

Jonung, Lars

**Working Paper**

## Ingemar Ståhl 1938-2014. A Portrait of a Political Economist in the Swedish Welfare State

Working Paper, No. 2019:19

**Provided in Cooperation with:**

Department of Economics, School of Economics and Management, Lund University

*Suggested Citation:* Jonung, Lars (2019) : Ingemar Ståhl 1938-2014. A Portrait of a Political Economist in the Swedish Welfare State, Working Paper, No. 2019:19, Lund University, School of Economics and Management, Department of Economics, Lund

This Version is available at:

<https://hdl.handle.net/10419/260289>

**Standard-Nutzungsbedingungen:**

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

**Terms of use:**

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*

Working Paper 2019:19

Department of Economics  
School of Economics and Management

Ingemar Ståhl 1938-2014.  
A Portrait of a Political Economist in  
the Swedish Welfare State

Lars Jonung

December 2019



**LUND**  
UNIVERSITY

**Ingemar Ståhl 1938-2014.**  
**A portrait of a political economist in the Swedish welfare state**

Lars Jonung

Department of Economics and Knut Wicksell Centre for Financial Studies  
Lund University, Lund, Sweden

December 4, 2019

*Abstract:* For many decades, Ingemar Ståhl was a well-known economist in Sweden. He introduced new perspectives into research, teaching and public debate. He made his presence felt in areas as diverse as housing policy, defense economics, energy policy, financial economics, industrial policy, higher education, union controlled wage earner funds, law and economics, health-care economics and taxation. He advocated a public choice perspective which in his view provided a more realistic interpretation of the behavior of politicians and bureaucrats than that provided by traditional welfare economics. As an active participant in the public debate, he provided a pungent commentary on a wide range of issues. He contributed to the shift in Swedish economic policy from interventionist controls and collectivist systems inspired by Social-Democratic ideology to market-oriented and liberal solutions. Several of his proposals, most prominently the present system of student finance remain part of current Swedish public policy.

*Key words:* Public choice, welfare economics, property rights, socialism, liberalism, welfare state, Sweden.

*JEL code:* A11, B21, D51, D72, H43, I22, J51, L51, P48 and Q18.

*Email to the author:* [Lars.Jonung@nek.lu.se](mailto:Lars.Jonung@nek.lu.se)

## **Ingemar Ståhl 1938-2014. A portrait of a political economist in the Swedish welfare state**

### **1. Early years<sup>1</sup>**

Ingemar Ståhl grew up on Kungsholmen, an island in central Stockholm in a middle class family. His father worked as a judicial expert for central government while his mother worked as a dispenser in a pharmacy. The family also comprised Ingolf, Ingemar's younger brother. At upper secondary school, Ingemar was interested in everything, from science to poetry and social issues. At an early stage, his political interests led him to take a leading role in the youth movement of the Social Democratic Party.

On leaving upper secondary school for university in 1956, he chose between studying medicine or social science. Inspired by Bent Hansen's book *Finanspolitikens ekonomiska teori* (The Economic Theory of Fiscal Policy), he selected the latter. Ingemar was "completely fascinated by its apparently fully rational view of economic policy based on an analysis of ends and means and the formulation of preference functions" (Ståhl 1990, p. 230). Later on in life, his encounters with policymakers and politicians would lead him far away from the world of beautiful models presented by Bent Hansen.

Ingemar started at Stockholm University by majoring in Economics. At that time, the Economics Department was dominated by professors such as Erik Lundberg and Gunnar Myrdal, associated with the Stockholm School that emerged in the 1930s. Ingemar found himself both unimpressed and uninspired by these famous figures and their macroeconomic analysis. To get away from Stockholm, he decided to spend a year at Oslo University. During this period, his focus was on resource allocation and microeconomics.

### **2. The 1960s – a productive decade**

Back in Stockholm, he started to work at the Central Bureau of Statistics in 1959. He was soon asked to work on various government committees. During the 1960s, Ingemar Ståhl contributed to no less than seven official government reports or investigations, commonly known by the abbreviation SOU (*Statens offentliga utredningar*). At that time, these reports were extensive projects comprising a substantial research input.

His principal contributions were made in his capacity as assistant secretary to the Indexation Committee (*Värdesäkringskommittén*) in 1959 – 1964, (SOU 1964:1 and SOU 1964:2), as an expert on the 1959 Committee on Social Conditions of Students in 1962-1963 (*Studiesociala utredningen*), (SOU 1963:74), and as a member of the Programme Budget Group at the Ministry of Defence in 1966 – 1969, (SOU 1969:25).

---

<sup>1</sup> Alan Harkess has skillfully translated this paper from Swedish, originally published in *Ekonomisk Debatt*, see Jonung (2018). I have received constructive comments from Kurt Schuler and Geoffrey Wood on the English version.

