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*Dag Hammarskjöld
100th anniversary*

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■ Foreword

It is now a hundred years since the birth of Dag Hammarskjöld, whose deeds have accordingly been highlighted this year in many contexts. Hammarskjöld is unquestionably a person who fascinates people. Mostly he is known for his time as Secretary General to the United Nations from 1953 to 1961 and as a writer, perhaps above all for the posthumous *Markings*. His work as an economist and his contributions over almost twenty years to the Riksbank and the Swedish Finance Ministry have attracted less attention.

To celebrate the hundredth anniversary, the Riksbank issued a commemorative coin on 7 September. This coincided with a seminar arranged by the Riksbank to throw light on Hammarskjöld's work as an economist and on his time in the Riksbank and the Finance Ministry. The seminar was conducted by Professor Assar Lindbeck, who also contributes to this issue of *Economic Review*. Three papers were presented to cover different phases of Hammarskjöld's career in the Thirties and Forties.

Professor Hans Landberg dealt with Hammarskjöld's academic career and his activities up to the mid Thirties. Among other things, Professor Landberg is a contributor to the recently published commemorative book on Dag Hammarskjöld.

Örjan Appelqvist, university lecturer at the Department of Economic History, Stockholm University, wrote about Hammarskjöld's years as Chairman of the Board of Governors of the Riksbank and Undersecretary at the Finance Ministry. In an earlier book – produced for a research project on Sweden during the Cold War – Appelqvist has considered the part played by Gunnar Myrdal and, to some extent, Dag Hammarskjöld in Sweden's economic policy in the period 1943–47.

Benny Carlsson and Göran Ahlström, associate professors of economic history at Lund University School of Economics and Management, discussed Sweden's road to the Bretton Woods institutions and the part played by Hammarskjöld in this process. These two authors are working at present on a research project, financed by the Riksbank's Tercentenary Fund, concerning Sweden and Bretton Woods 1945–60.

Professor Emeritus Börje Kragh contributed to the seminar with an oral account of some of Hammarskjöld's economic research, together with

personal impressions of Hammarskjöld, in part from the period when Professor Kragh was attached to the United Nations. A written version is included in this issue.

Between them these papers portray Hammarskjöld as an economist marked by experience of the aftermath of World War One and the inter-war years. As undersecretary at the Finance Ministry from 1936 to 1945, Hammarskjöld's line was a strict demand for a balanced government budget, with limited scope for under-balancing and measures of labour market policy.

Hammarskjöld's view of monetary policy was obviously most apparent during his chairmanship of the Riksbank's Board of Governors in 1941–48. The early years bore the stamp of a wartime economy, with a highly regulated capital market. Topical issues were the financing of Sweden's foreign trade and combating domestic price increases. The foreign negotiations were in the hands of a small group of government officials and leading representatives of banking and manufacturing, clearly supervised by members of the Cabinet.

A major post-war issue was how to meet the economic challenges. There was concern that, as had happened after World War One, it would be necessary to deal with falling prices and a worldwide slump. Instead, the years from 1945 onwards were dominated by rising import prices and domestic inflation.

Hammarskjöld represented the view that it was essential to restore the value of money to a pre-war level. A continuation of the elevated wartime price level would contribute to a lasting and incorrect redistribution of wealth between creditors and borrowers and that, in Hammarskjöld's view, was something to which the state could not be a party. Consequently, in July 1946 the Riksbank revalued the Swedish krona against sterling and the US dollar, the aim being to reinstate a pre-war price level and protect Sweden from imported inflation. But as the decision was not backed up with fiscal measures for dealing with domestic demand, it could not check the rapid expansion of demand and the attendant inflationary tendencies.

Other solutions had to be found. In 1947, in connection with government efforts to keep prices in check, Hammarskjöld headed a conference on inflation attended by representatives of political parties and labour market organisations. Nothing specific came out of this, however. In retrospect, both the revaluation and the conference were largely misdirected efforts.

In 1943 a discussion started on how to regulate international monetary conditions once the war was over. Proposals for organising monetary cooperation were presented in the United States and ultimately led to the

establishment of the Bretton Woods institutions. Hammarskjöld took part in these discussions with public statements and internal Riksbank memoranda. But although the Riksbank, the business community and others were engaged, Sweden adopted a wait-and-see attitude to the new monetary cooperation. Probably this was partly because the USA was doubtful about Sweden as a neutral country that had close ties and trade with Germany throughout the war.

Following his time at the Finance Ministry and the Riksbank, Hammarskjöld spent some years in the Foreign Ministry, where the matters he worked on included the construction of the OECD and Sweden's membership of Bretton Woods, which was ultimately agreed in 1951. He became increasingly involved in international negotiations and more or less dropped issues to do with the domestic economy and financial matters. Perhaps it was now that he made his most important contributions as a Swedish civil servant, not least in restoring Sweden's credibility with the victors and promoting our integration in the new world that was emerging after the war.

We who work in the Riksbank today are familiar with a number of the fiscal and monetary issues that engaged Hammarskjöld and his contemporaries. This applies, for instance, to the value of combating inflation and the need for a balanced government budget. At the same time, the approach to the macro economy has clearly changed. Hammarskjöld's belief in a centrally run state and various forms of regulation is not to be found today. Neither did he advocate our current separation of fiscal and monetary policies. On the contrary, for a long time he embodied the intermingling of these two aspects of economic policy.

The influence Hammarskjöld exerted in Sweden on both fiscal and monetary policy has few parallels in the twentieth century. But even when he became a minister in the Social Democrat government in 1951, he consistently asserted a right to be independent of party politics. This raises the question of the role of a civil servant in relation to that of a politician in a democratic system. Hammarskjöld developed his ideas about the role of a civil servant in some articles in the early Fifties, as well as later at the United Nations. Here he is prescient, pointing to the delicate balancing that can be called for and the values and ideals that have to be considered in public service.

Learning more during the past year about Hammarskjöld and his work as an economist has been stimulating and fruitful. The papers presented here provide fresh insights into an important phase of Sweden's modern history and contribute to a deeper understanding of post-war economic policy.

Dag Hammarskjöld's subsequent work at the United Nation also

acquires a new aspect. The experience he gained in the Swedish administration was applied to a new environment. Two colleagues at the Riksbank in the Thirties and Forties – Dag Hammarskjöld and Riksbank Governor Ivar Rooth – went on to hold two of the principal posts in the international community as UN Secretary General and head of the International Monetary Fund, respectively. The present papers also enable us to have a better understanding and appreciation of the value of these later events.

Stockholm, October 2005

Lars Heikensten

Björn Hasselgren

■ Dag Hammarskjöld as economist and government official

BY ASSAR LINDBECK

Assar Lindbeck is professor in international economics at the Institute for International Economics, Stockholm University.

Perhaps the most remarkable thing about Dag Hammarskjöld's role as economist and public servant in Sweden from the mid 1930s to the early 1950s is that a non-political official could exert so much influence on central aspects of economic policy. Considering the subsequent politicisation of the government offices, I doubt whether anything similar could happen today.

In the Thirties Hammarskjöld's principal single contribution was probably the 1937 budget reform, which made a distinction between the current and the capital budget. The idea was that while capital expenditure could be financed with loans, current expenditure would be financed (over a complete business cycle) from taxation. In the mid 1950s, however, Gunnar Sträng abolished this distinction to avoid having to register a surplus on part of the total budget (the current budget) and then face political demands for either tax cuts or increased spending. The division into current and capital budgets does have its limitations, partly due to tricky definitional problems, but today it has its advocates in that government and international organisations (the EU, for example) adopt targets for the government budget's balance, for instance in connection with the Stability and Growth Pact.

When assessing Hammarskjöld's contributions it must naturally be realised that, like everyone else, he was influenced by the spirit of the times. This is very clear from the paper Hans Landberg presented at the Riksbank's seminar on 7 September, which is also included here. Perhaps this influence is particularly evident in what Hammarskjöld has to say about national economic planning. For him, however, this term, so controversial in the early post-war years, seems to have mainly referred to the government affecting the overall level of investment through monetary instruments and infrastructure investment. He also spoke of the need for

some kind of (vaguely suggested) consensus between government and the corporate sector concerning macroeconomic developments. It is possibly more apt to describe Hammarskjöld's view of the role of government in terms of Bertil Ohlin's hazy concept of "framework planning".

But while Hammarskjöld bore the stamp of his times, he had an independent mind. In the Thirties, for example, he argued that the central bank should be kept out of politics – something that largely happened much later. In practice, however, he was a bit ambivalent about this, arguing in the Thirties for the coordination of monetary and fiscal policy. In the Forties, moreover, he himself played a dual role as undersecretary at the Finance Ministry and chairman of the Riksbank's board of governors.

Hammarskjöld was also independent in relation to Gunnar Myrdal, a particularly ardent advocate of making fiscal policy contracyclical, with a deficit on the current budget when economic activity was slack and a surplus when it was booming. Hammarskjöld was sceptical because he doubted whether politicians would manage to ensure a surplus in good times, an objection to fiscal contracyclicity that is often heard today.

Turning to Hammarskjöld's post-war contributions, it is evident from Örjan Appelqvist's paper, for instance, that he was a lively supporter of a low interest rate. It was also Hammarskjöld, according to Appelqvist, who was primarily responsible for the appreciation of the Swedish krona in 1946. In both these contexts, Hammarskjöld's arguments seem to have been based on the notion that prices are driven entirely by costs, while demand is less important – a not uncommon view among decision-makers at that time. Hammarskjöld obviously saw the appreciation as a way of bringing the price level down so that those who had lost out on the wartime inflation (creditors and employees with particularly rigid wages) would recoup some of those losses.

With a realistic theory of inflation, the appreciation should, of course, have been combined with a tighter monetary policy but that was blocked by the doctrine of a low interest rate, which entailed a pegged interest rate on government paper. As a result, Sweden landed in an inflationary economy and the authorities attempted to curb inflation with various controls that were a legacy of the wartime regime. It is not entirely clear whether Hammarskjöld regarded these controls as temporary economic policy instruments, designed to roll back a part of the earlier inflation over a limited period, rather than more permanent components. My guess is that the former was the case because he often declared himself to be in favour of a liberal economic system.

All in all, it has to be said that neither fiscal nor monetary policy was successful in the first post-war decade. The papers from the Riksbank's

seminar suggest that to a large extent the failures arose just because leading government representatives, Hammarskjöld included, thought of prices as being entirely determined from costs. That explains why they went in for low interest rates, currency appreciation and central wage negotiations when inflation was accelerating, rather than a restrictive fiscal and monetary policy.

When international inflation then shot up in 1950 in connection with the Korean war, it actually provided a sound argument for appreciating the currency: Sweden's terms of trade were markedly improved by strong price increases for primary products (forest products and iron ore), which at that time dominated Swedish exports. There were calls for an appreciation in the public debate but the government and the central bank abstained, with the result that came to be known as Korean inflation. From the papers for the Riksbank's seminar it is not entirely clear whether Hammarskjöld was co-responsible for exchange rate policy on this occasion as well. He had already moved from the Finance Ministry to Foreign Affairs, where in practice he seems to have borne the primary responsibility for Sweden's international economic relations. He had distanced himself from direct responsibility for monetary policy and exchange rate issues on leaving the Riksbank's board of governors in 1948.

This brings us to Hammarskjöld's contributions in foreign relations. It seems to me that his greatest constructive contribution to Swedish economic policy was just his efforts over many years as a negotiator with the Western powers to reinstate Sweden in international, primarily Western, economic cooperation. Due to Sweden's wartime concessions to Germany, as well as to her somewhat compliant attitude to the Soviet Union immediately after the war, this was no easy task. Moreover, the problem of joining Western economic cooperation was complicated by Sweden's expressed desire to combine this with neutrality in foreign policy and defence policy.

The seminar, not least the paper by Göran Ahlström and Benny Carlsson, made it clear that Hammarskjöld was skilled in conducting confidence-enhancing negotiations in foreign affairs. The other parties to the negotiations evidently relied on the promises he made. Hammarskjöld convinced them that he was someone who could be trusted. At the same time, he appears to have had considerable freedom to give and take in international negotiations. The foundations for his subsequent international career were probably laid in this period of negotiations with other countries.

I never met Hammarskjöld in person. My experience of him derives from the *atmosphere* that his activities still generated in the Government Offices when I joined the Finance Ministry in 1953 as the youngest third

secretary. His spirit permeated the building at Storkyrkobrinken. The chief sign of this was the work ethos. When dinner had been eaten at a nearby restaurant, it was considered to be a patriotic duty to return, in the Hammarskjöld way, for a second shift. A more touching example is that the Finance Ministry's undersecretary at that time made a point of ensuring that just he had the right to the hook Hammarskjöld had used for his coat and hat. Since then, of course, the Ministry has been endowed with a new building, new coat-hooks and a new undersecretaries.

■ Time for choosing

Dag Hammarskjöld and the Riksbank in the Thirties

BY HANS LANDBERG

Hans Landberg is professor and former secretary-general to the Council for Planning and Coordination of Research.

When the Thirties crisis, triggered by the Wall Street crash in 1929, reached Sweden in the summer of 1931, Dag Hammarskjöld had been working for a year as assistant secretary to the Unemployment Committee. This had been set up in 1927 to analyse why, notwithstanding the Twenties boom, there was still “permanent unemployment” and to propose countermeasures. Hammarskjöld was busy completing the Committee’s first report – Arbetslöshetens omfattning, karaktär och orsaker (The extent, nature and causes of unemployment) – and planning the second, which would deal with countermeasures. He had studied at Uppsala University and taken a licentiate in political economy in 1928. The very mediocre grade he had obtained for the theoretically oriented licentiate dissertation meant that, instead of continuing directly to a doctor’s degree, he was obliged to resume his earlier law studies, which were essential for a career in the civil service.

The post of secretary offered a good opportunity of beginning working life slightly off the civil servant’s conventional path and of maintaining his identity as an economist. The Committee gave him direct experience of the tensions in political life in that it brought him into touch with its members, who included Gösta Bagge, an economist who subsequently led the Conservatives, and Ernst Wigforss, the principal ideological and economic representative of the Social Democrats.¹

¹ This article is based on the author’s preparations for an account of Hammarskjöld’s career as a Swedish civil servant. General sources are *Arbetslöshetsutredningens arkiv* (Archives of the Unemployment Inquiry), in Riksarkivet (RA, National Archives); *Finansdepartementets arkiv* (Archives of the Ministry of Finance), RA; *Hammarskjöldska arkivet* (Hammarskjöld Archives) and *Dag Hammarskjölds samling* (Dag Hammarskjöld’s papers), in Kungliga Biblioteket (KB, Royal Library); *Eli Heckschers samling* (Eli Heckscher’s papers), KB; and *Erik Lindahls samling* (Erik Lindahl’s papers), in Lund University Library (LUB).

The Unemployment Inquiry has been discussed by Eskil Wadensjö in a number of contexts; see e.g. “The Committee on Unemployment and the Stockholm School,” in Jonung, L. (ed.), (1991), *The Stockholm School of Economics Revisited*, and “Bertil Ohlin and the Committee on Unemployment 1927–1935,” in Findlay, R., Jonung, L. & Lundahl, M. (eds.), (2002), *Bertil Ohlin – A Centennial Celebration (1899–1999)*.

The crisis looms – rally to the flag

The economic news in August 1931 had been predominantly negative. The situation in the UK had deteriorated, leading to support in the form of loans from France and the USA. The stock market was falling and the situation for Sweden's foreign exchange reserves was precarious. The financial position of the Kreuger concern aroused international concern.

At the beginning of September the Government Offices decided to heighten readiness. A clearer, up-to-date picture was needed of Sweden's economic situation and of what was actually happening in the economy.

Eli Heckscher, the grey eminence of the liberal government on economic issues, was consulted and with his customary efficiency produced two memoranda. He recommended that corporate practitioners be included in the discussions and that some fledgling economist be engaged to analyse the statistics.²

It was Dag Hammarskjöld who served as the young economist. The undersecretary at the Finance Ministry, Kurt Bergendal, told him on 14 September that he would be wanted and next day Hammarskjöld attended a meeting at the Ministry at which – as he himself noted, somewhat dazed but proud – “a brace of ministers” were also present. His task was to assist in planning a study of the price level – economic policy accorded top priority to price stability. There was no time to lose, of course, and Hammarskjöld plunged in. In two days he had a draft ready for Bergendal but met with a rebuff. There were other government agencies to consider, primarily the Board of Trade, which was responsible for the trade statistics; the Board of Health & Welfare and the Riksbank were also interested parties. Following discussions with Heckscher, the plans were modified to make them acceptable to the Board of Trade and on 21 September Hammarskjöld was at work on the price level study.³

His diary entry that day notes that England was “liberated” from the gold standard, followed by an outburst of resigned arrogance: “what the hell are we still working for?”

The situation had suddenly become acute. Even so, to the accompaniment of diverse rumours, official pronouncements by Finance Minister Felix Hamrin and Riksbank Governor Ivar Rooth, and political leading articles in the press, Hammarskjöld pressed on with his price analysis in close touch with an assistant statistician at the Board of Trade, with supervisory support from Heckscher. The scope of the work was limited; what mat-

² Eli Heckschers samling L67:97, KB. Cf. Henriksson, R. G. H., “Konjunkturinstitutsiden och konjunkturbevakning före konjunkturinstitutet,” in Henriksson, R. G. H. (ed.), (1987), *Konjunkturinstitutet under Erik Lundbergs tid. Tillbakablickar vid 50-årsjubileet 1987*.

³ DH's diary September 1931, KB. Some versions of this memorandum are to be found in *Eli Heckschers samling* (KB) in a volume (L67:97) with documents from the 1931 currency crisis.

tered was to obtain a general, current picture as soon as possible on the basis of the available material.

Meanwhile, the government pursued Heckscher's other recommendation. At a meeting convened by the Prime Minister, Carl Gustaf Ekman, on 25 September to discuss the situation, the other participants included Hamrin, Bergendal and the Minister of Agriculture, Bo von Stockenström, from the Government Offices; the three major banking groups were represented by Jakob Wallenberg (Enskilda Banken), Oscar Rydbeck (Skandinaviska Banken) and Helmer Stén (Handelsbanken); the Board of Trade was represented by its director-general, Karl Axel Fryxell, and the Riksbank by Rooth, its governor; economic expertise was provided by Heckscher and Gustaf Cassel.

Three alternative courses of action were identified: defend the gold standard, link the krona to sterling, or drop the parity with gold in favour of what was referred to as a "paper standard" (the krona would be left to stabilise without any link to either gold or another currency). The general view seems to have been to defend the gold standard as far as possible. Only Stén expressed doubts about the desirability of maintaining parity with gold. Heckscher's argument for doing so was that it would be wrong "to commit suicide for fear of death". Rooth, relatively new in the post of Riksbank governor, observed that a situation with a free currency had not been planned for. Cassel was also in favour of the gold standard but stressed the importance of drafting plans for maintaining the krona's purchasing power in the event of a paper standard. He and Wallenberg both ruled out a sterling peg. Hamrin stated, in agreement with the Prime Minister, that the possibility of supporting the krona would be examined and concluded the discussion by saying that the crisis did not call for a decision by the government. If the Riksbank were to give notice that the gold standard was untenable, "the government would face a *fait accompli*".⁴

Hammarskjöld was, of course, not summoned to this top-level meeting and concentrated on his hurried investigation. He completed the analysis on the following day, Saturday 26 September, leaving only some editing and retyping to be done on the Sunday. While engaged on this on Sunday evening, he was informed by telephone that Sweden had also "thrown gold overboard". In an ironic morning-after mood he notes that

⁴ Hamrin mentioned the meeting with the Prime Minister in a lecture that was reported in *Dagens Nyheter* on 3 November 1931. He is quoted as having said that the inquiry into Sweden's economic situation in mid September concerned the price level relative to that abroad and a calculation of imports and exports in the remainder of the year. Eli Heckscher took notes during the meeting on 25 September. Eli Heckschers samling L67:97, KB. In "Penningpolitiken under trettioalet," in Herin, J. & Werin, L. (eds.), (1977), *Ekonomisk debatt och Ekonomisk politik. Nationalekonomiska Föreningen 100 år*, Jonung, L., refers to Cassel's memoirs and claims that it must have been Cassel who formulated the Government's and the Riksbank's price stability norm.

28 September was spent on “endless armchair philosophy” and that “the exchange rates dived to the great dismay and lamentation of Old Sweden”. He evidently did not share the establishment view of the gold standard’s importance.

Hammar skjöld’s study for the Board of Trade and the Finance Ministry had become less topical. Matters had gone ahead. At all events, when the Board of Trade summoned him on 29 September, instead of complying he “sulked and was reluctantly allowed to go about my own business”.

Next day, however, new strings had already been pulled; Hammar skjöld had to give up sulking as well as his own business and embark on a new memorandum, this time about “the feasibility of identifying the occurrence of inflation statistically”. Once again, Heckscher was involved but the relationship with him had started to become trying.

Cooperation with Erik Lindahl for the Riksbank

Action was now called for from the Riksbank, which was specifically responsible for monetary policy and the gold standard and was also, as the bank of the Riksdag, fairly independent of the Government. The sole instrument for coping with currency unrest – the official discount rate – had already been used during the summer, when the rate had been increased 1 percentage point. Unsuccessful attempts had also been made to raise loans in the US or France. When Britain came off the gold standard, the Swedish discount rate was raised from 4 to 5 per cent and then, after just a couple of days, to 6 per cent. On 27 September, when the Riksbank requested the Government to ban exports of gold and asked to be absolved from redeeming notes for gold, the rate was raised again to 8 per cent. The explicit purpose of all this was to “maintain the domestic purchasing power of the Swedish krona”.

Still, there was a great deal of uncertainty. The Riksbank lacked the ability to assess what was required in the way of an interest rate policy and Rooth presumably felt a fairly strong need – in accordance with Cassel’s powerful exhortation at the Prime Minister’s policy meeting – to draw up a plan for maintaining the krona’s purchasing power.

At a meeting on 1 October, Rooth acted by pointing out to the Riksbank’s Board of Governors that in the new situation for monetary policy the Bank had to have its own reliable statistics that would enable a detailed monitoring of price developments and the market for goods. He envisaged that price data would be collected on a weekly basis in such a way that the Bank would be able to judge whether observed price movements stemmed from altered exchange rates as opposed to inflationary

tendencies in the domestic market. The feasibility of constructing a new price index would be examined and the material was to be collected in such a way that any changes in the composition of imports and demand could be identified. Rooth pointed out that the work he had in mind was to be seen as supplementing the efforts of the Board of Trade and the Board of Health & Welfare. He underscored that it could be undertaken to a large extent in the agencies that already registered prices, naturally with their cooperation, but he also emphasised that it should now be the Riksbank's responsibility. He added that his proposals were in keeping with the preliminary work and planning that had been done in the Finance Ministry and could accordingly allay any fears that the proposals would encounter criticism from the Government and its agencies. This was evidently a reference to the work that Hammarskjöld had begun. Rooth also suggested that a Board member should be made responsible for ensuring that an investigation was undertaken without delay in consultation with Rooth, the relevant agencies and "some competent persons in the fields of political economy and statistics".⁵

Considering what had gone before, it was to be expected that Hammarskjöld would be involved and he was in fact summoned to a meeting on 2 October with Rooth, Heckscher and Per Edvin Sköld, the designated Board member. As Hammarskjöld was obviously not qualified to represent political economy and statistics on his own, it was decided to bring in Erik Lindahl. He was an established political economist, with a chair at the Göteborg School of Economics, and had published notable works on the objectives of monetary policy and its instruments, making him highly qualified to advise the Riksbank. This choice must have pleased Hammarskjöld in that Lindahl had been and still was his academic mentor. Only a day later, Hammarskjöld was required to present the issues on his own at a morning meeting at the Riksbank, where the heads of division were somewhat sceptical about the very young economist from the outside world. In his diary Hammarskjöld notes that he performed "in front of a number of malevolent gentlemen". The investigation started at once and for the rest of the month he worked almost alone and highly independently on the construction of a consumer price index, albeit under Lindahl's active supervision. He did, of course, also get in touch with and was assisted by various people at the Riksbank and the Board of Trade. A statistician working on the Unemployment Committee also made a contribution. On 29 October Lindahl and Hammarskjöld were able to present the Riksbank's Board of Governors with their joint

⁵ Bankofullmäktiges protokoll 1/10 1931, *Riksbankens arkiv*, vol. signum A1A:31; *Eli Heckschers samling* L67:97, KB.

plan for price statistics. It amounted to making analyses of price developments feasible on the basis of wholesale and retail prices and goods turnover in Stockholm, together with a weekly index of the average price level of consumer goods and a couple of supplementary indices for longer periods. The proposal called for some administrative planning and this had also been done. The tasks were divided between the Board of Health & Welfare, the Board of Trade and the Riksbank; the latter was to be responsible for the data on goods turnover in Stockholm and, above all, for computing the indices and for processing and commenting on the price data. Lindahl was appointed to lead the surveys but on the grounds that his work in Göteborg meant he could not be expected to perform "all the tasks that fall to the leader", Hammarskjöld was employed until further notice to assist him. This meant that every second week it was Hammarskjöld who undertook the regular analysis of the weekly statistics; in the other weeks he acted as Lindahl's "auditorium". The drafting of the Riksbank's press notice was regularly left to Hammarskjöld.⁶

Hammarskjöld terminated his paid work on the Riksbank's consumer price index at the turn of the year. In a courteous letter to Rooth at the beginning of 1932 he asked to be relieved on the grounds that the day-to-day work on the price index series and the commentaries now appeared to be satisfactorily organised and that his "work elsewhere" was occupying his time to a growing extent. "Of course", he continued, "it will be a pleasure for me even in the future to assist Hansson [the Bank clerk with the routine responsibility] and Lindahl whenever they so wish. For this negligible work, however, I do not consider myself entitled to any compensation whatsoever".⁷

A year or so later, Lindahl, who continued as advisor to the Riksbank, presented the work on the Riksbank's consumer price index and its theoretical problems in a paper in *Ekonomisk Tidskrift*. In a footnote he drew attention to Hammarskjöld's significant contribution to the organisation of the work for the Riksbank's price statistics and confirmed that he had also been helpful later on a number of occasions. He also thanked him for scrutinising the manuscript.⁸

⁶ *Bancoposten* 1931:4 (*Bancoposten* is the Riksbank staff's magazine). DH's diary, KB.

