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Bertil Ohlin [Ideological Profiles of the Economics Laureates]

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Abstract

Bertil Ohlin 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.

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Bertil Ohlin

by Niclas Berggren

Bertil Ohlin (1899–1979), professor of economics and Nobel laureate in 1977, developed a social consciousness early on, both because of his mother’s involvement in assisting the poor and because of his going to school with less well-to-do children.

In the 1920s—also Ohlin’s twenties—he argued that the best method for helping the less fortunate was to increase economic growth: only by creating and sustaining conditions for higher production levels could living standards rise over the long term. He does not seem to have been very influenced by some radical contacts made in his early years (such as the British Fabians), although such influences were to matter later. Thus, he initiated his academic career in ideological agreement, at least on most issues of economic policy, with the leading Swedish economists of the day, Gustav Cassell and Eli Hecksher, who were devoted classical liberals. Heckscher helped Ohlin secure his first professorship at the University of Copenhagen when Ohlin was only 25 years old. Heckscher was also instrumental in Ohlin’s subsequent transfer, in 1929, to the Stockholm School of Economics (Heckscher’s own institution), where Ohlin was to remain.

An important reason for the attractiveness of classical liberalism among Swedish economists in the middle and end of the 1920s was the fact that a most severe economic crisis was gradually overcome by means of market-oriented measures. Between 1923 and 1929 the Swedish economy developed very well: prices were stabilized, unemployment fell, and GDP growth turned positive again. This was pointed out by Ohlin in a speech to the Copenhagen Student Association on February 14, 1926, where he voiced skepticism about government intervention and regulation (Larsson 1998, 42). In an interview in the newspaper *Ekstrabladet* on December 27, 1926, Ohlin asserted that market adjustments were instrumental for reducing unemployment (*ibid.*, 87). The task of government is primarily to facilitate

labor mobility and to ensure that social measures do not diminish the incentives of unemployed persons to look for work. A month later in the *Stockholms-Tidningen* newspaper, Ohlin wrote: “The great speed with which wages were adjusted in the new situation most importantly contributed to shortening the crisis” (ibid.). In a farewell speech to the Copenhagen Student Association, he thought it “nonsense” to view the unemployment problem as the most important social issue of the day: that problem would largely take care of itself through marked adjustments (ibid., 58).

The *Ekstrabladet* interview led to Ohlin being criticized in Sweden for exemplifying the dogmatic view of economists (ibid., 87). Moreover, the Danish daily *Social-Demokraten* and its writer Knud Korst criticized Ohlin on December 3, 1926 for being one-sided in his pro-market speeches. Among the things that Korst disliked were Ohlin’s advocacy of liberalizing markets, his critique of the wage policies of the labor unions (which Ohlin saw as the cause of unemployment; instead, he wanted wage rates to be more flexible), and his view of wealth accumulation as conducive to capital investment (ibid., 54).

But during Ohlin’s stay in Copenhagen, which lasted from 1925 to 1929, he began his ideological reorientation which connected his early social involvement to his observations on problems in the worldwide economic system. Fellow economist Lauritz Birck exercised considerable influence in this regard. Ohlin recalled:

I learned a lot from Birck. ... His disclosure of the shortcomings of the economic system and the great risks to many people of an uneven distribution of power made things clear to me which I had hitherto not paid much attention to. ... As I pointed out earlier, I had already, during my days in Lund, become interested in Rigano’s proposal for high inheritance taxes. Now I drew the conclusion that an increase in income taxes through steeper progression was also well motivated. (Ohlin 1972, 122-123)

Another figure having influence on Ohlin was Danish politician Peter Munch, whose “social radicalism” entailed higher taxation, redistribution, a social-reform plan to reduce differences in living standards, as well as nationalized unemployment and accident insurance.

But the single most important source for Ohlin’s change in ideology was John Maynard Keynes, especially with his book *The End of Laissez-Faire* (1926). Keynes argued for a new liberalism which would aim for both freedom and safety in life, and a prime method was government measures of various sorts: “Our problem is to work out a social organisation which shall be as efficient as possible

without offending our notions of a satisfactory way of life” (Keynes 1926, 53). Towards the end of the 1920s, Ohlin began to view his role as one of launching this new liberalism in Scandinavia—and this perception was reinforced by the ensuing worldwide depression. Ohlin agreed with Keynes that the depression showed the weakness of the free-market system. In his memoirs, Ohlin stated:

The view that the old “let-go liberalism” had outlived itself was further confirmed, when I read Keynes’s little book “The End of Laissez-Faire” the following year. In 1927 I wrote a few articles on “Liberalism at the Crossroads.” The development showed, more and more clearly, that one must accept the demand for “planned organization.” (Ohlin 1972, 180)

There were some early signs that Ohlin was not a firm classical liberal. As noted, he favored high inheritance taxes at an early age. Also, on April 26, 1925, he wrote an article in *Stockholms-Tidningen* which, probably for the first time, expressed his appreciation of the “new liberalism” of Keynes and other British economists in somewhat systematic terms.