In all of these investigations, Ingemar made major contributions to the final reports. Furthermore, he became a member of the Energy Committee (*Energikommittén*) in 1964, (SOU 1970:13), as well as taking on the role of an expert in three further official government enquiries into defense costs, education and seaports (*Försvarskostnadsutredningen*, SOU 1968:1), *Utbildningsutredningen* [U68], (SOU 1973:59) and *Hamnutredningen* (SOU 1971:63). In addition to these assignments, Ingemar worked on a wide range of issues with other economists.<sup>2</sup>

#### *The Indexation Committee (Värdesäkringskommittén)*

The Indexation Committee was appointed following the pension reform in 1958 against the background of a rising rate of inflation. Its aim was to examine the possibility of introducing indexed-linked loans in Sweden – a type of loan that was not available at the time. Guy Arvidsson, a member of the Committee together with Kjell-Olof Feldt, secretary of the Committee, offered Ingemar the post of deputy secretary. This was the start of his career as a researcher with a focus on policy issues.

Ingemar quickly got to grips with his new assignment. During 1960 and 1961, he rapidly produced about ten preparatory studies on index-linked loans, indexation, share yields and real taxation. In this context, he produced what was subsequently considered to be his major research achievement; a report entitled “The effects of changes in risk and yields on portfolio composition, consumption and production”. It appeared as a mimeographed working paper in December 1961. Several years later, it was presented as a dissertation for the licentiate degree at the University of Lund (Ståhl 1964).<sup>3</sup>

The aim of the report was to generalize traditional microeconomic theory to include decisions made under uncertainty. Ingemar studied how portfolio choice could be affected by changes in expected yield and risk. His analysis was entirely theoretical. In the early 1960s, this was considered a ground-breaking work. However, it was rapidly superseded by new theories and methods within finance. As a result of these analyses, Ingemar became an advocate of real taxation and of the use of index-linked loans (Ståhl 1975a).

#### *The government report into student finance*

The rapid expansion of higher education in the 1950s provided the impulse for a government report into student finance. It was set up in 1959 under the leadership of Olof Palme, who worked closely with the prime minister Tage Erlander whom he would subsequently replace as prime minister. The main purpose of the report was to examine suitable forms of funding for university studies. The debate was dominated by a series of proposals related to student loans, grants and scholarships.

The prime minister, Tage Erlander, who had a keen interest in the question of student finance since his time as a student in the 1920s at Lund University, noted in his biography that “Olof

---

<sup>2</sup> See Jonung and Jonung (2018) for a bibliography of Ingemar Ståhl’s writings.

<sup>3</sup> In the Swedish academic system, the licentiate degree is below that of a doctoral degree.

Palme had complained on several occasions that the government report wasn't making any progress. At that point, a young man, Ingemar Ståhl, who later became professor of economics and a lively contributor to a range of public debates, put forward an overly complicated proposal based on a reverse pension insurance scheme." (Erlander 1982, p. 197).

During the spring of 1962, Ingemar provided the new start to the Palme enquiry that Erlander had described in his memoirs. After an initial period of doubt regarding Ståhl's proposal, Palme quickly changed his views with the result that Ingemar was invited to assist the enquiry. As many as ten memoranda on study finance, costs of education and the returns to investment in higher education appeared in 1962.

Ingemar's underlying argument was that higher education should be seen as an investment in human capital that could be expected to generate higher personal lifetime income. For that reason, a system of student loans could be justified on grounds of both efficiency and equity.

Ingemar's approach carried the day. He was responsible for the main chapter "The system of student financial support" in the Committee's final report (SOU 1963:74) as well as for two appendices. The costs, revenues and financing of higher education were examined in the first appendix while the other dealt with the incomes of university graduates.

A quarter of a century later, Ingemar looked back on the system of student financial support that he had designed. He viewed the results as "a triumph for rational political solutions" (Ståhl 1990, p. 234). At the same time, he noted that Olof Palme's major social policy reform was based on ideas and models drawn from the Chicago School – a school of thought associated with market-oriented economists such as Gary Becker and Milton Friedman.

#### *The economics of defense and the Research Institute of the Swedish National Defense (FOA)*

Ingemar Ståhl worked on defense issues for a long time. He joined the Research Institute of the Swedish National Defense (FOA) in 1962. A year later, his friend from Lund, Bengt-Christer Ysander, became his colleague. Their assignment was to apply economic thinking to defense issues. The emphasis was on developing a system of program budgeting for defense spending along the lines developed in the United States. This was a formidable task that required both deep and detailed knowledge of the entire system of defense, right down to its lowest levels.

Over time, Ingemar became one of the main authors of *Planering och programbudgetering inom försvaret* (SOU 1969:25) (Planning and program budgeting of defense spending) also known as the Red Book after the color of its cover. Initially, the Red Book was seen as a promising approach to the reform of the budgetary system for the defense department. However, it did not lead to any lasting reforms.