⁷ Specification of administrative expenditures and extraordinary emoluments, DH to Rooth 8/1 1932, Ivar Rooth's correspondence, Riksbank archives.

⁸ DH's diary October–November 1931. Erik Lindahl to DH 7/11 1931. *Dag Hammarskjölds samling*, KB. Lindahl's article in *Ekonomisk Tidskrift* 35:1933.

Price theory dissertation

There were really good reasons for Hammarskjöld to withdraw from his task at the Riksbank. In the first place, the plan he had drafted for the concluding report from the Unemployment Committee called for a number of expert opinions and he was to produce one of these. He had been thinking about this assignment in the brief intervals between his other work that autumn and now had more time to arrange it in earnest. He presented his plan in February and aimed from the start to use his report as a doctoral thesis. It was important for him to be identified as a political economist, besides which, defending a doctoral thesis would enable him to get his own back for the semi-failure of his licentiate dissertation. Along with his other tasks as secretary to the Unemployment Committee, Hammarskjöld completed his thesis in less than two years and defended it at the beginning of November 1933 at the University of Stockholm.

The Expert Annex/doctoral thesis, entitled *Konjunkturspridningen. En teoretisk och historisk undersökning* (The dissemination of business cycles. A theoretical and historical study), is known for its abstruseness and is little read. The question that has been debated most is what did Hammarskjöld actually contribute to the development of a dynamic theory and how important was this contribution. Here there is reason to focus on another aspect.⁹

In his analysis of cyclical developments and the international dissemination of an economic trend, Hammarskjöld started from prices and their movements. Seen from this angle, cyclical development took the form of a succession of “price constellations”, eliciting expansion or contraction of operations either in particular industries or in the corporate sector as a whole. The price constellations were of two kinds; for those related to earlier price constellations Hammarskjöld talked of “price spreading” and “price spreading’s course”, while those that were dependent on other, more or less external causes he called “primary price changes”. An investigation of the mechanism underlying the international spread of an economic trend accordingly involved studying both how the course of a price spread occurred technically and what caused primary price movements occurring simultaneously in different countries.

With this starting point, Hammarskjöld obviously had cause – in both the theoretical and the empirical sections of the thesis – to take a close look at price and trade statistics, besides thoroughly discussing issues to do with monetary theory. He naturally also presented an initiated discus-

⁹ The thesis was published as Annex 4 (SOU 1933:29) to the report from the Unemployment Inquiry. For the discussion of Hammarskjöld's contribution to theory, see Hansson, B., (1982), *The Stockholm School and the Development of Dynamic Method*.

sion of the relationship between the Riksbank's new consumer price index and other Swedish price statistics. The thesis was clearly pertinent to the Riksbank and it was not by chance that its second opponent was Karin Kock, a banking economist from the younger generation of academic political economists.

Notwithstanding a good deal of criticism, the faculty opponent, Gunnar Myrdal, recommended a high grade (*cum ins*) for the thesis as such, but Gösta Bagge, representing the subject, forced through a mere *cum*. However, Hammarskjöld was awarded the top grade for his defence and became assistant professor in political economics at the University.¹⁰

“They are already fighting for him ...”

The Unemployment Committee was due to be completed soon after the turn of 1933, so Hammarskjöld needed to plan his future. His hopes of taking up an academic career in Uppsala came to nothing, perhaps only partly because, after a crisis around the turn of the year, the Committee was prolonged by twelve months or so. However, he was no longer fully occupied by the work there and both needed and was able to look for other assignments.

Hammarskjöld had already been offered a job at the Finance Ministry when the Committee's new schedule was settled at the beginning of 1934. He started to work there on 1 February and was appointed second amanuensis as of April. To begin with he seems to have done routine work on budget expenditure but was also drawn into discussions in Ernst Wigforss' home together with Gunnar Myrdal and Alf Johansson (who had likewise presented an economic dissertation in the form of an expert annex to the Unemployment Committee). Their theme was the politically highly topical issue of “national economic planning”. Hammarskjöld was given the personal task of drafting a memorandum on the subject and worked on this until May.

However, Hammarskjöld had only worked for a fortnight or so at the Ministry when the Riksbank got in touch. Rooth was looking for an academically trained economist to serve in the Bank immediately under the executives to undertake economic studies, mainly on issues to do with the business cycle and monetary policy. With his thesis completed, Hammarskjöld was a natural choice for such a post. An opportunity arose when the resignation of Erik Lamm, the deputy governor, provided scope for the creation of a supernumerary post in the 26th salary grade.

¹⁰ For Hammarskjöld's thesis certificate, see *Stockholms högskolas arkiv, Serie A V c a Humanistiska fakultetens protokoll, RA*.

Although the offer was very advantageous, on 22 February – the day after receiving the personal assignment from Wigforss – Hammarskjöld declined, only to learn that the matter had been decided by stronger powers. Rooth had turned to Herman Ericsson, undersecretary to Wigforss, and next day the three parties agreed that Hammarskjöld's services would be shared between the Riksbank and the Finance Ministry.

On 1 March the Board of Governors heard Rooth's case for recruiting someone unfamiliar with the Bank's internal organisation to serve as secretary to the executive. At the same time, Rooth told the Board that he envisaged a secretariat to the Board, headed by the Bank Secretary, into which the executive secretariat would be incorporated. In that event, the secretary to the executive would be immediately under the Bank Secretary. It was also noted that on account of his duties at the Finance Ministry, Hammarskjöld would "to begin with" not be able to devote all his working hours to the Bank.¹¹

Lindahl congratulated Hammarskjöld heartily over the new appointment and was pleased that although this did away with the need for his services as advisor to the Bank, through Hammarskjöld he would continue to keep in touch with current monetary policy. Bo Hammarskjöld, who as undersecretary at the Ministry of Health & Social Welfare was in a good position to follow his younger brother's career and development, noted with satisfaction in a letter that spring to Åke, another brother then at the International Court of Justice in the Hague, that "Dag goes from strength to strength. His reputation, as a theoretician as well as a practitioner, is very great and widespread. They are already fighting for him and it will probably get worse."¹²

The tug-of-war was not only between the Finance Ministry and the Riksbank. The Unemployment Committee involved far more work than had been expected, so in 1934 neither the Ministry nor the Bank got much out of their new second amanuensis and secretary, respectively. The evidence is somewhat fragmentary but it seems that Hammarskjöld worked half-time in the Ministry from April to June but was on full leave of absence for the rest of the year. He started at the Riksbank on 6 March but not for long; on 16 May he took full leave of absence to work on the Committee. During the summer it became clear that an intensive effort was needed to complete the Committee and in August Hammarskjöld informed Rooth that he saw no immediate prospect of being able to resume his regular duties in the Bank.

¹¹ DH's diary, KB. Bancofullmäktiges protokoll 1/3 1934, Riksbank archives, vol. signum A1A:34. Rooth's proposals are reproduced in extenso in the staff magazine *Bancoposten* (1934:1).

¹² Erik Lindahl to DH 1/3, 1934, DH:s samling, KB. Bo Hammarskjöld to Åke Hammarskjöld 7/6 1934, *Hammarskjöldska arkivet*, KB.

This turn of events can hardly have pleased Rooth; in mid November Hammarskjöld had to promise to return to the Bank full-time as of December even though the Committee's report was still unfinished.

But hardly had he returned to the Bank when Wigforss summoned him again to prepare an overview of economic developments in the run up to the Budget Bill.¹³

At the Riksbank

The regular Bank work did not give Hammarskjöld what he was looking for. He found it "unspecific" and too much was routine. His diary, which otherwise provides little indication of feelings, contains some entries that express a lack of stimulation: first there is "Started full-time at the Bank – naturally with nothing to do"; then during the spring of 1935, "At least I managed to pass the day", "Days without end", "The usual fate at RB – the day is over before it has begun", "Work-day consumed by the usual petits riens". His induction was timed unfortunately in that around the turn of 1924 he was torn between actually working at the Bank, completing the frustrating tasks for the Unemployment Committee and Wigforss' demands.

There was a touch of pretentiousness to Hammarskjöld's feeling that he was wasting his time. He no doubt considered that his status as an economist made him too highly qualified for some of the tasks assigned to him. But this was his first regular job as a civil servant, which made a good deal of routine work inevitable, and this humdrum existence was accompanied by other tasks that were demanding and perhaps more attractive. It should be added that he had a good relationship with Rooth, who backed him and made use of his qualifications.

At least the European tour lasting more than a month that Hammarskjöld embarked on at the end of January 1935 should have been stimulating. It involved studying the statistical work at a number of other central banks, besides giving him a chance of getting to know opposite numbers here and there. His first stop was England, with a visit to Cambridge as well as London, where he called on the Bank of England and the London School of Economics, lunched with the influential economist John Maynard Keynes and renewed many other contacts he had made on a study trip in the autumn of 1927. From there he went to Paris, where he spent two days at the Banque de France, and then to Basel, Geneva and Zurich in Switzerland. His host in Basel was another Swede,

¹³ Information about DH's conditions of employment are to be found in his diary, the minutes of meetings of the Riksbank's Board of Governors and the Finance Ministry archives (D 1 A matriklar och tjänsteförteckningar 1922–1939), RA.

Per Jacobsson, who had been at the Bank for International Settlements (BIS) as economic advisor since 1931. The tour ended with the German central bank in Berlin and resulted in a memorandum: "Personal impressions of relations of importance for Swedish monetary policy. England – France – Switzerland – Germany". The previous May, moreover, he had been entrusted with the task of representing the Riksbank by standing in for Rooth at a BIS board meeting in Basel. He combined this with visits to the banks in Berlin and Copenhagen and subsequently produced a report.

Along with correspondence and general administrative tasks, Hammarskjöld was engaged in analysing the consequences of a trade credit to the Soviet Union, working on the grain mortgages that were handled by the Riksbank, analysing the technical feasibility of tightening the money market at a time of high surplus liquidity in the commercial banks, proposing amendments to coinage laws and tackling the demanding technical problems that had arisen with foreign exchange clearing when European countries were split into separate currency blocs. The latter problem was further complicated when Hammarskjöld found himself at odds with a member of the Board of Governors who strongly opposed his recommendation that, in the event of an increase in foreign assets, the Riksbank should enlarge its dollar holdings at the expense of sterling.¹⁴

Publicist

Hammarskjöld was interested in major matters of principle in the borderland between theory and practical policy. Here there was indeed an adequate challenge in questions to do with foreign exchange, in particular a stabilisation of the international monetary system. He discussed these issues with Lindahl and produced a number of memoranda for the Riksbank.

Above all, however, 1935 was the year when – released from the ties as secretary to the Unemployment Committee and not yet shackled again by the strict professional loyalty he displayed as undersecretary – Hammarskjöld came out as an independent voice in economic policy.

In April 1935 he read a paper, *Valutapolitisk mellanakt* (Monetary policy entr'acte) at Nationalekonomiska Klubben, a private club of professional economists. He had checked the manuscript with Rooth, who as it happens was elected to the club at the same meeting.

In public he presented his thinking on the Nordic countries and the monetary crisis in an article, *De nordiska länderna och valutakrisen*, in *Nordisk Tidskrift* in May 1935. Perhaps, he suggested, the Nordic coun-

¹⁴ DH's diary, KB. Travel reports in the Riksbank archives, vol. signum F1A:124.

tries ought to set up monetary policy cooperation: "We have had a monetary union without a monetary policy formed in joint consultation. Hasn't the time now come for a common monetary policy – without a monetary union?" he asked provocatively and discussed the possibility of Nordic monetary cooperation within the framework of a wider international arrangement. In June he and Rooth attended a meeting of Nordic economists in Oslo and took part, with his published paper to refer to, in a plenary discussion in the morning of 18 June on the possibilities of setting up an international monetary standard. With such a knowledgeable audience, he gave a more technical account of the idea he had presented in his paper.¹⁵ The Nordic countries would establish mutual monetary policy cooperation and do so within the framework of a wider collaboration between the countries that aimed for stability by relating their currencies to sterling. He recommended a flexible system for such a sterling group, with no fixed pegs and a role for gold but without a return to the gold standard. He did not duck the observation that such monetary cooperation would have to be accompanied by agreements on common policies in other respects as well. He pointed to measures for regulating production, the tariff system and credit agreements as means for supporting the participants' currencies and concluded with an elaboration of the idea that, seventy years later, is still pertinent: *It would also, which brings me to perhaps the trickiest point, be necessary to consider some constraint on the individual country's fiscal policy and on the whole on the government's economic operations. I am well aware that in considering such consequences it is a far cry from what looks feasible in practice today. But I am inclined to believe that in time we shall be forced to realise that the sacrifice of national independence that may lie in such agreements can be worth more than it costs.*

His diary entry on the conference is self-critical: "In poor form" . Accompanied by a young economist, Ingvar Svennilson, who had been his colleague in the final phase of the Unemployment Committee, he absconded from the afternoon session in favour of Oslo's National Gallery.

A year later he had an opportunity to present his views on monetary stabilisation to a wider international forum. The International Chamber of Commerce and the Carnegie Endowment had set up a Joint Committee to produce a report on two of the leading post-war economic issues: "The improvement of commercial relations between nations" and "The problems of monetary stabilization" . The Committee co-opted an interna-

¹⁵ *Forhandlinger ved det tiende nordiske nasjonalekonomiske møte i Oslo den 17–18. juli 1935, (Oslo 1935).*

tional group of economic experts that included Bertil Ohlin, the future leader of the Swedish Liberals who already had an international reputation as an economist. This group in turn engaged ten more economists to contribute to the report and to the recommendations which the experts and the Joint Committee finally adopted at a meeting in Paris in June 1936. The ten economists included two Swedes: Jacobsson from BIS and Hammarskjöld. The latter's contribution, "Note on a designated, provisional monetary standard as a basis for stabilization," was included in the final report.¹⁶ Here his ideas from *Nordisk Tidskrift* and the Oslo meeting were developed in a broader international perspective. He envisaged that the chaotic monetary situation would be stabilised by degrees through the creation of several different standards – small currencies would choose a fixed peg to a larger currency that was appropriate in each case, for example, sterling, the French franc or the dollar. Exchange rate adjustments would be allowed on certain predetermined criteria and gold would retain its role as a kind of reserve currency in which payments could always be made at gold's market price in the major currency to which the group of currencies was pegged. To Hammarskjöld, stabilisation along these lines, starting with the smallest units and progressing from there, was preferable to a ready-made complete system to which every country would have to adhere whether it suited them or not. He was secretary at the Riksbank when he wrote this paper and undersecretary at the Finance Ministry when it was published.

He clearly moved closer to the political sphere when, in an address to the annual meeting of the Swedish Bankers Association in October, he aired his view of the central banks in contemporary economic life.¹⁷ Amendments to the Riksbank Act as of 1935 made the subject particularly topical; the changes were not dramatic but did underscore the Bank's independence of the Government. The amended Act stipulated that the Board of Governors was to take instructions only from the Riksdag. The Government could ask to consult the Board via a specially designated representative but the Board was expressly forbidden to make any decisions in the representative's presence. The discussion about the status of the Riksbank was politically charged on account of the ongoing, heated political debate about the crisis policy, the fiscal policy on which this rested and "national economic planning's" content and potential. In this context, Heckscher and Myrdal had both asserted that the government could not disclaim responsibility for overall economic policy, of which monetary poli-

¹⁶ The report was published in 1936 by the Carnegie Endowment and the International Chamber of Commerce.

¹⁷ Hammarskjöld, D., "Centralbankerna i nutidens ekonomiska liv, föredrag vid Svenska Bankföreningens årsmöte 1935," *Skrifter utgivna av Svenska bankföreningen* 61, 1935.

cy was one component. The final report from the Unemployment Committee had emphasised the role of the Riksbank in stabilisation policy, in keeping with the Committee's view that as fiscal policy had a limited possibility of influencing business activity and unemployment, it was necessary to rely to a large extent on monetary measures. In an analysis of the report, Lindahl had gone further than this by proposing that the Riksbank should issue directives to the government about the budget balance – surplus or deficit – that was desirable from the viewpoint of monetary policy.¹⁸

Hammar skjöld began his address by analysing the altered situation that central banks faced without the gold standard. They could no longer rely on the automatism whereby monetary developments occurred without any central bank intervention. The old and simple principles and rules of action no longer held; without explicitly referring to himself, he presented a clear picture of why the Riksbank had employed him and how he saw his assignment there: "contemporary central banks need what they used to be able to do without – a staff primarily occupied not with banking technicalities but with monitoring developments, trying to gain insights into the more far-reaching economic implications of what is happening and from this, on behalf of the central bank executives, drawing the conclusions the material warrants, in the first place as regards the formation of monetary policy."

He focused on two issues: the relationships between a central bank and its country's government and private corporate sector, respectively.

Ideally, he declared, the government and the central bank shoulder different components of economic policy, the former fiscal and trade policy and the latter monetary and credit policy. In practice, however, there has been integration in certain cases. He exemplified this with a situation where increased government borrowing is desired to ease a depression but without sacrificing a low interest rate. If fiscal and monetary policies are sufficiently integrated, this can be arranged by "printing money" to help finance government operations. However, there is also the possibility of destructive conflicts. He emphasised that if different bodies conduct fiscal policy and monetary policy independently and strive for different goals, both their efforts are liable to be in vain. Conditions in this respect, he pointed out, differed between countries. In Germany, the federal government and the central bank had become totally integrated, whereas in Denmark the central bank was in such a strong position that to some extent it had been able to control fiscal policy. The UK and Sweden were special cases in that the Bank of England was still a private institution and

¹⁸ Lindahl, E., "Arbetslöshet och finanspolitik," *Ekonomisk Tidskrift* 1935.

the Riksbank was constitutionally separated from the King-in-Council. His overall view, including the situation in Sweden, was that the best policy for maintaining the central bank's independence seemed to be to facilitate its efforts freely to achieve a rational integration of monetary policy with the rest of economic policy. This highly diplomatic pronouncement was followed by a more explicit account of how many people are unfamiliar with this idea and of how little is still visible to outsiders – continuous cooperation between the central bank and the finance minister is a fact of life. Considering his audience, it was natural for him to add that this situation was advantageous for the corporate sector; he also recalled that the Unemployment Committee had underscored the strong status of the Riksbank and proposed that its governing board be reinforced with business representatives.

That brought him to the other main issue, the relationship between the central bank and the corporate sector. Aware of the dominant opinion in his audience, he now needed to be less diplomatic and more outspoken. First he tried to circumvent what he considered, presumably correctly, to be his listeners' leading authority in any discussion of these matters and cited the account of technological and macroeconomic developments that Heckscher had presented in the spring of 1935. His conclusions, however, differed from Heckscher's and he put forward a clear and articulated defence of an essential form of national economic planning that was not at odds with a liberal policy of reform.

With a reference to Heckscher, he pointed to the formation of strong groups in the market and to the tendency for the direct economic impact of their price policy to be so marked that talk of "free market price formation in the original sense" no longer holds. He explained what he meant by this by describing the neoclassical theory of price formation as "... a price formation where nobody can be held responsible for the changes that occur in the market, where developments are brought about by the actions – of no importance in each particular case – of all the individuals and organisations". He cited developments in technology as another background factor that is interconnecting parts of economic life that used to be relatively independent. Examples were the road and rail networks, the centralised mediation of news (here he was presumably thinking of the state regulated Swedish Broadcasting Corporation, financed from fees), the telephone and telegraph systems, the public water, electricity and gas services and so on. As a result of all this, Hammarskjöld said, "we are brought, more or less unwillingly, into interest groups" with different objectives that have a bearing on how businesses develop, at the same time as "we are unconsciously tied together much more than before as members of a single institutional household". His introductory outline

ended by emphasising the importance of the development of world markets: "What happens on the other side of the Atlantic is now important in a completely different way for what we do here in Europe than it was just a few decades ago. What happens in one part of Europe is of immediate and vital importance for other countries in Europe." The next section of his address is a unique public account of his opinion in the earlier debate on national economic planning: *Previously, when governments operated in markets without strong groupings and so on, they could to some extent feel absolved from responsibility for how economic developments were interconnected because this course of economic events seemed to be inevitably given, even though scientists even then talked of "economic laws" with a respect that is now denied to natural laws. The foundation for such an attitude has gone for ever in that groups with no political responsibility – at times unfortunately also without any feeling for such responsibility – deliberately try to bring developments into line with their wishes and in that the advent of large shared utilities and interests has created instruments for wielding power on a scale that was inconceivable earlier. If, in the altered situation, the central institutions of the state feel obliged to try new paths, to focus their objectives more clearly than before and, if necessary, try to achieve these objectives even against the wishes of the interest groups, this as such does not mean that they switch to the implementation of a policy that is the opposite in principle of the policy up to now of liberal reform – however justified the dangerous epithet national economic planning may seem to be to the critics. For the fact that economic policy has, to put it bluntly, increasingly become an experimental workshop rather than a traditional routine and that, accordingly, the objectives of economic policy are up for debate, does not necessarily mean – and as far as Sweden is concerned has neither, as far as I can judge, yet meant – that there has been a departure from the earlier set of motives for this policy. As to the undeniable increase in government's power that the development has entailed, from older starting points this should not be such as to arouse opposition in so far as new functions are allowed to grow organically out of altered social circumstances. There is then greater cause to fear the powerful position that is created for the public domain when, for example, one's own burdens are shifted onto the state for no compelling reason, thereby creating dependence.*

This declaration of his view of national economic planning provided the platform for Hammar skjöld's discussion of the relationship between the central bank and private business. He noted that the central banks' traditional instrument for influencing the domestic market was the "interest rate on bills". Having allowed himself an ironic comment en passant

to the effect that power over the bill rate is unquestionably a “public intervention, in the spirit of national economic planning, in the free development of business”, he wondered whether, in the new situation he had outlined, central banks could make do with just the interest rate as their instrument. This brought him to the question of whether, in principle, responsibility for the requisite measures should rest with the central bank or the government. He argued that if central bank power is to be restricted to the old order, many new functions that could be regarded as natural for a central bank would have to be transferred to the government. He made his own position clear: *In principle it is preferable that the government, when new, intricate functions are imposed upon it by developments, is supported by institutions that, like central banks, are essentially removed from the direct influence of party politics.*

Assuming agreement about the central bank’s leading role, it followed that the bank needed to be technically capable of influencing market developments autonomously. The official discount rate did not suffice in the new situation and, Hammarskjöld argued, its importance is diminishing, well aware that this was controversial, “liable to elicit protests”. In his opinion, regular open market operations were also needed to make interest rate policy sufficiently effective.

In particular, discount rate regulation was not an adequate instrument for achieving “discriminatory credit”. He pointed out that economists were agreed that business fluctuations are susceptible to the amount of real capital formation and he underscored that “capital formation is so crucial for the occurrence of crises that we cannot hope to master them until we are in a position to control the rate at which real capital is built up.” For him, this was the central bank’s foremost means of smoothing the business cycle and it called for cooperation between the central bank, the commercial banks and other creditors so that, when necessary, the supply of credit to overheated activities could be restricted. But the ultimate responsibility lay, he argued, on “the business community” and he cited the hopes for regulation that the work of the industrial organisations had generated. The problem, however, was that these organisations lacked an overview of the state of investment in the country as a whole, so Hammarskjöld looked to more cooperation between them and the Riksbank as a conceivable base for the continued struggle against crises.

Declaring himself aware that he had left the realm where judgements could be founded on factual analyses of current conditions and moved into the political field, he concluded “that market development has brought us to a point where public influence on business and commerce must be based far more than before on an analysis of the forces that

determine the state of the market and be consciously aimed at neutralising or utilising these forces for common purposes. If public influence is increased in this way", he went on, "it must be asked how political action is to be allocated between the government and the non-party political state agencies, of which the central bank is one of the purest examples". He considered there were strong grounds for "economic policy, to the extent that follows from the nature of their activities, remaining in the hands of the central banks".

