

A TRIBUTE TO THE MEMORY OF
ELI F HECKSCHER
ECONOMIC HISTORIAN AND INTERNATIONAL TRADE THEORIST
1879–1952



BY ULF OLSSON

ROYAL SWEDISH ACADEMY OF ENGINEERING SCIENCES (IVA)

A TRIBUTE TO THE MEMORY OF

ELI F HECKSCHER

(1879–1952)

PRESENTED AT THE 2007 ANNUAL MEETING
OF THE ROYAL SWEDISH ACADEMY OF ENGINEERING SCIENCES

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FOREWORD

Every year, the Royal Academy of Engineering Sciences (IVA) produces a booklet commemorating a person whose scientific, engineering, economic or industrial achievements were of significant benefit to the society of his or her day. The Commemorative booklet is published in conjunction with the Academy's Annual Meeting. This year the Commemorative booklet is to honour Eli F Heckscher (1879-1952), one of the foremost Swedish economists during the 20th century.

Eli Heckscher formed a new discipline at Swedish universities when he in 1929 called for the establishment of an institute for research in economic history. Since then his body of work remains both as a starting point and a challenge for many scholars. His contributions to the formation of political market economy was characterised by scepticism towards state regulations, belief in free trade and an uncompromising faith in liberal democracy.

He held a key role among the Swedish neoclassical economists who influenced the international debate and became internationally acknowledged for developing the basics of the Heckscher-Ohlin-theorem on free trade.

As a fellow worker at the Swedish newspaper Dagens Nyheter Eli Heckscher got the opportunity to present his economical terms in to the broader public. He also made

important contributions to the scientific debates through the disciplinary publication *Ekonomisk Tidskrift*.

We wish to give our sincere thanks to the author, Professor Ulf Olsson, at the Department of Economic History at the University of Gothenburg, for the work he devoted to this year's Commemorative booklet.



Lena Treschow Torell
President of the Academy



Mauritz Sahlin
Chairman of the Medals Committee

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ELI F. HECKSCHER
ECONOMIC HISTORIAN AND INTERNATIONAL
TRADE THEORIST 1879–1952

Had the Economics Prize in Memory of Alfred Nobel been instituted a few decades earlier, Eli F. Heckscher would have been an obvious Swedish candidate. Few Swedish social scientists have been as influential or as widely read worldwide. In 2002, 50 years after his death, a group of internationally prominent economic historians and economists gathered to commemorate Heckscher's work and legacy at the Stockholm School of Economics. He still has an influence in the contemporary scholarly world.¹

¹ The contributions to this symposium constitute the principal basis for this presentation. They have been published as *Eli Heckscher, International Trade and Economic History*.

YEARS OF PREPARATION

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Eli Heckscher's parents migrated from Copenhagen to Stockholm during the 1870s. By that time, the Jewish Heckscher family had for eight generations pursued a successful banking business in Hamburg. The father moved to Sweden in order to work in his brother's bank. In addition, he was named Danish consul general, first stationed in Gothenburg and later in Stockholm. His son, Eli Filip first saw the light of day in Stockholm in 1879. By 1896, he had successfully completed his secondary school studies at Norra Latin gymnasium. Having already visited Uppsala University, he began his studies there and was initially drawn to the field of history. At the time, Professor Harald Hjärne ruled supreme in that discipline. He was an imposing figure, faithful to the strict rules concerning sources prescribed by modern historical scholarship and the search after "wie es eigentlich gewesen ist", as expressed by Leopold Ranke in Berlin. In addition to his unusually wide international perspective, Hjärne was a fascinating conservative thinker and opinion maker.

It was in the circle surrounding Hjärne and the conservative student organization Heimdal that Heckscher received his first intellectual schooling. His interests also led him to other scholarly fields besides history. Above all, he began to study economics. Through these studies, he encountered Professor David Davidson, a leading economist



with great charisma. This despite the fact that “his lectures were as boring as his exams were impossible.” Heckscher taught himself the fundamentals of classical economics but remained a stranger to neo-classical, Manchester Liberal thought. Since he was especially interested in political economy, the related field of political science emerged as the natural third leg of his intellectual tripod. When, after five years of successful studies, he presented his licenciate thesis in history it contained elements from all the three scholarly areas Heckscher had delved

Heckscher as a 12-year-old pupil at the Nya Elementar School in Stockholm.

into. His thesis was entitled “Studies Concerning the Background and History of the (Swedish) Navigation Acts”. It began with a survey of the European mercantilistic economic thought that underlay the idea of banning foreign flag ships from trading in domestic ports. The best known example of such a policy was the British Navigation Acts. The thesis included a careful, original-source-based, review of the Swedish background and debate surrounding the introduction of the Swedish version, the Produktplakat of 1724. These also presented the beginnings of an economic-historical analysis of the effects of the legislation, that is to say, the development of Swedish sea-going shipping. With this thesis, Heckscher had staked out his most important areas of research to which he was later to return in his major works on government economic policy and the importance of international trade.