Following the completion of the Red Book, Ingemar ended his formal ties with the military sector. Nevertheless, he maintained a strong interest in defense issues and security policy, not just at a theoretical level. He once served as a splendid guide for me at a walk over the artillery range at Ravlunda, near the Ståhl family's summer residence in southernmost Sweden. The subjects of the day covered all aspects of tanks: their equipment, crew, weight, speed,

firing capacity and caliber. He explained to me why the Ministry of Defense had chosen the British Centurion tank, the numbers that had been purchased, the types of tanks that should have been requisitioned and how the operation of armored brigades could be made optimal in terms of cost effectiveness to meet a Soviet invasion.

### *Housing policy*

In 1963, the Research Institute of Industrial Economics (*Industriens Utredningsinstitut* or *IUI*) published a study entitled *Bostadsbristen – en studie av prisbildningen på bostadsmarknaden* (The housing shortage - a study of price formation in the housing market). This publication was co-authored by Ragnar Bentzel, Assar Lindbeck and Ingemar Ståhl (Bentzel et al 1963). The study was based on a systematic comparison of housing markets subject to rent control with markets where rents were determined by market forces. It concluded that the social and income distribution objectives of Swedish housing policy could be achieved on a housing rental market where market forces were allowed to operate freely.

This book gave rise to a lively debate and became a classic in the Swedish literature on rent control. The views presented in the study are still relevant to the current debate on housing policy in Sweden.

### **3. The road to a professorship**

The system of official government reports (SOU) and the Research Institute of the Swedish National Defense (FOA) became Ingemar Ståhl's university. It was here that he was able to develop his thoughts and his writing in areas as diverse as labor market policy, housing policy, financial economics, defense economics, human capital theory, higher education, index loans and planning in the public sector. In total, his output during the 1960s with its emphasis on research reports was singularly impressive. His work often involved fairly straightforward applications of economic analysis in relatively new areas. Through this impressive range of work, he established himself as a well-known economist, opening up the road to a professorship.

Guy Arvidsson's move from Lund University to Stockholm University in 1969 created a vacant chair as professor of economics in Lund. Ingemar was the only applicant. Arvidsson, as one of the three academic referees, put forward the most positive evaluation, describing Ingemar as an applied economist who had explored new areas with the help of existing theory. In November 1971, he was appointed professor at the age of only 33. Lund was to become his academic home from then on.

#### 4. The crisis years of the 1970s and 1980s

As professor in Lund, Ingemar Ståhl worked on questions that had previously demanded his attention as well as on new economic problems that emerged during the 1970s and 1980s. It is difficult to provide a fair and comprehensive account of all of his activities. Here, I concentrate on the major issues that concerned him.

##### *The public sector and taxation*

The large and growing public sector in Sweden and its accompanying high level of taxation created problems that fascinated Ingemar. He approached these issues in the light of the experience of the 1950s when the public sector's share of GDP was around 30 percent and the average marginal tax rate was approximately 40 percent. These figures rose sharply during the 1970s and 1980s.

In a long series of articles, he attempted to analyze the driving forces underlying the expansion of the public sector and to find a suitable balance between the commitments undertaken by the public sector and the room for maneuver available to the private citizen. At an early stage, he distinguished between different types of public expenditure commitments: a night-watchman state, an infrastructure state, a social state and an interest group state (Ståhl 1989).

The night watchman state, supplying pure public goods and services such as defense and the legal system, accounted for a relatively small share of the budget of the government. The social state in the sense of income transfers over an individual's life cycle comprised the largest share of budgetary expenditure.

Ingemar identified the system of tax-financed social insurance as the principal driving force underlying the expansion of the public sector in Sweden. He was able to pinpoint a number of problems in the social insurance system and argued in favor of more research in this field (Ståhl 1973). He proposed that the central government should provide a basic insurance cover. Citizens could then purchase the level of insurance cover that they desired on top of this basic provision. Visible insurance premiums were preferred to concealed taxes and payroll charges. This would allow the level of taxation to be lowered, thereby increasing individual choice.

Ingemar posed the question: What is the role of the state? His reply was that for many reasons, a smaller state was to be preferred to a high taxation state. The welfare state had become increasingly "immoral" (Ståhl 1989). It had reached the end of its track and passed its final station. However, he was pessimistic about the possibilities of putting the train into reverse.

##### *Industrial policy*

In May 1974, the Swedish parliament decided unanimously to finance a new steelworks in Luleå, *Stålverk 80*. It represented the largest public investment project in Swedish industrial history. The Federation of Swedish Industries (*Industriförbundet*) invited three economists to assess the project, including Ingemar Ståhl. The largest part of their report consists of a detailed examination of the project's rate of return (Ruist et al 1975). The report concluded that



the estimated rates of return presented in government bills to parliament tended to be subject to exaggerated optimism. Nor were the three authors able to identify any social rates of return that were not captured by the traditional measurement of the private rate of return.