In connection with the economic problems in the 1930s, Ohlin gradually came to accept not only active stabilization policies but also regulation of agriculture and workplaces. Keynes’s *General Theory* (1936) met with great approval, but Ohlin, together with other economists in the so-called Stockholm School, had actually preceded Keynes on several counts, e.g., by having focused on total demand and by having introduced uncertainty (as specified by Ohlin in a letter to the Keynes scholar Don Patinkin on January 6, 1976; see Larsson 1998, 98; cf. Ohlin 1972, ch. 13). One can also add that Ohlin’s general outlook on politics was perhaps conducive to a greater acceptance of economic planning: he was rationalistic and held academic thinking in high regard.

As for Ohlin’s political involvement, in 1934 he was elected chairman of the Liberal Youth Organization of Sweden, in 1938 he was elected Member of Parliament, and in 1944 he became leader of the Liberal Party—a position he was to hold for 23 years. There are signs that Ohlin’s return to Stockholm from Copenhagen was partly motivated by a desire to become involved in politics. In an April 1929 letter to Professor Bernhard Karlgren, he wrote:

I have always had in my mind that I should try to come to Stockholm, partly because I am very interested in politics. When I have done away with some scientific work in five to ten years, it is quite possible that I start doing politics. (quoted in Larsson 1998, 111)

It seems fair to say that Ohlin's political interest emerged during the tenure in Copenhagen; before the mid-1920s, he had remained focused on academic discussions. Interestingly, this development also appears to have been influenced by the example of Keynes: like him, Ohlin began to think it necessary for economics to have a practical direction and for economists to take part in debates on economic policy.

Ohlin's old benefactor Heckscher began to notice the ideological change during Ohlin's last year in Copenhagen, not least the effect of Keynes. In 1930, Ohlin became professor at the Stockholm School of Economics and was to come into grave conflict with Heckscher. In a letter of August 25, 1935, Ohlin writes, "To some extent your disillusion [with Ohlin's dissociation from laissez-faire ideas] may depend on an inability to comprehend the personal development I underwent from 1925 to 1929, among other things under the influence of Birck" (Larsson 1998, 105).

This conflict was, on the one hand, professional: Ohlin increasingly attacked Heckscher's brand of liberalism and its free-market economics, and this took place both in the Political Economy Club in Stockholm (a discussion group for the leading economists) and in the newspapers. In *Stockholms-Tidningen* during August 1933, Ohlin criticized "the acknowledged authorities" who have a hard time understanding the demands of the age, "caught up as they are in the experiences of the pre-war era, which have degenerated into prejudices" (ibid., 103). Heckscher responded by sharpening his criticism of government intervention (see on this Carlsson 1994). The professional tensions spilled off into the private sphere. In a letter of June 21, 1935, Heckscher accused Ohlin of being "an apostle of central planning" (Larsson 1998, 103), and Ohlin soon replied that "All preconditions for a friendly relationship between Heckscher and Ohlin are missing" (ibid., 106).

Ohlin was to retain his "social-liberal" (Ohlin 1949, 97ff.) views for the remainder of his life, and he never returned to the more classically liberal elements of the early and mid-1920s. However, it bears noting that after World War II, Ohlin's ideological foe was not perceived to be classical liberalism but the more radical variants of collectivism advanced by some leading figures in the ruling Social Democratic Party. Ohlin successfully argued against excessive taxation and socialization of the means of production from the beginning of the Social Democratic reign (see, e.g., Ohlin 1982/1936).

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Elinor Ostrom

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

Elinor Ostrom (1933–2012), born Elinor Awan, was raised in Los Angeles:

She grew up in an era of economic depression that led into a resource-consuming war, in a city where fresh water was a prized commodity. “My mother had a victory garden during the war,” [Ostrom] recalls, “so I learned all about growing vegetables and preserving them by canning, and that was a wonderful experience that a lot of urban kids don’t ever learn.” (Zagorski 2006, 19221)

While in high school, she competed in debate, an exercise which taught her “there are always at least two sides to public policy questions, and you have to learn a good argument for both sides as well as knowing how to critique both sides” (Ostrom 2010a). Ostrom “recalls watching the Joseph McCarthy hearings on her family’s first television set and getting involved in a substantive disagreement with her mother” (Zagorski 2006, 19221). The first person in her family to attend college, Ostrom worked three jobs through her undergraduate education at UCLA, where she “was trained heavily in economics” (Ostrom 2009a). After working for several years she returned to UCLA for graduate work. Ostrom recalled:

My initial discussions with the Economics Department at UCLA about obtaining a Ph.D. in Economics were...pretty discouraging. I had not taken mathematics as an undergraduate primarily because I had been advised as a girl against taking any courses beyond algebra and geometry in high school. While the Economics Department encouraged me to take an outside minor in economics for my Ph.D.,