A hidden duel

Gunnar Myrdal and Dag Hammarskjöld in Economics and International Politics 1935-1955

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A hidden duel: Gunnar Myrdal and Dag Hammarskjöld in Economics and International Politics 1935-1955
Conflict and cooperation in the careers of two internationally active Swedes

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Abstract: Characterizes conflict and cooperation in the intertwined careers of Gunnar Myrdal and Dag Hammarskjöld as economists, actors in Swedish policy 1940-1947 and international civil servants, Myrdal being Executive Secretary of the UN ECE 1947-1957 and Hammarskjöld being General Secretary of the UN 1951-1961. In economics the difference between dynamic and neoclassical approaches are noted. It contrasts Myrdal’s very early formulation of growth oriented financial policy with the very lasting refusal of counter-cyclical policies of the Swedish government under the influence of Hammarskjöld. In regard to official US postwar policies their differences are highlighted from the pre-cold war period as well as from the early fifties, Myrdal defending a ‘universalist’ position trying to defend the ECE against power policy intrusion whereas Hammarskjöld wanted to ‘proceed with caution’ in regard to what he considered to be ‘a friendly government’. Their differences are traced to personal backgrounds while at the same time expressing principal dilemmas facing civil servants in international organisations in a political climate of strong tensions between national interests.

Key words: Swedish economic policy, history of economic ideas, intellectual history of United Nations, Gunnar Myrdal, Dag Hammarskjöld
The centennial birthday of Dag Hammarskjöld, General Secretary of the United Nations 1951-1961, were occasion for different kinds of commemorations. Most of them of course focussed on the significance of his years at the head of the UN and its present relevance. But other facets of his multifaceted personality was certainly featured: the posthumous publications of his Road Marks in showed the depth of his religious and philosophical interest as well as his gifts as a poet.

There is however a great lacuna in present literature about his career: very little has been written about his years in Sweden prior to his nomination to the UN post, aspects that are necessary in order to understand both how his outlook was moulded and why he was nominated and accepted by the representatives of the United States.

The accidental death of Hammarskjöld in a still not fully investigated air plane crash in Africa has both strengthened the memory of his work and given it altered proportions. At a commemorative meeting after the funeral of Hammarskjöld another internationally active Swede, Gunnar Myrdal, said: “He will live on as a myth and a symbol. He will continue to serve as he always did, but henceforth unable to influence what interests he will serve and to what practical purposes he will be used.”

At that occasion Myrdal also voiced a hope: “Eventually historical research will force its way through the mythmaking, even if it may take a long time before all facts are elucidated in a such a complex matter where such strong interests are involved. But it can be foreseen that much will then appear in a new light and that a lot of what is now said in different quarters will show itself to be the product of shallow and interest-guided prejudices.”

This veiled challenge to historians to reappraise the work of Hammarskjöld acquires all the more interest the more you know about the producer of the challenge: Gunnar Myrdal had not only worked together with Hammarskjöld on the highest UN levels for a decade as Executive Secretary of the UN Economic Commission for Europe. He was also building on twenty years of intermittent collaboration with Hammarskjöld in government circles in Sweden. In fact their careers, both nationally and internationally, are intertwined to a degree that is little known.

In highlighting a series of encounters between the two of them I would therefore like to portray the ‘hidden duel’ that helped to shape the stature of Dag Hammarskjöld, the General Secretary. Both their careers have something more general to say about the conditions for creating an international civil service ethos, above national interests. In conclusion a discussion of some of these aspects will be given.


2 In this narrative I will build mainly on the personal archives of Dag Hammarskjöld at Kungliga Biblioteket (the Swedish Royal Library, henceforth DH.KB) and of Alva and Gunnar Myrdal at Arbetarrörelsens Arkiv och Bibliotekand (the Archives and Library of the Swedish Workers Movement, hf AGM.ARAB), on the archives of the Swedish Foreign Office at Riksarkivet (the National Archives, hf UD.RA) but in its general aspects it draws on my study of Sweden’s postwar planning and economic policies 1943-1947, Örjan Appelqvist, Bruten Brygga. Gunnar Myrdal och Sveriges ekonomiska efterkrigspolitik 1943-1947 (Stockholm 2000).
1. Swedish encounters

When examining the careers of internationally active politicians the importance of their formative years is often overlooked when they come from small countries whose archives are not readily accessible for people not fluid in the local language. When discussing the relations between Hammarskjöld and Myrdal this background is especially important: when they engaged on the international arena they had already all their formative struggles behind them.

1.1. The academic battle in 1933

On May 30th 1933 Dag Hammarskjöld, a 28-year old economics student was presenting his doctoral thesis on the dissemination of business cycles, “Konjunkturspridningen – en theoretisk och empirisk studie”. He was a young man reserved in attitudes and with a clear awareness of the high expectations laid upon him. He came from a family with counted itself as one of the most prominent within the Swedish civil service aristocracy. His father had been prime minister and member of the Swedish Supreme Court and ending his career as county governor. The biography of Hammarskjöld’s youth presents him as a reserved and cautious young man, dominated by a forceful mother but with the shadow of the often absent father looming large.

In the Swedish examination system the needle’s eye of the doctorate is a disputation where the respondent has to confront the critique of an opponent examining the scientific value of the thesis. Could you ever have met an opponent more fierce? Gunnar Myrdal, then aged 35, was the brash new star on Sweden’s academic firmament. He had just completed what was called a patricide on the earlier neo-classic generation of Gustaf Cassel and Eli Heckscher with a dissertation on price formation theory acclaimed even by his opponents and a book criticizing the hidden value premises behind neo-classic theories. Together with his wife Alva he had joined the Swedish Social Democracy and created a large circle of modernizers including architects, artists, young economists embracing anti-nazi cultural radicalism even before Hitler’s coming to power. Engaged in opening new horizons with the reckless energy of a parvenu, coming from a peasant’s and building entrepreneur family. With nothing to fall back on except brain and self-confidence he was attracted by all kinds of radical conclusions. Moreover he had a love for the provocative, for remorselessly exposing weaknesses in arguments.

Hammarskjöld’s study was conducted as a part of “Arbetslöshetsutredningen”, the public investigation of the causes of unemployment that was the starting point for many of the theoretical explorations of the so-called Stockholm School in economics. Within the same investigation Gunnar Myrdal was at that time completing his innovative study on the

3 Dag Hammarskjöld, Konjunkturspridningen: en teoretisk och historisk undersökning. Published as (Swedish Government Official Investigation, SOU) SOU 1933:29.
4 Bengt Thelin, Dag Hammarskjöld: barnet, skolpojken, studenten (Uppsala 2001).
5 Gunnar Myrdal, Prisbildningsproblemet och föränderligheten (Stockholm 1927). Criticizing the static conception of neo-classics he argued the dynamic role of expectations in the price formation process.
6 Gunnar Myrdal, Vetenskap och politik i nationalekonomien (Stockholm 1930).
7 SOU 1933:29.
theoretical basis for counter-cyclical government policy, "Konjunktur och offentlig hushållning".8

Hammarskjöld’s study in itself was an attempt to theoretically deduce how changing business cycles and price movements spread internationally. Starting from the price behaviour of a totally isolated market under theoretically specified conditions he tried to deduce its secondary effects through algebraic formulae. A risky venture, considering that the opponent was a specialist on price formation processes. It was to be a memorable battle, well documented.9

Throughout his opposition Myrdal held a polite tone, praising Hammarskjöld’s “talent for abstract theoretical analysis” and “temerity and energy in pursuing its reasoning” – but his critique of the foundations of the whole edifice was merciless. His critique of the theoretical foundations went on for hours, criticizing the premises used as “totally unrealistic”, sometimes contradictory, its language was obscure and sloppy and the problem of following the reasoning “was of the crossword type, where the reader has to figure out what kind of implicit conditions has to be accepted in order to understand the conclusions of the author”. Any practical use of the quantified relations on empirical matters was excluded because of the unrealistic premises of the analysis10.

The battle raged for not less than six hours (!), so it is of course impossible to give a more detailed account of the debate but these snapshots might illustrate its tonality. Hammarskjöld must have defended himself rather well however: he got the highest possible notes on his defence.11 At the end of the debate Myrdal excused some of the weaknesses on account of time pressure due to Hammarskjöld’s duties at the public investigation committee but the harshness of the debate was certainly remembered. At the subsequent dinner Dag’s uncle, Bo Hammarskjöld, said to Myrdal that he was taken aback by the unveiled tone of the opposition, noting the deep difference in discussion culture between public authorities and academia. He wondered whether Myrdal understood what a devastating critique the characterization of the study’s logic as being “sloppy” was, addressed to the highly meticulous son of Hjalmar Hammarskjöld.12

Most of Myrdal’s critique was in fact an attack upon the “old, falsely schematising equilibrium reasoning” of the elder neo-classical generation of economists. It is of interest however, since this fundamental divide between the economic philosophy of Myrdal and Hammarskjöld was to remain and produce different policy attitudes.