Heckscher left Uppsala in 1904 and was employed as an assistant to Ernst Cassel who had just been appointed professor of economics at Stockholm University College. There he continued his academic career for five years during which he received his PhD degree and became an assistant professor of economics. In 1904, he also published an 185 page article entitled *Economic History – Some Suggestions* in *Ekonomisk Tid-*



*Eli Heckscher as a student at
Uppsala University, 1902*

skrift. It constituted a manifesto based on a synthesis of his scholarly experience which he labeled “economic history”. From then on, he considered himself to be an entirely new type of scholar, an economic historian.

In this important essay, Heckscher established new boundaries vis a vis economics on one side and traditional historical research on the other. He was skeptical towards the then dominant classical economic theory. “Only the liberal economic theory’s absolute blindness towards the concept of development can explain how one failed to grasp that rent theory, interest rate analysis, wage theory, indeed Ricardo’s entire ingenious system, only applied to the society that had emerged from the birth pangs of the previous sixty years”. Heckscher had for a time been more attracted to the so-called “historical school” of economics, for which Professor Davidson at Uppsala felt a certain sympathy. Especially German economists had started to immerse themselves in the old archives, searching for long-run patterns and stages of social development. Heckscher, however, soon distanced himself from this school that tended to collect endless masses of poorly integrated facts and was prone to loose speculation: “It is not unfair to the diligent work invested by these scholars to say that the specifically economic part of their results is consistently unsatisfactory and to a distressingly large degree even worthless.” In the absence of clear hypothesis and statistical analysis, the piling up of numbers easily became meaningless.

Heckscher argued that the principal task of the economic historian was to explain the long-term development of economic activity. These were the same phenomena

studied by economists, but the economist's function was to explain economic mechanisms or how the economy operated in the short-term. This required theories and deductive reasoning. In due course, Heckscher conceded that economic history also required the help of theories in order to explain longer-term development. Still, he always warned against the belief that there were laws of history or that historical studies could reveal anything about the future. Internationally, his essay made Heckscher a pioneer in a new discipline. In Sweden, he had launched the subject of economic history, a field that to this day remains highly active.

Heckscher also authored a PhD thesis in economics. This work was a two-year project commissioned by the National Railways (SJ) in preparation for their fiftieth anniversary celebration in 1907. The assignment was to prepare a study of the importance of the railways for Sweden's economic development. To facilitate his work, SJ provided Heckscher with his own railway car. Utilizing the statistical sources in a way that was advanced for that time, as well as what is now referred to as counter-factual analysis, he was able to measure the contributions of the railways in a convincing manner. The long-term significance of infrastructure construction has more recently been emphasized in economic and geographic research. In the Swedish case, such further studies have rested on the foundation laid by Heckscher. The new railway communities that sprang up along the railroads, often to the detriment of the pre-existing towns, have remained regional centers even as road transport and electronic communications have expanded.

AT THE STOCKHOLM SCHOOL OF ECONOMICS

When the plans for the establishment of a university level business school in Stockholm began to be implemented during the early 1900s, Heckscher had already achieved a position such that from the start he became involved in the preparations and was offered a faculty position. He argued that the contemplated school should be a first-class academic institution. The curriculum should require the students to apply scientific methodology to all economic activity, as well as to partake of the intellectual development that was the true purpose of university education. Others advocated the German business school tradition with its emphasis on down-to-earth knowledge and practical lessons in commercial science and bookkeeping. After an inspection tour of European business schools, Heckscher summarized his impressions as follows: “in England I learned a great deal that was useful in planning the instruction, in France I learned nothing at all and in Germany I mainly learned what should not be done.” He wished to convey profound and lasting insights, rather than practical skills, to the youths who were destined to spend their careers working in responsible positions. This goal also affected the pedagogical approach. Seminars, essay writing and the free exchange of ideas concerning current problems, rather than passive learning from textbooks and lectures, were part of the academic tradition supported by Heckscher.