The report recommended a more market-based assessment of the project. In order to ensure external control over the project, the steelworks ought to be financed by loans raised on the international capital market without a government guarantee. The profitability of the project should be assessed by means of a detailed analysis of its rates of return. However, as a result of the energy crisis of the mid-1970s, the *Stålverk 80* project never came to fruition.

Throughout the 1970s, against the background of continuing difficulties for Swedish industry, Ingemar continued his work on industrial policy. In 1979, he was approached once again by the Federation of Swedish Industries (*Industriförbundet*). Together with Nils Lundgren, he wrote *Industripolitikens spelregler* (The ground rules of industrial policy), (Lundgren and Ståhl 1981).

Their study started with an analysis of the rapid rise of government assistance to industrial branches and companies that was in the process of undermining the traditional market economy in Sweden. The authors proposed a package of measures aimed at creating stable ground rules for industrial policy. These measures drew a sharp distinction between decisions made by companies and those taken by public authorities and political assemblies.

#### *Contracts, property rights and union controlled wage earner funds*

At the request of the Swedish Trade Union Confederation (LO), the economist Rudolf Meidner put forward a proposal for wage earner funds in August 1975. The essence of his proposal was the gradual transfer of the ownership of companies registered on the Stockholm Stock Exchange to wage earner funds run by the trade unions. Ultimately, these funds would own and control all Swedish companies. The analytical framework was manifestly inspired by Marxist and socialist ideas.

In November 1975, Ingemar Ståhl was invited to a meeting of the Swedish Economic Society to open a debate on “Ownership and control in business enterprise” (*Ägande och makt i företagen*). Drawing on American research, he used this opportunity to present a new perspective on a company based on a contractual approach (Ståhl 1976).

In this perspective, a company’s structure and behavior would be determined by its contractual relations with its suppliers, customers, employees, company management and financiers. As an owner of a company, the trade union fund would have only a weak incentive to run the company in an efficient manner.

Ingemar did not hold back in his criticism. In his view, the Meidner proposal would either lead to a Yugoslavian worker self-management model or to “a Soviet socialist model where a strong central trade union organization would replace a strong state “. He deplored Meidner’s “vulgar arguments”.

His interest in contractual relations led him into an analysis of the role of property rights which he considered to be fundamental for an understanding of how a market economy operates. Inspired by the memory of Samuel von Pufendorf, who was appointed by the University of Lund as a professor of law in 1668 and who was one of the first to discuss the relationship between private ownership and the market economy, Ingemar put forward the thesis that “if private ownership had not existed, we would have been forced to invent it.” This is the title of an essay that used game theory to demonstrate the advantages of clearly defined and respected rights of ownership (Ståhl 1984).

### *Health economics*

Ingemar Ståhl laid the foundations of health economics in Sweden. As was the case with defense, Ingemar introduced an economic perspective into the field of health care, proposing measures that would raise productivity and efficiency in a part of the public sector that was undergoing rapid change. In his numerous studies of health economics, he brought into focus three specific aspects: the level of health expenditure, efficiency and the growth of productivity.

According to Ingemar, the efficiency of health care provision could be improved by the greater use of market signals and by allowing health service providers to compete among themselves. He recommended methods such as internal pricing, a greater measure of private insurance and private payment together with a clearer division between the citizen as a client and the service provider.

The most radical of his proposals was that of a voucher system where the patient/private citizen would be able to purchase health care services from competing companies (Ståhl 1979). He viewed the patient as a consumer who would be able to influence health care provision by means of informed choice. These proposals, some of which have now been at least partially implemented, were considered shocking in the Swedish climate of public debate in the late 1970s.

Ingemar was a dedicated opponent of public ownership of the pharmaceutical industry – a controversial issue at that time as the Social Democratic Party aimed at socialization (Ståhl 1975b). By the late 1970s, he had completed a draft version of what would be considered as the first text book in Sweden on health economics. It was innovative and was moreover written in English. It was finally published in the mid-1980s, the only book that Ingemar published in English (Ståhl 1986).

## **5. Public choice**

Traditional welfare theory initially provided the basis for Ingemar’s economic analysis. Armed with the theoretical propositions derived from this body of economics, an economist was able to demonstrate how economic policy could be designed in order to correct for market failures due to external effects, indivisibilities and the characteristics of public goods. The

economist found himself in the role of a social engineer who was able to contribute to society's overall economic welfare and efficiency.

Ingemar Ståhl was actually a prime example of that type of social engineer throughout the 1960s. However, he became increasingly skeptical about the relevance of welfare theory. He came to the conclusion that the sensible advice offered by him and many other economists had largely fallen on stony ground. Welfare theory was incomplete. It lacked an analysis of political and bureaucratic decision-making processes. He found this missing link in the public choice school of thought. In 1977, he produced the first and highly ambitious account of the public choice approach available in Swedish. He considered it to be a suitable framework for the analysis and understanding of the operation of a mixed economy such as the Swedish one (Ståhl 1977).