Myrdal ended his opposition by implying that the basic merits of Hammarskjöld were to be found in other fields than economic research. It is not likely that this was a comment particularly appreciated by Hammarskjöld, even if it in the event proved to be true. This, their first public encounter, was no doubt to mark the hierarchy and the distance between the two of them.13 It was also an experience showing the degree of hard steel you had to be able to face

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8 Published first as appendix to the budget proposal of 1933, and later on as an Government Official Investigation report in 1934.
9 Myrdal’s critique verbatim in his personal archives, and recollections of participants recorded in Philip Lash Hammarskjöld (1961).
10 From the written manuscript of the opposition in Myrdal’s personal archive, “Det internationella konjunktursambandet.” 6.1. Vol 009.1. AGM.ARAB.
11 Laudatur, whereas the overall note given was two notches below Cum insigniore laude approbatur.
12 According to interview of Gunnar Myrdal, given to Stellan Andersson, archivist of the Myrdal personal archives, in 1981.
13 In his memorial speech in 1961, Myrdal said his critique had ‘caused a minor conflict’ in their relations.
in the academic career struggles of the 30’s. An area Hammarskjöld subsequently did not venture into.

Hammarskjöld’s thesis was instead to be the immediate entry ticket to the public service. After the dissertation he continued his work for Arbetslöshetsutredningen, the Public Unemployment Investigation Committee. In 1936 he was employed at the Department of Finance, working from then on in close relationship with Ernst Wigforss, the Social Democratic minister of finance.

Myrdal pursued his academic career, becoming professor of economics in 1936. But most notably he and his wife Alva established themselves in the middle of an intense public debate on Social policy by writing “Kris i befolkningsfrågan” (Crisis in the population issue), a book challenging conservative and radical conceptions on family policies. This was to bring Myrdal too into another parliamentary investigation – but on Population issues, “Befolkningskommissionen”.

Both then were intellectuals in public service – but there could hardly have been a more pronounced difference in character between the two of them. Hammarskjöld was the meticulous and pedantic public servant. In the memoir book after his death his friends in the Department of Finance described the almost cloister-like working atmosphere Hammarskjöld created around him. Combining the work in the Public Unemployment Investigation with the preparation of the annual Government Budget Propositions, a work that was expanding in complexity during these years. It was the duty ethic of the son of the higher public servant that was permeating all who worked around him. With the paradox that this was under the aegis of a radical socialist philosopher, Wigforss.

Where Hammarskjöld insisted on the Public Service official’s obligation of neutrality Myrdal instead stressed the inevitability of value premises. And Myrdal was incessantly advancing his own. Where Hammarskjöld’s social life was very restricted outside his parental home in Uppsala and the late evening dinners with his colleagues at the Department, the Myrdal’s were creating several large social circles around themselves. They fused Gunnar’s audience of young economists with Alva’s connections within culturally oriented social democratic women to create a milieu of ‘modernizers’ where all questions of the time were discussed: architecture, psychology, social housing, pedagogy, theatre, New Deal and the advent of national socialism in Germany. There was a tremendous outflow of energy around them, a social turmoil of spirituality and intellectual temerity in several directions and a whole-hearted engagement in social issues. In these circles Gunnar was the ebullient, provocative producer of new ideas.

1.2. Who was creating the new financial policy in the 30’s?

Given the ambitious social program of the Social democratic government that came to power in 1932 one might have thought these years to be more adapted to the virtues of the socially engaged Myrdal couple than the neutrally-minded attitudes of Hammarskjöld, true descendant of the higher bourgeoisie public service elite.
Sometimes the report of Gunnar Myrdal on “Business cycles and public economy”\textsuperscript{14} published in appendix to the Social Democratic governments Budget Plan for 1933 is referred to as the start of a new, more ambitious financial policy, thus confirming the political influence of the Myrdal’s.

But in fact the very contrary could be argued. The theoretical arguments of Myrdal were not followed by practical action in economic policy. And although it is true that some of the ideas of the Myrdal’s later became the gospel of social democratic social policy, this was not the case in the thirties. In spite of their strong position in public opinion, Gunnar and Alva Myrdal soon became bogged down in a parliamentary commission dominated by conservative class – if not racial – prejudices. When Gunnar Myrdal in 1938 accepted to direct the vast Carnegie Corporation study on ‘the Negro problem’ one of the reasons was the fact that almost all their social policy proposals were being watered down to insignificance in the official commission.

Hammarskjöld – on the other hand – soon became one of the most important, but unacknowledged architects of the practical economic policy of Swedish Social Democracy. Wigforss, a gifted intellectual whose strong side were on ideological and philosophical issues, soon came to rely on Hammarskjöld’s meticulous grasp of all details in the budget process. It was Hammarskjöld who elaborated the budget reform of 1938, the more tangible proof of the practical commitment of Swedish Social democracy to the goal of full employment. In fact it was basically an attempt to resolve a problem enunciated in Myrdal’s report in 1933: the disparity between the annual decision cycles of the budget and the pluri-annual cycles of economic conjuncture. It was done through the adoption of an additional, optional budget plan specifying large public works that would be enacted with short notice ‘in case of economic crisis’. This technique was maintained until the late forties, and was indeed used during the war years. It interesting to note however, that the basis of this reform was a parliamentary inquiry proposing far more interventionist measures. In this inquiry Myrdal participated as a member of the Swedish Parliament. It was of no avail to him, however, to get the support from the conservative and liberal members of the inquiry, at the end of the day it was Hammarskjöld who formulated the actual government Propositions from his position in the Department of Finance.\textsuperscript{15}

\textbf{1.3. 1943 Coming with the American tide}

The difference in political weight between the two of them was still more evident in the climate of political insecurity created in 1940 by the German occupation of Norway and Denmark. The Myrdal’s then left the US in spite of Gunnar’s ongoing research study, returning to Sweden on a risky journey with on a American torpedo boat through high seas patrolled by German submarines. In the word’s of Gunnar Myrdal at the time in letters to American friends, they were “feeling it as a patriotic duty to return to their country in a period of danger”.

\textsuperscript{14} “Konjunktur och offentlig hushållning”(Business cycles and Public finance), Statsverkspropositionen (Government Budget Plan) 1933, vol1, appendix 3.

\textsuperscript{15} A more detailed account of Hammarskjöld’s role in the development of Sweden’s economic policies is to be found in “Civil servant or politician? Dag Hammarskjöld’s role in Swedish government policy in the Founties”, Sveriges Riksbank Economic Review 2005:3.
At that time there was a genuine uncertainty in Sweden about the intentions of the Germans: Were they going to occupy Sweden as well? Despite official Swedish reassurances on the contrary, informed circles were aware of how ill-prepared the country was economically and militarily to resist a German incursion. Upon coming back to Sweden Gunnar Myrdal insisted on the need for a pronounced will from the authorities on their intention to resist any infringement upon Swedish independence and neutrality and on that basis to make a concerted effort to conjugate the country’s economic forces to be able to resist an economic blockade from the German side. There is an illuminating correspondence between Myrdal and Wigforss in 1940, showing the aloofness of Swedish Social Democracy towards such policies. In response to a vague hint of interest from Wigforss, Myrdal suspended his vacation to work out comprehensive contingency plans for the procurement of basic energy supplies and other input factors to keep the industry going. He submitted these plans to Wigforss and waited for an answer – only to be ignored. And when Gunnar Myrdal suggested to Prime Minister Hansson that the local National Guard should be alerted and prepared for resistance in case of German invasion he was snubbed by a “in Sweden we don’t do these things”. 

At the same time Hammarskjöld’s central background position as Wigforss’ aide was further strengthened: in 1940 he became president of the board of Sweden’s National Bank (Riksbanksfullmäktige) and promoted to statssekreterare (‘state secretary’, the most senior official position) in the Department of Finance in 1941. As president of the Board he soon got a dominating role in the Bank. The director Ivar Rooth, still presided over the interest rate policy and overseeing the financing of the Swedish wartime effort – but the juxtaposition of Hammarskjöld’s roles in the government and the Bank gave Hammarskjöld an advantage of information and an overview that made his position central. For the engaged patriotism of Myrdal there was however little room in Sweden at the heyday of German influence: in 1941 he and Alva Myrdal both returned to the United States to resume their scholarly and journalistic activities.

But as the winds of fortune changed in the war so did the political possibilities of Gunnar Myrdal. At the end of 1942 he was back in Sweden again, having completed his work on An American Dilemma, engaged in discussions about the postwar order premised on the victory of the Allied powers. At that juncture Sweden’s political authorities were in dire need of a person with a ‘clean record’ from the American point of view and Myrdal’s expertise was much in demand.

Thus, from 1943 onwards a period of close cooperation between Dag Hammarskjöld and Gunnar Myrdal began. It was a period that was to last well into 1947. This time it was on terms quite different from those that had prevailed in the beginning of their careers, Hammarskjöld being the official representative of the state while Myrdal was only an academic, employed as expert.

