

Barber, William J., *Gunnar Myrdal. An Intellectual Biography*

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Gunnar Myrdal. An Intellectual Biography is part of Palgrave Macmillan's Great Thinkers in Economics series.² Under the general editorship of A. P. Thirlwall, the intention of the series is not to provide complete biographies, but to focus specifically on the writer's contributions to economics. William J. Barber, the author of *Gunnar Myrdal*, has written a number of distinguished books on the history of economic thought and the history of economic policy. Barber discloses in the Preface that he was part of Myrdal's research team for one of his major works, *Asian Drama: An Inquiry into the Poverty of Nations*.

In the early 1930s Myrdal published, in quick succession, two works which created his reputation as an economic thinker. In *The Political Element in the Development of Economic Theory* he dismissed the frequent assertion by theoretical economists that their work was free from subjective judgments, and questioned whether writing in economics could ever be free from value judgments. In his *Monetary Equilibrium*, starting from Wicksell, he drew attention to variations between the 'natural' and 'market' rate of interest.³ If the market rate fell below the natural rate, investment would increase and prices would rise; the reverse sequence would induce a decline in prices. His own contribution was the importance that he attached to the separate roles of saving and investment, and the relationship between them, which could differ at different points within a cumulative movement.

Barber points out that it was the translator of Myrdal's *Monetary Equilibrium* from Swedish to German who coined the expressions *ex ante* and *ex post*. These terms were to be used frequently after the publication of Keynes' *General Theory* to explain how an initial imbalance between the propensity to save and the propensity to invest could induce a change in output, leading to a new equilibrium between saving and investment. In other words, there could be an

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² Other books in the series include studies of the intellectual contributions of Keynes, Marshall, Schumpeter, Modigliani, Buchanan, Marx, Kaldor, Sraffa, Kalecki, Galbraith, Harrod, Pigou, Joan Robinson and her Circle, Solow, Smith and Robertson.

³ The former being the rate of return on capital, while the latter was the rate of interest that prevailed in the market place.

imbalance, *ex ante*, between saving and investment, but they would equilibrate, *ex post*, as a result of a change in economic activity.

Myrdal highlighted that, although some of these ideas had been developed earlier by Swedish writers (including Wicksell), they had been taken up by British writers, including D. H. Robertson in *Banking and the Price Level* and by Keynes in his *A Treatise on Money*. To Myrdal, the failure to acknowledge developments in Swedish economic thinking was an example of what he called the 'attractive Anglo-Saxon kind of unnecessary originality'. Barber rightly devotes a considerable amount of space to reviewing the debate as to whether Swedish economists of the 1920s and early 1930s anticipated Keynes, and whether the 'Keynesian revolution' should more properly be termed the 'Myrdal-Keynes revolution'.

Barber himself seems to suggest that Myrdal is entitled to a share in the authorship of this revolution. But he has neglected Don Patinkin's work on anticipations of the *General Theory*, which, to this reviewer, convincingly demonstrated that it was Keynes who made the decisive breakthrough by focusing on changes in output as the equilibrating mechanism between saving and investment, rather than changes in prices, as Myrdal had argued (and as Keynes himself had earlier proposed in *The Treatise on Money*). Similarly, in reviewing the literature on the advocacy of public expenditure as a device to expand employment, Barber fails to mention that Keynes as early as 1924 was advocating increased expenditure on public works. This was almost a decade before Myrdal began to call for similar programs of public expenditure for the purpose of alleviating unemployment.

In 1934, together with his wife Alva, Myrdal published the results of an investigation of the slowdown in population growth in Sweden and its implications for the preservation of economic stability. Later, in 1938, the problems associated with a slowdown in population growth formed the basis of Gunnar Myrdal's Godkin Lectures delivered at Harvard University. The conclusion of all this work was that a faster rate of population growth would enhance economic stability through the additional demand for goods and services, especially for consumption goods. It was stressed that the costs of extra children would impose a heavy financial burden, especially upon lower-income families. The Myrdals argued that the government should assist such families by subsidising their medical, educational and other costs. In making these recommendations, Barber suggests that Gunnar and Alva Myrdal were the principal architects of Sweden's welfare state.