When the Stockholm School of Economics opened its doors on Brunkebergstorg in 1909, Heckscher, in his capacity as Professor of Statistics and Economics, was an important member of its first set of instructors. During the following twenty years, he worked there as a teacher and scholar. In addition, he contributed a steady stream of articles to professional journals, as well as hundreds of contributions to the daily press. Heckscher's students have testified to his pedagogical skills and the seriousness with which he approached his teaching. This attitude also resulted in extremely high grading requirements. During his many years at the lectern, only five of roughly one thousand students received the highest grade in economics. One of these was Bertil Ohlin who was to follow in his teacher's footsteps in economics. For the less gifted, Heckscher had very little patience.

At some point in time around World War I, Heckscher's basic scholarly perspective, as well as his political attitude, shifted. Previously he had been something of a conservative government interventionist. That is, he believed that the state played a major and positive role, not just as the pillar of the national defence and legal system, but also as a guarantor for the influence of enlightened good sense on other concerns. He had not placed much faith in liberal economics, with its emphasis on the superiority of market mechanisms. With his long-term perspective, he considered Manchester Liberalism to be a short-lived fad. However, when he began to more seriously study economics – after all, he had been made a professor in the subject in 1909 – he was increasingly influenced by the modern liberal currents of thought. Moreover, at this time practical events also caused him to change his view of the government. In Sweden, he



During its first years Stockholm School of Economics was situated in the hotel at the north side of the Brunkebergstorg

witnessed the failure of state economic planning to deal with the country's needs during World War I. State socialism functioned poorly even when practiced by non-socialists. The market and its unfettered price setting mechanism must, according to his new experiences, be guaranteed more leeway. Part of the economic liberalism, to which he now started to adhere, was a belief in the importance of free trade. This was a position that Heckscher came to advocate in many connections.

Expansion of the franchise and the advance of a parliamentary government shook Heckscher's faith in the future and reinforced his political conservatism. For him, the Great Strike of 1909 served to reveal the forces that were being unleashed. He was one of those who picked up a broom and went out on the street when the sanitation workers struck. In 1911, the first, admittedly short-lived, Liberal government was formed with the parliamentary support of the left-wing parties. Would the easily-swayed masses take control of the government and where would that lead? The First World War and the later development in Germany and Russia only confirmed his skepticism. Demagogues, not wise statesmen, seemed to control the fate of Europe.

THE CONTINENTAL SYSTEM

His experiences of World War I, when Heckscher had served first as secretary and then as chairman of the War Preparations Commission, provided the impetus for a study of Napoleon's continental blockade, *The Continental System: An Economic Interpretation*. It was published in 1918 as a part of an international project concerning the origins of conflicts and wars, and it was soon translated into English. In this major work, he studied the thinking that led the French under Napoleon to attempt to close all harbors on the European Continent to English shipping.

Critics have noted that Heckscher tended to interpret the struggle between the British sea-borne empire and Napoleon's continental land power not so much as an ongoing conflict, based on geo-political reality, but as a collision between the principle of free trade and an inherently faulty protectionist plan. Heckscher's own anglophile attitude and recent conversion to liberalism, as well as his experience of war-time conditions, invited such an interpretation. His personal feelings, however, did not prevent him from producing an exemplary historical study. The comparisons with World War I are few and indirect.

The idea behind the Continental System was to crush English domination over the world economy while benefiting France and its allies. Heckscher felt himself able to

conclude that the blockade of the continent had no note worthy effects either on England or on France. The dynamic British economy continued to develop and its merchants found new routes for their trade. According to Heckscher, the stimulation of the French economy was only temporary. The expansive infant industry effects of protectionism quickly petered out. In his view, this “reverse” blockade was doomed to failure from the start. The French system of controls did not work, certainly not always. Smuggling was widespread, not least because France’s allies looked the other way and did not always care to enforce a system than mainly benefited France. Thus, for example, Sweden was forced to join the blockade but in practice did not wish to abstain from the lucrative trade between Northern Europe and England. In Gothenburg, the years around 1810 are still referred to as “the golden age” when the city’s foreign trade flourished as never before. Heckscher’s emphasis on corruption and smuggling has received support from later research. It has also been noted, however, that Napoleon’s blockade did not necessarily have to fail for economic reasons. The military balance of power, and especially Napoleon’s defeat in Russia in 1812, also played a major role.

Among the public service tasks that Heckscher undertook was membership on the Committee on Statistics and the national government’s Committee on Tariffs and Treaties. There he put his dominant stamp on the evolving free trade ideas. He also performed a public service as a member of the Commission on Unemployment during the inter-war period. He believed it was his duty to place his knowledge and judgment at the disposal of society.



Heckscher in his study on Baldersgatan in Stockholm during the early 1920s.