He wound up by saying, "This much is clear: the problems that the new phenomena in economic life have posed for the banking system can only be solved through cooperation between the private financial institutions and the central banks. It is to be hoped that our solutions can be arranged without the recourse to compulsion that has already occurred in large parts of the world where the initial position did not differ as much from the current situation in our country as is sometimes supposed." This was hardly intended as a threat – Hammarskjöld was neither in a position nor inclined to threaten; it was rather a clear indication to his audience to seriously consider the possibility of avoiding confrontation and of aiming instead for cooperation on the "necessary national economic planning".

But these matters were, of course, controversial and for Hammarskjöld it was not just an analysis of macroeconomics and economic policy but also a question of how far he could go as a Riksbank official. He may well have submitted his manuscript to Rooth and we do know that he sent a draft to Heckscher, asking for advice and comments.¹⁹ Heckscher's reaction was favourable at the same time as he was immediately aware of Hammarskjöld's position: "I found your manuscript most interesting. This is definitely the first time the position of the central bank in the new order has been the subject of anything like such a rewarding discussion here. Of course such a discussion cannot avoid touching on delicate questions. If that is not desired it is better to abstain entirely from the subject as you see it. Personally I would not hesitate to grasp the nettle firmly, not just in my present irresponsible position but even if I think of myself in your clothes. I do not know whether you intend to show Rooth the manuscript in advance; if you find it advisable – about which I cannot have an opinion – and he does not object, it seems to me you could be completely calm."

Thus, what we have here is a Dag Hammarskjöld with a personal profile, his own consistent opinions and asserting his authority as an economist, business cycle researcher and bank strategist. The voice is that of a pragmatic, basically almost liberal, but quite radical economic plan-

¹⁹ DH's diary 10/10 1935. Copy of Heckscher's reply dated 11/10 in *Eli Heckschers samling* L67, KB.

ner. Changes of an economic, technical and social nature, not ideologies and certainly not socialist ambitions, call in his view for greater public – state – responsibility for the common good. The struggle to cope with cyclical crises and the attendant unemployment – the common enemy of every social grouping – presupposes that the state can keep interest organisations and group interests in check. It is also clear that the political parties are not above suspicion when it comes to giving in to group interests. The state itself must, whenever possible, make use of “the non-party political institutions” that are available. The Riksbank is one such instrument and officials schooled in economics with their skills in social engineering can, in a basically idealistic loyalty with the government as representative of the state, be effective promoters of a public interest.

Renewed tug-of-war

As we have seen, Hammarskjöld had Rooth's confidence and on 18 July 1935, “supernumerary official” Dag Hammarskjöld was promoted to a permanent post as secretary in the Riksbank. This meant resigning from his post as second amanuensis in the Finance Ministry and to outward appearances a career as bank economist lay before him.

In fact, even before this appointment, Herman Eriksson, undersecretary at the Finance Ministry, had informed Rooth that the Ministry had need of Hammarskjöld's services for work on tax issues and the drafting of the government budget, so that in the autumn he would need to be on half-time leave of absence.²⁰

At first Hammarskjöld performed his tasks for the Finance Ministry without being formally on leave from the Bank but on 31 October the bank executives relieved him of up to half of his duties during November. He was mainly involved in an inquiry into tax pressure and the structure of the tax system but also took part in the regular work of drafting the budget and the attendant budget statement, as well as in the preparations for what was to become the National Institute of Economic Research. Under the pressure of this work in the Ministry, Hammarskjöld was on full leave of absence from the Riksbank for a month from 5 December.²¹ Neither did his return to the Bank in the beginning of January 1936 signal an end to his activities in the Ministry; entries about his work there predominate in his notes.

Hammarskjöld's appointment as undersecretary at the beginning of March was something of a sensation and Rooth had to admit he had lost

²⁰ Ivar Rooth's daily notes, Riksbank archives, vol. signum F1A:15401.

²¹ *Bancoposten* 1934:4 and DH's diary 5/12 1935, KB.

the tug-of-war. However, the appointment was provisional on account of Hammarskjöld's youth and doubts, which he shared, as to whether he could cope with the managerial responsibilities. So for Rooth there was a possibility that Hammarskjöld would be obliged to give up and return to the Bank. The appointment was made permanent on 1 July but Rooth did not abandon hope until 8 October, when he reported that as Hammarskjöld "probably will not be returning to his post in the Riksbank in the near future", a long-term tenure of the post ought to be announced as vacant.

Rooth tried again in 1937, now with the offer of the post of deputy governor. But by then Hammarskjöld had found his feet in the new job and he declined.

He did return to the Riksbank, in 1941 as chairman of the Board of Governors.

■ Civil servant or politician?

Dag Hammarskjöld's role in Swedish government policy in the Forties

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It used to be said that the history of Sweden is that of its monarchs and contemporary history still tends to follow a modified version of this notion: the history of Sweden is that of its politicians. It is a view that is very much to the fore in assessments of how Swedish policy has been formed during the long period of social democratic hegemony.

It is evident not least in discussions of how the crisis policy in the Thirties was arrived at and how post-war economic policy emerged. As I have pointed out elsewhere,¹ works by Erik Lundberg, Leif Lewin and Assar Lindbeck continue to be the foundation on which most historical accounts of this period are built. They all focus on politicians and assign the active role to members of the cabinet, primarily Ernst Wigforss.²

But how were the decisions prepared? What part was played by the government institutions and drafting bodies?

In my opinion, the political role the Riksbank and ministerial officials played in the construction of Swedish policy is seriously underestimated.³

Dag Hammarskjöld was undersecretary in the Finance Ministry in the period 1936–45 and thereby immediately under the finance minister, Ernst Wigforss. From 1941 to 1948, moreover, he chaired the Riksbank's board of governors. For a reevaluation of the part played by government institutions in the practical construction of economic policy, it is relevant, in connection with the recollections of Hammarskjöld's contributions

¹ See Appelqvist, Ö., (2000), *Bruten Brygga. Gunnar Myrdal och Sveriges ekonomiska efterkrigspolitik 1943–1947*.

² This applies to surveys of political as well as economic history: there is no mention of Hammarskjöld in Möller, T., (2003), *Svensk politisk historia 1890–1975* or in Schön, L., (2001), *Sveriges ekonomiska historia*.

³ Compare this with the excellent institutional analyses of French and German fiscal history that have been made under the auspices of CHEFF, the French institute for studies in fiscal history, perhaps above all the studies of the respective importance of the Banque de France and the Commissariat du Plan for the evolution of French post-war economic policy. See in particular Margairaz, M., (1991), *L'État, les finances et l'économie. Histoire d'une conversion 1932–1952*.

that are being presented to mark the hundredth anniversary of his birth in July 2005, to look at Hammarskjöld's political role in a number of important situations, something that research to date has largely failed to do.⁴

Who constructed the 'new economic policy' in the Thirties?

Forty years of unbroken social democratic government in Sweden has given rise to a very persistent historical account that has needed a reinterpretation for a long time now. Works by Lundberg, Lewin and Lindbeck⁵ can be said to have constituted a canon that rests on foundations which very few have questioned. In the case of economic policy in the Thirties, it has been almost axiomatic that this represented something fundamentally new that was introduced when the social democratic government took up office in 1932. Lundberg and Lewin agreed about this, though not about the change's implications. Here Lundberg exemplified the new direction of policy with a reference to Gunnar Myrdal's budget bill annex on business cycle theory, which he saw as providing Wigforss with the theoretical underpinning for the new, contracyclical economic policy. Lewin went a step further, arguing that at this time government policy was already generally expansionary, with full employment as the goal.

It is certainly the case that Myrdal's analysis helped to legitimise the Social Democrat's economic policy when they came into power in 1932. It is remarkable, as well as symptomatic, that Wigforss also delegated to Myrdal the task of drafting the budget bill's introductory analysis of the international and domestic economic situation.⁶ But in practice, Wigforss' subsequent policy was a far cry from the active contracyclical line advocated by Myrdal. Gustafsson's analysis of the impact of Swedish fiscal policy in the Thirties showed that notwithstanding persistently high unemployment, this impact can be said to be expansionary in only two of the eight years of social democratic government.⁷ Anyone searching for statements by Wigforss at this time that specifically argue for full employment will search in vain.

The inquiry into budget policy that Wigforss set up in 1936 had con-

⁴ Besides a perusal of Hammarskjöld's personal paper in Kungliga Biblioteket and of Alva and Gunnar Myrdal's papers in Arbetarrörelsens Arkiv och Bibliotek (referred to hereafter as *AGM.ARAB*), this essay is based on the archive research that is referred to in my doctoral dissertation (see footnote 1).

⁵ Lewin, L., (1967), *Planhushållningsdebatten*; Lindbeck, A., (1979), *Svensk ekonomisk politik. Problem och teorier*; Lundberg, E., (1953), *Konjunkturer och ekonomisk politik. Utveckling och debatt i Sverige sedan första världskriget*.

⁶ This is also indicative of the status of the economics establishment in relation to the government and the finance ministry: the former was perceived as possessing the self-evident objective expertise. Myrdal notes that this task had been entrusted earlier to his tutor and predecessor Gustav Cassel. See vol. 061.007.2.3 in Alva and Gunnar Myrdal's personal papers in *AGM.ARAB*, Stockholm.

siderably narrower terms of reference.⁸ The chief result of the inquiry was the institution of a stricter distinction, admirable in itself, between a current and a capital budget, thereby giving government utilities wider possibilities. The inquiry had been occasioned in part by Myrdal's criticism in principle of the illogical practice of balancing government finances over a single year: the business cycle followed a longer rhythm. Consequently, the inquiry proposed a 'fund for cyclical smoothing' to enable a more contracyclical budget policy. During 1937 it was Hammarskjöld at the Finance Ministry who was given the task of translating the general argument into practical proposals for budgeting principles. The result in this respect was extremely modest: the government cash fund was rechristened 'budget equalisation fund'. For fiscal 1937/38, a total of 37 million kronor was entered as a deficit to be carried on this fund.⁹ It was a matter of extra appropriations for defence facilities and some extraordinary write-downs – hardly of importance for the business cycle.

The only initiative of greater cyclical significance was the introduction in 1938 of 'supplementary or emergency budgets'. This was entirely a product of work inside the Finance Ministry, where by now Hammarskjöld was already the uncontested budget authority.

Later in 1938 the Riksdag authorised the government to implement the supplementary budget, which constituted the contracyclical component, "in the event of 'serious depression'" (the contemporary term). Wigforss elaborated the general case for this in the presentation of the regular 1938 budget. Uncertainty about the cyclical situation could not be met with something halfway between restrictive and expansionary measures: "Instead it will be natural to exercise all the restraint that is compatible with unavoidable practical considerations when drawing up regular budget estimates and, at the same time, for a possible crisis have working plans ready for capital investment so that these can be put into effect at the shortest notice."¹⁰

The innovation here was the development of government advance planning for extensive public works in order to shorten the interval between a decision and its execution, what we now call the time lag. For this was contracyclical policy's major dilemma: the risk that the delay in the implementation of measures would prevent their effect from material-

⁷ Gustafsson, B., (1974), "Perspektiv på den offentliga sektorn under 1930-talet" in *Kriser och krispolitik i Norden under mellankrigstiden*, Nordiska historikermötet i Uppsala 1974, Mötesrapport, Uppsala.

⁸ The 1936 budget experts were Kurt Bergendahl, Gustav Cassel, Dag Hammarskjöld, Karl Hildebrand, Gunnar Myrdal, Bertil Ohlin, Erik Stridsberg, Herman Eriksson och P. S. Runemark. The inquiry was in progress from March to December 1936.

⁹ "PM angående omläggning av riksstatsförslaget för budgetåret 1937/1938 i anslutning till de av budget-sakkunniga förordade grunderna, upprättad inom Finansdepartementet". Bilaga B till Proposition 225/1937, *Riksdagens protokoll 1937, 1. samlingen, band 12*.

¹⁰ From the presentation of Statsverkspropositionen 1938, "Inkomster å driftbudgeten", p. 17, *Riksdagens protokoll 1938, 1. samlingen, nr 1, del 2*.

ising until after the cycle had turned, in which case it would be counter-productive.

The first emergency budget was presented in the autumn of 1938, authorising appropriations totalling 182 million kronor for current central government expenditure and 75 million kronor for capital investment. The reform featured in the 1938 election propaganda as a social democratic showpiece that would eliminate unemployment.

The reform was in fact never used for this purpose. The model with supplementary budgets admittedly lasted for a decade or so but in the form of a technique for wartime financing of public works. In Sweden, as elsewhere, it was wartime constraints, not crisis policy, that eliminated the mass unemployment from the Thirties.

The 1946 reform of long-term fiscal policy

Another example of Hammarskjöld's central political role during Wigforss' years as finance minister is the way in which preparations were made for the government bill in 1946 on long-term fiscal policy. The wartime coalition government had been replaced the previous year by a social democratic cabinet that was to lay down a basis for long-term fiscal policy. It would have been natural for the proposals to be presented by the finance minister or an expert from his ministry. Instead, it was Hammarskjöld who drafted the bill.¹¹

He had been appointed *ministre plénipotentiaire* in the Foreign Ministry in September 1945 and accordingly had absolutely no official responsibility for fiscal policy. He was still chairman of the Riksbank's board of governors but the Bank's domain was monetary, not fiscal, policy. At this time the cabinet member with the primary responsibility, finance minister Wigforss, was fully occupied with tax policy and evidently left it to his former undersecretary to map the future.

At the same time, this decision was a clear political blow aimed at another cabinet member, Gunnar Myrdal, who at the time was minister for trade. As an expert on fiscal policy, Myrdal had argued on a number of occasions, internally as well as in public, in favour of a new, growth-promoting fiscal policy, predicated on allowing for the effects that macro-economic growth exerted on government debt, tax revenue and borrowing power. Incorporating the expected effects of growth would appreciably enhance the potential for an expansionary fiscal policy. Hammarskjöld, in discussions with Myrdal in the summer of 1944, had admitted this was a possible alternative but he rejected it because the inflationary tendency

¹¹ Annex to *Riksdagens protokoll 1946*, 1. samlingen, nr 1, del 2, bilag D.

would be disadvantageous for the government's creditors (banks and other holders of treasury bonds). State neutrality between borrowers and lenders was more important than other economic benefits.¹²

As a prerequisite for a sound government economy, during the war Cassel had stressed the need to repay government debt at an unchanged value of money. Hammarskjöld shared this restrictive view of government borrowing and this was evident in the bill. In the underlying memorandum he wrote, "Government expenditure that generates wealth in forms that are remunerative in a free market should thus be financed with loans, whereas expenditure for consumption or for investments that are not remunerative should be financed from tax revenue."

In his opinion, a government budget deficit in the longer run would conflict with this view because it would lead to increased interest expenditure: "In relation to the distribution of wealth and income in society, the chosen form of finance would accordingly cease to be neutral, which a strict application of the fundamental way of looking at things indicates that it ought to be."¹³

Hammarskjöld pointed out in the inquiry that increased risks of under-balancing the budget had already arisen through the 1938 budget reform: "For a start it is clear that the change from annual to multi-annual balance involves risks of an increased net interest burden in the longer run, in other words of deficits not being offset by surpluses ... If the budget is nevertheless under-balanced, it is difficult to argue why the deficit is to be just a particular size rather than larger. Demands for expenditure are therefore more likely to be supported than if they have to be weighed against increased taxation."

Hammarskjöld was in fact highly pessimistic about what fiscal policy could achieve. Having pointed to the difficulties in budgeting in good times for a larger surplus than is needed to cover earlier deficits, as well as to the difficulties on the whole in adjusting expenditure to the business cycle, he continued: "The constraint to which a multi-annual balance for various reasons is subjected in accordance with currently accepted principles probably means that it only makes it possible to prevent a budgetary accentuation of cyclical fluctuations."¹⁴

The memorandum ended with a very decided rejection of under-balancing "in violation of the macroeconomic principles": it would weaken assessments of needs, conditions for growth might be impaired through resources being transferred to unproductive employment, prices

¹² For a detailed account of the discussion (in Swedish), see the reference in footnote 1, pp. 176–180.

¹³ Bihang D, p. 6. See footnote 11.

¹⁴ *ibid.*, p. 12.

can be pushed up and the government's net interest burden would grow.¹⁵

So it was not just any claim for fiscal policy as a general demand stimulus that Hammarskjöld rejected here. He was also explicitly sceptical of the more modest contracyclical ambitions embodied in the 1938 budget reform. The principles he developed here were actually quite far removed from Keynesian ideas. The fact that this very restrictive view of fiscal policy was confirmed, without essential objections, by the Riksdag in January 1946 says volumes about the nature of fiscal policy as the exclusive domain of the experts.

But the history of who formed post-war fiscal policy does not end here. Myrdal, who failed to gain a hearing either in the labour movement's post-war council or in the parliamentary debate in January 1945, still managed to engineer an inquiry into long-term forecasts of national income, a project that ultimately turned into the Finance Ministry's series of medium-term economic surveys. The first forecasts of national income in the years ahead had been presented in the spring of 1946. The group of experts, directed by Ingvar Svennilsson and Erik Lundberg, had presented three alternatives: high and low growth and stagnant national income.

Meanwhile, the first proposals had appeared from the Ministry of Health & Social Welfare's inquiries into pensions, child allowances and housing finance. The costs associated with the various reforms could be calculated – and the 1946 local government elections were soon to be held.

In this situation, Wigforss used the highest growth alternative to demonstrate that the government finances had room for the proposed reforms, thereby altering the basic conditions for the restrictive fiscal policy for which Hammarskjöld had just gained parliamentary approval.

This course of events illustrates the limitations to political engineering: its proponents can deliver expert knowledge but when political power is at stake, other considerations win the day.

The fateful revaluation in 1946

Perhaps the most crucial economic policy issue in the post-war years and yet one of those that has been least discussed is the decision, in July 1946, by the Riksbank and the government to revalue Sweden's currency by 14 per cent against the US dollar¹⁶ and sterling. Hammarskjöld's domi-

¹⁵ *ibid.*, p. 18.

¹⁶ The dollar exchange rate was adjusted from 4.20 to 3.60.

nant role in this context, in the Riksbank as well as in relation to the government and the Advisory Council on Foreign Affairs, is all too clear.

As chairman of the Riksbank's board of governors he was responsible for overseeing that price stability was maintained. The monetary policy the Riksbank and the Riksdag had ordained in 1944 actually presupposed that when the war was over, prices would *fall*: it was envisaged that this would provide compensation to the banks for the 'deteriorating value of money' during the war and raise real industrial wages without requiring nominal wage increases. Myrdal had already expressed doubts about this objective early in 1945 and in the course of the following year it proved increasingly unrealistic. Demand pressure pushed domestic wages up regardless of the agreements between the social partners; inflationary pressure was even stronger in the United States, where powerful economic forces were striving to abolish the wartime price controls.

Hammarskjöld visited the US in May 1946 to form a picture of economic developments there and he clearly saw the force of this inflationary pressure. The papers in his own hand in the Royal Library include a number of memoranda and presentations to the board of governors that indicate the breadth of his political analysis. In a memorandum dated 17 May he concludes that "over the entire field reviewed here, growing upward pressure on prices is being recorded. This stems in part from measures by the authorities. From the viewpoint of monetary policy the situation can be regarded as the most serious since the outbreak of hostilities. It seems that the government can exert stronger counterpressure only via investment regulations, price controls and exchange rate policy. What can be done in these fields must be carried out relatively harshly and consistently, in full awareness that the measures will have certain unfavourable repercussions that are unavoidable and must be accepted in order to achieve results of any value."¹⁷

On 2 July he informed the board of governors that while there was a "considerable probability of a development in an inflationary direction" he considered it would not be of a lasting nature: "If inflation were actually to develop in this way, it is likely to be relatively short ... Judging from experience, it is rather a sharp swing in a deflationary direction that can be expected." (This shows the extent to his analysis was still influenced by the analogy in the monetary policy inquiry with the course of events 1919–20.)

¹⁷ *PM angående det ekonomiska läget. 17 maj 1946.* Copy of fiscal policy papers 1945–49 assembled by Hammarskjöld as "Dossier om Finanspolitik 1945–1949", Hammarskjöld's personal papers in the Royal Library (referred to hereafter as *Finpol.DH.KB*).

The description of the situation as the most serious since the outbreak of hostilities, that is, since 1940, is a surprising assessment that underscores how grave he considered the state of affairs to be.

This reasoning led him to reject an exchange rate adjustment on that occasion. Only eleven days later, however, matters had changed. Canada's revaluation against the dollar had generated such pressure on the krona that currency dealing had to be suspended. The Riksbank and the government faced a choice that would have consequences for the longer run.

It is evident from Hammarskjöld's presentation that he realised this was a major political choice; he formulated the terms for this choice and it was his recommendation that won the day. The arguments he put forward in the Riksbank also featured in presentations to the government and the Advisory Council.¹⁸

Although it was increasingly obvious that the prevailing conditions for monetary policy differed from those that had been foreseen before the war ended, the Riksbank adhered to the earlier focus on stable or lower prices.

An alternative could have been to allow excess pressure and price tensions pass through in the form of certain price increases. In the name of price neutrality, however, Hammarskjöld preferred to use the foreign exchange reserves to shield Sweden from external inflationary impulses.

It was clearly stated that this policy presupposed measures in other fields than monetary policy. But those that were discussed (tighter regulation of investments and prices) were so unpalatable to the government that nothing was done. Hammarskjöld's dominance in Swedish monetary and fiscal policy was undisputed but he did not command other components of economic policy.

These half-measures in economic policy around the turn of 1946 drained what had seemed to be adequate foreign exchange reserves and faced Sweden with an acute currency crisis in March 1947.

The debate in Sweden has been coloured for far too long by the liberal newspaper *Dagens Nyheter's* contemporary journalistic campaign about 'misgovernment' and the view in memoirs that it was destructive of Myrdal to speak out at the Swedish Economic Society in December 1946 with a warning that trade controls might have to be used.

The true drama lay in Wigforss' political paralysis when confronted by the opposition's campaign. It led to an inaction that made everyone most inclined to shift the blame onto others.

Almost a year later Hammarskjöld – who at the meeting mentioned above had openly supported Myrdal's description of the risks in the pre-

¹⁸ A reservation is in place concerning the papers in the Royal Library since Hammarskjöld clearly went through the collection, which is arranged in such a way as to absolve him of accusations of misgovernment.

vailing situation – composed a document to clear himself of future criticism for passivity.

In a confidential memorandum to members of the board of governors in October 1947¹⁹ he detailed all the initiatives that the ‘chairman of the board of governors’ had taken to warn about what would happen after the decision to appreciate. On 20 November 1946 he had assembled a number of economists for a discussion in the presence of the finance minister with a view to warning about the effects of the currency outflow and drawing attention to the need for “restoring the country to macroeconomic balance” and three days later the same fears had been expressed in front of the full Cabinet. At the beginning of December the board of governors had pointed out that anyone who was not prepared to either restrict imports, shift production to exports or reduce purchasing power “must accept the risk of a currency crisis with serious and unforeseeable consequences.” The minutes record Hammarskjöld as clearly stating that it was up to the government to act: “To be of value the Riksbank’s policy must be incorporated in or at least coordinated with economic policy in general. Consequently, the current problems must first be addressed by the government and the Riksdag before the board of governors can take a stand.”

In view of these strong words it is hardly surprising that Hammarskjöld backed Myrdal when in December 1946 – in the speech mentioned above that has been so criticised by posterity – the latter issued a warning that import controls might be necessary.

With a deadlock in the party political discourse and with the government and the opposition primarily concerned to shift the responsibility for future problems onto each other, the political engineers in the government machinery were powerless.

Hammar skjöld as national mediator – the 1947 ‘inflation conference’

In retrospect, what has been dubbed the 1947 conference on inflation seems to have been one of the most peculiar initiatives in Swedish post-war policy. At a time when a heavy-handed centralisation of wage policy had succeeded in curbing wage and price increases to a greater extent than in any other European country apart from Norway despite strong demand pressure, it was decided to discuss ‘the problem of inflation’.

The hopes that prices would fall may have made this seem reason-

¹⁹ “PM angående Riksbankens ställningstagande till valutakrisen och därmed sammanhängande omständigheter”, *Finpol.DH.KB*.

able but it is surely more remarkable that natural market reactions to the demand surplus had so far been suppressed so successfully.

The non-socialist opposition and its advocates in the press had stridently criticised the social democrat government for its imputed ambitions in the way of 'national economic planning'. These critics, however, ardently supported economic planning in one respect: price policy. Any market adjustment of wage and price levels was rejected as an 'impairment of the value of money'. On this the government and the opposition were agreed.

As any 'reduction of the surplus purchasing power' would inevitably be unpopular, the government searched for common ground with the opposition, which for the same reason strove to avoid being a party to the disagreeable decisions.