In Ingemar's view, the concepts of consumers as utility maximizers and companies as profit maximizers could be directly applied to the political system and the public bureaucracy. Politicians would become vote maximizers, i.e. their objective was to win elections and remain in power. Analogously, bureaucrats would seek to maximize the size of their organizations and budgets in order to increase their funding. On the basis of these assumptions, it would be possible to analyze the operation of the mixed economy in a more meaningful sense than by using traditional welfare theory.

The role of the economist would become that of an "eye-opener" who would reveal the political maneuverings underlying economic policy rather than the expert "savant" who provides well-honed advice. Ingemar returned repeatedly to this "eye-opening" function. By extension, it offers several pieces of advice. It is no longer a question of changing taxes and subsidies in order to correct market failures. The focus should instead be placed on the analysis and reform of decision-making processes in the public sector and increasing the scope for market solutions. The ultimate objective according to Ingemar is to provide individuals with greater power over their own lives.

#### *The political economy of the food sector, housing and the labor market*

Public choice was a source of inspiration for Ingemar when he discussed industrial policy and the wage earner fund proposal in the 1970s. However, it was not until the 1980s and 1990s that this school of thought came to predominate in his analyses, particularly as the co-author of two books with the words *Makten över* (literally "the power over") included in their titles.

*Makten över maten* was published in 1984. It was a joint venture between Ingemar, Olof Bohlin and Per-Martin Meyerson that offered a systematic public choice interpretation of Swedish agricultural policy (Bohlin et al 1984). It was translated into English as "The political economy of the food sector. The case of Sweden" and available in 1986 (Bohlin et al 1986).

The authors demonstrated how the regulation of the agriculture sector had developed through the cooperation of three principal groups: politicians, special interest groups and bureaucrats. Together they formed an "iron triangle" that protected the regulatory system that constituted

agricultural policy. The benefits from agricultural policy are distributed among a relatively limited group while the costs of the policy are spread out over the entire population. This made it difficult to find support for a policy that benefited everyone by ending the regulation of agricultural policy.

The book gave rise to an intense debate in Sweden. Gradually a few steps were taken towards deregulation. By the early 1990s, this process was completed. A few years later, the regulation of Swedish agriculture took on a new form when the country became a member of the European Union.<sup>4</sup>

Ingemar adopted the same approach as in *Makten över maten* six years later in *Makten över bostaden* (The political economy of the housing sector) which he wrote together with Per-Martin Meyerson and Kurt Wickman (Meyerson et al 1990). The book examines Swedish housing policy from a public choice perspective. It presents a sweeping criticism of half a century of rent control policy. The central argument of the book is still relevant, not least the discussion in the final chapter that examines twelve standard arguments “slogan formulations” that are often put forward in the debate on Swedish housing policy and rent controls. The authors systematically reject these arguments. However, this has not prevented their perennial appearance in the current discussion on housing policy and rent controls.<sup>5</sup>

An analysis of the regulated labor market in Sweden was produced by Ingemar for the *Ekonomikommisionen* (Economic Commission), better known as *Lindbeck-kommisionen*, named after its chairman Assar Lindbeck (Ståhl 1993). He adopted the same public choice approach as previously, arguing that wage regulations in the labor market have strong similarities with price regulations in housing and agricultural markets. He also contended that the same iron triangle of political parties, special interests and public administration had become prevalent. It takes the form of the Social Democratic Party, the trade union movement, government authorities as well as research organizations closely associated with the labor market. This iron triangle has developed as part of a long historical process that forms an essential and frequently highly valued part of the Swedish model.

Ingemar compared two forms of wage contracts: the individual contractual agreement and the collective employment contract. The individual contractual agreement provides the parties entering into the agreement with considerable freedom. This type of contract belongs under civil law.

The collective employment contract, regulated under labor law, provides two cartels, the trade unions and the employer organizations with considerable powers. It was Ingemar’s wish that legislation should stop favoring the collective employment contract in relation to the voluntary agreement which forms the basis of the individual contractual agreement.

---

<sup>4</sup> Lundahl (2017) provides a detailed account of Ingemar’s views on agricultural policy and the debate surrounding these issues.

<sup>5</sup> Ingemar concerned himself with housing policy for almost forty years. A summary of his views are presented in Ståhl (2000).