THE INTERNATIONAL TRADE THEORIST: THE HECKSCHER-OHLIN THEOREM

As a professor of economics starting in 1909, and under the influence of economists such as Alfred Marshall, Heckscher became increasingly interested in economic theory. He accepted that theoretical instruments could be useful, not just in interpreting the economic system existing at a particular point in time, but also in explaining economic change.

Heckscher only published a total of four scholarly articles on economic theory, all between 1916 and 1924. This modest number, however, did not prevent him from becoming world famous. The Heckscher-Ohlin Theorem is still prominently featured in all text books dealing with international trade theory. Especially well known is his 1919 essay, *The Effects of International Trade on the Distribution of Income*. There Heckscher presents his theory concerning how free trade among nations with varying supplies of the classical factors of production, land, labor and capital, results in factor price equalization. Thus, it is not necessary for the factors of production themselves to be tradable, for factor prices among nations to converge, at least as long as their technological levels are the same. In addition, he demonstrates the principles of how tariffs affect income distribution within individual countries. Five years later, these basic theoretical principles were further elaborated together with his pupil Bertil Ohlin. Since then, other

economists have developed the theory, principally by weakening the assumptions and introducing a more sophisticated mathematical formulation.

When Heckscher's article finally was translated to English some thirty years later, it was internationally celebrated for its originality and insight. Heckscher himself often pointed out that historians and economists had different talents. He believed that rarely did a single individual combine the ability to empirically analyze complex historical social developments with that of creating abstract theoretical models. That he himself belonged to this rare and select, double-talented, group there could be no doubt.

Heckscher's theoretical work concerning international trade went hand-in-hand with the faith in free trade that he proclaimed at every opportunity during the inter-war period.

MERCANTILISM

1931 witnessed the publication of Heckscher's great work that, world-wide, became the starting point for all research on European economic history from the Middle Ages to the liberal epoch of the 19th century. It was entitled *Mercantilism* and was the product of decades of work. In it, Heckscher presented a synthesis of that era's ideas concerning how an economy functioned and of the economic policies followed by the European nation states. The book was based on a comprehensive reading of the European literature on economics and history, both economic and political. These were the centuries when especially the Netherlands and England vied for the East Indian trade and when trade wars followed one after another. Foreign shipping was discriminated against, domestic trading companies were granted special privileges and home manufacturing was fertilized with subsidies. How these policies had been pursued in Sweden was the subject of Heckscher's *licenciat thesis*, now he turned to all of Europe.

According to Heckscher, the national governments' motivation for their mercantilistic policies primarily was to increase the power of the state, not to enrich the country. The use of grants of privilege to exercise strict economic control and the favoring of domestic production and exports at the expense of imports, were intended to strengthen the nation's international power. Frequent trade wars constituted an extension of

these policies. The ensuing debate concerning Heckscher's view of mercantilism has passed through numerous phases. Initially, he was opposed by the famous economist Jacob Viner who maintained that the governments of that day confused wealth with precious metals. Thus, quite simply, they were so-called bullionists who believed that they could make their countries rich by favoring certain producers and exporters and thus generating a surplus in the balance of payments. Other critics have argued that there was no such thing as a unified set of mercantalistic policies. The policies followed were not as well thought out as Heckscher maintained, they argue, but were principally the result of particular circumstances rather than any consistent political idea.

The discussion concerning mercantilism and Heckscher's interpretation of that concept also concerns free trade versus protectionism and private capitalism versus government planning. Heckscher argued that the shift from mercantilism to enlightenment and the industrial revolution that occurred during the 18th century had its ultimate roots in changing attitudes and ideas. His story ends with the great liberal epoch-making transformation that, after the 19th century, was succeeded by a reversion to protectionism, government monopolies, dictatorial regimes and world wars.

*THE ECONOMIC HISTORY OF SWEDEN
SINCE GUSTAVUS I (VASA)*

Carl Hallendorf, the head of the Stockholm School of Economics, died unexpectedly in 1929. Following his two successful decades at the School, Heckscher saw himself as the natural successor. It became apparent, however, that he lacked the support of his colleagues. Possibly his ascetic and moralizing tendencies made him unsuitable to lead an organization. His personality included an intellectually superior, arrogant, aspect that often offended his co-workers. Heckscher took this lack of confidence badly and contemplated leaving the School. The conflict, however, was resolved by the creation of Sweden's first personal professorship in economic history for him. Simultaneously, an Institute in Economic History was established at the School. It was also associated with Stockholm's University College, since expanded into Stockholm University.

