

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John C. Harsanyi

by Daniel B. Klein, Ryan Daza, and Hannah Mead

John Harsanyi (1920–2000) was born in Hungary. He was an only child born of parents who converted to Catholicism from Judaism (Weymark 2008, 247). He graduated from the Lutheran Gymnasium in Budapest, alumni of which include John von Neumann. The year Harsanyi graduated, 1937, he won the First Prize in Mathematics at a nationwide competition for high school students. With the influence of Hitler’s Germany on the rise in Hungary, Harsanyi decided to study pharmacy in order to obtain a military deferment and thus avoid forced labor on behalf of the Hungarian army—but when Germany invaded in 1944, he was consigned to a labor unit. Fortunately, Harsanyi managed to escape just as his unit was being deported from Budapest to a Nazi concentration camp. He found refuge in a monastery cellar provided for him by a Jesuit priest he had known (Harsanyi 2009, 223-224).

Harsanyi studied philosophy and developed a principle of rule utilitarianism, favoring a society that would “recognize morally protected individual rights and personal obligations that must not be violated except in some very rare and very special cases” (Harsanyi 1985a, 55). Harsanyi’s early economic work focused on welfare economics (Myerson 2008), but he won the Nobel Prize in 1994 along with Reinhard Selten and John Nash “for their pioneering analysis of equilibria in the theory of non-cooperative games.”

After World War II, Harsanyi was able to return to the University of Budapest, where he earned his Ph.D. in philosophy in 1947. Between 1947 and 1948, he served as a junior faculty member at the University Institute of Sociology.