Perhaps Myrdal's most enduring contribution to human society was his work for the Carnegie Foundation on the condition of the American Negro. Entitled *An American Dilemma: The Negro Problem and Modern Democracy*, Myrdal's report, published in 1944, was highly influential in ending aspects of racial

discrimination in the United States through judgments by the Supreme Court, of which the decision in the case of *Brown versus the Board of Education of Topeka* in 1954 constituted the major breakthrough. Myrdal's key argument — that there was an inconsistency at the heart of the American 'creed' between the ideals of human freedom as expressed in the Declaration of Independence and the American Constitution, and the reality of American life as demonstrated by official discrimination against Afro-Americans — was frequently cited before the Supreme Court and in the movement for racial equality led by Martin Luther King and other advocates of civil rights. Barber is highly persuasive in demonstrating the extraordinary power of Myrdal's argument and the validity of his conclusion that equality for Afro-Americans would never be achieved until the removal of discrimination allowed them to participate in the mainstream of American life.

Following his brief and unsuccessful appointment as Sweden's Minister for Commerce between 1945 and 1947, Myrdal spent 10 years as the inaugural head of the Economic Commission for Europe, an agency of the United Nations, where he created one of the world's leading centres for the conduct of applied economic research and policy advice. On leaving the Commission in 1957, Myrdal embarked upon his final major work; the three-volume study of economic development in south and south-east Asia entitled *Asian Drama*. As with *An American Dilemma*, Myrdal was able to attract funding from an American philanthropy, this time the Twentieth Century Fund.

India was the country that attracted most of his attention, being the largest country in the region and the one most committed to accelerating economic growth and development at the time that he commenced to work on the project. Considerable attention was directed to institutional difficulties that were inhibiting economic advancement, such as public corruption, the need for land reform, social institutions such as India's caste system, and the insufficient attention that was paid to poverty reduction and educational advancement. The importance of promoting agricultural productivity was given special attention, though Myrdal also argued that industrial development should be promoted by encouraging import replacement.

For several reasons, the massive *Asian Drama* did not have the impact of *An American Dilemma*. One problem was that it lacked a central, unifying theme, such as the idea of incongruity between ideals and reality which lay at the heart of *An American Dilemma*. Instead, *Asian Drama* was somewhat disorganised, and deficient in its application of economic analysis. And it failed to recognise the benefits that were soon to be derived by those developing countries that had commenced to open their economies to international trade and to market forces generally.

Barber examines in varying degrees of depth most of Myrdal's contributions to economics. He reveals the enormous range and originality of Myrdal's work and highlights the fact that Myrdal exhibited both initiative and courage in discovering and developing new fields of research interest and applying novel research methods. This is what the Swedish Academy had stressed in its citation for the Nobel Prize in Economics, that Myrdal won (jointly with Friedrich von Hayek) in 1974.

Myrdal himself came to regret his acceptance of the Nobel Prize. Though he had been one of the strongest advocates of a prize for economics, he later thought that this was a mistake. In particular, he believed that the selection committee had favoured a certain type of economist, one that had a somewhat narrow conception of how the study of economics should be undertaken. As for his sharing of the prize with Hayek, Myrdal later was inclined to agree with members of his family and his closest colleagues that the selection committee had indulged itself in something of a private joke. While they admitted that Myrdal's name had been raised as a possible recipient each year since the prize for economics had been created, they also acknowledged that Myrdal had strong critics in the economics profession because of his political views, his criticism of conventional methods used in economic analysis and for his tendency to stray outside the mainstream of the discipline. Why not award him the Nobel Prize but award it jointly with an economist from the other side of the political spectrum?

As one would expect from William Barber, this is a well-constructed, clearly written and highly competent work. He has largely succeeded in executing his aim, which was to write 'an intellectual biography of one of the most creative and influential economic thinkers of the twentieth century'. Myrdal's work will not appeal to everyone who is interested in the evolution of economic thought and policy, but his coverage was such — from pure theory to institutional economics and economic sociology — that there will be enough in the book to sustain the interest of most readers. A reading of it might encourage someone to write a comprehensive biography of Myrdal.