This institute, which Heckscher was to head until the early 1950s, became the true cradle of the field of economic history in Sweden. The seminar activity that he organized there attracted a small group of, in many cases both gifted and successful, students many of whom later occupied important positions in Swedish society. Heckscher could now concentrate on what he had long considered to be his most important task but had been forced to postpone, writing the economic history of Sweden.

At this time, Heckscher also became less active and visible in the public arena.

During the 1920s, he had tirelessly published his views on current questions in the daily press, as well as frequently contributing lectures to, and participating in debates on, the newly introduced radio broadcasting system. During the 1930s, however, he reduced these activities. In addition, his influence on economic questions declined as the so-called Stockholm School increasingly came to dominate Swedish economic thought. Together with economists such as Ernst Cassel, David Davidson and Knut Wicksell, Heckscher for a long time had been among the nation's leaders in the field. Now, however, younger economists, such as Erik Lindahl, Gunnar Myrdal and even Bertil Ohlin, began, just like John Maynard Keynes in Britain, to argue in favor of government action to lift the economy out of the stubbornly persistent depression. They argued that by providing access to cheaper capital, and also directly creating demand in the economy, the national government could achieve full employment.

The very idea of such a stabilization policy was foreign to the classic liberal economists, especially if it was to be implemented by the government borrowing money to finance its activities. According to the Stockholm School economists, the state instead should pay off its debts by running budget surpluses during good times. Heckscher, however, expressed doubts about such a counter-cyclical policy. The risk, he argued, was that political demands would result in an ever increasing tax burden and a long-term growth of the public sector, developments that in his view would be detrimental to the Swedish economy. As he predicted, the policy contributed to a growing public sector and eventually had to be revisited, although that occurred too late for him to be a witness.



Eli Heckscher teaches at the Stockholm School of Economics.

His reduced involvement in current debates and in teaching afforded Heckscher more time to devote to his massive project of single handedly writing *Sweden's Economic History since Gustav Vasa*. He had reached all the way to 1815 when he was forced to call it quits. By then no less than four large volumes totaling almost 2,000 compact pages were finished. The task of writing Sweden's economic history, however, did not cause Heckscher to abandon his international perspective on history. He had adopted his first teacher Harald Hjarne's distaste for nationalism, a widespread pestilence of the late 19th century that also infected many Swedes. Above all, Hjarne emphasized a European perspective. What was crucial for him was to protect the cultural inheritance that stretched back to ancient Greece and which united the various parts of Europe. Heckscher continually emphasized the dependence of developments in Sweden on the importation of knowledge and technology from other countries. In his view, it was not until the end of the 19th century that it even made sense to talk of any genuinely Swedish contributions. For the Viking romanticism and the Great Power chauvinism espoused by Swedish nationalists, he had no use. Nevertheless his magnum opus created a nation-wide awareness of the roots of the developments that occurred starting in the mid-1800s. Moreover, he established the lines of inquiry that would be followed by future generations of scholars.

Ever since the time of Gustavus I (Vasa), and especially since the country's administration was straightened out in the 17th century, Sweden has had an unusually well ordered government, including well preserved archives. Starting in the middle of the 18th century, The Royal Statistical Office (Tabellverket) began to supplement the

already exemplary population records kept by the established church with its own series. Thus, there was no shortage of source material for Heckscher's research. Digging out the relevant numbers and drawing conclusions about the past, however, was hard work. Alone at his desk, and with the assistance of only one secretary, Heckscher labored at this task for approximately fifteen years starting around 1930. The first parts of *Sweden's Economic History since Gustavus Vasa* appeared in 1935 with last two volumes following in 1949, three years before Heckscher's death.

Heckscher's economic history of Sweden is neither an econometric nor a statistical study. It also contains surprisingly little of the neo-classical economic theory that he advocated. Still, in his work of clarifying the state of the economy during various epochs, he does make some use of the liberal, static apparatus. He defines the sphere of economic historical research as follows: "The function of economic historical research is to study how people's needs were met through time." This approach made it natural for Heckscher to utilize the concept of shortage inherent in classical economics: "It has always been necessary to limit people's demands in relation to the resources available and to insure that the resources be used accordingly".

Even if the laws, or mechanisms, of economics were basically stable, however, the conditions under which they functioned could vary. What Heckscher referred to as the "premises" differed in various time periods. By premises he essentially meant those concrete circumstances and institutions that lay outside the economy per se but which prevented economic laws from having their full effect. It was thus political economy

widely defined, including its sociological side branches that interested him. Together with his major contemporary economists he shared an interest in the forces underlying economic growth and the consequences of development for people. It was the industrialization of Western Europe and the accompanying process of modernization that had intrigued all the great classical economists: David Ricardo, John Stuart Mill and Karl Marx. Thorstein Veblen and Joseph Schumpeter also belonged to this group that made use of the entire political science palate to portray society.