## 6. The 1990s and “Suedosclerosis”

The deep economic crisis that hit Sweden during the first half of the 1990s inspired Ingmar to enter new joint ventures with Kurt Wickman. They wrote five books together between 1992-1997: *Riv bostadspolitiken!* (“Demolish housing policy”), (Ståhl and Wickman 1992), followed by *Suedosclerosis – en särskilt elakartad form av eurosclerosis*, (Suedosclerosis - a particularly virulent form of eurosclerosis), (Ståhl and Wickman 1993), *Suedosclerosis II* (Ståhl and Wickman 1994), *En miljon utan jobb – Suedosclerosis III*, (A million out of work – Suedosclerosis III), (Ståhl and Wickman 1995) and *Ännu mera planekonomi?* (Still more central planning?), (Niklasson et al 1997).<sup>6</sup>

A central theme in their analysis was that the crisis in the Swedish economy was not the result of a fall in demand that could be dealt with by means of traditional Keynesian stabilization policies. Instead, Sweden was confronted by two major disturbances or shocks. Firstly a real interest rate shock which implied a rise in real interest rates in Sweden from the negative levels of the late 1980s. As a result of cross-border financial integration, real rates of interest in Sweden had now reached the same high level as prevailed in global financial markets. The other disturbance was the shock to Swedish industry brought about by the increased competitiveness of low wage economies in South-East Asia.

These changes in the international environment placed new demands on the Swedish model, mainly through the need to adjust the taxation system, housing policy, social insurance and the labor market. The recommendations proposed by the authors were largely based on Ingemar’s earlier analytical work on regulatory control, incentives and contracts.

## 7. Professor in Lund

Ingemar Ståhl became professor at Lund University at a record early age. He was a member of the Department of Economics for more than thirty years. He was a source of inspiration and support for doctoral dissertations in new fields of research, mostly concerning the public sector. His primary role was to act as a source of innovative ideas. The practical role of thesis advisor was usually left to others.

The Department of Economics in Lund produced a large number of doctoral dissertations in areas such as law and economics, health-care economics, economics of education and environmental economics that were considered to be path-breaking in Sweden. Many of the authors subsequently became professors.

---

<sup>6</sup> The concept of eurosclerosis was used widely in the debate on the low rate of economic growth in the 1980s in Europe. Stagnation was interpreted as the result of far-reaching state regulations and comprehensive social benefits. Ståhl and Wickman identified a Swedish variant, suedosclerosis, as an explanation of the problems that they found affecting the Swedish economy.

Ingemar concentrated primarily on teaching undergraduate courses in microeconomics and finance. He was a highly appreciated lecturer among students. Elementary courses in microeconomics were supplemented by analyses of property rights, contracts and transaction costs. As early as the 1980s, he helped to establish the new subject of finance as a major field of teaching and research in Lund. His interest in property rights gave rise to lecturing at the Faculty of Law.<sup>7</sup> He subsequently received an honorary doctorate in 2000 and a *festschrift* in honor of his services to the Faculty of Law in 2005.

Ingemar had a flair for taking initiatives but was less capable of maintaining a presence within any given area. He was certainly no empire builder. Although his thinking and his recommendations were suffused by a sense of rationality and efficiency along with an awareness of the importance of incentives, his private life was almost that of a bohemian, disorganized professor. Unopened letters gathered in piles in his professor's office while yellow *post-it* notes covered the door. He was renowned for his difficulties in meeting deadlines for the submission of manuscripts and for correcting examination papers in time.

## 8. From Social Democrat to market liberal

Ingemar's fascination for economics ran parallel to a strong interest in political developments. At upper secondary school, he was already active in the Social Democratic movement. At an early stage, he got to know the young elite that were on their way to take over the Social Democratic Party.<sup>8</sup> In that circle, there were two future prime ministers, Olof Palme and Ingvar Carlsson, and a future minister of finance, Kjell-Olof Feldt.

On his arrival in Lund, Ingemar was a Social Democrat. Gradually, he moved away from the party. This is partially to be explained by the general shift to the left in the Social Democratic Party during the 1970s. He was also influenced by his experience of Social Democratic politicians and policies. He was particularly disappointed by the party's housing policy. The Meidner proposal of union controlled wage earner funds led him into a critical attack on Rudolf Meidner who was an economist with strong ties to the union movement. The books on *Stålverk 80* and on the ground rules for industrial policy represented a move to a market approach. His meeting with public choice theory and American economists of a more liberal and conservative persuasion like James Buchanan and Mancur Olson contributed to Ingemar's shift towards a liberal standpoint.

It is reasonable to view Ingemar as an early advocate of market solutions. Indeed, at the start of his career at the beginning of the 1960s, he tried to extend the scope of the market economy and of individual choice across Swedish society. If a political label is to be attached to

---

<sup>7</sup> Ingemar Ståhl's view of the relationship between economics and law is summarized in Ståhl (2003).

<sup>8</sup> He met his future wife, Solveig Sandberg, within the student association of the Social Democratic Party.

him, the epithet “liberal”, in a European sense, would be the most suitable. The choice is then available between market liberal, neo-liberal and classical liberal.

Ingemar’s political journey was far from unique. It followed the same path as that undertaken during the 1970s and 1980s by a number of Swedish economists who initially shared a Social Democratic persuasion. Among them we find the names of Assar Lindbeck, Nils Lundgren and Carl B. Hamilton, to be joined somewhat later by Bo Södersten.