In January 1947 Hammarskjöld was appointed to lead these deliberations – yet another example of his leading political role at this time.²⁰ The negotiations lasted for six weeks and were conducted in Hammarskjöld's characteristic manner: instead of starting from government proposals, the basis consisted of memoranda from the Riksbank's board of governors (composed by Hammarskjöld) and various draft resolutions (likewise prepared by him).

The Cabinet took a back seat and was more or less passive. There are no signs of any objections to the proceedings being led by Hammarskjöld; rather an awareness that only he could present proposals with the prospect of these being accepted by the opposition.

To prepare for the first meeting, a memorandum was distributed in which Hammarskjöld presented the problems and alternative courses of action.²¹ The choices he (and the board of governors) foresaw were harsh: If nothing were done before the currency crisis became acute and it was necessary to suspend payments, the kronor would fall and other countries (i.e. the US) would be in a position to impose stringent terms to free American exports of cars, rubber tyres, bananas and other desirable goods. On the other hand, acting before the crisis became acute raised alternatives that were not painless either.

Hammarskjöld pointed to five options:

²⁰ The appointment can be seen formally as a token of the Riksbank's position above party politics but in that case and considering Hammarskjöld's active part in government policy, it would have been more natural to nominate the executive head of the Bank, Ivar Rooth, rather than the chairman of its board of governors. The choice of Hammarskjöld can no doubt be explained by his strong personal authority in party political circles.

²¹ PM DH 24 Jan. 1947. "PM med huvudpunkter för en diskussion av inflationsproblemet", Tage Erlanders arkiv 4.1.010.ABAB.

- Request a dollar loan, though this would hardly be granted; the trade agreement with the Soviet Union was an obstacle here. Not a likely alternative.
- Raise the interest rate; the increase would have to be so drastic that it led to a depression.
- Devalue; this would have to be so marked that it would be liable to result in very serious price increases.
- General import fees.
- General import controls.

None of these solutions would, however, suffice for more than the short run.

Hammar skjöld considered that in the longer run balance would have to be restored with more drastic measures and he outlined six conceivable alternatives. The surplus demand could be withdrawn with “coercive taxes”, though to be effective these would have to go “deep down into income layers”. The abolition of turnover tax could be postponed, contrary to what the Liberals demanded and the government had promised. All foreign loans could be stopped, a measure that would be political dynamite after the controversy over the Swedish-Soviet trade agreement. Fourthly, imports could be curbed with additional taxes and marginal restrictions on importers. The other two, more general measures – investment controls and general wage reductions – would admittedly be effective but were hard to achieve.

Thus, Hammar skjöld faced the government and the opposition with a set of very bitter medicines. The whole of his chilly review of possible alternative courses of action gives the impression that Hammar skjöld saw himself as an authoritative truth-teller rather than a forger of compromise.

In a memorandum dated somewhat later, presenting a more general background to the situation, he was clearly irritated about the way in which the issues had been sidetracked in the press debate: “the course of the political debate [has] been very unfortunate ... lack of realism: attention had been focused entirely on the readily popularised – but questionable – risk of price increases and as a rule disregarded the more complex but also much more acute risk of a serious disruption to our freedom of action in foreign exchange policy (and thereby in trade and, to some extent, production policy).”²² He warned against any use of ‘the risk of inflation’ as an argument – drawing attention to this would, in his opinion, only make matters worse.

²² VPM 4.2.1947 addressed to the government, attached to the board of governors’ statement dated 30.1.1947, *Finpol.DH.KB*.

The memorandum ended with proposals in the form of six measures that included curbs on imports and domestic paper consumption as well as achieving commercial initiatives to lower prices. Hammarskjöld adopted a clear political agenda right from the start of the conference.

But despite all Hammarskjöld's attempts at a compromise, it proved impossible to reach a consensus on anything. Hammarskjöld drafted a final communiqué from the inflation conference in three versions. The last of these, dated 12 March, summarised what had been agreed on in very general terms ("prevent prices from creeping upwards", refrain from raising wage incomes, and "restrain investment"). The latter applied in particular to public investment: "a reassessment of the investment plans for 1947 can prove to be warranted". Measures affecting the private business sector are mentioned much less specifically, simply that "increased restraint on the part of the private entrepreneurs seems to be called for". But although both Hammarskjöld and the government displayed a willingness to meet the opposition half way, all the efforts to arrive at a joint communiqué came to nothing. As an absolute condition for any form of agreement, the non-socialist opposition and the chairman of the Swedish Employers' Confederation, Gustaf Söderlund, insisted that the tax inquiry's proposal to increase wealth tax be withdrawn.

A more detailed account of the course of these negotiations has been presented elsewhere by me; here I shall simply reproduce the notably bitter comments Hammarskjöld subsequently appended to the minutes of the board of governors' meeting in September that year. He mentions that "a crisis of confidence had been worked up" in the formation of public opinion and attributes this to "allowing existing difficulties – regardless of their content and background – to be utilised for attempts to subvert a parliamentary majority by the next election ... With shared responsibility for the Riksbank and a position outside political life, I can only note with great concern that party interests across the whole line are placed ahead of public interests. Should it really be necessary to question whether a democracy is functional in a critical economic situation such as the present?"²³

This was indeed a dramatic question – whether democracy can work in a crisis – to put to the Riksbank's board of governors and to party politicians. Hammarskjöld, a government official from one of Sweden's foremost lines of public servants, with traditions that go far back beyond

²³ This personal document, dated 13 March, was not included in the minutes of the board meeting on that date because it was kept off the record. It was appended later to the minutes from the board meeting on 27 September 1947, when Hammarskjöld had evidently found he needed further justification of his earlier position. It was also included in Tage Erlander's papers on the inflation conference.

the advent of democracy and a commitment to the best interests of the state, appears to have been uncertain of the answer.

It is clear that rational contracyclical arguments do not suffice to explain either Bertil Ohlin's efforts to have turnover tax abolished in 1946 or his ultimate opposition to the 1947 tax proposals. The explanation has to be sought in narrow party tactics or, as Hammarskjöld put it, placing party interests ahead of public interests. As Niklas Stenlås has shown, the "union of 1946" was one item in a well-organised campaign to bring the non-socialist opposition to victory in the 1948 general election. Hence Hammarskjöld's impotence: with one party simply not interested in reaching agreement, the mediator had a hopeless task.²⁴

Hammarskjöld's ultimatum to the non-socialist opposition

If it had been Hammarskjöld's aim to operate in the background as the guardian of state neutrality above the party political struggle, this was longer feasible after a conference at which the opposition had been solely intent on winning the 1948 election. Hammarskjöld's position was challenged in the weeks after the conference in leading articles, as well as in the Riksdag by leading Conservative representatives (Harald Nordenson, Fritiof Domö). Nordenson argued that the posts of chairman of the Riksbank's board of governors and undersecretary in the Foreign Ministry could not be combined: "One cannot be both the Floridor of apolitical monetary policy and the Celestine of economic policy."²⁵

There is no need for first-hand sources of Hammarskjöld's personal reaction to know that he responded promptly and with great effect. At the meeting of the board of governors on 6 May, following his return from the first round of negotiations in Washington, Hammarskjöld concluded by referring to the recent public criticism. Noting that the status and operations of the Riksbank would be harmed if such an attitude were to predominate in business circles, he continued: "Although I personally consider that the criticism lacks a foundation in facts, I therefore find that consideration of the interests the Riksbank is set to look after under these circumstances should lead to my leaving either my post or the board of governors." As the work at the Foreign Ministry on the international financial and commercial negotiations was, in his opinion, already clearly understaffed, his own position was clear: "If the present combination of posts is to be broken, this should then be arranged by my leaving the

²⁴ Stenlås, N., (1997), *Den inre kretsen. Den svenska ekonomiska elitens inflytande över partipolitik och opinionsbildning 1940–1949*.

²⁵ FK 16 April 1947, no. 16, p. 16. Similar criticism from Domö, no. 16, p. 26.

board of governors. For the stated reasons, I am thinking of explaining, in a submission to the King-in-Council before returning to the US, that I no longer consider I should be acceptable as a Riksbank governor.”²⁶ He then asked that the other governors would make up their minds about his intention and that their statements would be recorded in the minutes.

This show of temperament clearly made an impression. The next day, at an extraordinary meeting of the board of governors at which Hammarskjöld was not present, the other governors united in a joint statement to the effect that his post in the Foreign Ministry, far from being harmful, was instead an advantage: “The Board does not share the view that for the status and operations of the Riksbank it is harmful that Mr Hammarskjöld, Swedish Envoy, together with the chairmanship of the board of governors, holds his current post, with central tasks in the international financial and commercial negotiations. On the contrary, the combination has had advantages for the work of the Board and for its possibility of already making its views on various economic matters heard at an early stage. Those present therefore agreed to address a firm appeal to Mr Hammarskjöld to continue as chairman.” This appeal was backed not only by Social Democrats and Agrarians but even by the Conservative Ivar Andersson, also editor-in-chief of the daily *Svenska Dagbladet*, and the Liberal John Bergvall.²⁷

It is worth noting that, notwithstanding the heated tone between representatives of the social democrats and the opposition parties, after this the personal criticism of Hammarskjöld soon died down.

Hammarskjöld and economic policy after 1947: ebbing influence of a ‘grey eminence’

This is not a suitable vehicle for a fuller discussion of Hammarskjöld’s influence on economic policy in the course of the Thirties and Forties. Among other things, that would require a more detailed study of how some central figures interacted. There are grounds, for example, for taking a closer look at the part played in the Forties by Gustaf Söderlund, managing director of the Swedish Employers Confederation and head of the National Commission for Industry.

²⁶ The statement from 6 May is appended to the minutes referred to above from 7 May.

²⁷ This dramatic renunciation has not been mentioned before in the literature. In a contribution to Willers, U. (ed.), (1961), *Dag Hammarskjöld – en minnesbok*, Ivar Andersson does reproduce Hammarskjöld’s statement of protest in March but there is nothing about his threat to resign on 6 May. It is hard to tell whether this has to do with Andersson feeling that he was a target there; in any event, ten days later, on 17 May, Andersson chose to resign from the board of governors with immediate effect. Riksbanksfullmäktiges Allmänna protokoll den 22 maj, Riksbanksarkivet (RBA).

But if a politician is taken to be a person who intervenes actively and independently and influences political guidelines and the course of events, even the snapshots presented above are evidence that, for an understanding of how the social democrat government's economic policy evolved up to 1947, Hammarskjöld's contributions cannot be ignored.

That is not to say that they seem particularly prescient. Neither his adherence to an obviously unrealistic monetary policy, his rejection of a more growth-oriented budget policy nor the revaluation for which he was personally responsible in 1946 can be absolved of contributing to Sweden's subsequent economic and currency problems.

There are grounds for assuming that Hammarskjöld's ultimatum to the Riksbank's board of governors silenced some critics and appreciably strengthened his monetary policy authority over the board as well as central political figures. Even so, his general influence on economic policy no doubt waned after the failure of the conference on inflation and the decision to impose import controls.

This was partly because he became increasingly engaged in the international negotiations. From April 1947 he was abroad for much of the time for the rest of that year and in 1948: in Washington for protracted negotiations on American import licences; and in Paris, where as head of the Swedish delegation to negotiate the administration of Marshal Aid he played a very active part in setting up the CEEC, which later became the OECD.

But this was not the only reason why his influence on Swedish economic policy dwindled so rapidly. The failure of the conference on inflation also meant that his frame of reference became increasingly out of date. For it was not just the opposition's obstruction that lay behind this failure: regardless of what the communiqué had to say, by 1947 it was clear that even Sweden had inexorably moved into an economic situation marked by inflation.

So Hammarskjöld had clearly passed his prime as a formulator of Swedish economic policy. The whole of his neoclassicist philosophy, guided by price neutrality as a symbol of state neutrality, had become outmoded. From now on, economic policy was guided instead by the medium-term surveys' more dynamic discourse about the part played by economic growth and productivity in the scope for wage policy; in these fields Hammarskjöld had little expertise. He was rather a representative of how an earlier epoch and bankers saw a stable value of money as the fixed point on which other components of economic policy were to be constructed. In the post-war growth economy, the focus of economic policy shifted from monetary matters to incomes and prices.

Concluding comments

A question that is sometimes asked is how Hammarskjöld could work under a social democrat government, under the radical Ernst Wigforss. It is assumed that this must have entailed some conflicting loyalties.

That, in my opinion, amounts to a gross misunderstanding of the relationship between Wigforss as minister of finance and his undersecretary. Hammarskjöld was a thoroughly loyal architect of the Social Democrats' practical economic policy. Neither did that have to trouble his conscience because this policy was far less radical than election speeches and memoirs have suggested. At the same time, he gave social democracy a legitimacy among bankers that few others could have achieved. His cooperation with Wigforss was very close; their correspondence witnesses to an affinity and intimacy. The conversation ranged over a wide field in literature and philosophy. Wigforss, whose primary interest when it came to practical policy was taxation, left the practical aspects of monetary and fiscal policy entirely to Hammarskjöld. Hammarskjöld was overruled by Wigforss on just two occasions, both in 1946: one concerned the change in budget policy and the other the passive response to the currency outflow. Hammarskjöld's meticulous documentation, after the event, of the Riksbank's actions in connection with the currency crisis is a clear indication of his irritation over the government's and Wigforss' passive stance. Here Hammarskjöld is establishing a record to clear himself. But neither did this permanently harm their close personal relationship, as can be seen from their extensive correspondence in the following years.

Was Hammarskjöld a non-socialist (*borgerlig* in Swedish) or a social democrat? At that time, *borgerlig* was a party political label for the Liberal and Conservative opposition and it seems hard to locate him there. On the other hand, it is natural to assume that Hammarskjöld, under the guise of an impeccably neutral civil servant, shared the conservative values of his origins. His basic economic philosophy is that of the conservative, pro-state section of the bourgeoisie. His liberalism had more to do with philosophical matters. This general ideological orientation did not prevent him from reacting strongly to what he regarded as irresponsible *borgerlig* party politics. Here I have pointed to two such occasions, both in 1947. The first occurred after the conference on inflation had been dissolved in March; the second was his ultimatum to the Riksbank's board of governors in May.

He was then genuinely aroused at what he saw as an irresponsible tactical ploy by the non-socialist parties. To what extent he subsequently forgave *borgerliga* party politicians such as Bertil Ohlin is an open question here. But his relations with leading business circles did undergo a rad-

ical improvement. Citing moral responsibility, he had exhorted Swedish pulp manufacturers to lower their prices in connection with the 1946 revaluation; the following year he regained the confidence of the business community through his active part in the Paris negotiations. Moreover, as he strengthened his contacts with negotiators in the US, he became an increasingly indispensable source of information for Swedish firms engaged in exports.

So was he really a politician?

If politics is about generating change, then Hammarskjöld unquestionably played a political role that went far beyond the role of civil servant.

It is not just that on a number of occasions it was he who laid the foundations for practical politics. Here I have pointed to the antecedents of the 1938 budget reform and the 1946 fiscal policy bill; there are certainly other examples.

It is also that his actions could be absolutely decisive for the practical decisions. Some examples are the decision to revalue in 1946, his leadership of the Swedish delegation to the Paris conference in 1947 and sundry agreements with British and American representatives. There are instances where he presented both the government and the Riksdag with a *fait accompli*, leaving them no option but to comply.

Behind the picture of a strict civil servant looms the image of an exceptionally resolute power politician. One of those who worked close to Hammarskjöld in those years had this to say: "He wanted to belong to the stratum of officials where the real decisions are made".²⁸ That seems to be a telling assessment.

²⁸ Karin Kock, minister for trade after Myrdal 1947–50; quoted in Lash, J. P., (1962), *Dag Hammarskjöld: en biografi*.

■ Hammarskjöld, Sweden and Bretton Woods

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The Swedish road to membership of the Bretton Woods organisations (the IMF and the World Bank) has so far lain under something of a historical shadow. The road runs from 1943, when the Allied monetary plans were launched, up to 1951, when Sweden joined the international monetary cooperation. In this article the most important events, actors (headed by Dag Hammarskjöld) and arguments along the road are described, as well as the surrounding landscape of economic and neutrality policy. It is concluded that the Swedish road to Bretton Woods may be divided into three stages and that in every stage there were several circumstances that explain why it took time for Sweden to become a member.¹

The origin and early development of the Bretton Woods system have been discussed extensively in the international literature.² This system, as is well known, was agreed upon by representatives of 44 countries at a conference at Bretton Woods in New Hampshire, US, in July 1944. However, many countries outside the Allied camp were not represented at Bretton Woods and had to find their own complex roads to the Bretton Woods institutions – the International Monetary Fund and the International Bank for Reconstruction and Development – after the war. Among these countries were a few neutral nations, and they joined the IMF and IBRD over a long period of time: Turkey in 1947, Sweden in 1951, Ireland in 1957, Spain in 1958, Portugal in 1961, and Switzerland not until 1992,

¹ This article gives some highlights from a more extensive manuscript in Swedish, the product of a project funded by the Bank of Sweden Tercentenary Foundation. We are grateful for comments on this manuscript by Tore Browaldh, Björn Elsässer, Lars Jonung, Håkan Lindgren, Jonas Ljungberg, Håkan Lobell, Lars Pettersson, Lars-Erik Thunholm, and Clas Wihlborg and for hints about archival material from Hans Landberg. We are also grateful for the ready assistance received from individuals at several archives (bracketed abbreviations will be used in footnotes): Ms. Premela Isaac at the International Monetary Fund (IMF), Wayne DeCesar at National Archives and Records Administration (NARA), Inger Kindgren and Claudio Carillo at the Riksbank (RB) and officials of Riksarkivet (RA, i.e. the Swedish National Archives) and the Archives of the Swedish Labour Movement. The Swedish Ministry of Finance (Finansdepartementet) will be abbreviated as FD and the Ministry of Foreign Affairs (Utrikesdepartementet) as UD.

² See e.g. Aldcroft & Oliver (1998), Bordo & Eichengreen (1993), Eichengreen (1996), Eichengreen & Flandreau (1997), James (1996), Kirshner (1996), Scammell (1975), Skidelsky (2000) and Triffin (1964).

twenty years after the collapse of the Bretton Woods system. This article deals with one of these neutral countries: Sweden.

Up to now the Swedish road to Bretton Woods has lain under something of a historical shadow. Only two authors writing in Swedish have briefly touched upon the subject: Clas Wihlborg in 1993 and Erik Magnusson in 2003. Wihlborg – building on a memorandum by Carl-Göran Lemne from the Riksbank³ – noted that Sweden was not invited to the Bretton Woods conference and was regarded with suspicion among the Allies. The Swedes were hesitant about the value of Bretton Woods membership but changed their attitude in connection with the negotiations on the General Agreement on Tariffs and Trade (GATT) in 1949. Magnusson stresses Sweden's economic motives for first not joining and then for joining the Bretton Woods system. Sweden's economic policy – featuring low interest rates and aiming at full employment, which might lead to inflation – initially hinged upon an independent exchange rate policy and was at odds with the Bretton Woods system. However, Sweden's interest in multilateral trade made it eager to join the International Trade Organization (ITO) and GATT, and any country joining the GATT without being a member of the IMF was required either to join the IMF or to sign a special exchange agreement based on the Fund's Articles of Agreement.⁴

The aim of this article is to illuminate important events and discussions on the Swedish road to Bretton Woods membership from 1943, when the Allied monetary plans were launched, up to 1951, when Sweden joined the IMF and IBRD. We shall give an account of points of view current within the Riksbank, the Ministry of Finance and the Ministry of Foreign Affairs, statements made by economists, politicians, and bankers, attitudes towards Sweden within the US Treasury and State Departments and the Federal Reserve, within the British Treasury and Bank of England, and within the IMF, and we shall estimate the significance of Sweden's trade interests, economic policy and neutral stance during World War II and the Cold War. These accounts and estimates are based upon documents and articles from the 1940s and more recent literature.

The article is perhaps somewhat unconventional in two respects. Firstly, it does not pose a precise question that can be given a precise answer; it rather describes a process. Secondly, it does not incessantly relate to what earlier research has to say. Both these “violations” originate in the simple fact that Sweden's road to Bretton Woods is from a researcher's point of view almost virgin soil. A broad account is needed

³ RB, F1C:6, Lemnes promemorior 1951–52, C-G. Lemne, November 28, 1989.

⁴ Wihlborg (1993) and Magnusson (2003).

before proceeding to precise questions and how can one relate to something that hardly exists?

Special attention will be paid to one actor: Dag Hammarskjöld. His views will be presented more extensively than others'. There are good reasons for this – beside the fact that it is a hundred years since Hammarskjöld was born. As Undersecretary in the Ministry of Finance 1936–46, Chairman of the Board of the Riksbank 1941–48, from 1946 envoy and from 1949 Undersecretary in the Ministry of Foreign Affairs, Hammarskjöld was the principal actor behind Sweden's position in the postwar world of trade and money. He worked closely with, on the one hand, Minister of Finance Ernst Wigforss, and, on the other, Governor of the Riksbank Ivar Rooth. A member of the Board of the Riksbank, Ivar Andersson, recalls that Hammarskjöld was sometimes referred to as "the real Governor of the Riksbank". "The situation at the time demanded strong, energetic leadership by the Riksbank: Dag Hammarskjöld had the will and the capacity to exercise such a leadership. Ivar Rooth, the Governor of the Riksbank, treated him with the utmost loyalty; he knew that in Hammarskjöld he had a supporter and a friend. The cooperation between the two was the very best."⁵ Hammarskjöld's ambition to act – to pursue politics – while at the same time, although the action took place under ideologically inclined politicians like Wigforss, being a civil servant above party politics, resulted in a complicated balancing act, which has been the subject of investigations by Hammarskjöld himself as well as by others.⁶ Hans Landberg has summarized Hammarskjöld's balancing acts in ever wider circles – between the Ministry of Finance and the Riksbank, between the Ministries of Finance, Trade and Foreign Affairs, in negotiations with the US and over Marshall aid and the OEEC – and concludes: "During these years Sweden needed an international negotiator like Hammarskjöld, with superior expertise within the economic and monetary field, complete insight into political relations and loyal towards government policy." When Hammarskjöld was appointed Minister in 1951, his "real position and influence were made visible, above all in the international arena".⁷

The topic of Hammarskjöld, Sweden and Bretton Woods will be dealt with in seven steps: (1) reactions to the Allied monetary plans in 1943 and (2) to the Bretton Woods agreement in 1944, (3) issues pertaining to IMF, IBRD, ITO and GATT 1945–49, (4) Sweden's decision-making and final steps towards membership 1950–51, (5) Sweden's economic policy and (6) neutrality, and, finally, (7) some conclusions.

⁵ Andersson in *Dag Hammarskjöld* (1961), p. 26.

⁶ Hammarskjöld (1951), Svegfors (2005), chapter 20, Wigforss (1980), pp. 270–71.

⁷ Landberg (2005), pp. 36, 38.

Reactions to the Allied Monetary Plans in 1943

The American and British monetary plans – devised by Harry Dexter White, Assistant Secretary at the US Treasury and John Maynard Keynes, famous British economist, respectively – were launched in April 1943. A couple of weeks earlier, Harald Magnusson, the Riksbank's representative in New York, had informed Rooth that he had failed to obtain a copy of White's plan. Magnusson hesitated to approach White since the latter was known to be hostile towards all neutrals and had long considered Sweden part of the German sphere of interest. However, a few days later Magnusson was able to transmit some details of the White plan to the Riksbank.⁸ Over the next couple of days he sent several reports on the differences between the White and Keynes plans and the critical views that were being expressed, especially among leading US bankers.

The White plan was made public by the US Secretary of the Treasury, Henry Morgenthau, on April 5, 1943. It was sent with a letter from Morgenthau to 37 countries, of which Sweden was not one. At the same time, however, Morgenthau's letter was made public in a press release. Swedish newspapers immediately reported on the White plan, and a few days later also on the Keynes plan.

The first Swedish economist to react was Bertil Ohlin. He noticed that the Americans had assigned a central role to gold in the future monetary system. He was not surprised, since the United States had at its disposal three-quarters of the world's gold stocks and would suffer "an enormous loss if gold was dethroned".⁹ A few days later another "great economist", Gustav Cassel, 77 years old, expressed his opinion, taking his famous purchasing power theory as a starting point. Briefly, his recipe was as follows: First the US and Britain would have to stabilise the internal purchasing power of the dollar and the pound sterling. Then a fixed exchange rate would have to be established between these two currencies. This monetary axis would be of such overwhelming importance to world trade that other countries would be eager to peg their currencies to it. If this were done there would be no need for big conferences and organisations.¹⁰ This recommendation was in line with the main alternative to the White and Keynes plans and the forthcoming Bretton Woods agreement, as it was developed in the international arena.

Dag Hammarskjöld also reacted immediately by writing a memorandum on the Keynes plan. He thought a fixed exchange rate between the

⁸ RB, F1A:136A, Magnusson to Rooth, March 20, 1943; RA, UD, Department H, Vol. 2234, "PM angående frågan om internationell valutastabilisering", March 24, 1943.