Heckscher wished to study economic history by separating three aspects: First the situation, that is the development of the various economic sectors, should be studied. This was the heart of the discipline. Second, economic policy, that is “how the representatives of society from the village assembly to the national government, perceived their task in regard to the economy, what they combated, what they encouraged and what they left alone”, was to be examined. The third task was to study attitudes, that is how the economy was understood and interpreted in each epoch.

The driving force behind economic development was human needs, that is to say demand. People’s conceptions of their needs were as much the product of ideas concerning what made for a rich life worth living, as of economic forces. Such conceptions and attitudes can change in unpredictable ways. The golden epoch from the end of the 18th century had emerged when people were liberated from the old bonds and inhibiting traditions and learned to seek and create freely. Not only did this allow the earth’s resources to be utilized in a way that created material riches for more and more people,

it also resulted in an unprecedented flowering of culture and art. Rising welfare increasingly shifted demand away from the bare necessities of life and made it more varied on a personal level. That, according to Heckscher was precisely what was great about this period. At the same time however, there was concealed uncertainty about the economy and a risk of crises.

The era of enlightenment, industrial revolution and liberalism ended at the start of the 20th century. Productive capacity did not stop growing, but the power of the state kept expanding, thus limiting personal freedom. The effects of World War I, of course, were especially disastrous. According to Heckscher, the increasing influence of the broad masses resulted in vulgarity and also threatened free creativity in art and literature. Towards the end of his life, he became increasingly pessimistic about the future. He was not alone. Like economists such as Joseph Schumpeter and Fredrick Hayek, he feared that in the future individuals would become slaves of an oppressive state and economic development would be paralyzed. This same fear of totalitarian government can also be discerned in literature. Famous works such as *Brave New World* by Aldus Huxley, *1984* by George Orwell and, in Sweden, *Kallockain* by Karin Boye, were expressions of this concern. Heckscher occasionally equated the transition from 19th century liberalism to 20th century totalitarianism with the fall of the Roman Empire, when a brilliant culture was replaced by barbarism and anarchy. Much of the work Heckscher produced towards the end of his life reflects this dark foreboding about future developments.

THE FIELD OF ECONOMIC HISTORY IN SWEDEN

At the Swedish Universities, the field of economic history today has an independent and, by international standard, strong position. To a large extent, this situation can be credited to Eli Heckscher. When, following World War II, the subject established itself in the Swedish university system, it built on Heckscher's pioneering work. The process, however, was both complicated and lengthy. Opposition came from the exponents of traditional history, who felt that their academic bailiwick was being threatened. The question of economic history was dealt with simultaneously by two government commissions, one dealing with university organization and the other with the position of the social sciences in Swedish research. Influential historians serving on the first of these advocated that economic history should be incorporated into the field of history and be administered by the existing departments of history. Their argument was that the economic aspects of history should not be separated from history in general, while at the same time conceding the need for some degree of specialization. The economists on the second commission, however, believed that a sub-field with an historical emphasis within economics was desirable. In 1947, a debate in the press clarified the alternatives. Heckscher argued that the only reasonable solution was an independent position for economic history. Erik Lönnroth, professor of history and secretary of the

University Commission, however, believed that the new field would be well served by the Commission's recommendation that three new positions in *history, especially economic history* be established at the Universities of Uppsala, Lund and Gothenburg, together with a professorship in Stockholm to succeed Heckscher.

Despite being retired, Heckscher remained influential. By personally intervening with the responsible cabinet minister he was able to obtain a last minute change in the designation of the new positions to simply *economic history*. This change constituted a kind of declaration of independence. Despite his involvement in all the appointment decisions, however, Heckscher was unable to prevent historians, rather than economists, from assuming the leading positions in the new field of study. It simply was not easy to lure economists to the area. It is ironic that Heckscher himself, despite his glowing academic reputation, attracted so few pupils prepared to follow directly in his footsteps. Perhaps his dominance and strict requirements acted as a deterrent for many students.

Still, the subject of economic history was established and in due course flourished within the social science faculties and alongside the history departments. At the Stockholm School of Economic the field has encountered more severe problems, and it was de-emphasized after Heckscher's passing. Until the end of the 1980s there was no economic history instruction as such at the School. The traditions in the field were barely maintained by mainstream economists with an interest in history. In recent years, however, the subject has made something of a comeback with special emphasis on business and financial history, but still resting on a fragile foundation.