In 1942 Hammarskjöld had summoned a host of Sweden’s leading economists of an older generation to give proposals on Sweden’s postwar monetary policies, in view of the experiences after WWI. The Myrdal’s on the other hand had to use their rank-and-file political connections to re-enter the political establishment. Upon returning from the United States in 1942 they had been pressurising the Swedish labour movement, using their channels within the Social democratic women, the parliamentary group and the union hierarchy, to create a Peace Council working out post-war reconstruction planning. In 1943 they succeeded and both Alva and Gunnar Myrdal were to become part of “Arbetarrörelsens Fredsråd” (The

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16 From the correspondence DH/GM 29/6 1940, AGM 08, vol.017.
Peace Council of the Workers Movement). In this council Alva was representing the Women’s Federation, and Gunnar was attached in the capacity of economic expert. In 1943 the Social Democratic party was much more receptive to their ideas than they had been in 1940: it was obvious that Germany was about to be defeated. Both government and business circles were in badly need of an improvement in their westward relations. In the autumn of 1943 Gunnar Myrdal was sent as Sweden’s special envoy to the United States to conduct an “Investigation on the conditions for opening up commercial and cultural relations with transocean countries”. As a result of this mission Gunnar Myrdal got his first central political task in 1944: he was appointed chairman of Kommissionen för ekonomisk efterkrigsplanering, the Royal Commission on Economic Post-war Planning. This was a large commission with a very vast representation from all parliamentary parties and including all the most prominent leaders of industries, trade unions and cooperative organisations. Under the Commission a staff of researchers were working in sub-committees preparing reports on wage policies, fuel needs, coordination of investments, reforms on housing financing, policies promoting production of capital goods for consumption in the event of depression, and so on.

From 1944 Myrdal and Hammarskjöld thus were more or less on equal footing, each leading different networks. Their tasks were complementary: Hammarskjöld being responsible for the official monetary policy while Myrdal was focusing on matters of trade, industrial and financial policies. At that time Hammarskjöld’s international outlook was rather shallow - he had had some contacts with English university circles in his youth – while Myrdal was firmly rooted in the international discussions, above all in how they went in the United States. He was a well known figure there, with the prestige of having lead the vast research project leading to the publication of “An American Dilemma” in 1944.

1.4. Their theoretical divide on financial policies – and its unexpected outcome

Even if their fields of responsibility were different, inevitably their long-term plans had to be coordinated. In the summer of 1944 the peace planning discussions took on ever more practical character. It was by then evident that Germany’s ultimate defeat was only a matter of time. With that conclusion the most important of all peace conditions arose: who shall pay for the war?

The question arose in the international level as well as nationally. Internationally it was in the contradictory issue between moral justice and economic possibility: the defeated countries rarely had the possibility to redeem all destruction they had caused. Nationally it was a question about equitable terms between those who had supported the war efforts financially through lending (buying government bonds) or economic sacrifices (paying higher taxes, accepting lowered real wages) and the state.

After World War I the question had been narrowed into a question of absolving the public debt towards the banks and other borrowers. Many Swedish economists, among them Myrdal’s mentor Gustaf Cassel strongly urged that the need to reduce the dramatically increased public debt in Sweden should be the first-rate priority. That meant that the war
years of extensive public borrowing must be followed by a rapid public savings surplus after the war, in order to return to a state of ‘sound public finances’.

But in 1944 the mood of the labour movement was hostile to any prospects of a prolonged austerity after the war. Their leaders argued that the wage-earners had already done their share by accepting price increases without correspondent increases in salaries during the war and in delaying demands for social progress. What was needed after the war, in their view, was not still more austerity but on the contrary a period of social reforms and investments. To sum up, the economic question could be termed as a choice: what was most important - to pay for the war or to prepare the future? To repay the official debt or to engage in social reforms?

In preparing the official line, Hammarskjöld had been inclined towards the first stance, although keeping himself very much in the background. As earlier mentioned he had summoned a group of experts to elaborate the post-war monetary policy of Sweden, or rather the proposal that Riksbanken should present for consideration. This group of experts in financial policy, “Finanspolitiskt sakkunniga”, turned out to be either bankers or academics with close ties to banking, which was indicative of the role of banking interests in formulating monetary policy. (There were no representatives coming from the younger academics of the Stockholm School, nor any from social democratic political circles.) Predictably their conclusion was that the general monetary policy should be mildly deflationary, so that the war-time erosion of the value of bank-held state bonds could be reversed. A prolonged period of budget surpluses would be needed to repay the public debt. The salaries should be kept frozen, any increase of real wages should come as a result of decreasing price levels.

In the post-war discussions within the above mentioned Social Democratic “Peace Council” in 1943 Myrdal argued strongly in favour of another solution - putting social reforms on the agenda. But he did so with a twist that was novel and quite typical for him. The apparent contradiction between the debt burden and postponed social needs could be superseded. There was an alternative economic policy reconciling the demands for a vigorous private business and the social reform agenda. The public debt could in fact be repaid without any sacrifices at all: provided the overall growth of the economy was large enough. This argument was publicly developed in an essay published in 194417.

By chance we have an illustrative account of how the discussions between Hammarskjöld and Myrdal went on these matters. In June 1944 there was a meeting on principles of long term financial policy, diligently stenographed by Myrdal’s then secretary Tore Browaldh.18 It was held at the home of Gustaf Söderlund, head of Swedish Employer’s Association, and included Liberal Party leader Bertil Ohlin and the head of Swedish Economic Forecast Institute Erik Lundberg, apart from Hammarskjöld and Myrdal.

Myrdal had opened the discussion by criticizing “old worn-out phrases about borrowing only for productive purposes” as well as “limiting ourselves only to stabilizing public debt at its current level”: “If we only look rationally at the problem of public debt it presents itself quite differently. You would then rather say that any increase in public borrowing would be financially motivated if this borrowing – together with the activities generated by this

17 Myrdal, G., »Höga skatter och låga räntor» in Studier i Ekonomi och Historia. tillägnade Eli Heckscher. (1944)
18 Tore Browaldh (1924-), son of a prominent banking family, was Myrdal’s assistant during the mission to US in 1943 and also served as his secretary in the Postwar Economic Planning Commission. Afterwards he became head of one of Sweden’s leading banks.
borrowing – would result in an increase in gross national income large enough in itself to
generate tax receipts- accrued at constant taxation levels – that would suffice to give interest
on capital outlays.”

It is important to note the novel character of this formulation: it is one of the earliest
expressions of the theoretical foundations of the growth-oriented European budgetary
policies.

Hammarskjöld did not refute Myrdal’s principled argument but nevertheless advocated a
return to the pre-war principles he himself had enunciated in 1938. He did so on two grounds.
Firstly he put forward the value of ‘neutrality’ in public policies as an argument against any
reorientation. The public receipts created by a new kind of financial policy would come from
taxpayers and the interest dividends repaid would go to the holders of government bonds. It
was by no means certain that these groups were identical: “The policy thus represents a
complicated intrusion in the process of income distribution, even more complicated in its
secondary and tertiary effects.” Secondly Hammarskjöld was also worried about its general
tendencies: “From a certain point of view the norm would have an étatist element. This
doesn’t necessarily mean socialization. It depends on how the different elements are
organized. But undoubtedly it will increase the mortgage part of the state in the national
wealth and national income.”

The document is following the further development of the arguments closely and gives a vivid
account of the openness of the discussions. Myrdal’s stating the view that the financial policy
was not a question of ‘pure’ science but merely “rules we’ve put up in advance to guide our
action” seems to have been generally accepted. In the arguments we clearly see the
differences in outlook and values between Myrdal and Hammarskjöld.
- To Myrdal, it was important to supersede the contradiction between sound policies and
social welfare, between promoting industrial development and raising real wages. “An
industry at full steam” and “Full employment” were his favourite and complementary slogans.
An expansionary norm, built on the possibility of rapid macro-economic growth and high
taxes, were effective in that respect.
- To Hammarskjöld, descendant of a family embodying the ideals of the 19th century, pre-
democratic Swedish state, neutrality and restraint were the value-laden terms. The argument
of “complicated intrusion” in the process of income distribution could of course be levelled
against almost any kind of public finance policy. And when Hammarskjöld voiced his fears
that a too flexible norm would lead to increased public spending: isn’t that a critique that
directs itself against the unpredictability of parliamentary democracy?