⁹ Ohlin (1943a).

¹⁰ Cassel (1943a) and (1943b). See also Cassel (1943c).

dollar and sterling would be advantageous from the Swedish point of view. The plan aspired to eliminate “acts of warfare in the world market” but an unfortunate side-effect seemed to be that it would afford less scope for an independent business-cycle policy. Hammarskjöld’s recommendation was that Sweden should “wait and see”. Reasons for this were that Sweden ought to consolidate its cooperation with the other Nordic countries and also had extensive relations with countries that until further notice would be kept outside the bancor arrangement that Keynes had proposed. But “wait and see” did not necessarily imply isolation. Sweden could stabilise against the pound, act as a negotiating party vis-à-vis Bank of England, enjoy the gains of the bancor arrangement, and “keep its freedom without appearing in the guise of rebel”.¹¹ A government monetary committee was now established, with Ivar Rooth and Klas Bök from the Riksbank, Hammarskjöld and the two economists Erik Lindahl and Arthur Montgomery. Lindahl considered that the monetary plans would entail little scope for regulation of the domestic price level and a national business-cycle policy. However, creating an international monetary system would probably take many years. But if such a system were nevertheless to materialise in the next few years, joining it immediately would not be in Sweden’s interest. The system would be advantageous in the first place for large countries that could influence it, and for small countries in need of credit. “Sweden does not belong to either category and would therefore no doubt be wise to adopt a wait-and-see attitude initially.”¹²

Lars-Erik Thunholm of Handelsbanken, a major Swedish bank, argued that the Keynes plan was more flexible, expansive and democratic than the White plan, according to which the U.S. could veto any decision. The main problem with both plans was that they did not explain how world trade was to be reconstructed.¹³ Ohlin also appreciated the “expansionist” features of the Keynes plan. A plan of this kind would limit the freedom of action of individual countries but that was inevitable if an international system were to be capable of functioning.¹⁴ Berthold Josephy, an economist and refugee from Germany, writing for the Employers’ Association journal *Industria*, also favoured the Keynes plan. The White plan provided intervention against exchange-rate disturbances, but the Keynes plan tried to get to the roots of economic disequilibrium. The White plan lacked originality and spelled “American monetary dicta-

¹¹ RB, F1A:136A, “Randanteckningar till Keynesplanen”, April 20, 1944.

¹² RA, FD, Huvudarkivet, Ö1, Vol. 8, “Några synpunkter på Sveriges penning- och finanspolitik efter kriget”, May 20, 1943, pp. 20–23.

¹³ Thunholm (1943).

¹⁴ Ohlin (1943b). See also Ohlin (1943c) and (1943d).

torship", while the Keynes plan was "an incredibly fertile seed". But in the end it was the US voice that would be decisive. Josephy appealed to the Americans to "voluntarily descend from the throne of the gold despot and as *primus inter pares* take on the leadership in a world of equal nations".¹⁵

The next memorandum from inside the Riksbank was written by Klas Bök. The Keynes plan allowed more scope than the White plan for exchange-rate corrections, but Bök nevertheless felt that both plans had promoted stability in monetary relations to "an end in itself" when it should only be a means of furthering international trade. The restrictions on nations wanting to pursue "an independent and rational business-cycle policy" were also of a kind that invited hesitation about joining any organisation that might come out of these plans.¹⁶ Rooth hesitated too: "It is not wise to try to launch an international monetary system for the whole world. One should instead take the present difficult situation as the starting point and expand the system gradually." Only the US could provide "the solar element of this system".¹⁷

In late August, Magnusson told Rooth that the US Treasury would not allow neutral countries to take part in any upcoming discussions regarding an international monetary system.¹⁸ By this time Hammarskjöld had written another memorandum on the Keynes and White plans. He figured Britain would be interested in forming a united European front, including countries that had been neutral during the war, and this could provide some room for Swedish points of view. Hammarskjöld discussed, among other things, exchange rates, conditions for joining an international monetary system, and business-cycle regulation. The most important question concerning exchange rates was, from a Swedish point of view, "what degree of freedom we can reckon with after the war". The first question concerning conditions for joining the system was when and how neutral countries and Axis powers, with which Sweden was pursuing trade, were supposed to be included. Finally, Hammarskjöld wanted to make clear that Sweden ought to reserve for itself "the right to weigh its interest in business-cycle regulation against the interest of international monetary stabilisation, in the event of a conflict between these interests".¹⁹

In the autumn of 1943 Gunnar Myrdal spent a couple of months as financial attaché at the Swedish Legation in Washington with a view to

¹⁵ Josephy (1943a), pp. 574, 576. See also Josephy (1943b).

¹⁶ RB, F1A:136A, "Efterkrigstidens valutaproblem mot bakgrunden av Keynes- och Whiteplanerna", June 1, 1943.

¹⁷ RB, F1A:146A, "Några synpunkter på valutaförhållandena efter kriget", June 17, 1943.

¹⁸ RB, F1A:153, Magnusson to Rooth, August 30, 1943.

¹⁹ RB, F1A:136A, "PM ang. det valutapolitiska läget efter kriget", August 3, 1943.

gathering information on American post-war expectations and planning. Back in Sweden, he concluded in a memorandum that there was sympathy for Sweden in the State Department, whereas the Treasury Department was hostile and suspicious and the same could be said about some elements in the War and Navy Departments. As regards the negotiations for post-war economic reconstruction, the procedure was that “the great powers” drew up guidelines, after which “the minor brothers of the community” were informed and given the opportunity of expressing their opinions. Neutral countries were suspiciously excluded from negotiations and the whole procedure had a whiff of “great power imperialism”. International monetary planning had been monopolised by the Treasury, and within that department by one man, Harry Dexter White. Myrdal concluded that Sweden would not be invited to participate in the preparations for a monetary union but would in due time be expected to apply for membership in an institution, the constitution of which it had not been given a chance to influence. If such an institution were to be created, Sweden would nonetheless not be able to remain outside it in the long run. In the short run, however, Sweden had no reason to appear eager but could just wait and see.²⁰ Myrdal used his memorandum as a basis for an address to the Swedish Bankers’ Association in March 1944. Here he was critical of both the Keynes and the White plan but nonetheless suggested that the American criticism of these plans had underestimated the need for a supranational organisation in the monetary field. Soon thereafter Myrdal enlarged upon his opinions in a book entitled *Varning för fredsoptimism*, in which he estimated the probability of a solution to the problem of international monetary stabilisation during 1944 at no more than 10 per cent.²¹ By then Myrdal had become chairman of the Commission for post-war economic planning, and the fears of a major post-war depression which he had brought home with him from the United States consequently came to influence Swedish economic policy.

There is a very obvious reason for Myrdal’s grim view of the Treasury Department and White. In the autumn of 1943 Myrdal had visited White, accompanied by his assistant, Tore Browaldh, later a legendary Swedish banker. Browaldh has described the meeting between Myrdal and White in his memoirs.²² The two Swedes were met by White’s assistant Edward Bernstein, “probably the true author of the White plan”. Bernstein

²⁰ Archives of the Labour Movement, Archive of Alva and Gunnar Myrdal, 6.1, Vol. 17:4, “Professor Myrdals PM Nr. 4”, February 1944.

²¹ Myrdal (1944a) and (1944b), p. 192.

²² Browaldh (1976), p. 43. Browaldh has also described this episode in an unpublished manuscript (supplied to us by Lars Jonung) and in a letter to the authors of this article in November 2004.

seemed nervous and White's "look was almost one of hatred". Myrdal said something about the purpose of his visit and made some remarks concerning the White plan, whereupon White finished the "audience" by declaring that "the right moment for a discussion of this kind would be when Sweden again belongs to the family of nations". When Myrdal and Browaldh left White's office Bernstein tried to smooth things over with some apologetic words but Myrdal did not seem to hear a word of what he said.

The Bank of England hardly rated Sweden any higher. When Hammarskjöld was in England in the autumn of 1943 and met Montagu Norman and C. F. Cobbold, he heard some venomous remarks. Cobbold did not mince matters: "At present Sweden is probably the most unpopular country in Europe and in many quarters you will no doubt be regarded as potential spies." Hammarskjöld explained that Sweden was following the international monetary discussion with interest but saw it as "an Anglo-American problem, the outcome of which Sweden simply had to accept". So the Swedes had "no desire to start a discussion about the matter in any form, though of course we had our own views about this or that point". When Hammarskjöld regretted that neither he nor Rooth had been able to visit England earlier on account of heavy work-loads and travelling difficulties, Norman dryly observed that it had not prevented Rooth from visiting Berlin. Neither could Norman understand how a country could be neutral. When Hammarskjöld, in a conversation with another representative, declared that a new internationalism would have to be constructed in which Sweden must have a part to play, the reply was that "the divide between those who shared the burden during the war and other countries was too deep to be bridged". To some extent it seems that the harsh words had been a test of Hammarskjöld's endurance. In an encounter one evening with Cobbold together with Wilfrid Eady from the Treasury, the former turned to the latter and said that at the Bank they had treated Hammarskjöld "in a most awfully rude way" but that he had "been standing up against it extremely well".²³

At all events we may thus far conclude that Swedish key actors did not lack information about or interest in the Allied monetary plans. But no Swedish authorities adopted any specific stance. When the Bank of Canada enquired in late 1943 whether any views concerning the monetary plans had been formulated in Sweden, the Riksbank's answer was: "Except for comments from some economists and bankers the international monetary plans have not been discussed in Sweden."²⁴

²³ RA, FD, Huvudarkivet, Ö1, Vol. 5, Untitled document, October 28, 1943.

²⁴ RA, UD, Department H, Vol. 2234, UD to Swedish Legation in Montreal, November 17, 1943.

Reactions to the Bretton Woods Agreement in 1944

On May 26, 1944, it was announced that President Roosevelt had invited allied and associated nations to an international monetary conference at Bretton Woods, New Hampshire. Ivar Rooth was kept informed during and after the conference by the new financial attaché in the US, Ulf Barkman, and by the Legation in Washington.

Swedish newspapers regularly reported on the conference. The agreement at Bretton Woods surprised most commentators and *Dagens Nyheter* observed that Gunnar Myrdal's pessimistic prophecy had been wronged by events. *Göteborgs Handels- och Sjöfartstidning* urged Swedes not to be disgruntled at having been sidelined. Sweden had chosen neutrality and neutrality had its "natural and unavoidable consequences".²⁵

Economists and bankers likewise commented on the events at Bretton Woods. Ohlin found it hard to understand why neutral countries had not been invited. There were some suspects: "Apparently there are people in the US Treasury who are hostile towards the Neutrals." However, the outcome of the negotiations pleased Ohlin and he found it "difficult not to draw the conclusion that the realisation of these plans would represent a huge step forward for the world economy". The weakness of the proposals was that they were so complicated that only experts could understand them.²⁶ Myrdal also complained about the plans being too complex and was on the whole less enthusiastic. The main mistake at Bretton Woods was the failure to separate two problems: "how to create order during the post-war chaos and how to arrange things in a normal peaceful world".²⁷ Josephy, like Ohlin, complained about the absence of Neutrals, which made the conference "an action by belligerent States".²⁸ Still, the outcome of Bretton Woods amazed Josephy, who described it as a "map of a country in which no living human being so far has set foot". He claimed that it relied completely on "the superior intellect and unlimited organisational ability of State power". This "new gold standard" was the opposite of the old one: "It is no longer a guarantee of a liberal and non-etatist world economy but a tool for a universal collectivism controlled by a consortium of great powers."²⁹

In September 1944, Rooth wrote to Alan Sproul, Director of the Federal Reserve Bank of New York, that he was studying the outcome of

²⁵ "Bretton Woods", *Dagens Nyheter*, July 27, 1944; "Ett steg mot valutafreden", *Göteborgs Handels- och Sjöfartstidning*, July 25, 1944.

²⁶ Ohlin (1944a) and (1944b).

²⁷ Myrdal (1944c).

²⁸ Josephy (1944a), p. 256.

²⁹ Josephy (1944b), p. 867.

Bretton Woods. " My first impression is that the rules laid down are going into much more detail than I think advisable for a fund which is in fact acting as the central bank of central banks." He had also read with great interest articles in *Foreign Affairs* by John Williams of the Federal Reserve Board of New York and Louis Rasminsky of the Foreign Exchange Board of Canada. Later, Rooth told Sproul that most people in Sweden who knew anything about the matter shared Williams' view that one ought to distinguish between a transitional post-war period and what came after that. If only the US and Britain could agree on a cross rate, the Monetary Fund could wait. Rooth also hoped that the leading men at the Bank for International Settlements (BIS) in Basle could be used in some international context if the bank were to be terminated.³⁰ Behind this appeal lay the fact that Rooth and Per Jacobsson at BIS were long-standing friends. During the autumn Rooth also gave an account of the Bretton Woods agreement to a bankers' meeting. He was not very forthcoming about his own views but did caution that the demand for stabilisation might be pushed so far that it hampered international trade. " Maximum employment will in the future play a larger role than before in economic policy and no government will dare to put this objective after fixed exchange rates." Fixed exchange rates would also mean that smaller countries would have to accept external inflationary or deflationary tendencies. He therefore urged the great economic powers – the US and Britain – to conduct a responsible economic policy.³¹

Meanwhile, Hammarskjöld was in London in autumn 1944 negotiating an Anglo-Swedish payments agreement. At the start of these negotiations Bank of England representatives took the opportunity of explaining that Bretton Woods was not high on the agenda. Hammarskjöld noted that " It had been made completely clear to the Americans that the Bretton Woods programme was a future issue that for England could not occasion any measures until after a transitional period that could be estimated to at least five years." ³² Eady from the Treasury adopted a very friendly attitude and pointed out to Hammarskjöld " that Sweden could act as a guide to several other countries as regards the monetary policy decisions" and that Sweden's concurrence in the British monetary proposals could " atone the crime inherent in neutrality" . Eady was surprised at having seen no signs of a public debate about Bretton Woods in Sweden. Hammarskjöld replied that the Swedish economists were deeply involved in other tasks and that the authorities had not wished to give any indica-

³⁰ RB, F1A:96, Rooth to Sproul, September 16 and December 4, 1944.

³¹ Rooth (1944), p. 16.

³² RA, FD, O1: Vol. 5, PM nr I, November 4, 1944.

tion of Sweden's position in view of the country's "special situation outside the game".³³

In the aftermath of Bretton Woods, Thunholm thought that in their criticism of the agreement, American banking interests had been too one-sided and he especially rejected the idea that the plans were premature. "It is obvious that post-war reconstruction would get strong support from an initially established stability of monetary relations."³⁴

Issues pertaining to IMF, IBRD, ITO and GATT 1945–49

After the excitement surrounding the White and Keynes plans and the Bretton Woods agreement, comments of any sort pertaining to the Bretton Woods process and emanating from Swedish official sources or via the Swedish media became sporadic.

In July 1945 Barkman reported to Rooth about Henry Morgenthau's resignation from the U.S. Treasury. "Harry White will presumably stay on, since he is the only person in America, it is said, who can understand Bretton Woods."³⁵

A little later, in September, Hammarskjöld was again in London and reported to Wigforss that while there were no objections to Sweden at the Treasury, in the Bank of England there was still some resentment that he was trying to overcome by reasoning with, among others, Cobbold. "It's the first time I have seriously discussed Bretton Woods."³⁶

Next month Hammarskjöld went public in two lectures at Stockholm University, entitled "From Bretton Woods to Full Employment" and published soon afterwards. Here we will focus on his reasoning about exchange rates. If exchange rate adjustments were permitted only to accommodate radical structural changes, countries would experience serious difficulties in dealing with international cyclical fluctuations. On the other hand, if all such fluctuations were to be regarded as sufficient cause for altering exchange rates, there would not be much stability. A rational policy had to find some middle ground. Hammarskjöld's opinion was that the Bretton Woods agreement had found such ground. It showed a Janus face which pleased advocates of complete stability as well as those who wanted practically free exchange rates. The next problem for countries interested in joining the Bretton Woods system was how much room there would be for an independent domestic economic policy. Again, the

³³ RA, FD, Ö1, Vol. 5, PM nr IX, December 1, 1944.

³⁴ Thunholm (1945), p. 206.

³⁵ RB, F1A:154, Barkman to Rooth, July 11, 1945.

³⁶ RA, FD, Ö1, Vol. 5, Hammarskjöld to Wigforss, September 26, 1945.

task was to find some middle ground. On the one hand, a country wanting to maintain a satisfactory level of employment could have a legitimate reason for depreciating its currency; on the other, it would be unfortunate if “the door was opened for an adventurous policy” of governmental inflationary speculation. The more ambitiously a country tried to achieve “full employment”, the greater the risk of wage inflation and the greater the probability of a depreciation of the currency. Consequently there was a latent conflict between “full employment” and fixed exchange rates, but Hammarskjöld did not draw the conclusion that Bretton Woods stood in the way of employment policy. Rather, it lent “the most powerful support” for such a policy since the aim was “to remove all payment and financial obstacles to a free and expanding world trade”.³⁷

To remove trade barriers, in autumn 1945 US Secretary of State James F. Byrnes proposed measures to further international trade. A committee was formed to prepare an international conference on trade and employment.

Myrdal had become Swedish Minister of Trade in July 1945 in the social democratic government that succeeded the wartime coalition. In a speech in December that year he warned that import restrictions might be needed. Myrdal was now involved in a fierce battle over economic planning and went to great lengths to characterise the Bretton Woods system as “international economic planning on a gigantic scale”.³⁸

Late in 1945 an enquiry came from Iceland: Did Sweden intend to join the Bretton Woods institutions? Sweden’s Ministry of Foreign Affairs replied “that Sweden has not received any invitation to take part in the creation of these institutions but developments relating to this process are being followed with great interest on the Swedish side”.³⁹

In January 1946 C. R. Prokorny, a journalist, tried to estimate the cost of Swedish membership in the IMF and ended up with a figure of \$135 million. His article evidently sparked interest at the Riksbank, since it found its way into several files in the bank’s archive. Prokorny’s conclusion was that Sweden could hardly afford to aspire to membership.⁴⁰ A similar calculation at the Riksbank resulted in a somewhat smaller sum: \$120 million.⁴¹

An unusually candid account of Hammarskjöld’s view of Bretton Woods is to be found in a letter in spring 1946 to J. Wulfsberg at the Norwegian embassy in Washington:

³⁷ Hammarskjöld (1945), pp. 15, 25.

³⁸ Myrdal (1945), p. 131.

³⁹ RA, UD, Department H, Vol. 2236, UD to Legation on Iceland, December 11, 1945.

⁴⁰ Prokorny (1946).

⁴¹ RB, F1A:154, Rooth to Barkman, January 28, 1946.

It is already Sweden's "declared policy" to do what it can for the goals that the Bretton Woods plans also aim for. In my opinion, for the time being this is achieved – in economic terms – just as well outside as inside the Bretton Woods organisation. In view of the advantages of being represented in the organisation, it may seem that Sweden even so should strive to be included. If that in my opinion is not the case, the reason is not the financial undertakings that participation would entail but that, as I see it, in the present situation Sweden – with reference primarily to the uncertain development of Soviet relations with Bretton Woods – ought not to take a western monetary policy orientation any further. I am also highly sceptical about the suitability of fixing exchange rates in a situation that involves, not least in the US, major risks of violent price fluctuations.⁴²

This statement contains two important messages from Hammarskjöld: Sweden's wait-and-see attitude was influenced by consideration for the Soviet Union but not by the financial contributions to the Fund and Bank.

At this time Cobbold from the Bank of England informed Hammarskjöld "that Harry White, Bernstein and other [...] special friends of ours would disappear through a trap-door in June"; Fred M. Vinson, the incoming Secretary to the US Treasury, was said to be "entirely fed up with that gang". When Cobbold also asked whether Sweden wanted to jump on board the Bretton Woods train, Hammarskjöld replied that he could not see any positive reason for doing so, whereupon Cobbold rejoined that "personally he would be glad to have been able to avoid it" but that if the system did come into being, it would no doubt be impossible for Sweden to remain outside. Hammarskjöld then stated "that there is naturally a difference between the problem of whether we would answer yes to an invitation and the question of whether we ought to take an initiative to join. My negative attitude applied in the first place to the latter question."⁴³ Here we have yet another interesting message: Sweden either did not want to appear eager or was still suffering from wounded pride at not having been invited to Bretton Woods.

After the Savannah conference, Thunholm worried about American efforts to "take total command over all decisions". He cautioned that smaller nations would be scared off by this attitude and reminded his readers "that the Bretton Woods programme thus far hangs by a very thin thread". He also published a pamphlet about Bretton Woods, in

⁴² RA, FD, Ö1, Vol. 8, Hammarskjöld to Wulfsberg, March 4, 1946.

⁴³ RA, FD, Ö1, Vol. 6, Hammarskjöld to Sohlman, UD, March 26, 1946.

which he argued the importance of economically strong countries like Sweden and Switzerland joining the IMF.⁴⁴

In a memorandum Frank Coe, Director of the Treasury's Division of Monetary Research and from June 1946 the first secretary to the IMF, summarised a conversation he had had with a visitor – Hammarskjöld. The latter had declared that "although Sweden could subscribe entirely to the principles of the Articles of Agreement he did not feel that there was any urgency about Sweden's joining the Fund and Bank. [...] He thought that they could cooperate very well outside the Fund and take all the steps in the right direction anyway." Coe got the impression that Sweden did not wish to apply for membership until it was certain that an application would be favourably received. He told Hammarskjöld that he did "not know what matters there were between us which had to be cleared up prior to Sweden's joining the Fund and Bank except possibly the question of German assets". He was hopeful that this matter would be quickly disposed of and said he thought it "highly important that Sweden join the Fund and the Bank as soon as possible". Hammarskjöld told Coe that Sweden might have to appreciate its currency and that it might therefore be difficult to achieve Fund agreement later on. Coe thought this scenario could be viewed optimistically.⁴⁵

Sweden's revaluation on July 13, 1946 gave Mats Lemne, the newly appointed financial attaché in Washington, much to explain to the Americans and occasioned a lively correspondence with Hammarskjöld. As soon as on July 15 Lemne was "cross-examined" at the Federal Reserve by Walter Gardner, who was very critical of the revaluation. According to Lemne, Gardner's main objection was that "by doing this Sweden had demonstrated a lack of willingness to participate in the international monetary cooperation". Lemne then wondered whether a small country such as Sweden had to accept a rising price level in the event of, for example, strong price increases in the US. Gardner replied that this was unavoidable if one wanted to have an international regulation of exchange rates, to which Lemne rejoined that Sweden could never accept such consequences of an international cooperation. Gardner then said he found it hard to see how in that case Sweden would be able to participate in the monetary fund. A little later Gardner nevertheless wondered whether Sweden wanted to join the international bank, to which Lemne replied that Sweden had not received an invitation and therefore had not had occasion to take a stand on the issue.⁴⁶

⁴⁴ Thunholm (1946a), p. 10, and (1946b).

⁴⁵ NARA, Country files 1934–52, Sweden, Box 34, Bretton Woods, "Memorandum for the files: Conversation with Mr. Hammarskjöld", June 17, 1946.

⁴⁶ RA, FD, O1, Vol. 8, "Anteckningar från samtal i Federal Reserve 15 juli 1946".

One of the American criticisms of Sweden's revaluation was that it had complicated the launching of the Fund. In a letter to Rooth, Lemne explained that he had become more sceptical about Bretton Woods because the Americans did not appear to understand the problems of small countries in an international monetary fund.⁴⁷ The Fund's American representatives were not particularly forthcoming. White seemed "generally uninterested", Bernstein "at a loss for an answer about appreciation and other safety measures", and Coe found "no reason to comment".⁴⁸ Hammarskjöld recalled that monetary experts, the Myrdal Commission and Wigforss "had categorically favoured exchange rate adjustments as a way of fending off international price movements". For Bretton Woods to work, the great powers would have to conduct a respectable economic policy as otherwise "world economic activity would to 100 per cent be determined in future by America's internal economic policy".⁴⁹ When Coe, in a meeting, told Lemne that Sweden's appreciation had been discussed in the IMF, Lemne underscored that the Swedes were trying to confine the effects of the exchange rate adjustment to their domestic economy. Lemne's general impression of their talk was that "Coe on the whole accepted Sweden's arrangement of the issue but did not thereby in principle approve such an exchange rate policy".⁵⁰ However, Gardner and others remained critical and from all this Hammarskjöld drew the conclusion that even in central positions there were adherents to a narrow interpretation of "fundamental disequilibrium". "By no means can we – if and when the question of joining the Fund comes up – make do with some more general account of our opinion on the matter in question; instead we must clearly make express reservations for a sensible interpretation that, for example, covers the situation at the time of the July appreciation."⁵¹

Some days later Gardner surprised Lemne by asking whether Sweden had applied for membership of the IMF and then explained that Sweden could now ask to join. This led Lemne to conclude that "Our admission to the UN is considered here to have changed the situation substantially and we no longer have much reason to wait and see about the international cooperation as regards just the monetary sphere."⁵² Soon after that Lemne had some good news: the IMF had decided to agree to the British request that "fundamental disequilibrium" could be invoked if a country

⁴⁷ RA, FD, Ö1, Vol. 8, Lemne to Hammarskjöld, July 17, 1946; Lemne to Rooth, July 22, 1946.