Eli Heckscher's influence on the discipline of economic history was massive.² Initially his legacy was largely preserved thanks to the succeeding generation of economic historians. They busied themselves with scrutinizing and revising the great synthesis that Heckscher had presented in his monumental work on Swedish economic history from the 16th to the beginning of the 19th century. A generation of younger economic historian trained in the evaluation of sources raised many questions. By and large, Heckscher accepted the criticism without rancor. The key questions were still from his research agenda. Raised in a grander historical tradition, however, he had difficulty in accepting some of what he referred to as "shoemaker research". By this he meant he meant the search for trivial and detailed descriptions lacking all attempts at generalization or theoretical linkages. Even at the symposium held fifty years after his death, it was possible to take Heckscher's writing as the starting point for discussing important issues such the evolution of living standards during the 16th century or the role of export firms in Swedish industrialization. His spirit lived on in another, very tangible, way, through his very approachable summary work "*Svenskt arbete och liv. Från medeltiden till nutiden*" published in 1941 (English translation: "*An Economic History of Sweden*", Harvard University Press, 1954). With some supplementation it remained for many years a textbook for introductory univer-

² Heckscher's role in the field of economic history has been analyzed in Hettne and Olsson.

sity courses. It was not until the 1990s that younger economic historians dared challenge this half-a-century old classic and publish new survey works on Swedish economic history.

Heckscher's writings on the theoretical foundations of economic history, some of them now more than one hundred years old, also remain important points of reference. He discussed both neo-classical and Marxist theoretical constructs and, with good reason, found them both to be inadequate. Today, the so-called institutional tradition, especially as formulated by Douglass North, dominates research in Swedish economic history. Within this approach it is possible to detect a certain kinship with Heckscher's perspective. His various premises that influenced the actual outcome of economic laws are reminiscent of North's concept of institutions. Heckscher, however, never seriously attempted to explain how these premises changed and thus making his theory dynamic. Modern institutionalists have been left to wrestle with this problem.

A EUROPEAN INTELLECTUAL

By breaking the bonds imposed by religion, the estate based society and government regulations, the enlightenment paved the way for the material advances of the industrial revolution, as well as liberating intellectual life. This was the period of European history Heckscher most admired and which he preferred to study. His most important contributions dealt with this phenomenon. The clarification of the modern period's ideologies, as well as the economic policies pursued and their effect on the population, was always central to this work. In essence, these are the processes that concern economic history. Currently the world is wondering if the great liberalization movements of the last several decades will be more permanent than those of the 19th century. Many observers detect evidence of a reaction that could lead to a new period of mercantilism and protectionism. Through his analysis of a long historical process, Heckscher has provided us with a basis for analyzing our own time, the most important task of historical scholarship.

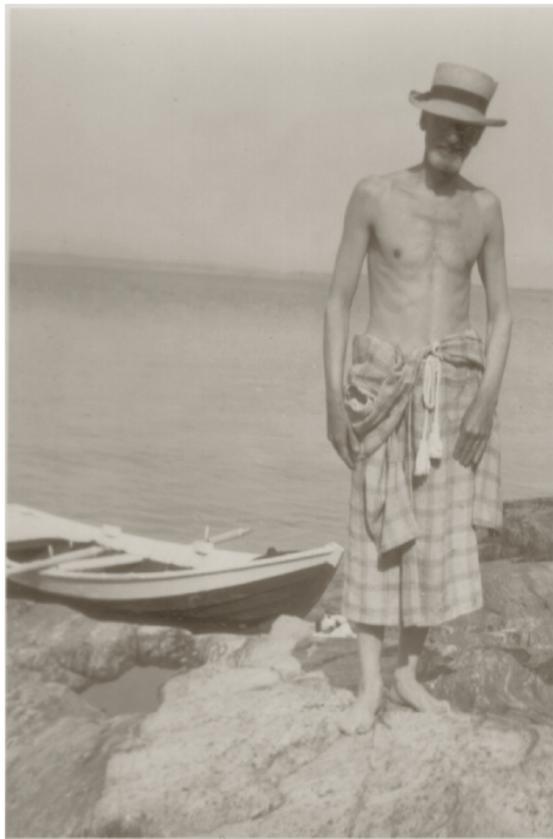
Eli Heckscher has been described as an enlightened Victorian. One of his pupils, Kurt Samuelsson, has noted how strikingly many Swedes of Heckscher's generation displayed his characteristics: a radical and uncompromising intellectualism combined with a streak of asceticism and intellectual snobbery. At the same, they were tolerant

and amiable, at least towards those fellow human beings who satisfied their high standards of intellectual honesty and seriousness of purpose. It was a cultural and educational ideal whose foundation was the individual's personal development.³