Of course no decision was taken as a result of this informal discussion. The long-term
financing principles were to be settled, and re-settled two years later. But in 1944 a kind of
double faceted modus-vivendi was reached between Hammarskjöld and Myrdal on these
issues. Myrdal did not question the deflationary monetary policy proposed by Hammarskjöld
and decided upon by the Swedish Parliament in June 1944. On the other hand he pressed hard
for an expansionary economic policy in another area: concerning Sweden’s support for
international reconstruction efforts. As a result of the war, and not the least thanks to
Sweden’s efficient use of Germany’s weakness in 1944 and desperate need of Swedish ore
and ball-bearings, Sweden had a very large reserve in gold and currencies in 1945. The
Swedish Parliament decided to put a large proportion of these reserves at the government’s
disposal for credit agreements with neighbouring countries to facilitate their reconstruction. In

19 ”Diskussionspromemoria från sammanträdet hos Söderlund torsdagen den 29 juni 1944.” AGM volym 6.1.019.
Quoted in p.176, Appelqvist (2000). (Translated by ÖA)
total the credits went up to 2.7 million crowns, equivalent to 11 % of Sweden’s national income and to 35% of its actual annual public expenditures. This preparation for a vast credit effort did not affect the ordinary budget process, but its basic tenets were of course in line with the bold expansionary policies of Myrdal.

Eventually this divergence between monetary and financial policies had to be solved. So it was, and then again in a way that is full of surprises. The long term principles of Sweden’s financial policy were established by the parliament in the beginning of 1946. By then the Swedish war-time coalition government had been dissolved after the war and a one-party Social Democratic government was installed. Myrdal had made his entry into the government as Minister of Commerce while Hammarskjöld left the Department of Finance to become envoy at the Department of Foreign Affairs, with a special assignment to negotiate Sweden’s financial relations with other countries.20

One might have expected that the government’s proposal on long term finance principles should have been prepared by someone in the Department of Finance. One might have expected that Myrdal, with his clear interest in these matters might have been consulted. Neither was the case. The whole proposition was written and signed by Hammarskjöld, although he had no formal responsibilities in the matter. (At that time he had moved to the Department of Foreign Affairs.) This fact in itself, and that the procedure never was questioned at the time, speaks eloquently about the powerful, albeit informal, political role Hammarskjöld played at that time.21 The proposition closely follows Hammarskjöld’s reasoning in 1944. It forcefully rejected any alteration of the pre-war principles. The argument of fiscal neutrality is evoked once again. It is also argued that calculations of the effects of future economic growth are by far too uncertain to be used: “Both the criteria of macro-economic profitability and of future profitability levels in a free market economy are extremely uncertain and there is an obvious risk that you will be pushed further than the principles would really allow.” Hammarskjöld is very cautious about the feasibility even of a counter-cyclical economic policy: “The limitations of long term balancing under present principles probably only enables us not to exacerbate business cycles. To attain a levelling of business cycles by using the public budget is hardly thinkable within the actual framework.”22

The parliament’s decision went wholly along these lines. It was thus severely restrictive and cautious long-term financing principles that were adopted by the Swedish parliament in January 1946. But it only took three months for these principles to be rejected in practice and to have Myrdal’s growth-oriented principles introduced through a back door. It was due to an initiative by Myrdal a year earlier: having in vain argued in the Parliament in the spring of 1945 for a macro-growth oriented economic policy Myrdal nevertheless succeeded in establishing an Office of Long Term Accounting, aiming at sound National Income previsions.

In the spring of 1946 this Office had published its first reports and in Sweden Municipal elections were approaching. At the same time special reports on Postwar reforms (housing,  

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20 In September 1945 Dag Hammarskjöld had left his position as state secretary in the Department of Finance to enter a specially designed post at the Swedish Department of Foreign Affairs as 'special envoy' and "ministre plenipotentiaire", with a special responsibility for international financial negotiations. SvD 15 sept 1945.
21 The principles of this financial policy are published as an appendix to the governments proposition in January 1946: "PM angående principerna för budgetens balansering." Bihang till riksdagens protokoll 1946. 1 saml. Nr 1. Del 2. Bihang D.
22 ibid., s. 12. Hammarskjölds emphasis.
pensions, children allowances,...) were being published by the Ministry of Social Affairs, and their respective costs were calculated. These reports aroused great interest in the public opinion. But how to pay for the reforms within existing financial prudence? Hard pressed by the liberals as well as the communists, the Social Democrats needed some tangible proof that the demands of *Arbetarrörelsens Efterkrigsprogram*, their 1944 Postwar manifesto were on their way to fulfilment. In a surprise appearance at *Nationalekonomiska Föreningen* (the prestigious Club of Political Economists) the Minister of Finance Ernst Wigforss presented a bold three-year budget including the proposed social reforms. To prove its soundness he used the most positive growth calculations presented by the newly created Office of National Income Accounting. To strengthen his argument he also moved certain budgetary costs from current expenditures to capital outlays. What Myrdal had tried to argue three years running to no avail was suddenly accepted when it was politically expedient!

We don’t know the personal reactions of Hammarskjöld and Myrdal to this turnabout: since it was outside the domain of the National Bank, the proceedings of its Board are silent on this point. And Myrdal would hardly seek quarrel with Wigforss, having for once been vindicated. But the instance is however illustrative of the somewhat erratic relation between ideas and expediency in politics.

1.5. Party tactics and national interest in Sweden’s opening to the international economy

One reason for the muteness of Myrdal and Hammarskjöld about this episode was that the center of activity of both Hammarskjöld and Myrdal by that time had shifted to the international scene. In 1946 their common vision of Sweden’s problems brought them very much together, although through different concerns.

To Myrdal, resumption of trade relations and creating conditions for free trade were at the heart of the post-war reconstruction of Europe. As a neutral country Sweden could not participate in the international conferences on trade issues but Myrdal nevertheless was in close contact with the negotiators on the British and American side. He actively sought to influence the US negotiators to take unilateral initiatives to lessen the protectionist stance of its policies in some areas, portraying Sweden’s policy as an example. What Sweden could do was to use its currency reserves as a tool for re-establishing and opening its international trade relations: in the first year credit- and trade agreements were concluded with no less than 30 different countries in all directions.

To Hammarskjöld, combining his “special responsibility for international financial negotiations” in the Department of Foreign Affairs with the presidency of the National Bank, the monetary policy remained in focus. Its was predicated upon ‘mildly falling price levels’ or at the very least maintaining price stability. For Hammarskjöld too, the currency reserve was a reassurance of some lee-way in defending his political concerns.

23 Held in Geneva in March 1946 and in London in November the same year. These were leading to the establishment of the General Agreement on Trade and Tariffs (GATT) in 1948.
24 Both his British colleague (Sir Richard Stafford Cripps) and his US counterpart (Henry Wallace) were personal friends of his.
25 “Sweden Actively Furthering Free Trade”, *The Commercial and Financial Chronicle* 25/7 1946. AGM.ARB and “Sweden and the USA as compared by Gunnar Myrdal”, *Survey Graphic* Aug 1946. AGM.ARB
The predictions of Sweden’s monetary policy experts proved severely at odds with the actual economic development immediately after the war. Instead of depressive tendencies dominating, pent-up demand in the United States made their price-controls gradually break down in the spring of 1946, with an ever more remote possibility of reversal. After a visit to the United States in May 1946 Hammarskjöld came home markedly worried by the American development, which he perceived as a clear threat to the Swedish ambitions of price stability. After some hesitation he had the National Bank decide an appreciation of the Swedish crown with some 14% in relation to the US Dollar. This move was unique in Europe. It was intended to shield the Swedish market from US price trends. In the short run this was of course true, American goods tended to fall in import prices, or at least not to be affected by US price changes. But in the long run it resulted in a buying spree on anything American from bananas to cars, while Swedish exporters were discouraged.

Myrdal and Hammarskjöld both agreed on the decision to reflate the value of the Swedish currency. With an emphatic proviso: it had to be complemented with measures to maintain domestic price stability and to safeguard currency reserves. These reserves were rapidly dwindling in the latter part of 1946. But on these additional measures they found themselves locked against the electoral concerns. They made several attempts to present the gravity of the problem to Wigforss but he refused any measure that would necessarily be unpopular to avid consumers.

In December 1946, when currency reserves in gold and US dollar had roughly halved in six months, Myrdal broke the official silence by publicly warning about restrictions on imports as an obvious risk.26 This was of course an offence to the collegiality of the government and was a gamble to force an initiative from the rest of the government. The offence was compounded by Hammarskjöld, assisting Myrdal at the meeting, confirming the seriousness of Sweden’s currency problems.

At this moment they stood closer than ever before, abhorring a short-sighted party tactics they saw inexorably pushing Sweden to the brink of a crisis in its international financial relations. This was a common gamble that failed. Minister of Finance Wigforss wanted at all costs to have the opposition parties involved in regulation measures he knew would be unpopular. Commenting on the speeches of Myrdal and Hammarskjöld he totally discarded the eventuality of trade restrictions. Instead he focussed on the domestic problems, notably the risk of rising price levels, and proposed an all-party “inflation conference” to solve these problems.

The show-down in December 1946 had quite different effects on the careers of Myrdal and Hammarskjöld. To Myrdal it meant that what degree of trust there had been in the government was severed. The only thing that held Myrdal and Wigforss together was the fact that they were both the “bêtes noires” of the opposition parties. Myrdal knew that his influence in the government was severely curtailed.