### **9. The civic role – external commitments**

A professor in the Swedish university system is expected to fulfill three duties or tasks; teaching, carrying out research and public outreach. Ingemar was strongly attached to the idea of the third, extra-mural task. He enjoyed public speaking engagements. He was a powerful debater who was able to combine telling replies with rhetorical flourish. At his busiest, his diary would be full of lectures and speeches on a weekly basis.

Ingemar became a member of the Royal Swedish Academy of Sciences in 1978 and was a member of the committee that awarded the Nobel Memorial Prize in Economic Sciences between 1981 and 1994. In that forum, he was a particularly strong advocate of public choice, contract theory and financial economics.<sup>9</sup>

Over a period of 25 years, Ingemar acted as academic advisor to the Ragnar and Torsten Söderberg foundations as well as being a member of the board of the Ragnar Söderberg foundation. He became deeply involved in the work of these foundations. Following the collapse of the Soviet Union, Ingemar became interested in the Baltic countries. He taught on several occasions at the School of Economics established in Riga with financial support from Sweden.

### **10. Ingemar Ståhl as an economist**

Almost all of the assessments of Ingemar as an economist emphasize his inventiveness, ingenuity and relevance. His strength was to stimulate new thinking, frequently by means of adopting surprising approaches. He wrote well and rapidly although much of his writing remained in his writing desk as unpublished manuscripts.<sup>10</sup>

Many researchers keep to one field and one type of scientific approach throughout their academic lives. Ingemar did not adhere to that school. He worked in many areas although his main focus was on resource allocation. He had a thirst for knowledge and a desire to make his presence felt in debates. He did not follow the current road to a professorship based on the

---

<sup>9</sup> Much media attention was focused on Ingemar’s opposition to the prize awarded to John Nash in 1994.

<sup>10</sup> This is seen from his bibliography, Jonung and Jonung (2016).

publication of articles in English in highly ranked academic journals subject to a referee process. Actually, he did not have a single publication in English in an established academic journal. Most of what he wrote was in Swedish.

### **11. The legacy of Ingemar Ståhl**

Most of what Ingemar Ståhl fought for throughout his life has achieved acceptance in public debate and policy in Sweden. He wanted to provide the individual citizen with greater freedom in order to change his/her life situation. It could take many forms: by means of greater competition in the public sector; deregulation in sectors such as housing, agriculture and the labor market; greater freedom of choice for the citizen in areas such as health and education; a stronger actuarial element in the Swedish government pension system, more stable ground rules for both government and business, a tax system based on uniform principles and an increased scope for freedom of contracting.

The active role that he played in public debate together with the numerous reform proposals that he put forward allowed him to exert a considerable influence on the thinking underlying the formulation of economic policy in a climate that was initially characterized by a belief in a strong state, in far-reaching public interventions and controls. He was thereby able to help shift public opinion in Swedish society from one of skeptical hostility to a more positive view of the role of the market mechanism and market incentives during the last quarter of the twentieth century.

A central part of Ingemar's intellectual heritage is the present system of student finance in Sweden, set up in the mid-1960s. He proposed the idea of the system, developed it and contributed to its implementation. From 1965, about 3.1 million Swedes have received student grants of which 2.7 million have also taken loans. These figures apply to higher education. At the level of the upper secondary school, the comparable figures are two million youngsters who had received student grants and 1.6 million who had taken loans. From its introduction in 1965, the system has paid out 191 billion SEK in grants and billion SEK in loans.<sup>11</sup> The system of student finance has proved stable and robust over time. These substantial figures have grown out of Ingemar's brief outline that covered a few pages.

Ingemar's analyses and ideas have withstood the passage of time. Almost all of the problems that he worked on are part of the contemporary political landscape. This applies to issues concerning the labor market, housing policy, defense, health care, the tax system and education. He is a brilliant representative of the tradition in Swedish economics of providing relevant policy analysis and policy proposals in order to advance economic and social progress. He deserves to act as a source of inspiration for future generations of economists.

---

<sup>11</sup> These figures have been made available by CSN (National Board of Student Aid) for this study.