Heckscher's family had its roots in Hamburg, but his parents had arrived in Sweden from the Danish-German city of Altona in Schleswig, the home of many Jewish families. The Jews who migrated to Sweden during the 19th century generally belonged to the group of emancipated and successful families that had long lived in Western Europe. Eli's father had received a legal education in Copenhagen. At that time, all Swedes had to be registered as belonging to a religion, and the Heckscher family was recorded as Jewish, but they were not particularly religious. Eli Heckscher's wife, Ebba Westberg, was a gentile. The daughter of a postmaster from Hedemora, she had become a teacher in the fashionable suburb of Djursholm. Emancipating himself within Swedish society was part of Heckscher's personal agenda: he disliked Jewish nationalism as much as any other kind. In 1942 he wrote in his diary that he first and foremost considered himself as member of Western society dedicated to the search for truth, only thereafter as a Swede and third as a Jew.

According to Heckscher, the anti-Semitism he himself occasionally encountered and which became a tormenting reality for many following the Nazi takeover in Germany could only be combated if all people living in Europe were accepted on the same

³ Samuelsson, K. pp. 102-



terms. He therefore warned against Zionism. His opposition to the creation of a Jewish state earned him the enmity of one of the leading spokesmen for Swedish Jews, Hugo Valentin. Heckscher argued that establishing such a state in Palestine would only worsen the position of European Jews by providing an excuse for expelling them from their homelands. Moreover, he maintained, it was short-sighted to believe that British colonial rule could provide guarantees for a Jewish settlement in the middle of a region inhabited by Arabs.

Eli Heckscher found time to enjoy nice summer days in the Stockholm Archipelago.

Heckscher was a reserved person reluctant to talk about himself. Thus, he never wrote his memoirs. An interesting example of this attitude dates back to his youth. As a sixteen year old schoolboy he was given the assignment to write an essay titled “Which Profession Do You Find Most Attractive?” The young man submitted a precocious, well written, discussion of how individuals choose occupations. He presented an analysis of the principles involved, listing various factors such as traditions, ambitions, parents, finances and so on, together with an attempt to weight the relative importance of each one of them. It does not, however, contain any hint of his personal preferences.

Heckscher enjoyed great respect as head of his family. He was never to be disturbed. Together with his wife he had two sons, one of whom died at an early age. The surviving son, Gunnar, had a successful career as a political scientist and a conservative politician. He also had four children. The grandchildren have related how they sometimes were allowed to enter their grandfather’s study to say hello. There they might receive a glimpse of his current research or be allowed to look at the curious items he had on his desk. During World War II, these sometimes included a revolver. On one occasion, his four or five year old grandson Einar was allowed to occupy himself with it. The safety was off, and a shot was fired. Other than the grandfather’s singed hair, there were no personal injuries. The bullet, however, was deeply buried in the oak table. Eli Heckscher’s only comment was: “Einar, maybe you should go out and play with your grandmother for a while”.

Heckscher did not engage in any true recreational activities. The family did, however, maintain a summer home in the Stockholm Archipelago, incidentally an advantageous place to read. He liked the sea and he sometimes took sailing trips along with some friends. They, however, were reluctant to let him take the tiller, since he was easily



With a good book at the summer house.

distracted by ongoing conversations, sometimes with disastrous consequences. Still, the frequent groundings were not solely the result of distractions. As a scientist, when steering he repeatedly tested his hypothesis that there always was sufficient room between a marker and the shoal it indicated, to pass on the inside. This, however, was not always the case. It was with self irony that he borrowed the name of his boat from Galileo: *E pur si muove*, “And yet she moves”.

From his self-imposed task of searching for the truth, Heckscher never rested. At his desk he produced well over one thousand published works. He accepted his enormous work load as a moral duty. His personal motto was taken from Juvenalis: *Non propter vitam vivendi perdere cuasas*: freely translated “Do not fail to reach your goals in life simply by living it”. It meant that he did not want to waste time on trivia. He had discovered that at least during the winter he could avoid being stopped on the street by people wishing to converse about inconsequential matters. He simply never wore an overcoat so that others would realize that he was eager to go indoors. For Eli Heckscher the normal workday began at five o'clock in the morning. After a cup of tea or hot water, he read his newspaper. He then worked until six in the late afternoon, with only a short lunch break, twenty minutes of rest and a half hour devoted to reading some English murder mystery. After dinner he continued working until he went to bed around nine thirty. One day shortly before Christmas 1952, he surprised his wife by wanting to rest before dinner. He put down his pen and went over to his couch. There, he soon died peacefully.

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