To Hammarskjöld the effect was the opposite: he was promoted to the center stage of the political arena, as an arbiter between partisan political interests. As president of the board of the National Bank he was given the task to preside at the “inflation conference” in order to produce a common understanding.

For all his endeavours in this direction his effort to reconcile the different parties was doomed to failure. In a flow of memoranda to the Board of the National Bank he has clearly described

26 At the very same Club of Political Economists that Wigforss had used earlier in 1946. His speech was published as “The reconstruction of World Trade and Sweden’s Trade Policy”, in Svenska Handelsbanken’s INDEX, suppl. B, dec 1946.
the reasons for this. In February 1947 he warned all of the participants of the conference:

"The development of the public debate has played a very unfortunate role and has been characterized by a lack of realism: the whole attention has been directed at the easily popularized risk of rising prices – in itself subject to doubt – while there has been a general omission of the risk – more difficult to grasp but so much more acute – that threatens to severely disrupt our freedom of action in currency policy (and thereby also in trade and industrial policy)."

The conference continued six weeks while currency reserves where dwindling until all currency lee-way was depleted. In mid-March 1947 Hammarskjöld and the National Bank had to demand an immediate and unilateral decision of the government to impose restrictions on all imports.

In a personal memorandum to the Board of the Bank in March 1947, Hammarskjöld's despair over the stalemate is obvious: “With partial responsibility for the National Bank and in a position outside the political life I can only with great worry note that partisan advantages have been put ahead of the general interest all over. Are we really forced to raise the question as to whether a democracy is viable in a crisis situation like this?” It is the dismayed Civil Service official, whose family had served the Swedish state well before its democratic era, that speaks to us here.

At that time Myrdal was already packing to leave Sweden. Nominated Executive Secretary of the newly created United Nations Economic Commission for Europe (ECE), he was leaving the Swedish scene in order to internationally further the goals that seemed stalled at home.

2. On the international arena

After Myrdal left Sweden the domestic political context of Sweden faded into a past background in their contacts. Even if Hammarskjöld would remain in Sweden still four more years after the turmoil in the beginning of 1947 it was on the international arena they were to meet from then on.

2.1. 1947: a year throwing them apart

In April 1947 Myrdal and Hammarskjöld were both catapulted into the international scene, but for quite different reasons. Myrdal was busily organizing the staff of the ECE in Geneva, including the transfer of the so-called E-committees and the recruitment of his personal staff. Hammarskjöld was facing the result of the Sweden’s currency crisis: Sweden’s international financial relations being his specific domain of responsibility he had to go to Washington to start a series of negotiations to extricate Sweden from its acute dollar shortage.

28 European Central Inland Transport Organization (ECITO), European Coal Organization (ECO) and Emergency Economic Committee for Europe (EECE).
To Myrdal the new assignment was a continuation of his efforts as Minister of Commerce. And he pursued them with the same view on trade issues: trade should be used as a tool of common reconstruction and of mitigating political conflicts. In essence the work of the ECE was conceived as a continuation of economic coordination bodies of the Allied Forces after the war and their transferral from London to Geneva. In the broad, all-european character of the ECE, and the practical orientation of the work of its sub-commissions Myrdal saw the best guarantee for this endeavour. It was also about creating a body of highly qualified International Civil Service officers, capable of resisting pressure from narrow partisan interests.29

He succeeded in collecting a very qualified body, including not only Americans and experts from Western Europe but also Russians, Czechs and Poles. The recruitment was not without conflict however: in insisting on choosing the staff himself rather than accept the appointees proposed to him he aroused suspicion and restiveness in Britain’s Foreign Office.30

At a first glance it would seem that the international trajectories of Hammarskjöld and Myrdal had little to do with one another. Hammarskjöld’s mission to Washington was only a bilateral affair between the US and Sweden, and at a first glance it only concerned minor trade issues. This was however to change drastically with the speech of US Secretary of State George Marshall in June 6, the beginning of the European Reconstruction Program, the so-called Marshall Plan. Once the large scope of this initiative was understood its practical aspects was brought to the fore: Who should get the money? How was it to be channelled? On what criteria?

Myrdal immediately acted to make the ECE the relevant organ for this reconstruction effort. In his view this was precisely the domain the ECE was created for. He went to London, Paris and Moscow where he met with relevant ministers and international planning officers to muster support for this, expanded task to be given the ECE. The Swedish foreign minister Östen Undén supported his view and Sweden officially acted along these lines. But the realism of this position soon was to be questioned. On his negotiation visits in Washington Hammarskjöld became acutely aware of the growing suspicion towards the ECE and Myrdal personally that was felt by Hammarskjöld’s counterparts in the State Department, such as Paul Nitze and Freeman Matthews.

As described by Kostellecky’s thorough study of the correspondence between the principal actors, the main strategic question was already settled by the time of Marshall’s speech. It had been decided between the US and UK central diplomats (Clayton on the American side, Bevin on the British) that Britain and France should be the main organizers at the European end of the table. And underneath the Pan-European rhetoric of the invitation to the Paris conference the division of Europe was clearly inscribed. There simply wouldn’t be enough money for all.31

When the Paris conference was called, it was only reluctantly that the Swedish government accepted to participate: the risk of a political divide was obvious. Sweden officially marked this reluctance by participating on an “observer” basis. But the negotiations in Washington had turned Hammarskjöld into a negotiator most understanding of the tunes in the State


30 His choice of Nicolas Kaldor instead of Foreign Office’s choice of Harry McNeill was viewed with displeasure by Bevin according to Kostellecky (1989).

31 For a more substantial discussion on the interplay of forces leading to the division of Europe and the reappraisal of the Cold War historiography this implies, see “Rediscovering uncertainty: early attempts at apan-European post-war recovery”, Cold War History, Vol 8:3, August 2008.
Department. Various Swedish diplomats were worried about the US demands for supervision of Sweden’s financial position and safeguards for special US exporters interests included in the proposed Trade Agreement presented by Hammarskjöld in late June but Hammarskjöld dismissed those fears. In a memorandum addressed to the government and the Foreign Affairs Committee of the Swedish parliament he described the deals as “an expression of a very far-reaching accommodation to Sweden’s situation” and dismissed the idea that the agreement could “in any part be regarded as an expression of an American wish to gain information access to or control over Swedish trade or economic policy”. He stressed that the application of the agreement rested on mutual trust and that any tendency to pursue “narrow national policies” could be extremely dangerous. Hammarskjöld had to put all his weight behind the deals to have them accepted in Stockholm. Once he had made the acceptance of the agreement a matter of personal confidence in himself all objections were overruled and the agreement accepted.

The pro-western attitude of Hammarskjöld was all the more noticeable when the Paris conference on the ERP convened in July 1947. As the head of the Swedish delegation, he acted in a way to dissipate any impression of reluctance in the ‘observer’ position. He was in fact one of the most active participants behind the scene in laying the groundwork for what was to become the OEEC.

Long after the first session of the Paris conference Sweden’s official line was that it favoured a common, all-European economic reconstruction through the ECE. This was not only a figment of Myrdal’s hopes, this line had its supporters both in London and Washington. There is a revealing letter from Myrdal to Hammarskjöld in February 1948 concerning this. Referring to a telephone conversation earlier, where Hammarskjöld had expressed doubt about the future role of the ECE Myrdal insisted that the US attitude towards the CEEC still was sceptical. Referring to a discussion with the US Representative at the ECE Paul Porter: “He said he was in a position to tell me that the official US attitude was unchanged. The USA okayed a 16-power organisation with limited responsibilities, but would not like technical committees set up. He made a specific reference to coal and said that it would be a disaster if anything was done that would disrupt the work in the European coal organisation, rejuvenated in the ECE Coal Committee.”

According to Myrdal, Porter had been perfectly clear about this being the dominant position in the US administration. Also referring to a declaration by Thorpe at a recent ECOSOC meeting. Myrdal concluded the letter with a warning: “You must bear in mind that Matthews only represents one trend in American policy, and not a dominating one; a trend which on the key issues on Germany and the ECE has failed, thus far, to dominate. He has an old axe to grind about the ECE which arises out of his personal animosity against the American initiative...”

What Myrdal didn’t know then was to what degree Hammarskjöld recently had received first-hand knowledge of the reversal of moods and the actual dominance of intransigent attitudes in the State Department. He had been locked in negotiations in Washington for two full months (December 1947 - January 1948). There was not a single facet of Sweden’s financial and commercial position that wasn’t known to the negotiators through Hammarskjöld’s

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33 This may also be an explanation why the French in 1951 advanced his name as a replacement for Trygve Lie, who in their minds was too anti-colonialist in attitude. See P.Lash (1961), *Dag Hammarskjöld*.
34 Letter from GM to DH, "Personal and confidential" in Myrdals archives in Stockholm, Vol 061. 23.2.0. *AGM.ARAB*. It is interesting to note the deferential name ’16-power organisation’ of the OEEC.
35 ibidem
memoranda, interestingly enough in the form of “Personal Statements”. Most of these information were considered secret in Sweden and neither the parliament nor even the board of the National Bank had access to them. From a strictly legal point, this uninhibited openness of Hammarskjöld is indeed surprising. In spite of this openness the American negotiators kept haggling over the potential damage Soviet exports (35 million Swedish crowns in 1947) might do to American exporters (1.640 millions the same year).(Clearly a non-issue if the goal wasn’t to stop Sweden’s eastward trade altogether.)