## References

- Bentzel R, A Lindbeck and I Ståhl (1963), *Bostadsbristen. En studie av prisbildningen på bostadsmarknaden*, Industriens utredningsinstitut, Stockholm.
- Bohlin, O, P-M Meyerson and I Ståhl (1984), *Makten över maten. Livsmedelssektorns politiska ekonomi*, SNS Förlag, Stockholm.
- Bohlin, O, P-M Meyerson and I Ståhl (1986), *The Political Economy of the Food Sector. The Case of Sweden*, SNS Förlag, Stockholm.
- Erlander, T (1982), *1960-talet. Samtal med Arvid Lagercrantz*, Tidens Förlag, Stockholm.
- Jonung, L (2018), "Ekonomporträtt: Ingemar Ståhl 1938-2014", *Ekonomisk Debatt*, no 5, pp. 61-73.
- Jonung C and L Jonung, (2016), "Ingemar Ståhl. Bibliografi 1957–2011", Knut Wicksell Policy Paper 2016:2, Knut Wicksell Centre for Financial Studies, Ekonomihögskolan, Lund. <https://www.lusem.lu.se/media/kwc/policy-papers/kwc%20policypaper%202016-2.pdf>
- Jonung C and L Jonung, eds., (2018), *Ingemar Ståhl. En ekonom för blandekonomin*, Dialogos Förlag, Stockholm.
- Lundgren N and I Ståhl (1981), *Industripolitikens spelregler*, Industriförbundets Förlag, Stockholm.
- Lundahl, M (2017), "Bondeplågaren från Norra Fälåden – Ingemar Ståhl och jordbruksregleringarna", *Ekonomisk Debatt*, no 6, pp. 47-57.
- Meyerson, P-M, I Ståhl and K Wickman (1990), *Makten över bostaden*, SNS Förlag, Stockholm.
- Niklasson, L, I Ståhl and K Wickman (1997), *Ännu mera planekonomi? Marknadsekonomisk rapport 1997*, Timbro, Stockholm.
- Ruist, E, I Ståhl and L Wohlin (1975), *Stålverk 80 – ekonomi & politik*, Industriförbundets Förlag, Stockholm.
- Ståhl, I (1964), "Risk- och avkastningsförändringars verkningar på portföljsammansättning, konsumtion och produktion", FOA P Rapport C 129, Försvarets forskningsanstalt, Planeringsbyrån, Stockholm.
- Ståhl, I (1973), "Socialförsäkringarna – en avslutad reformepok", *Ekonomisk Debatt*, no 1, pp. 43-52.
- Ståhl, I (1975a), "The Rise and Fall of Index Loans in Sweden", *Skandinaviska Enskilda Banken Quarterly Review*, no 1, pp. 14–20.

Ståhl, I (1975b), ”Skall vi socialisera läkemedelsindustrin?”, *Ekonomisk Debatt*, no 5, pp. 300–309.

Ståhl, I (1977), ”En ekonomisk teori för blandekonomin”, pp. 37-67 in *Erfarenheter av blandekonomin: Uppsatser och diskussion vid Dahmén-symposiet om den svenska blandekonomin, Saltsjöbaden 18–19 oktober 1976*, Skandinaviska Enskilda Banken, Stockholm.

Ståhl, I (1979), ”Sjukvården – problem och lösningar”, *Ekonomisk Debatt*, no. 7, pp. 476–482.

Ståhl, I (1984), ”Om inte den privata äganderätten fanns skulle vi behöva uppfinna den”, chapter 24 in C Jonung and L Jonung, eds., (2018), *Ingemar Ståhl. En ekonom för blandekonomin*, Dialogos Förlag, Stockholm.

Ståhl, I (1986), *Can Health Care Costs be Controlled? A Study in Production and Development in Health Care*, Dialogos Förlag, Lund

Ståhl, I (1989), ”Den omoraliska välfärdsstaten”, in *Samhället är större än staten*, Timbro, Stockholm.

Ståhl, I (1990), ”Att vara politisk ekonom i välfärdsstaten”, afterword in L Jonung, ed., *Nya fält för marknadsekonomin. En bok tillägnad Ingemar Ståhl*, SNS Förlag, Stockholm.

Ståhl, I (1993), ”Den reglerade arbetsmarknaden”, appendix 23 in SOU 1993:16, *Nya villkor för ekonomi och politik*, Allmänna Förlaget, Stockholm.

Ståhl, I (2000), ”Bostadsbristen – ett återbesök efter 60 års bostadspolitik”, pp. 70-82 in *Förnuft och värden – en vänbok till Nils-Eric Sandberg*, Gidlunds Förlag, Stockholm.

Ståhl, I (2003), ”Mer ekonomi i juridisk teori eller mer juridik i ekonomisk teori?”, pp. 479-491 in Arvidsson, R, P Melz and C Silfverberg, eds., *Festskrift till Gustaf Lindencrona*, Norstedts Juridik, Stockholm.

Ståhl I and K Wickman (1992), *Riv bostadspolitik*, SNS Förlag, Stockholm.

Ståhl I and K Wickman (1993), ”Suedosclerosis – en särskilt elakartad form av eurosclerosis”, pp. 6-77 in *Suedosclerosis. Marknadsekonomisk rapport 1993*, Timbro, Stockholm.

Ståhl I and K Wickman (1994), *Suedosclerosis II. Ett akut eller kroniskt tillstånd? Marknadsekonomisk rapport 1994*, Timbro, Stockholm.

Ståhl I and K Wickman (1995), *En miljon utan jobb. Suedosclerosis III, Marknadsekonomisk rapport 1995*, Timbro, Stockholm.