⁴⁸ RA, FD, Ö1, Vol. 8, Telegram Washington, July 23, 1946.

⁴⁹ RA, FD, Ö1, Vol. 8, Hammarskjöld to Lemne, July 24, 1946.

⁵⁰ RA, FD, Ö1, Vol. 8, Lemne to Hammarskjöld, July 31, 1946.

⁵¹ RA, FD, Ö1, Vol. 8, Hammarskjöld to Lemne, August 1, 1946.

⁵² RA, FD, Ö1, Vol. 8, "Anteckningar från samtal i Federal Reserve den 7 augusti 1946"; Lemne to Hammarskjöld, September 8, 1946.

did not have “full employment”. This meant that the US had dropped its earlier position that “fundamental disequilibrium” could be invoked only with reference to the balance of payments. “From our point of view that is undoubtedly a step in the right direction.”⁵³ In his subsequent correspondence with Hammarskjöld and Rooth, Lemne focused on the meetings of the Fund and the Bank in September 1947 as a conceivable date for Sweden to join.⁵⁴

In the early autumn of 1946 a meeting took place in London between two American officials, Petersen and Calder, who were preparing the upcoming trade conference, and two Swedes, Dag Hammarskjöld and Hubert de Besche. The meeting had been initiated by the two Americans, who wanted to probe the Swedish attitude towards an international trade organisation. A memorandum, drawn up by de Besche after the meeting, runs: “Asked by Mr Hammarskjöld about the connection between ITO and Bretton Woods, the Americans declared that membership in one of the organisations did not postulate membership in the other.”⁵⁵

When the committee assigned to the preparation of an international trade conference had its first meeting in London in the autumn of 1946, a preliminary charter for the ITO was drafted. By early December at the latest the Swedes were aware of the consequences of this charter, since two Americans had been invited to Stockholm by Minister of Trade Gunnar Myrdal and one of them, Clair Wilcox, had chaired the American delegation at the London meeting. The message was now completely different from what it had been in the early autumn. In a memorandum from the talks in Stockholm it was stated that membership of the ITO “more or less presupposes membership also of the Bretton Woods institutions”.⁵⁶

This message gave Hammarskjöld, now at the Ministry of Foreign Affairs, reason to send a telegram to a Swedish delegation – headed by Östen Undén, Minister of Foreign Affairs, Axel Gjöres, Minister of Supply, and Herman Eriksson, Minister to the Swedish Legation in Washington – that was in New York on account of Sweden’s election to the United Nations. Hammarskjöld’s message was that Sweden had to consider import restrictions to protect its foreign exchange reserve and that the account given by the two American visitors in Stockholm showed “both that we might have difficulties in remaining outside the international trade organisation and that joining this will in practice force us to join the

⁵³ RA, FD, Ö1, Vol. 8, Lemne to Hammarskjöld, October 3, 1946.

⁵⁴ RA, FD, Ö1, Vol. 8, Lemne to Hammarskjöld, October 7 and 24, 1946; Lemne to Rooth, October 10, 1946.

⁵⁵ RA, Ministry of National Economy, FIIIba, Vol. 24, ITO, “PM angående den internationella handelsorganisationen”, September 27, 1946.

⁵⁶ RA, UD, Department HP, Vol. 2882, “PM angående svensk-amerikanska handelspolitiska samtal, Stockholm”, December 1–3, 1946.

Bretton Woods organisations, too". If Sweden wanted to join Bretton Woods by the autumn of 1947, a government bill had to be put before the Riksdag during the spring. Hammarskjöld urged the delegation to take the necessary steps before Undén and Gjöres returned to Sweden; a decision could be made after their homecoming.⁵⁷

On January 21, 1947, the Swedish government discussed the question of Bretton Woods membership and decided that no action would be taken for the moment. Two days later Hammarskjöld conveyed this message to the Board of the Riksbank. Apparently Swedish currency problems and upcoming ITO negotiations were considered to be reasons for waiting.⁵⁸

In March 1947 the Treasury Department was notified that Rooth was on his way to Washington. A document from the Treasury stated: "It is reported that Mr. Rooth will be 'quite willing' to talk informally about the possibility of Sweden's joining the Fund and Bank while he is in Washington, but that, before the question of membership can be presented to the Riksdag, the Swedish Government would like to be more fully informed concerning the relationship of the Fund and Bank to the International Trade Organisation."⁵⁹

Meanwhile, Donald W. Smith, commercial attaché to the US Legation in Stockholm, suggested to Hammarskjöld that officials at the Swedish Legation in Washington should open talks with representatives of the IMF. Hammarskjöld replied that such talks would be welcome – *after* some results had been reached concerning ITO and its relations to the Bretton Woods institutions.⁶⁰ A few months later, Bengt Metelius at the Swedish Legation in Washington wrote to Hammarskjöld about the "Bretton Woods formula" and calculated Sweden's contribution at \$170 million.⁶¹

In September 1947 Phillip Thorson of the IMF visited Stockholm. He met Rooth, Hammarskjöld, Tunholm and Browaldh and wrote a series of memoranda to Frank Coe on his discussions with these key Swedish figures. On September 24 Thorson had lunch with Browaldh of Handelsbanken and Erik Westerlind of the Riksbank. According to Thorson, Browaldh declared "that Sweden would always have to be especially careful of the Russian view and that if an open split developed between East and West, Sweden would have to choose the East". Westerlind said that Sweden had formed the intention of joining the IMF

⁵⁷ RA, UD, Department H, Vol. 2236, Hammarskjöld to Swedeleg, New York, December 3, 1946.

⁵⁸ RB, Riksbanksfullmäktiges särskilda protokoll, January 23, 1947, and Undén (2002), p. 177.

⁵⁹ NARA, Country files 193-52, Sweden, Box 35, Missions to the United States, Schmidt to Overby, March 31, 1947.

⁶⁰ RB, F2A:13, Smith to Hammarskjöld, March 4, 1947, and Hammarskjöld to Smith, March 14, 1947.

⁶¹ RA, UD, Department H, Vol. 2236, Metelius to Hammarskjöld, July 11, 1947.

as early as 1948. Two days later Thorson met Thunholm and discussed the need for an international monetary system. The same day he had lunch with Rooth. After this conversation Thorson wrote the following note: "Sweden had delayed on the Bretton Woods institutions until she could see better the probable nature of ITO. However, she was going to Havana. He felt that if after seeing the Havana development Sweden decided ITO would be acceptable, there would be a strong presumption that she would also wish to talk further with the Fund and Bank. [...] In the meantime, even though [sic] not a member, Sweden wanted the Fund to feel they were anxious to co-operate to the fullest possible extent." The next day Thorson met Hammarskjöld, who conveyed the same message as Rooth: There was a close relation between an IMF/IBRD membership decision and Sweden's position on ITO. It was significant that Sweden was going to the Havana conference. "He believed Sweden generally wished to participate as much as possible in international activities with the aims of these organizations. One major reason that she had delayed so long on ITO was to see the type of provisions that would govern relations with nonmembers."⁶² The news from Thorson was immediately summarised by Frank Coe and sent to Camille Gutt, Managing Director of the IMF.⁶³

In late 1947 Hammarskjöld spent time in Washington negotiating with the Americans about Sweden's financial and trade problems. When Rooth wrote and asked whether he had received any "hint" that Sweden ought to put its relationship with Bretton Woods in order, he answered: "This is not the case." The Americans had not touched on the ITO question either. Most of all, the negotiations were reminiscent of a novel by Kafka.⁶⁴ However, the Americans had not lost sight of the Bretton Woods question. The day before New Year's Eve, State Department and Treasury representatives met in Washington to discuss the Swedish "dollar problem". The Swedes had let it be known that they did not want to ask for a loan but wished to be offered one. A memorandum from the meeting states that "Sweden has made no serious effort to join the International Monetary Fund. However, if Sweden were a member her problem might be fully met by drawings from the Fund. It might, therefore, be advisable to indicate this possibility to Sweden."⁶⁵ A few weeks later the Americans asked why Sweden had not joined the World Bank. Hammarskjöld report-

⁶² IMF, C, Sweden, 810, Visit to Sweden, Mr Phillip Thorson 1947, Thorson to Coe, October 13 and 14, 1947.

⁶³ IMF, "Talks with Swedish Financial Persons – Mr Thorson", Secretary to Managing Director, October 15, 1947.

⁶⁴ RB, F1A:137, Hammarskjöld to Rooth, December 29, 1947, and January 16, 1948.

⁶⁵ NARA, Country files 1934-52, Sweden, Box 34, Bretton Woods, Memorandum for the files by B. S. Baum: "Swedish dollar problem", December 30, 1947.

ed his answer to Östen Undén: "I answered by referring to the development of the Bretton Woods organisations, the ITO connection, our difficulties, when the matter is presented to the Riksdag, in grasping a complex in which we have not even participated as observers at a time when an invitation to participate actively would have been natural. The conclusion, I explained, was that Sweden's position today outside the organisations should be explained purely historically and not in terms of principle."⁶⁶

The ITO committee met again in Geneva in 1947. Alongside this meeting, the participating countries conducted bilateral negotiations which resulted in a General Agreement on Tariffs and Trade (GATT) on October 30, 1947. In the same month Sweden accepted an invitation to attend the upcoming United Nations conference on trade and employment. This conference, with delegations from 56 countries, took place in Havana between November 1947 and March 1948. The Swedish delegation was led by Envoy Stig Sahlén, who was very aware of Sweden's need for efficient multilateral trade, so that, as he said, "the Swedish attitude towards the proposed charter was positive from the beginning".⁶⁷ A memorandum from the Ministry of Foreign Affairs in early 1948 also stated that Sweden wanted to see how the ITO turned out before it approached the IMF and IBRD.⁶⁸

In November 1948 a GATT subcommittee convened in London for the purpose of devising the kind of special exchange agreement that would be needed between nations which respectively were and were not members of the IMF. This agreement would have provisions of the same kind as in the IMF Articles of Agreement. The consequence for Sweden was obvious: as Sweden was not a member of the IMF, if it wanted to join the GATT it had to either join the IMF or sign an agreement with the same provisions as were entailed in IMF membership.

The next international conference on tariffs and trade took place at Annecy, France, in the spring of 1949. Sweden participated with a delegation led by Envoy Ragnar Kumlin. By now it was clear that Sweden would be joining the GATT and therefore had to choose between IMF membership and a special exchange agreement. In early April Governor Klas Böök made this clear to the Board of the Riksbank: "Under these circumstances the Swedish attitude is that the question of Sweden joining the Bretton

⁶⁶ RA, UD, Department HP, Vol. 2899, "PM angående vissa samtal med Norman T. Ness torsdagen den 22 och fredagen den 23 januari", January 23, 1948.

⁶⁷ RA, Ministry of National Economy, FIIlba, Vol. 24, "Havana-konferensen och stadgan för den internationella handelsorganisationen. Föredrag av envoyén Stig Sahlén", April 12, 1948.

⁶⁸ RA, UD, Department H, Vol. 2237, "PM", January 27, 1948.

Woods organizations ought to be raised, thereby rendering a Swedish acceptance of the special exchange agreement superfluous.”⁶⁹

In the summer of 1949 Ingemar Hägglöf at the Legation in Washington wrote Böök and asked whether Sweden should try to have an observer at the board meetings of the IMF and IBRD in September; the Americans had asked whether the Swedes were interested in such an arrangement. Böök answered that he was inclined to leave Sweden unre-presented but he wanted to discuss the matter with Hammarskjöld. When Hammarskjöld had been consulted it was clear that there would be no observer.⁷⁰

In the autumn of 1949 Böök travelled to Washington and New York to visit the IMF, IBRD, Treasury, Federal Reserve Board and Council of Economic Advisors. It seems that he was well received and was very pleased with his journey.⁷¹

Sweden's Decision and Last Steps towards Membership 1950–51

In a submission of December 8, 1949, the Board of the Riksbank urged the Swedish government to introduce bills in the Riksdag covering Sweden's ratification of the GATT and application for membership of the IMF and IBRD. The Riksbank had calculated a Swedish contribution of \$100 million to each of the Bretton Woods institutions. This figure was apparently the result of Böök's talks with IMF representatives during his visit to Washington earlier that autumn.

In January 1950 a government bill dealing with Sweden's adherence to GATT and ITO was presented to the Riksdag, which approved it on March 22.⁷² Sweden's UN representative, Envoy Sven Grafström, signed the Annecy protocol at the end of March, making Sweden a contracting party under GATT one month later. A bill concerning Sweden's membership of the Bretton Woods institutions was presented in February. Minister of Finance Per Edvin Sköld declared that joining the Fund and Bank would be a better alternative than signing a special exchange agreement. On April 26 this bill came before the Riksdag. The only opposition came from communists, who in the first chamber talked about “the enormous sum Sweden would jeopardise” and in the second chamber about Sweden

⁶⁹ RB, Fullmäktiges särskilda protokoll för år 1949, April 7, 1949. The special exchange agreement proposal was confirmed in Annecy in June 1949. Rooth had resigned as Governor of the Riksbank in December 1948.

⁷⁰ RA, UD, Department H, Vol. 2238, Hägglöf to Böök, July 22; Böök to Hägglöf, August 8; Hägglöf to UD, August 18; and Petri, UD, to “Svensk”, Washington, August 19, 1949.

⁷¹ RA, UD, Department H, Vol. 2238, de Besche to Belfrage, November 9, 1949.

⁷² Government bill, No. 54, and Protocol of the Riksdag 1950, First chamber, No. 11.

financing American policies.⁷³ When the bill had been approved, Sweden's road to Bretton Woods membership seemed wide open. The Swedish media, however, received the decision in almost total silence.

Once the die was cast, the Swedes expected the membership procedure to take perhaps only a couple of weeks or at least to be concluded before the annual meetings of the IMF and IBRD in September. On June 3, 1950, Klas Böök and Lennart Hammarskiöld of the Riksbank asked the Ministry of Foreign Affairs to instruct the Swedish Embassy in Washington to notify the IMF and IBRD that Sweden was prepared to apply for membership on the basis of contributions of \$100 million to each institution. On June 16, the Swedish government instructed Ambassador Erik Boheman in Washington to hand in applications to the Fund and Bank, which he did on June 20. Hubert de Besche, commercial counsellor at the Embassy, was chosen as Swedish negotiator.⁷⁴

De Besche soon discovered that several other countries were applying for membership and that it was doubtful if any of them would be admitted before the annual meetings.⁷⁵ Böök wrote to Hammarskiöld and asked if anything ought to be done to speed up the process. Hammarskiöld could not devise a justification for trying to hasten the process by diplomatic means.⁷⁶

When the Committee on Sweden's membership met in July 1950, the US representative Frank Southard requested that the deliberations be postponed until after the September meetings. However, the committee decided to go ahead. The chairman, Jean de Largentaye of France, said that Sweden's quota according to "the Bretton Woods formula" ought to be \$155 million. Southard remarked that the Swedish Riksdag's decision had been made on the understanding of a \$100 million quota. The committee felt that anything between 125 and 150 million would be reasonable.⁷⁷ Southard repeated his arguments before the IMF Executive Board, and a clear majority of votes was cast for his proposition to postpone the question of Swedish membership until after the September meetings.⁷⁸

Time passed, the September meetings were held in Paris (Sweden had an observer, Lennart Hammarskiöld from the Riksbank), and the membership committee waited for a final word regarding the Swedish quota. The Americans asked whether Sweden aimed for a quota of \$100

⁷³ Government bill, No. 89, and Protocol of the Riksdag 1950, First chamber, No. 14, p. 32, Second chamber, No. 14, p. 108.

⁷⁴ RA, UD, Department H, Vol. 2238, de Besche to Minister of Foreign Affairs, June 20, 1950.

⁷⁵ RA, UD, Department H, Vol. 2238, de Besche to Finnmark, June 29, 1950.

⁷⁶ RA, UD, Department H, Vol. 2238, Böök to Hammarskiöld, July 12, and Hammarskiöld to Böök, July 14, 1950.

⁷⁷ IMF, C, Sweden, 1200, Quota, Committee on Membership – Sweden, "Minutes of Meeting 2", July 26, 1950.

⁷⁸ NARA, Country files 1934–52, Sweden, Box 34, Bretton Woods, Southard to National Advisory Council, July 28, 1950.

million; the British wanted Sweden to raise the figure. In de Besche's opinion Sweden had been caught in a power play between the United States and Europe. The British wanted another representative of the European line of thought on the boards of the Fund and the Bank; the Americans wanted to pave the way for a director from Asia.⁷⁹ The British position was made clear in a letter from C. F. Cobbold of the Bank of England to Bööck of the Riksbank, stating that "if Sweden were to join on the basis of a quota which would ensure a seat on the Executive Board, it would greatly strengthen the European voice in I.M.F. councils".⁸⁰ Some of those on the membership committee expressed concern about the treatment of the Swedish application and wrote of the Swedes: "They seem to be ill-informed of the Fund's procedures and to have handled their own end of the application poorly, without sufficient exploration with the staff."⁸¹

A meeting between de Besche and de Largentaye again confirmed that a power play was in progress. The French were backing the British, while the Americans wanted to encourage Asian nations to play a part in international cooperation and "therefore keep the Swedish vote as small as possible". De Largentaye urged Sweden to go for a large quota, \$175 or \$200 million. The only reason for not doing this would be if the Swedes wanted to present a candidate to succeed Camille Gutt, who was to retire from the IMF in the spring of 1951. Several Swedish names had been mentioned: Rooth, Ohlin and Myrdal.⁸²

In late November, representatives from the Ministry of Foreign Affairs and the Riksbank met to discuss the deadlock. They felt it inadvisable to go back to the Riksdag and request a mandate to negotiate for a quota larger than \$100 million. Their recommendation was to "wait on events passively for the time being".⁸³

The membership committee met again in February 1951. After another argument about the size of the Swedish quota it was agreed that de Largentaye should present the Swedes with a memorandum stating that a quota of \$100 million could be accepted if that was what the Swedish government really wanted. In April the Riksbank sent a message to the Embassy in Washington that Sweden was ready to accept membership on the basis of a \$100 million quota.⁸⁴ At the next meeting the

⁷⁹ RA, UD, Department H, Vol. 2239, de Besche to Belfrage, October 20, 1950.

⁸⁰ RB, F1A:159, Cobbold to Bööck, October 24, 1950.

⁸¹ IMF, C, Sweden, 1200, Quota, Mlådek to Managing Director, IMF, November 1, 1950.

⁸² RA, UD, Department H, Vol. 2239, de Besche to Belfrage, November 9, 1950.

⁸³ RA, UD, Department H, Vol. 2239, "PM med sammanfattning av synpunkter som framkommit vid sammanträde i riksbanken", November 28, 1950.

⁸⁴ IMF, C, Sweden, 1200, Quota, Committee on Membership – Sweden, "Minutes of meeting 3", February 1, 1951; RA, UD, Department H, Vol. 2239, Boheman to Minister of Foreign Affairs, February 9, and Hägglöf to Boheman, April 2, 1951.

membership committee accepted this figure and decided the door to membership would be open until August 30 (later extended to August 31).⁸⁵

Meanwhile, the question of Sweden's influence in the IMF took a lucky turn when Ivar Rooth was elected Managing Director after Camille Gutt. Boheman wrote about this to Hammarskjöld: "Of course it is a great advantage from various points of view to have Rooth here in Washington in such a central position."⁸⁶

In June the IMF Executive Board adopted a resolution on Sweden's membership that had to be voted upon by the Board of Governors by July 6. Out of 49 member states, 45 voted for the resolution – China abstained and Bolivia, Ethiopia and Iceland were not heard from.⁸⁷ The Bretton Woods door was open at last. On July 11 Sweden was formally invited to join the IMF and IBRD. The Riksbank gave the all clear on July 26, the Swedish government on August 27, and on August 31 the Articles of Agreement were signed at a ceremony in Washington. Sweden thereby became the 50th member of the Bretton Woods system and Böök was able to take his seat on the Boards of Governors of the Fund and the Bank. All that now remained was to decide the par value of the Swedish krona, which was to be based upon the exchange rate of August 31 – 5.17321 kronor per US dollar.⁸⁸

Sweden's Economic Policy

So far we have walked the Swedish road towards Bretton Woods membership without looking much at the surrounding political landscape. The question is: How did Sweden's economic policy after the war affect the prospect of membership?

Several public enquiries were appointed in 1943. As already mentioned, a committee including Rooth, Böök, Hammarskjöld, Lindahl and Montgomery was set up to study the prerequisites for Sweden's post-war monetary and currency policy. The committee's recommendations were taken as a starting point by the Riksbank, the Commission for post-war planning and the Minister of Finance Ernst Wigforss. They all stressed the importance of international action for monetary stabilisation and the need for Sweden to play its part, but at the same time placed similar emphasis

⁸⁵ IMF, C, Sweden, 1200, Quota, Committee on Membership – Sweden, "Minutes of meeting 4", April 18, 1951.

⁸⁶ RA, UD, Department H, Vol. 2239, Boheman to Hammarskjöld, April 13, 1951.

⁸⁷ IMF, C, Sweden, 710, Committee on Membership – Sweden, "Report No. 3", July 9, 1951.

⁸⁸ IMF, C, Sweden, 1000, Par Value and Exchange Rates, "Executive Board Meeting 703", September 25, and "712", November 5, 1951.

on exchange rate flexibility to meet worldwide inflationary or deflationary waves.⁸⁹

In early 1944 the many enquiries were transferred to a Commission for post-war planning, the so-called Myrdal Commission, and Hammarskjöld served as a link between the commission and the Ministry of Finance. In the social democratic government that took over in 1945 there were tensions between Wigforss, Minister of Finance, and Myrdal, now Minister of Trade. Wigforss focused primarily on domestic policy. The years 1945–47 were a transitional post-war period in which there was a lack of coordination between fiscal, monetary, exchange rate and trade policy. If economic policy was expansionary, this was mainly an unintended effect of efforts to keep interest rates low in combination with the revaluation of 1946.⁹⁰ The transitional period was marked by a series of negotiations arising not least out of Sweden's need for imported coal, which led to trade and credit agreements with Poland, Great Britain and the Soviet Union.⁹¹ The combination of Sweden's need for imported goods, the dismantling of wartime regulations and a mistaken faith in sterling precipitated a severe currency crisis in 1947. The foreign exchange reserves were drained of hard currency (especially US dollars) and Sweden had to resort to import restrictions on March 15, 1947.

Together with “the Russian trade agreement”, this measure strained Sweden's relations with the United States, partly because the Swedish-American trade agreement of 1935 was affected and partly because the growing tension between the US and the Soviet Union highlighted Sweden's position between East and West. The Russian trade agreement had been signed in October 1946. In March 1947 the US Minister to Stockholm, Louis G. Dreyfus, reported to the State Department that Rooth was going to the United States, possibly to secure a dollar loan. Dreyfus noted that “since signing Soviet agreement Swedish-American economic relations have been steadily deteriorating” and that any request Rooth might make would present a unique opportunity to discuss a range of questions regarding trade relations between the two countries.⁹²

The Swedes were anxious to explain their precarious situation. A few days before they were announced, Dreyfus was informed about the import restrictions by four members of the Swedish government: Östen Undén, Ernst Wigforss, Gunnar Myrdal and Axel Gjöres, Ministers of Foreign Affairs, Finance, Trade and Supply, respectively. Myrdal tried to

⁸⁹ Government bill, No. 252, 1944. See also Jonung (1993), p. 295.

⁹⁰ Appelqvist (2000).

⁹¹ Karlsson (1992).

⁹² NARA, Country files 1934–52, Sweden, Box 35, Missions to the United States, Dreyfus to Secretary of State, March 11, 1947.

explain that Sweden had no intention of changing the orientation of its foreign trade,⁹³ but Dreyfus was “completely unsympathetic”.⁹⁴ Some ten days later Undén received a note in which Dreyfus protested that Sweden had violated a clause in the Swedish-American trade agreement by not giving 30 days notice and that Sweden was discriminating against imports of certain US goods. When Undén and Dreyfus met a few days later, however, Dreyfus was anxious to dampen the effect of the note.⁹⁵

The American note prompted the Swedish government to send Hammarskjöld to Washington to sort out the problems surrounding the import restrictions. He declared, according to the *New York Times*, that Sweden had had no alternative to introducing import restrictions – the lack of fuel and raw material made it impossible to increase exports – and that there was no discrimination against the US or favouring European countries, including the Soviet Union.⁹⁶ The Russian trade agreement nonetheless figured time and again in the discussions with his American counterparts. By June the problems concerning the trade agreement of 1935 had been solved. However, Sweden’s foreign exchange difficulties persisted. The Swedish government regarded these difficulties as a “liquidity crisis” that could be overcome with the help of a US dollar loan. Hammarskjöld spent time in the US in the autumn of 1947 trying to figure out how to get such a loan, but as we have already seen the Americans thought Sweden could solve its problem by joining the IMF.