In fact the importation levels of US exports were at an all-time high in 1947, because of the extremely lax application of the formal restrictions enacted in March 31 to stem the outflow of dollars. The question of a dollar loan was thus brought up by Hammarskjöld in December. As a precondition for considering giving Sweden such a loan the American side was demanding a proof of political loyalty, obviously a very tricky thing in view of Sweden’s official position of neutrality. It was solved by Hammarskjöld in the form of a discussion minute where declared himself to share the US view of “The fundamental importance of an effective and whole-hearted cooperation with a view of furthering a reconstruction policy along the lines envisaged in the CEEC-report.” After a short confirmation from Stockholm, Hammarskjöld was even more conclusive: “Confirming this view, my government say that they find the reconstruction aimed at by cooperative efforts of the United States and the participating countries, to be of primary and decisive importance and that accordingly they fully support the recovery program of the Marshall plan; they should be astonished if differences of opinion on any special questions should have led to misunderstandings of their attitude in this respect. It goes without saying that they find the attacks against the Marshall plan from Communist quarters entirely unjustified.”

Five days after this declaration of general support Hammarskjöld received the first list of goods that Sweden had to embargo in its eastward trade, the beginning of the so-called ‘Cocom’ policy. The implementation of this embargo was cleared by Hammarskjöld in the beginning of February in Stockholm negotiations with the newly appointed US ambassador Freeman Matthews, duly dispatched from the Europe Desk at State Department.

There is no evidence in the personal archives of Myrdal or Hammarskjöld about when Myrdal learnt about the details of these negotiations. When he did, as he probably would relatively soon given his close contacts in the Swedish Foreign Office, one might think they put the personal relations between him and Hammarskjöld at a nadir. What we do know is that this marks a complete reversal of their connections with the US Administration. For more than a decade, Myrdal had been the one knowing who was calling the tune in Washington, while Hammarskjöld’s international connections had been limited to academic and banking circles in Cambridge and London. From then on Hammarskjöld was the man who enjoyed confidence in the high places of Washington.

2.2. Together at the UN- a new start?

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36 From Hammarskjöld to Wayne G Jackson Jan14th 1948. HP 64 Ua. XLV1a.UD.RA. The fact there is no dispatch from Stockholm in the archives giving an explicit directive on this matter suggests that the initiative was largely informally based, and on Hammarskjöld’s initiative.

37 A policy directed at disruption of the East-West European trade networks, in the beginning of the 1950’s concerning as much as 40% of industrial output. Sweden could not participate officially in these policies because of its declared neutrality but established their own regulatory body enforcing the same embargo lists. See Adler-Karlsson, G., *Western Economic Warfare 1947–1967. A case study in foreign economic policy*. Stockholm 1968.
Three years later the paths of Myrdal and Hammarskjöld were to cross again. When Hammarskjöld was appointed General Secretary of the UN in April 1953 Myrdal was one of the first to congratulate him. He apparently did so with a sting of personal disappointment, but decided to make the best of it. He described the situation in dark terms and put himself at Hammarskjöld’s disposal: “The administration is in a mess, the personnel is partly very weak in competence and demoralised and the world situation is most sinister in spite of the new Russian peace offensive. I think you are the man to reform the Secretariat and to make the best possible use of your authority for the good of the world. From me you shall have always the most loyal cooperation.”

An event at the very start seemingly brought them both together. Alva Myrdal, the wife of Gunnar Myrdal and part of Sweden’s delegation to the UN General Assembly in May 1953, was refused entry visa by US authorities on account of ‘Communist liaisons’ (their son being a Communist). She was finally admitted, but only on parole at subject to further interrogations. This was front page news in the London Times and as soon as Gunnar heard the news he sent a telegram urging Hammarskjöld to act: “after leakage press consider essential not only you now intervene as secretarygeneral so that this action be reversed but also that appropriate publicity be given unations intervention.”

Of course at this moment Myrdal cried not only for personal redress but also for principles. He had a pent-up loathing of the cold war warriors in Washington, who at this time were near their apex. Their insult to his wife was also an open challenge to his own credibility and position within the United Nations. But more than that, it was a challenge of the right of the United Nations to have its delegates accepted without questioning.

Hammarskjöld understood both the personal and principled aspects of the situation, even if he decided to act more cautiously: “Alva’s trouble made me see red, so utterly unreasonable and humiliating as it is. However I have to pursue the policy which serves the interests of all of us in the best possible way, and I think that so far I have succeeded fairly well. I may tell you that I let Mr Cabot Lodge read your second cable with the strong request for retraction, which I of course endorsed personally.”

Together with the more vigorous initiatives from the Myrdals, mobilizing the direction of Unesco on Alva’s behalf, Hammarskjöld’s more informal contacts gave the Myrdals satisfaction. On August 7 Gunnar Myrdal thanked Hammarskjöld for his efforts: “I am very happy that neither Alva nor I are any longer ‘cause célèbres’.

But the larger hopes Myrdal had had of a closer cooperation were not to materialize. In his congratulatory letter in April 1953 he had urged a meeting where he could brief Hammarskjöld on the inner workings of the organisation. The meeting eventually took place in Geneva at the end of May, but left Myrdal largely disappointed. Any thoughts of becoming part of Hammarskjöld’s central staff faded rapidly.

The reasons for Hammarskjöld’s aloofness are not hard to see. Without the personal confidence senior US State Department officials had in him he would never have been elected, and he knew well the wariness they harboured towards Myrdal. Hammarskjöld had

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38 According to an interview in 1987 by the archivist Stellan Anderson Myrdal had himself been one of the other three candidates for the position on a shortlist circulated the beginning of 1953.
39 Letter from Myrdal to Hammarskjöld, 8 April, 1953. Vol.061.23.2.4. AGM.ARAB
40 Cable 2 May. 1953. Vol.061.23.2.4. AGM.ARAB
41 Letter from Hammarskjöld to Myrdal, 12 May 1953. Vol.061.23.2.4. AGM.ARAB
42 Letter from Myrdal to Hammarskjöld. Vol.061.23.2.4. AGM.ARAB
43 In Lash’s biography on Hammarskjöld Freeman Matthews is quoted saying to Dulles: “You’d better use the opportunity if you can get him”. Lash, P.(1961) Hammarskjöld
an agenda of his own and the last thing he wanted was to provoke the suspicions among the Americans. During the first year Myrdal sent Hammarskjöld several memoranda concerning organisational questions as well as larger political topics. But a year later he struck a quite resigned tone. Referring to his health problems (a car accident in 1953) and the ensuing convalescence he complained: “More fundamentally I do regret the personal isolation which makes it much less possible for us to work as closely together as would be natural considering our old relations... I believe much in correspondence and I have been trying to keep you posted on everything which I thought would be of interest to you. But as we almost never see each other, this correspondence which has been almost entirely one-sided, will naturally dry up, except for matters narrowly in the center of our official relations.”

It is a situation that has a clear parallel to what happened in 1940, when Myrdal in vain had put himself at the disposal of Wigforss and Hammarskjöld. Once again Myrdal was presenting himself as an eager soldier for a common cause but those in power didn’t want his energy. Perhaps this energy was viewed more as a cumbersome element than as a useful resource.

2.3. The role of the ECE - a persistent political divide.

There is an obscure affair that gives a glimpse of a deeper divide between the Executive Secretary of the ECE and the UN General Secretary. In May 1954 Hammarskjöld was coming to Geneva to attend a Coordination Committee meeting with all the Geneva agencies of the UN. The discussions around the meeting were detailed by Le Monde’s special correspondent Carlos à Prato, and the coverage was to create a considerable turmoil within the UN since it argued that there was a serious rift between Hammarskjöld and Myrdal on the role of the “European centre of the UN” in general and about the ECE in particular.

Under the head-line “Hammarskjöld wants to scale down the ECE” the correspondent detailed the intentions of the UN General Secretary. He was said to be intent on following Lie’s tendency to favor “the American centre of the UN”, and one of his proposals was to move the ECE Inland Transport Committee to the New York headquarters, supposedly as a way of strengthening the coordination between the UN agencies. It was argued by the correspondent that this was in fact a political dispute between Myrdal and Hammarskjöld: Hammarskjöld didn’t approve the all-European character of the work of the ECE, its studies going far beyond the OECE framework and it’s successes in producing several agreements facilitating the east-west trade. He thought this activity was far too much outside the direct control of New York, according to the reporter.