Sweden seems to have really made up its mind to join the Bretton Woods institutions in 1949. Two events in that year may have influenced the Swedish attitude. Firstly, Ernst Wigforss resigned from the government on June 30. As we have noted, he seems to have focused primarily on domestic economic policy. Secondly, Great Britain devalued the pound by 30 per cent in September and Sweden and other European countries followed suit. These devaluations proved that Bretton Woods membership did not rule out the possibility of relieving a cost-push crisis by means of an exchange rate correction.⁹⁷ Two possible obstacles on the road to Bretton Woods seem to have been removed. However, these events probably occurred too late to have any significant effect. Sweden had been involved in international trade negotiations for several years and at least in the spring of 1949 it was obvious to the Swedes that GATT involvement and IMF membership had to go hand in hand.

⁹³ Karlsson (1992), p. 153.

⁹⁴ Gjores (1967), p. 189.

⁹⁵ RA, UD, Department HP, Vol. 2882, Dreyfus to Undén, March 24, and “PM” by Undén, March 29, 1947.

⁹⁶ Walz (1947).

⁹⁷ Andersen (1951, s 74) characterized the devaluations as a major dividing line in post-war economic policy, which in a historical perspective was the first serious attempt to link up international and national aims.

Sweden and Neutrality

The next aspect of Sweden's role in a wider "landscape" concerns its neutrality, i.e. the devices and manoeuvres it employed to walk the tightrope firstly between Axis and Allies and secondly between the US and USSR. During the early days of World War II, Sweden had made several concessions to German interests – exports of iron ore and ball bearings, soldiers on leave and troops on active service being allowed to pass through Swedish territory. While the British did not judge these concessions very harshly, the Americans took a tougher stance after they joined the war. This attitude was personified by the main architect of the Bretton Woods system, Harry Dexter White. The Treasury Department argued for black-listing of certain Swedish business interests in the US (SKF, Bosch). In fact White was regarded as an expert on SKF matters.⁹⁸ At Bretton Woods a "Safehaven" resolution was adopted, demanding the restitution of looted property that had been concealed by Germans in other – especially neutral – countries. This is a long and complicated story that cannot be told here.⁹⁹

At all events, in July 1946 a deal was struck in the Safehaven negotiations in Washington, so that the question of looted property was removed from the Swedish road to Bretton Woods. At the same time White's position was undermined. He presided at the first meeting of the IMF in May 1946 but could not be elected director of the Fund because of rumours that he was a Soviet spy.¹⁰⁰

However, when Sweden's past relations with Germany had been solved, they were replaced by Sweden's future relations with the Soviet Union. Winston Churchill's "iron curtain" speech at Fulton, Missouri, in March 1946 is usually regarded as the starting point of the Cold War. Historian Harold James takes the Soviet decision of December 1945 not to join the Bretton Woods institutions, along with George Kennan's report from Moscow to Washington on this decision ("the long telegram"), as "a useful chronological mark of the beginning of the cold war".¹⁰¹

There is no doubt that in the late 1940s the US administration disliked neutrality in general and Swedish neutrality in particular.¹⁰² The US

⁹⁸ Aalders & Wiebes (1996), p. 82.

⁹⁹ See Aalders & Wiebes (1996), Arkivutredningen (1997), Olsson (1998) and (2001), SOU 1999:20.

¹⁰⁰ Boughton (2001) and Rees (1973). Sources for these rumours or accusations were American former communists Whittaker Chambers and Elisabeth Bentley. White was questioned by the House Un-American Activities Committee in 1948 and died just a few days later. There is still, even after the opening of KGB files, no answer to the question whether White was involved in espionage or not; the subtitle of Boughton's article is thus "Still Not Proven". Chambers' reliability in this regard has been strengthened, however, by the most recent analysis of his accusations against another suspected Soviet spy, Alger Hiss. See White (2004).

¹⁰¹ James (1996), pp. 70–71. Kennan was US chargé d'affaires to Moscow.

¹⁰² Lundestad (1980).

Ambassador to Sweden 1947–50, H. Freeman Matthews, is said to have pursued a veritable anti-neutrality campaign against Sweden.¹⁰³

Sweden was thus caught in a difficult political situation. It was manoeuvring to participate in “Western” economic and political cooperation while at the same time trying to maintain a neutral stance between “East” and “West”. Much of this delicate manoeuvring was performed by Hammarskjöld, not least in Sweden’s negotiations with the European Recovery Program (ERP) – the Marshall Plan – and in the formation and activities of the Organization for European Economic Cooperation (OEEC).

Conclusions

Sweden’s road to Bretton Woods membership was long and convoluted. To simplify and summarise one could perhaps divide it into three stages: During the first, 1943–46/47, Sweden was “an interested bystander”. It was held in disrepute by Washington and London and had not been invited to the Bretton Woods conference, the future of the proposed monetary organisation seemed uncertain, the inheritance from World War II (German assets) had to be disposed of, and Sweden’s economic policy-makers were focused on internal problems. During the second stage, 1946/47–49, Sweden was “waiting for the ITO”. Internal problems were still in focus, a liquidity crisis developed, the Cold War called for caution, and first and foremost Sweden’s decision-makers were waiting for the outcome of the ITO negotiations. During the final stage, 1950–51, Sweden was in “a hurry but impeded”. Sweden had decided it wanted membership of the Bretton Woods institutions but was caught in a power play between Europe and the United States. The course of events was characterised in every stage mainly by Sweden’s relations with the US, the “gatekeeper” of Bretton Woods.

The Swedish debate over the new monetary system peaked as early as 1943–44, when the White and Keynes plans were published and the Bretton Woods conference took place. After that, discussion was rather low-key and sporadic. It is nonetheless possible to discern the most important issues in the debate: Is it necessary to construct an international monetary organisation or could a start be made by merely fixing the exchange rate between the US dollar and the British pound? What scope would there be for an independent national price and business cycle policy? Would it be sensible to organise the monetary system without rebuilding international trade? Why were neutral countries kept at arm’s

¹⁰³ Karlsson (1992), p. 235.

length? Would the new organisation be a tool of (American) great power imperialism? Was the proposed organisation too complex? What would the cost of Swedish membership be?

It is difficult to assign the participants in this discussion to different camps defined by group interest or ideology. What one can discern is primarily a generational rift, with older actors like Cassel and Rooth being sceptical about constructing a monetary fund while younger ones like Ohlin, Myrdal, Böök and Thunholm – irrespective of whether they were economists, politicians or bankers, or socialists, social liberals or conservatives – wanted to see an international monetary organisation, but one that gave states freedom to counteract business cycles and strive for full employment.

In this article we have followed Dag Hammarskjöld somewhat more closely than other actors. He had a strong foothold in the Swedish authorities that mattered most in relation to the Bretton Woods institutions – the Riksbank, the Ministry of Finance and the Ministry of Foreign Affairs – and he apparently managed to create a considerable amount of trust in himself on the international level. Hammarskjöld, along with Ivar Rooth, was the leading actor on the Swedish road towards Bretton Woods. He personified the Swedish attitude: Wait and see, but don't erect barriers on the road ahead. Search for a middle way between freedom to pursue national economic policy and cooperation to create international economic stability. Sweden could afford to wait and at the same time, to use Frank Coe's wording of Hammarskjöld's message, "take all the steps in the right direction anyway".

Hammarskjöld and Rooth were generously "rewarded" for their cautious and trust-building manoeuvring: Rooth was Managing Director of the IMF 1951–56 and was succeeded by another Swede, Per Jacobsson, 1956–63. And when Hammarskjöld in 1953 became Secretary General of the United Nations he was supported by the US due to his earlier negotiations with the Americans.¹⁰⁴ In this way Sweden exerted a good deal of influence in world affairs, in spite of its "cheap" Bretton Woods entrance ticket.

¹⁰⁴ See Svegfors (2005), p. 262.

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■ Dag Hammarskjöld: The Economist

Comments originally presented at the Riksbank's seminar on 7 September 2005.

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The interest aroused by the hundredth anniversary of Dag Hammarskjöld's birth in 1905 has focused on his time at the United Nations, to which he was appointed Secretary General in 1953. In the encyclopedia Svensk Uppslagsbok from the previous year, however, he is labelled "economist". That is a reflection of Hammarskjöld as an assistant professor in economics, chairman of the Board of Governors of the Riksbank and undersecretary at the Finance Ministry. His activities at the Riksbank and Finance Ministry in the Thirties and Forties are treated in three papers the Riksbank arranged for in connection with the commemoration. This leaves something to be said about the traces Hammarskjöld left in the academic economic literature.

In 1932 Hammarskjöld published an article in *Ekonomisk Tidskrift* that presages the analytical technique he subsequently applied in his doctoral dissertation *Konjunkturspridningen* (*The dissemination of business cycles*; also published as Annex 4 to the report from the Unemployment Committee, SOU 1933:29). The opponent to the dissertation was Gunnar Myrdal and this confrontation was the first of several in the years to come.

Hammarskjöld's analysis tied in most closely with the one John Maynard Keynes had used in *A Treatise on Money*, from 1930, whereas Myrdal's contribution to the Unemployment Committee had an approach, like those of his colleagues in the Stockholm school, that was akin to Keynes' *General Theory*.

Hammarskjöld saw price formation as central for the dissemination of business activity. He studied how a change in purchasing power, for instance via an export surplus, affects final prices through stock movements and turnover. To examine these processes, he used detailed and partly self-made statistics (on agriculture, rail transport and so on),

besides using credit market statistics to test the picture of movements in purchasing power. (Among other things, he demonstrated the impotence of the official discount rate at the time of the loan bubble in 1931.) He was a forerunner in using period analysis to describe economic development.

As sole secretary to the above-mentioned Committee, Hammarskjöld dealt with overriding issues of policy coordination. In this context he raised the question of an institution for continuous economic analysis on behalf of, for example, the Riksbank, government inquiries and labour market organisations. This would, he considered, provide a foundation for the coordination of different types of stabilisation policy. This initiated proposals and ultimately a decision to set up the National Institute of Economic Research (government bill 1937:251). Hammarskjöld was appointed to the board of the Institute and Professor Erik Lundberg to the post of expert and thereby head of the Institute. Hammarskjöld contributed to one of the early reports from the Institute.

It may be of interest that Lundberg and Hammarskjöld were related as descendants of the Swedish writer Carl Jonas Love Almquist (1793–1866). (As it happens, the present author, third in the sequence of heads of the Institute, is likewise related to Almquist.)

As undersecretary at the Finance Ministry and chairman of the Riksbank's board of governors, Hammarskjöld had a considerable influence on economic policy. This is evident in numerous memoranda, besides being reflected, albeit sporadically, in the academic debate. An example is the memorandum on the principles for balancing the budget that Hammarskjöld wrote as an annex to the 1946 Budget Bill (government bill 222). This elicited an article by Professor Carsten Welinder in *Ekonomisk Tidskrift* (1946), followed by a comment from Hammarskjöld and a rejoinder by Welinder. The discussion was mostly semantic: the conditions for a macroeconomically balanced budget were confronted by the implications of legalistic balancing principles, including the question of distinguishing between a current and a capital budget. The arguments on both sides are rather complex. With reference to matters to do with practical politics, such as problems connected with sizeable government debt, Hammarskjöld mentions that his reflections stem directly from day-to-day experience, in contrast to the armchair textbook spirit in which the analysis too often remains. In his view, one then disregards the conceptions of the budget that are a living reality in decision-making circles, as well as the restrictions imposed by institutional conditions, for instance a given budget technique.

A debate that was directly relevant for economic policy concerned the issue of interest rate policy in 1945. It bore Hammarskjöld's signature

and led to a series of articles in *Ekonomisk Tidskrift* in 1946 and 1947. The participants argued the pros and cons of lowering the interest rate in 1945. (A similar debate took place sixty years later.)

In the immediate post-war period there were conjunctural reasons for an expansionary monetary policy. Hammarskjöld, however, attached more importance to preventing inflation. This meant maintaining the level of saving, in particular through attractive bank deposit rates. Moreover, a firm, unchanged interest rate would counteract uncertainty among savers and investors.

Even so, in February 1945 the Riksbank lowered the official discount rate from 3 to 2.5 per cent. Hammarskjöld asserted that the cut was a result of market forces the Riksbank could not withstand. Government deficit financing had fuelled liquidity and accentuated competition between credit institutions for investment financing. This had led to a successive lowering of mortgage rates that was precarious for the most vulnerable savings banks. An interest rate cut appeared unavoidable in order to save their profit margins via decreased deposit rates. Extensive open market operations could admittedly have stabilised the bond rate but the prevailing expectations of falling interest rates would have made them unduly costly.

Hammarskjöld's version was contested, for example by Bent Hansen, who later became head of the National Institute. The debate took the form of articles in *Ekonomisk Tidskrift*. I adopted the role of umpire, asserting in my doctoral dissertation that what appeared to be diametrically opposed outcomes of the analysis were due to implicit differences between the preconditions in each case. Hammarskjöld, however, put an end to the discussion by telling me that only someone working inside the Riksbank was in a position fully to understand the reasons for its actions. This was in principle the argument he had also used in the debate with Welinder.

Another notable monetary policy event with Hammarskjöld as the prime mover was the 17 per cent appreciation of the krona on 12 July 1946. The motives, according to Hammarskjöld, included the risk of large price increases in the United States that would spread to other countries via the international commodity markets (an application of ideas from his thesis). Myrdal, who was minister of trade at the time, was irritated over the government not being informed of the appreciation, which ran counter to his predictions of a slump in demand.

The policy in general and the appreciation in particular were attacked at a meeting of the Swedish Economic Society in March 1947 by Erik Lundberg, who argued that the threat of inflation should be countered not so much from the costs side as by restricting demand. Hammarskjöld

responded to this criticism, which from his point of view no doubt came from an unexpected as well as unwelcome quarter.

Myrdal was the architect behind Sweden's trade and credit agreement with the Soviet Union in 1946, the explicit aim being to fuel business activity in Sweden. Hammarskjöld had other geopolitical interests and lay behind a payments agreement with the United Kingdom. The amount involved was little more than half as large as the Russian credit and the agreement was not directly motivated by trade policy.

Another disagreement between Myrdal and Hammarskjöld dates from the time when the former headed the UN Commission for Europe in Geneva and the latter was secretary general. Myrdal initiated an inquiry into a cartellisation of the international petrol companies (the Seven Sisters) and this was stopped by Hammarskjöld.

In his early years as secretary general, Hammarskjöld found the time to give the UN's economic reports a careful scrutiny. Stationed in New York, I saw how drafts for *World Economic Report* were returned to colleagues with precise amendments in Hammarskjöld's hand. In time, however, diplomacy absorbed all his attention.

Over the years, Hammarskjöld earned the growing respect and admiration of UN staff. A token of this is an episode from the US branch in Mexico City, which in 1957 suffered a massive earthquake one night in 1957. The UN building was severely damaged. Reporting to headquarters in New York, the head of the branch wound up by pointing out that virtually everything on the walls had fallen off and been destroyed; but by the grace of God and an act of providence, the sole remaining object still hanging there was a large portrait of the secretary general.

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■ Notices

Tumba Bruk museum opened

Tumba Bruk museum was opened on Saturday 4 June 2005 as part of the celebration of the 250th anniversary of Tumba Bruk. The museum has been established on the Riksbank's initiative and will be run by the Royal Coin Cabinet. The museum displays the history of the Tumba Bruk works, the Riksbank's banknote history and paper manufacturing at Tumba Bruk. The Riksbank has issued a commemorative banknote in the denomination of SEK 100 to celebrate the 250th anniversary.

Kenneth Rogoff new adviser to the Riksbank

Sveriges Riksbank has appointed Professor Kenneth Rogoff, Harvard University, adviser to the Riksbank's Executive Board. Kenneth Rogoff was born in 1953 and received his PhD from MIT in 1980. He has been a professor at both Princeton and Harvard. He has also worked at the US Federal Reserve and at the International Monetary Fund. Mr Rogoff's main research fields are international finance and macro economics and he has conducted both theoretical and empirical research.

The system of having external advisers assist the Riksbank has been in existence for 15 years. Other advisers to the Executive Board include Professor Franklin Allen (Wharton School, University of Pennsylvania), Professor Arnoud Boot (University of Amsterdam) and Professor Lars Svensson (Princeton University). In addition, Professor Eric Leeper (Indiana University) acts as adviser to the Monetary Policy Department.

Riksbank to issue commemorative coins in gold and silver to celebrate the 100th anniversary of the dissolution of the Swedish-Norwegian union

To celebrate the 100th anniversary of the dissolution of the Swedish-Norwegian union, the Riksbank has issued a 200-krona commemorative coin in silver and a 2,000-krona commemorative coin in gold. Sales began on 16 June 2005. The artist is sculptor Annie Winblad Jakubowski and the coin has been manufactured by Nordic Coin AB Svenska myntverket in Eskilstuna.

The obverse side of the coins contains two vertically displaced halves with a line that divides a circle in two. The legend at the top reads "NORGE 1905 • 2005 SVERIGE" (NORWAY 1905 • 2005 SWEDEN) and at the bottom "UNIONSUPPLÖSNINGEN" (DISSOLUTION OF THE UNION). The reverse side of the coins depicts a flagpole with a three-

tailed flag. To the left of the flagpole is the text "TVÅ NATIONER I SAMFÖRSTÅND" (TWO NATIONS IN AGREEMENT).

Banknotes and coins corresponding to SEK 5 billion will be invalid from year-end 2005

Some older banknotes and coins, corresponding to a value of almost SEK 5 billion will cease to be legal tender with effect from 1 January 2006. This represents roughly 5 per cent of all the Swedish banknotes and coins in circulation today.

The banknotes that will become invalid are the older versions of the 100-krona and 500-krona banknotes without a foil strip and see-through picture and the older 20-krona notes that are slightly larger and have a bluer tone than the new ones. The coins that will become invalid are all silver-coloured 50-öre coins. The purpose is to reduce the number of parallel versions and thereby make it easier for the general public to familiarise themselves with the appearance and security details of banknotes and coins that are legal tender. A large-scale information campaign will be launched in the autumn.

The Swedish Financial Market

The Swedish Financial Market 2005 was published on 1 July 2005. This publication, which is issued once a year, aims to increase knowledge of the Swedish financial system and its various functions within the economy.

It describes Swedish institutions and markets and their roles in the economy. In addition to the securities and derivative markets, the descriptions include the banks, insurance companies, fund management companies and securities companies. There is also a special chapter devoted to describing and explaining the special infrastructure used for payments and securities transactions in Sweden.

Swedish securities holdings 2004

The total value of Swedish portfolio assets abroad amounted at the end of 2004 to SEK 1,817 billion; an increase of 18 per cent compared with the end of 2003. These statistics come from the annual survey of Swedish investors' holdings of foreign portfolio shares and debt securities, which was published on 1 September 2005.

The increase in value was mainly due to rising equity prices, but also stemmed from larger acquisitions of both equity and debt securities. The survey also shows that just over two thirds of the Swedes' total foreign portfolios were invested in the EU area. The largest holder category for the portfolio assets was the sector "Other financial institutions", which includes insurance companies and mutual funds.

Riksbank to issue commemorative coins in gold and silver to celebrate the 100th anniversary of the birth of Dag Hammarskjöld

To celebrate the 100th anniversary of the birth of Dag Hammarskjöld, the Riksbank issued a 200-kronor commemorative coin in silver and a 2,000-kronor commemorative coin in gold. The coins went on sale on 7 September 2005. The artist is Ernst Nordin and the coins were manufactured by Nordic Coin AB Svenska myntverket in Eskilstuna.

The obverse side of the coin carries a portrait of Dag Hammarskjöld in profile, with the legend "DAG HAMMARSKJÖLD" above and the dates "1905–2005" below. The reverse of the coin carries a design of stylised flames and the legend "VÅR VÄG ÄR GLÖD OCH ICKE ASKA" (roughly: our path is through burning embers and not ashes) which is a text from Dag Hammarskjöld's interpretation of "Chronique" by the French author and winner of the Nobel Prize for Literature Saint-John Perse.

The commemorative coins were presented by the Vice Chairman of the General Council at a ceremony held at the Riksbank in connection with a seminar celebrating Dag Hammarskjöld as an economist and his time at the Riksbank. Riksbank Governor Lars Heikensten, Professor Assar Lindbeck and actress Lena Endre, who presented some of Hammarskjöld's texts, all took part in the seminar.

Riksbank reallocates its gold and foreign currency reserve

The Riksbank intends to sell up to 10 tonnes of gold from its reserves during the period 27 September 2005 to 26 September 2006. The sales will be made under the Central Bank Gold Agreement (CBGA) which was signed by 15 European central banks and came into force on 27 September 2004. The agreement, which runs for five years, gives the Riksbank the possibility to sell up to 60 tonnes of gold during this period. Last year the Riksbank sold 15 tonnes of gold under this agreement. The income from the gold sales will be reinvested in the foreign exchange reserve, that is to say in securities denominated in foreign currencies. The purpose of the reduction in gold holdings is to enable the Riksbank to achieve higher risk-adjusted returns on its assets.

The Riksbank and the banks sign an agreement on cash management

The Riksbank and the banks Danske Bank in Sweden, Förenings sparbanken, Handelsbanken, Nordea and SEB have concluded an agreement to secure the operation of the Riksbank's depots in Härnösand and Malmö until 1 July 2006. This will facilitate the transition to the new cash management structure decided by the Riksbank in August 2004. Staff at the Riksbank's depots in Härnösand and Malmö who had been given notice of redundancy will now be offered employment by the banks.

In 1998, the Riksbank began work on improving the efficiency of the cash management system by reducing the number of Riksbank depots

from eleven to four. In August 2004 the Riksbank decided to further cut the number of depots from four to two. An improved depot structure under the management of the banks is expected to enable a reduction in the number of cash-in-transit runs and to make cash management in the country safer and more efficient.

Riksbank Governor Lars Heikensten resigns

Riksbank Governor Lars Heikensten has been nominated by the Swedish Government as Sweden's member of the European Court of Auditors and he has therefore informed the General Council of the Riksbank of his intention to leave his post no later than 1 March 2006.

In connection with his decision, Mr Heikensten made the following comments: "There are several reasons why I have made this decision. I look forward to the opportunity to work in the European Court of Auditors. It conducts important work which embraces the whole of the EU's activities, with close links to several of the EU institutions, perhaps primarily the European Parliament. If I am approved for this post I will have excellent opportunities to learn new things and hopefully to contribute to the development of the EU."

Stefan Ingves new Riksbank Governor, Svante Öberg new Deputy Governor and Lars Nyberg re-appointed Deputy Governor

The Riksbank General Council decided on 11 October 2005 to appoint Stefan Ingves to succeed Lars Heikensten as Governor of Sveriges Riksbank. At the same time, Svante Öberg was appointed as new member of the Riksbank's Executive Board. The background is that Deputy Governor Villy Bergström is to step down at the end of the year, two years before the expiry of his term. The General Council re-appointed Deputy Governor Lars Nyberg for a new term. All decisions were unanimous.

Stefan Ingves is 52 years old and holds a PhD in economics. Since 1999 he has been Director of the Monetary and Financial Systems Department at the IMF. Before that he was Deputy Governor of the Riksbank (1994–1998), and General Director of the Swedish Bank Support Authority (1993–1994). Prior to that, he was, among other things, Undersecretary and Head of the Financial Markets Department at the Ministry of Finance during the 1980s and early 1990s.

Svante Öberg is 59 years old and is currently General Director of Statistics Sweden. Among other things, he has previously been Director General of the National Institute of Economic Research (1997–1999), State Secretary at the Ministry of Finance (1994–1997) and adviser at the IMF (1992–1994).

Lars Nyberg is 60 years old and has been Deputy Governor of the Riksbank since 1999. He is an associate professor of economics and has previously been Deputy CEO of Handelsbanken and FöreningsSparbanken, as well as CEO of Länsförsäkringar.

All three will take up their posts at the turn of the year.

The Riksbank's Executive Board consists of six members that are each appointed for a term of six years. The other members and Deputy Governors on the Executive Board are First Deputy Governor Eva Srejber and Deputy Governors Kristina Persson and Irma Rosenberg.

Riksbank issues commemorative coin to mark the 150th anniversary of Sweden's first postage stamp

To commemorate the 150th anniversary of Sweden's first postage stamp the Riksbank is issuing a commemorative coin. The coin has a face value of SEK 50 and the sales price has been set at SEK 60. The coin is being issued in a limited edition of 100,000. The commemorative coin went on sale on 14 October 2005. The artist is Annie Winblad Jakubowski and the coin is being minted by Nordic Coin AB Svenska Myntverket in Eskilstuna.

The obverse of the coin shows a 4-skillings banco postage stamp and the legend "SVERIGES FÖRSTA FRIMÄRKE 150 ÅR" (SWEDEN'S FIRST STAMP 150 YEARS) inside a frame. On the left is the year "1855" and on the right "2005".