Evidently this coverage was very irritating to Hammarskjöld. In a letter to Myrdal later in the summer he wanted to know its source. Myrdal assured him that he himself knew nothing about it or Prato. The reply comforted Hammarskjöld: ”The articles have been shocking and quite harmful to the ECE...The only matter that would have worried me personally would have been if somebody in the ECE group inside or outside your personal staff had been

44 Letter from Myrdal to Hammarskjöld June 25, 1954. Vol.061.23.2.4. AGM.Arab
45 The information covering the ECE/CEE are published May 3rd, May 23-24th, May 25th and May 28th 1954. Other articles by à Prato are mostly concerned with the Corea conference.
behind his writings. I am gratified to hear your view that this is at least not true as concerns anybody on your staff.”

There are reasons to believe that Myrdal was less than candid in this affair. The conflict about the Inland Transport Committee is evident: in January 1954 Myrdal had produced detailed memoranda on its workings to Hammarskjöld strongly arguing its case, all the same Hammarskjöld pushed through a decision to close down its activities in Geneva at the Coordination Committee meeting in May. In this respect the correspondent was undoubtedly well informed. And there was an obvious competitive situation between UN officials in New York and Geneva, Myrdal talks of a “scandalous lack of coordination” concerning the discussions with Moscow.

Whoever provided the correspondent with the information was very well informed. Both before and after the meeting the information given was pleading the ECE case. Two weeks before Hammarskjöld’s arrival Le Monde reported in a positive tone, from a press conference that was held by Gunnar Myrdal at the ECE headquarters, on the issue of a two week conference on trade issues. The correspondent was quoting the very appreciative summary of Myrdal: ‘133 bilateral meetings on trade issues were held between 25 countries... The principal accomplishment of this conference was the fact it had enabled the experts to examine measures that could lead to an increase of east-west exchange in a spirit of mutual comprehension.’ To surmount remaining structural problems a third conference would be held in 1955. ‘During the conference, Myrdal noted, several speakers had highlighted the actual difficulties due to limitations on exports and imports of certain goods, prices, licence procedures and payment agreements.’

The report of the Le Monde correspondent at the end of Hammarskjöld’s visit to Geneva continued to plead the ECE case. Having noted the decision to close down the Geneva-based UN Centre on Opium Trade and the UN ECE Inland Transport Committee headed by the ECE Vice Chairman Mr Charquerand, the reporter said that “according to well informed circles at the European centre of the UN” it seems doubtful that Hammarskjöld will get the decision ratified by the July meeting of the ECOSOC. “It is noted that France and the Soviet Union, both permanent members of this Council, have always supported the efforts of the Geneva Commission to facilitate and increase the east-west exchanges.”

There are many questions left open after this cancelled meeting between Hammarskjöld and Myrdal. It is a fact however that there are no more strictly personal letters between the two of them after Hammarskjöld’s letter in September 1954.

There is a notably chillier tone in a letter he wrote to Myrdal at the same time, in the aftermath of the above mentioned ECOSOC meeting. At that meeting Myrdal had argued the case of the Inland Transport Committee in the most vigorous way: “Our Inland Transport

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46 Hammarskjöld to Myrdal. 3 september 1954. Vol. 6.1. 009. 23.1.2.34 AGM.ARAB. Myrdal’s own letter missing.
47 Myrdal to Hammarskjöld, June 26th 1954.(draft version). Vol. 6.1. 009. 23.1.2.34 AGM.ARAB.
49 Le Monde, le 28 mai 1954. There are many questions surrounding this visit by Hammarskjöld to Geneva. Was it purely coincidence that Myrdal, having on several occasions pleaded for Hammarskjöld to come and see him in Geneva, absented himself when Hammarskjöld finally came? According to Le Monde’s correspondent Myrdal was ‘delayed in New York’ at the time, leaving the hosting role to ... Mr Chaquerand. The very man Hammarskjöld was bent on firing.
Committee is proud of the fact that it has been the centre for practically all the real work of European integration in the transport field since the war.\textsuperscript{50}

Hammarskjöld passed over this matter by writing that he was pleased of the good response given to Myrdal, but at the same time expressed satisfaction that he had got the Council’s acceptance to go ahead with his proposed reforms. But he raised a critical voice on a procedural matter: At the same meeting Myrdal had also made critical remarks on the reaction of the US representative. Hammarskjöld implicitly warns Myrdal about this: “I don’t know if you are aware of what was the background of these remarks which, strictly between us, were a very mild and modest variety of Washington instructions.” He went on to the content of the critical point made by the US representative, the fact that Myrdal had called the Permanent Representatives of the ECE together to criticize a decision by the ECOSOC. In the American view this was “out of order constitutionally” and “might reflect an interpretation of the relation of ECE to the United Nations that they could not accept... They fear to see the ECE develop in the direction of a kind of quasi specialized agency.... acting on general political questions outside the control of the General Assembly and the Delegations to the General Assembly.”

On this issue Hammarskjöld clearly sided with the Americans: “We need not go further into this special incident nor into the American intervention. However I feel that we should take note of the basic attitude that it reflects, which is constitutionally fully justified and for that very reason politically of importance. As you well know the range of political initiative, outside the specific framework of Article 99 of the Charter, is even in the case of the Secretary-General himself a matter of dispute which was never consistently explored by my predecessor and where I have to proceed with caution – also in relation to the most friendly governments – in my efforts to widen and consolidate recognized rights.”\textsuperscript{51}

This was an unequivocal criticism, albeit steeped in the obtuse language of Hammarskjöld. Coming after Hammarskjöld’s decision to diminish the status of the ECE it is evident that he shared the American critique of Myrdal not only in constitutional procedure but also in political content. It is interesting to note Hammarsköld’s way of widening the argument: Myrdal is not only acting in an unconstitutional manner in his critique, he is also endangering Hammarskjöld’s cautious efforts “to widen and consolidate recognized rights” of the Secretary-General in terms of political initiative.

The implicit reference by Hammarskjöld to the US Representatives as being part of “the most friendly governments” furthermore showed the gulf between Myrdal and Hammarskjöld in appreciating the role of the United States at that time.

I have not found any direct reaction by Myrdal to this strong sermon by Hammarskjöld on his attempts to assert the role of the ECE. There are no more personal letters between them after this event, apart from formal exchanges of politeness. By then, however, it must have been abundantly evident to Myrdal that any hope he might have had to influence the general direction and organisational development of the United Nations through his personal ties with the Secretary-General must be shedded.


\textsuperscript{51} Hammarskjöld to Myrdal, "Personal and Confidential", 10 August 1954. Vol. 6.1. 009. 23.1.2.34 \textit{AGM.Arab}. 
As after the dismissal in 1940, Myrdal returned to academia. He fulfilled his term at the ECE, but already in 1955 he had begun his vast study on development problems in South Asia.\textsuperscript{52} Instead of being an architect he retracted to the position of a dedicated world citizen.\textsuperscript{53}

3. Wider dimensions of the duel

Using the personal archives I have only been able to sketch the contents of the hidden duel between the two Swedes. A more thorough treatment of the archives of the official archives of the ECE and the Office of the General Secretary would be needed to give a more profound picture. It is quite probable that through such an analysis, in the words of Myrdal: “much will then appear in a new light and that a lot of what is now said in different quarters will show itself to be the product of shallow and interest-guided prejudices.”\textsuperscript{54}

But even the glimpses given here give material for considerations of a more general character. What was the Duel all about? Or, put in a more elaborate way: What were the basic differences in attitude between Hammarskjöld and Myrdal as politicians and as officials in an international organization?

3.1 What is the role of the state?

It has to be recalled that the formative phase of their careers took place in Sweden and was conditioned by their respective attitude to the role of the Swedish state. Dominating Hammarskjöld’s perception was the general view of the Civil Service aristocracy of the state as an arbiter between conflicting interests and as the highest expression of the general interest in society. This could be seen in his insistence on ‘neutrality’ as the leitmotif in the moments of decision in the after-war years in Sweden. Neutrality between debtors and creditors, between the Swedish Treasury and the government bond holders, were invoked as a central argument underlying the goal of the post-war monetary policy: to reflate the price levels to the 1940 level. Neutrality was also invoked by Hammarskjöld as the main argument against a growth oriented financial policy: it was by no means certain that the advantages of such a policy would accrue to those who would bear its costs in terms of higher taxation levels. If ‘neutrality’ was Hammarskjöld’s guiding concept here, ‘rationality’ was in the center om Myrdal’s argument. Coming from a peasant and entrepreneur background he was acutely aware of the conflicting interests in society. He saw the state not as something immutable but as a means to an end: to supersede conflicts of interest in creating a higher kind of rationality, a rationality in a longer perspective. The failure of laissez-faire economics in the Depression was his point of departure, it was only through an interventionist state that a repetition could be avoided. It meant in fact reconciling conflicting interests through superseding them: a growth-oriented state would favour the profits of private industrial enterprise as well as lessening class inequalities through social reforms. In that sense it could be said to embody a general interest. It was not neutral however. One of his favourite slogans was “Näringsliv för full maskin” (‘Business activity at full throttle’) and as this slogan indicate there was clearly a productivist bias in his attitude. The rentier interest would have to stand back, as he saw it.