The reverse of the coin shows a winged letter flying over a landscape with houses and woodland, with a road traversing the landscape. On the letter is a French horn (the symbol of the Swedish Post Office). The denomination 50 KR is on the right. The coin has a smooth edge.

■ Monetary policy calendar

- 2002-03-18 The *repo rate* is increased by the Riksbank from 3.75 per cent to 4.0 per cent as of 20 March 2002. The *deposit rate* is accordingly adjusted to 3.25 per cent and the *lending rate* to 4.75 per cent.
- 04-25 The *repo rate* is increased by the Riksbank from 4.0 per cent to 4.25 per cent as of 2 May 2002. The *deposit rate* is accordingly adjusted to 3.5 per cent and the *lending rate* to 5.0 per cent.
- 06-28 The *reference rate* is confirmed by the Riksbank at 4,5 per cent for the period 1 July 2002 to 31 December 2002.
- 11-15 The *repo rate* is lowered by the Riksbank from 4.25 per cent to 4.0 per cent as of 20 November 2002. The *deposit rate* is accordingly set at 3.25 per cent and the *lending rate* to 4.75 per cent.
- 12-05 The *repo rate* is lowered by the Riksbank from 4.0 per cent to 3.75 per cent as of 11 December 2002. The *deposit rate* is accordingly set at 3.0 per cent and the *lending rate* to 4.5 per cent.
- 2003-01-01 The *reference rate* is confirmed by the Riksbank at 4.0 per cent for the period 1 January 2003 to 30 June 2003.
- 03-17 The Riksbank decides to lower the *repo rate* from 3.75 per cent to 3.50 per cent, to apply from 19 March 2003. Furthermore, the Riksbank decides that the *deposit* and *lending rates* shall be adjusted to 2.75 per cent and 4.25 per cent respectively.
- 06-05 The Riksbank decides to lower the *repo rate* from 3.50 per cent to 3.00 per cent, to apply from 11 June 2003. Furthermore, the Riksbank decides that the *deposit* and *lending rates* shall be adjusted to 2.25 per cent and 3.75 per cent respectively.
- 06-30 The *reference rate* is confirmed by the Riksbank at 3.0 per cent for the period 1 July 2003 to 31 December 2003.
- 07-04 The Riksbank decides to lower the *repo rate* from 3.0 per cent to 2.75 per cent, to apply from 9 July 2003. Furthermore, the Riksbank decides that the *deposit* and *lending rates* shall be adjusted to 2.00 per cent and 3.50 per cent respectively.

- 2004-01-01 The *reference rate* is confirmed by the Riksbank at 3.0 per cent for the period 1 January 2004 to 30 June 2004.
- 02-06 The Riksbank decides to lower the *repo rate* from 2.75 per cent to 2.50 per cent, to apply from 11 February 2004. Furthermore, the Riksbank decides that the *deposit* and *lending rates* shall be adjusted to 1.75 per cent and 3.25 per cent respectively.
- 03-31 The Riksbank decides to lower the *repo rate* from 2.50 per cent to 2.00 per cent, to apply from 7 April 2004. Furthermore, the Riksbank decides that the *deposit* and *lending rates* shall be adjusted to 1.25 per cent and 2.75 per cent respectively.
- 06-30 The *reference rate* is confirmed by the Riksbank at 2.0 per cent for the period 1 July 2004 to 31 December 2004.
- 2005-01-01 The *reference rate* is confirmed by the Riksbank at 2.00 per cent for the period 1 January 2005 to 30 June 2005.
- 06-20 The Riksbank decides to lower the *repo rate* from 2.00 per cent to 1.50 per cent, to apply from 22 June 2005. Furthermore, the Riksbank decides that the *deposit* and *lending rates* shall be adjusted to 0.75 per cent and 2.25 per cent respectively.
- 06-30 The *reference rate* is confirmed by the Riksbank at 1.50 per cent for the period 1 July 2005 to 31 December 2005.

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Statistics from Sveriges Riksbank are to be found on the Internet (www.riksbank.se). Dates of publication of statistics regarding the Riksbank's assets and liabilities including foreign exchange reserves plus financial market and the balance of payments statistics are available on the website of the International Monetary Fund (IMF) (dsbb.imf.org). Dates of publication are also available on www.riksbank.se.

1 Riksbank's assets and liabilities

ASSETS. PERIOD-END STOCK FIGURES. SEK MILLION

		Gold	Lending to banks	Fixed assets	Other	Total
2004	Jan	18 029	15 901	146 891	12 110	192 931
	Feb	18 029	14 887	146 551	11 828	191 295
	March	19 130	14 509	151 951	11 897	197 487
	April	19 129	14 975	150 885	12 255	197 244
	May	19 129	10 001	149 736	2 866	181 732
	June	17 719	10 760	146 234	3 182	177 895
	July	17 718	10 635	153 528	2 897	184 778
	Aug	17 718	10 801	150 035	2 800	181 354
	Sept	18 095	10 269	150 885	2 718	181 967
	Oct	18 095	10 405	147 908	2 807	179 215
	Nov	18 095	11 063	150 093	2 706	181 957
	Dec	17 392	17 002	145 256	5 935	185 585
2005	Jan	16 436	11 101	145 391	5 725	178 653
	Feb	15 952	10 210	147 097	5 575	178 834
	March	16 558	12 016	148 366	5 503	182 443
	April	16 558	11 042	155 500	5 858	188 958
	May	16 558	11 286	152 090	5 966	185 900
	June	18 730	4 955	165 709	3 158	192 552
	July	18 730	5 346	166 846	3 370	194 292
	Aug	18 730	4 781	167 749	3 107	194 367
	Sept	19 845	4 937	162 401	3 245	190 428
	Oct	19 729	5 194	163 605	3 359	191 887

LIABILITIES. PERIOD-END STOCK FIGURES. SEK MILLION

		Notes and coins in circulation	Capital liabilities	Debts to monetary policy counterparties	Debts in foreign currency	Other	Total
2004	Jan	101 954	80 697	64	8 408	1 808	192 931
	Feb	100 615	80 697	61	7 774	2 148	191 295
	March	100 295	80 697	98	6 079	10 318	197 487
	April	100 863	80 697	68	4 769	10 847	197 244
	May	102 008	65 317	95	3 099	11 213	181 732
	June	102 858	65 317	190	4 159	5 371	177 895
	July	102 747	65 317	37	10 883	5 794	184 778
	Aug	102 979	65 317	280	6 821	5 957	181 354
	Sept	102 670	65 317	79	8 900	5 001	181 967
	Oct	102 821	65 317	25	5 326	5 726	179 215
	Nov	103 297	65 317	101	6 557	6 685	181 957
	Dec	108 894	65 317	613	7 448	3 313	185 585
2005	Jan	104 438	65 317	36	5 817	3 045	178 653
	Feb	103 557	65 317	94	6 453	3 413	178 834
	March	104 269	65 317	640	3 021	9 196	182 443
	April	103 876	65 317	31	10 138	9 596	188 958
	May	103 760	65 317	378	6 490	9 955	185 900
	June	105 489	55 813	153	5 421	25 676	192 552
	July	106 024	55 813	205	6 730	25 520	194 292
	Aug	105 600	55 813	117	6 864	25 973	194 367
	Sept	105 884	55 813	43	5 490	23 198	190 428
	Oct	106 063	55 813	17	6 367	23 627	191 887

2 Money supply

END-OF-MONTH STOCK

		SEK million		Percentage 12-month change		
		M0	M3	MO	M3	
2002	Jan	89 737	1 031 807	Jan	6.4	7.4
	Feb	88 950	1 014 905	Feb	5.5	7.1
	March	89 998	1 033 020	March	5.6	6.5
	April	88 666	1 049 030	April	2.6	7.6
	May	88 818	1 025 757	May	2.4	4.3
	June	89 383	1 053 910	June	2.4	4.1
	July	88 631	1 037 162	July	2.2	6.1
	Aug	89 945	1 051 986	Aug	2.6	6.7
	Sept	89 567	1 061 341	Sept	1.9	5.2
	Oct	89 461	1 051 867	Oct	0.7	2.9
	Nov	90 465	1 068 389	Nov	0.6	2.8
	Dec	95 866	1 086 057	Dec	-0.9	4.5
2003	Jan	90 122	1 085 994	Jan	0.4	5.3
	Feb	90 505	1 072 732	Feb	2.9	5.7
	March	91 966	1 092 435	March	2.2	5.8
	April	92 334	1 095 256	April	4.1	4.4
	May	92 346	1 097 622	May	4.0	7.0
	June	92 296	1 106 661	June	3.3	5.0
	July	91 608	1 090 284	July	3.4	5.1
	Aug	93 324	1 109 725	Aug	3.8	5.5
	Sept	92 451	1 113 021	Sept	3.2	4.9
	Oct	92 364	1 114 967	Oct	3.2	6.0
	Nov	93 070	1 107 251	Nov	2.9	3.6
	Dec	98 481	1 119 288	Dec	2.7	3.1
2004	Jan	93 087	1 109 798	Jan	3.3	2.2
	Feb	92 465	1 117 521	Feb	1.0	4.2
	March	92 399	1 116 429	March	0.5	2.2
	April	92 653	1 130 152	April	0.3	3.2
	May	93 032	1 132 356	May	0.7	3.2
	June	94 732	1 115 232	June	2.6	0.8
	July	92 962	1 115 661	July	1.5	2.3
	Aug	94 355	1 126 118	Aug	1.1	1.5
	Sept	93 992	1 147 939	Sept	1.7	3.1
	Oct	93 657	1 149 171	Oct	1.4	3.1
	Nov	95 163	1 161 064	Nov	2.2	4.9
	Dec	98 239	1 171 100	Dec	-0.2	4.6
2005	Jan	95 017	1 159 539	Jan	2.1	4.5
	Feb	94 810	1 165 302	Feb	2.5	4.3
	March	95 494	1 156 372	March	3.3	3.6
	April	94 646	1 171 578	April	2.2	3.7
	May	95 314	1 185 708	May	2.5	4.7
	June	96 426	1 220 466	June	1.8	9.4
	July	96 316	1 205 699	July	3.6	8.1
	Aug	96 671	1 196 327	Aug	2.5	6.2
	Sept	96 657	1 212 481	Sept	2.8	5.6

3 Interest rates set by the Riksbank

PER CENT

	Date of announcement	Effective from	Repo rate	Deposit rate	Lending rate	Period	Reference rate ¹
2002	03-19	03-20	4.00	3.25	4.75	2002:2hå	4.50
	04-26	05-02	4.25	3.50	5.00	2003:1hå	4.00
	11-15	11-20	4.00	3.25	4.75	2003:2hå	3.00
	12-05	12-11	3.75	3.00	4.50	2004:1hå	3.00
2003	03-18	03-19	3.50	2.75	4.25	2004:2hå	2.00
	06-05	06-11	3.00	2.25	3.75	2005:1hå	2.00
	07-04	07-09	2.75	2.00	3.50	2005:2hå	1.50
2004	02-06	02-11	2.50	1.75	3.25		
	03-31	04-07	2.00	1.25	2.75		
	06-21	06-22	1.50	0.75	2.25		

¹ 1 July 2002 the official discount rate was replaced by a reference rate, which is set by the Riksbank at the end of June and the end of December.

4 Capital market interest rates

EFFECTIVE ANNUALIZED RATES FOR ASKED PRICE. MONTHLY AVERAGE. PER CENT

		Bond issued by:					
		Central Government				Housing institutions	
		3 years	5 years	7 years	9-10 years	2 years	5 years
2004	Jan	3.22	4.00	4.46	4.65	3.39	4.35
	Feb	3.04	3.86	4.42	4.55	3.19	4.19
	March	2.72	3.53	4.16	4.31	2.85	3.86
	April	2.77	3.75	4.40	4.55	2.88	4.09
	May	2.96	3.97	4.55	4.68	3.09	4.36
	June	3.01	4.03	4.60	4.72	3.11	4.40
	July	2.86	3.88	4.45	4.57	2.95	4.22
	Aug	2.75	3.85	4.29	4.42	2.83	4.05
	Sept	2.80	3.90	4.26	4.37	2.86	4.02
	Oct	2.68	3.75	4.13	4.25	2.75	3.84
	Nov	2.56	3.60	4.01	4.13	2.62	3.69
	Dec	2.34	3.33	3.76	3.90	2.38	3.38
2005	Jan	2.62	3.16	3.58	3.84	2.79	3.20
	Feb	2.53	3.10	3.51	3.76	2.70	3.12
	March	2.55	3.20	3.61	3.86	2.73	3.22
	April	2.43	2.97	3.35	3.58	2.61	3.31
	May	2.20	2.72	3.10	3.34	2.35	3.05
	June	1.93	2.44	2.85	3.11	2.06	2.76
	July	1.88	2.40	2.81	3.06	2.01	2.71
	Aug	2.06	2.57	2.93	3.14	2.20	2.87
	Sept	2.06	2.50	2.82	2.98	2.21	2.76
	Oct	2.40	2.87	3.01	3.17	2.33	2.98

5 Overnight and money market interest rates

MONTHLY AVERAGE. PER CENT

	Repo rate	Interbank rate	Treasury bills			Company certificates		
			3-month	6-month	12-month	3-month	6-month	
2002	Jan	3.75	3.85	3.74	3.81		3.94	3.97
	Feb	3.75	3.85	3.87	3.99		4.01	4.14
	March	3.84	3.94	4.09	4.29	4.64	4.27	4.43
	April	4.00	4.10	4.25	4.41		4.52	4.69
	May	4.25	4.35	4.29	4.48	4.79	4.64	4.79
	June	4.25	4.35	4.28	4.42	4.71	4.88	5.00
	July	4.25	4.35	4.26	4.37		4.89	4.95
	Aug	4.25	4.35	4.19	4.29	4.43	4.83	4.87
	Sept	4.25	4.35	4.17	4.21	4.29	4.82	4.84
	Oct	4.25	4.35	4.07		4.14	4.67	4.64
	Nov	4.15	4.25	3.91	3.84	3.93	4.20	4.19
	Dec	3.85	3.95	3.66	3.68	3.77	3.97	3.95
2003	Jan	3.75	3.85	3.65			3.90	3.88
	Feb	3.75	3.85	3.61	3.40	3.55	3.85	3.79
	March	3.64	3.74	3.40	3.36	3.35	3.64	3.57
	April	3.50	3.60	3.42			3.62	3.59
	May	3.50	3.60	3.18	2.96		3.43	3.37
	June	3.16	3.26	2.81	2.71	2.61	3.03	2.94
	July	2.82	2.92	2.68			2.87	2.82
	Aug	2.75	2.85	2.71	2.81		2.88	2.90
	Sept	2.75	2.85	2.71	2.73	2.91	2.88	2.92
	Oct	2.75	2.85	2.73			2.89	2.93
	Nov	2.75	2.85	2.72	2.75		2.88	2.93
	Dec	2.75	2.85	2.69	2.70	2.83	2.86	2.87
2004	Jan	2.75	2.85	2.60			2.77	2.74
	Feb	2.59	2.69	2.46	2.38	2.47	2.59	2.59
	March	2.50	2.60	2.27	2.23	2.28	2.43	2.40
	April	2.10	2.20				2.15	2.18
	May	2.00	2.10	1.99	2.07	2.33	2.15	2.23
	June	2.00	2.10	1.98	2.07	2.38	2.15	2.24
	July	2.00	2.10				2.15	2.24
	Aug	2.00	2.10	2.03	2.13		2.15	2.25
	Sept	2.00	2.10	2.00	2.13		2.15	2.26
	Oct	2.00	2.10				2.16	2.27
	Nov	2.00	2.10	2.03	2.12		2.14	2.25
	Dec	2.00	2.10	2.00	2.05		2.12	2.16
2005	Jan	2.00	2.10				2.10	2.12
	Feb	2.00	2.10	1.97			2.06	2.08
	March	2.00	2.10	1.97	1.99	2.08	2.06	2.07
	April	2.00	2.10				2.06	2.08
	May	2.00	2.10	1.89	1.83	1.85	2.02	2.01
	June	1.85	1.95	1.66	1.64	1.65	1.80	1.78
	July	1.50	1.60				1.60	1.60
	Aug	1.50	1.60	1.50	1.57	1.78	1.61	1.65
	Sept	1.50	1.60	1.47	1.55	1.75	1.62	1.67
	Oct	1.50	1.60	1.49			1.68	1.78

6 Treasury bill and selected international rates

MONTHLY AVERAGE. PER CENT

		3-month deposits				6-month deposits			
		USD	EUR	GBP	SSVX ¹	USD	EUR	GBP	SSVX ¹
2002	Jan	1.74	3.28	3.94	3.74	1.85	3.28	4.04	3.81
	Feb	1.81	3.30	3.94	3.87	1.94	3.33	4.08	3.99
	March	1.91	3.34	4.03	4.09	2.15	3.45	4.23	4.29
	April	1.87	3.39	4.06	4.25	2.11	3.47	4.26	4.41
	May	1.82	3.40	4.05	4.29	2.01	3.56	4.26	4.48
	June	1.79	3.41	4.06	4.28	1.93	3.52	4.27	4.42
	July	1.76	3.34	3.94	4.26	1.82	3.40	4.07	4.37
	Aug	1.69	3.28	3.90	4.19	1.69	3.31	3.91	4.29
	Sept	1.73	3.24	3.88	4.17	1.71	3.18	3.89	4.21
	Oct	1.71	3.20	3.88	4.07	1.67	3.08	3.87	
	Nov	1.39	3.07	3.88	3.91	1.40	2.96	3.89	3.84
	Dec	1.33	2.86	3.92	3.66	1.34	2.81	3.92	3.68
2003	Jan	1.27	2.76	3.88	3.65	1.29	2.69	3.87	
	Feb	1.25	2.63	3.65	3.61	1.25	2.51	3.59	3.40
	March	1.19	2.47	3.56	3.40	1.17	2.39	3.50	3.36
	April	1.22	2.48	3.54	3.42	1.20	2.41	3.48	
	May	1.20	2.35	3.53	3.18	1.16	2.25	3.49	2.96
	June	1.03	2.09	3.55	2.81	1.00	2.02	3.48	2.71
	July	1.04	2.08	3.38	2.68	1.05	2.04	3.37	
	Aug	1.05	2.09	3.43	2.71	1.11	2.12	3.52	2.81
	Sept	1.06	2.09	3.60	2.71	1.10	2.12	3.70	2.73
	Oct	1.08	2.09	3.72	2.73	1.12	2.12	3.87	
	Nov	1.08	2.10	3.88	2.72	1.17	2.17	4.07	2.75
	Dec	1.08	2.09	3.93	2.69	1.15	2.13	4.08	2.70
2004	Jan	1.04	2.03	3.96	2.60	1.10	2.06	4.11	
	Feb	1.03	2.02	4.08	2.46	1.09	2.03	4.19	2.38
	March	1.02	1.97	4.21	2.27	1.07	1.95	4.34	2.23
	April	1.06	1.99	4.30		1.19	2.01	4.45	
	May	1.16	2.03	4.44	1.99	1.44	2.08	4.63	2.07
	June	1.41	2.06	4.69	1.98	1.72	2.13	4.91	2.07
	July	1.54	2.06	4.77		1.80	2.13	4.93	
	Aug	1.66	2.06	4.86	2.03	1.87	2.11	4.98	2.13
	Sept	1.85	2.06	4.84	2.00	2.01	2.14	4.93	2.13
	Oct	2.01	2.10	4.80		2.15	2.13	4.85	
	Nov	2.24	2.12	4.77	2.03	2.42	2.16	4.81	2.12
	Dec	2.44	2.12	4.76	2.00	2.65	2.16	4.78	2.05
2005	Jan	2.60	2.10	4.75		2.85	2.15	4.77	
	Feb	2.76	2.09	4.79	1.97	2.98	2.13	4.84	
	March	2.95	2.09	4.87	1.97	3.21	2.14	4.95	1.99
	April	3.07	2.08	4.83		3.31	2.11	4.88	
	May	3.19	2.07	4.78	1.89	3.42	2.08	4.78	1.83
	June	3.36	2.05	4.72	1.66	3.54	2.05	4.69	1.64
	July	3.56	2.08	4.56		3.78	2.09	4.47	
	Aug	3.74	2.09	4.50	1.50	3.96	2.10	4.49	1.57
	Sept	3.84	2.09	4.50	1.47	3.98	2.11	4.47	1.55
	Oct	4.11	2.14	4.49	1.48	4.29	2.21	4.48	

¹ Treasury bills.

7 Krona exchange rate: TCW index and selected exchange rates

MONTHLY AVERAGE

		SEK					
		TCW index	EUR	GBP	USD	JPY	CHF
2002	Jan	135.7390	9.2292	14.9642	10.4398	0.0788	6.2594
	Feb	135.6543	9.1869	15.0223	10.5603	0.0791	6.2179
	March	133.8096	9.0600	14.7064	10.3396	0.0789	6.1690
	April	134.8265	9.1331	14.8742	10.3105	0.0788	6.2300
	May	135.2764	9.2236	14.6763	10.0519	0.0796	6.3300
	June	132.6093	9.1190	14.1612	9.5591	0.0774	6.1959
	July	134.3652	9.2705	14.5199	9.3400	0.0791	6.3380
	Aug	134.3777	9.2524	14.5486	9.4641	0.0795	6.3235
	Sept	133.2278	9.1735	14.5449	9.3504	0.0775	6.2617
	Oct	132.1625	9.1053	14.4489	9.2793	0.0749	6.2156
	Nov	131.3311	9.0785	14.2485	9.0655	0.0746	6.1869
	Dec	131.0292	9.0931	14.1771	8.9458	0.0732	6.1861
2003	Jan	130.9609	9.1775	13.9590	8.6386	0.0727	6.2767
	Feb	129.7272	9.1499	13.6813	8.4930	0.0711	6.2358
	March	130.3167	9.2221	13.5031	8.5298	0.0720	6.2777
	April	128.9566	9.1585	13.2756	8.4370	0.0704	6.1248
	May	127.1076	9.1541	12.8520	7.9229	0.0676	6.0426
	June	126.3154	9.1149	12.9638	7.8108	0.0660	5.9211
	July	127.6987	9.1945	13.1295	8.0807	0.0681	5.9417
	Aug	128.9600	9.2350	13.2074	8.2825	0.0697	5.9957
	Sept	126.7679	9.0693	13.0143	8.0861	0.0703	5.8616
	Oct	125.3358	9.0099	12.9077	7.6966	0.0703	5.8195
	Nov	125.2370	8.9908	12.9783	7.6831	0.0703	5.7642
	Dec	124.3958	9.0169	12.8514	7.3632	0.0682	5.8001
2004	Jan	125.3707	9.1373	13.1985	7.2493	0.0681	5.8343
	Feb	125.9654	9.1814	13.5574	7.2599	0.0682	5.8367
	March	127.6783	9.2305	13.7500	7.5243	0.0694	5.8922
	April	127.6519	9.1711	13.7941	7.6501	0.0711	5.9008
	May	126.7383	9.1312	13.5751	7.6061	0.0679	5.9248
	June	127.0144	9.1422	13.7711	7.5332	0.0688	6.0193
	July	127.3590	9.1954	13.8041	7.4931	0.0685	6.0222
	Aug	127.3415	9.1912	13.7313	7.5444	0.0683	5.9753
	Sept	125.7140	9.0954	13.3500	7.4484	0.0677	5.8943
	Oct	124.8272	9.0610	13.1085	7.2557	0.0666	5.8730
	Nov	123.3656	9.0036	12.8863	6.9390	0.0662	5.9155
	Dec	122.4392	8.9786	12.9405	6.7030	0.0646	5.8495
2005	Jan	123.7464	9.0538	12.9620	6.8996	0.0668	5.8527
	Feb	124.4271	9.0839	13.1666	6.9778	0.0665	5.8614
	March	124.2160	9.0860	13.1189	6.8755	0.0654	5.8669
	April	125.8007	9.1650	13.4189	7.0796	0.0660	5.9230
	May	126.6878	9.1942	13.4357	7.2482	0.0679	5.9511
	June	129.1463	9.2585	13.8466	7.6079	0.0700	6.0170
	July	130.9115	9.4284	13.7113	7.8281	0.0699	6.0507
	Aug	129.3670	9.3426	13.6266	7.6002	0.0687	6.0158
	Sept	129.6486	9.3367	13.7798	7.6215	0.0686	6.0279
	Oct	131.0017	9.4231	13.8250	7.8368	0.0683	6.0845

Note. The base for the TCW index is 18 November 1992. TCW (Total Competitiveness Weights) is a way of measuring the value of the krona against a basket of other currencies. TCW is based on average aggregate flows of processed goods for 21 countries. The weights include exports and imports as well as "third country" effects.

8 Nominal effective TCW exchange rate

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Note: TCW (Total Competitiveness Weights) is a way of measuring the value of the Swedish krona against a basket of other currencies. TCW is based on average aggregate flows of processed goods for 21 countries. The weight includes imports, exports as well as "third country" effects.

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