\textsuperscript{52} Leading to the publication of \textit{Asian Drama} in 1968.
\textsuperscript{53} He never lost his interest in the fate of international organizations and wrote several articles on the subject. But it was his wife, Alva Myrdal, who was to pursue a career in international diplomacy and UN-based organizations.
\textsuperscript{54} In his 1961 speech. See note 1.
Whether Hammarskjöld’s attitude also in practice was ‘neutral’ is another matter. Neither the early 20th century state official’s conception of the state nor the neo-classic understanding of the economy were without social effects: it could well be argued that in both these aspects Hammarskjöld embodied a rather conservative stance. Transposed to the international arena it would mean that while the defence of constitutional procedure of the United Nations was at the heart of Hammarskjöld’s preoccupations, Myrdal rather saw the UN complex as a problem-solving tool. Both of them, obviously, of great importance.

3.2. Trade, politics and economy

Their persistent conflict about the role of the ECE within the United Nations had its root in their different ways of handling Sweden’s trade issues in the immediate aftermath of the war. Both of them were adherents to the principle of free trade, but their ways to approach such a goal were quite different. Myrdal chose the practical angle, using Sweden’s credit facilities to open up trade in all directions. Once trade was established, and a corresponding international system, mutual steps could be taken to lessen trade barriers of different kinds. Each country’s real situation had to be taken into account and the task of the stronger was rather to take generous initiatives than to use its bargaining strength. When Hammarskjöld was thrown into bilateral trade discussions with the US representatives in Washington as a consequence of Sweden’s imposition of trade controls he immediately accepted the more ‘principled’ approach of the United States to the issue. The key issue here was: ‘under what conditions can the US accept Swedish deviations from earlier trade agreements?’ It was basically the same approach that was underlying the American “Proposals” in 1945 that were the basis of the International Conferences on Trade leading to the establishment of the GATT. This approach could more correctly be called “semi-principled” because it never dealt with the ways the American side had departed from those very agreements and principles.

Behind the ‘practical’ approach of Myrdal was a specific view on the role of international trade. He saw trade basically as a cooperation, as a means to establish links that would further mutual understanding in spite of ideological divides. For Myrdal, trade was above all a political instrument to further a common development. The ‘semi-principled’ approach on trade focussed on the overall material advantages that would result from free trade policies, trade was basically an economic issue and its prime task was to ensure a healthy level-field competition. To Hammarskjöld the division the Paris conference 1947 resulted in was not a problem, more natural consequence of the fact that the countries in the Eastern Europe and the Soviet Union were not liberal economies.

3.3. The dilemma of small nations

Both Hammarskjöld and Myrdal had early on to deal with the insecurity of a small nation at the crossroads of Great Power conflict. Here too, they chose two different solutions, but this time Hammarskjöld was the pragmatic while Myrdal had a more principled attitude. His focus on trade as a tool for cooperation was not only an East/West issue, it concerned all kinds of international relations: be it between the Allies and the defeated Germany after the war or the North/South relations. His ‘bridgebuilding’ approach was based on the conviction that this would be the best protection for the independence of a small nation. Only the existence of firm rules, valid for all nations, could protect weaker ones from political pressures in a Great Power conflict. Even if he was critical of the attitudes of the United
States at many times, it was by exhorting them to follow their own principles that he tried to widen the political space for Sweden and other smaller nations. To Hammarskjöld, Sweden’s choice was self-evident in 1947. Sweden had to side with the liberal economies. Hammarskjöld’s main task at the Paris conference had been to secure access to the European and American markets for Sweden’s exporting industries. In this effort ‘confidence’ was the crucial word. It was through the establishment of personal confidence between the main negotiators that Sweden’s interests could be saved. Of course this is a psychological concept and the small nation could not possibly hope to influence the general mood of a Great Power whereas the opposite certainly was true. The degree of adjustment needed to retain the confidence of senior US officials consequently varied during the Cold War period. In this respect Hammarskjöld’s pragmatic attitude bore much resemblance with Sweden’s ‘adjustment neutrality’ towards Germany during WWII.

There is a lot to be said in defence of this pragmatism. It can earn a lot of understanding, but it will hardly earn the respect and the broader echo of the more principled way of defending the interests of smaller nations, a policy where Olof Palme can be said to follow closely in the footsteps of Myrdal and Undén.

3.4. The United Nations – a battlefield or a force of its own?

The creation of the United Nations and its complex of organisations after the war create a new set of problems for the national states. They created international organisations in the hope of furthering a common general interest as well as properly national. But these organisations tended to have a dynamic of their own. To what extent could the individual nations, above all the permanent members of the Security Council, retain control over these organisations and to what extent would they have to accept the separate legitimacy of the UN? In various shades the discussions between Hammarskjöld and Myrdal always reflected these issues.

Basically they both shared the hope that a stronger United Nations, with a broader capability of political initiative, would be beneficial for the solution of various international problems. Apart from their political differences about the role of the ECE, their conflicts in these issues also reflected their very different personal approaches to this broader task. It is evident that Myrdal from the outset of his tenure as Executive Secretary of the ECE chose a high-pitched note. To him, the recruitment policy was crucial: it was the domain of the organisations themselves, not an exercise in national nominations. The officials of an international organization should no consider themselves as national representatives, they should not feel any special obligations but their loyalty to the international organisation itself and the charter upon which it rested. He immediately got into conflict with the British Foreign Office on this issue. He got his way, but as confidence creating measure one might have done better. His personal initiatives at the outset of the ERP, visiting the the Foreign Offices in London, Paris and Moscow to persuade them to channel the Marshall Plan through the ECE, testifies to his will to put the UN agencies at the center of economic reconstruction. But such a bold approach, however rational, was doomed in a situation where different national

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55 In a letter to Sweden’s Foreign minister Östen Undén explaining his general pledge of support for the ERP in January 1948 he said: "What it’s all about, as so often in this strange country, is a wish to feel security about a certain ‘approach’, a general frame of mind of the counterpart". HP 64 Ua. XLVIa.UD.RA.
agendas where going in other directions. Later on in his tenure he took a much more humble attitude, more focussed on producing technical reports laying the groundwork for broader international cooperation.

In the general political situation prevailing at the nomination of Dag Hammarskjöld as Secretary-General much can be said in favour of his much more cautious way of enlarging the political space for the UN and its leadership. Without the confidence of the US Representatives he wouldn't have been elected in the first place, nor would he have been able to enlarge its symbolic standing the way he did. The extent to which this entailed more pervasive ‘colonization’ of UN by American officers is still to be analyzed.

Larger political changes – such as the vast inflow of newly independent member states from countries formerly under colonial domination and the dissensions between old colonial powers and the US - were undoubtedly underpinning this new stature of the UN, but it remains nevertheless that the former Swedish state official’s insistence on form and procedure of the UN Charter did much to strengthen the overall legitimacy of the UN.

When this is said, it is also evident that the legitimacy of the organization was very much dependent on the larger configuration of forces. The Cold War did not only produce tension but also a kind of balance of power that contributed to the strength of Hammarskjöld and his successors. In that sense, the changes after 1989, and more specifically during the last years when the United States has achieved a state of “hyperpower” seems to call for a renewed debate on the relations between the universalist vocation of the UN and the particular influence of national states. The discussions in 1954 between “the European and the American centre of the United Nations” could be reframed today: under what conditions can an International Organisation maintain its integrity vis-à-vis its hosting nation?

Concluding notes on the actual relevance of the Duel

From the start, at the six hour long theoretical debate in 1933 on methods of economical analysis, the ongoing debate between Dag Hammarskjöld and Gunnar Myrdal was a contest between two intellectual giants. But it was more. As the years went by and they entered different professional positions the personal character of the argument gave way to a dialogue representing rather the functions they came to embody in their careers.

As such their skirmishes about the possibilities of interventionist policies, the relation between principles and power in international relations and the feasibility of supra-national organizations retains all their importance.

In the commemorative speech in 1961 Myrdal predicted that Hammarskjöld would continue to live on, but from then on as a myth and a symbol: “He will continue to serve, as he always has done, but hence no longer being able to influence whose interests he will serve and to what practical purposes he will be used.”

The commemoration of the centennial of Hammarskjöld’s birth will undoubtedly strengthen some of these myths. But his life and work can serve other purposes than to strengthen existing myths.

The various questions addressed in the hidden duel between him and Gunnar Myrdals touches upon many questions central to the role of international organizations of today. It still has a lot to tell about the struggle to establish a truly international ethos and about world citizenship.
Örjan Appelqvist