

(RE)DISCOVERING RAGNAR NURKSE

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In 1999, when great Estonians of the 20th century, among others also scientists and economists were selected, the name of Ragnar Nurkse never popped up. Once again a saying came true: a prophet is not without honour, save in his own country. It is even more curious a case as Ragnar Nurkse is the only economist of Estonian origin of world renown, probably one of the most well-known Estonian scientists at all.

There are several reasons why he has been discovered at home only in recent years. Ragnar Nurkse left Estonia as early as in 1928, and his entire research career was outside Estonia. Secondly, his premature death and the Iron Curtain around Estonia, which was especially tight for social sciences and scientists.

An introduction by Gottfried Haberler to a collection of economic essays by Ragnar Nurkse, 'Equilibrium and Growth in the World Economy'¹ published by Harvard University Press in 1961 is probably the most comprehensive survey of the life and work of Ragnar Nurkse. His significance is best seen in articles in such well-known dictionaries like 'The New Palgrave. A Dictionary of Economics' and 'Who's Who in Economics. A Biographical Dictionary of Major Economists 1700–1986'² edited by Mark Blaug.

Definitely, the most conspicuous is the research conducted by Ragnar Nurkse himself whereas we should take into account that during the period of the League of Nations his research remained anonymous with two exceptions. Professor Jacob Viner of Princeton University has said: "Everything Nurkse wrote had distinction. He has contributed to the international economics field special qualities of novel insights, enlightening balancing of speculative reasoning with empirical evidence, original applications of the standard analytical tools. His ideas have had marked influence on other workers in the international aspects of the economic development field, and have been made the center of discussion for much of the recent literature."³

Biography

Ragnar Nurkse was born on 5 October 1907 in the municipality of Käru in Virumaa; according to the birth certificate his father was a forester Wilhelm (Villem) Nurkse

¹ 'Equilibrium and Growth in the World Economy. Economic Essays by Ragnar Nurkse' (1961), Cambridge, pp VII-XII.

² 'The New Palgrave. A Dictionary of Economics' (1987), Vol 3, London, New York (also later editions); Blaug, M. (ed), (1986), 'Who's Who in Economics. A Biographical Dictionary of Major Economists 1700–1986', Cambridge.

³ See 'Equilibrium and Growth in the World Economy. Economic Essays by Ragnar Nurkse' (1961), Cambridge, cover.

(according to another version, Ragnar Nurkse was born in Kärü Manor in Järvamaa; however, both versions need to be checked). His mother Victoria Clanman-Nurkse (1882–1964) is better known to the public as she taught singing in New York and was active among the local Estonian community. She was also elected as a delegate to the 3rd and 4th Assembly of the Estonian National Committee in the United States. Under the circumstances – originating from Swedes living in Estonia and born into a family of a village school teacher in Western Estonia – Victoria Nurkse had excellent education. She had finished upper secondary school, graduated from the class of singing at Tallinn Conservatoire, and continued studies in languages and music. Considering the life and career of Ragnar Nurkse, we cannot overestimate his mother's role. For example, allegedly he spoke seven languages, five of them perfectly: Estonian, his mother tongue, Swedish, the language his mother spoke in her youth, as well as German, English, and French. Besides, he had been quite good at Russian and Italian.



Ragnar Nurkse

In 1926, Ragnar Nurkse finished Domschule zu Reval, in which German was the language of instruction, with excellent credits; and according to the Public Secondary Schools Act could enter the university without entrance exams. The same year he entered the University of Tartu, Faculty of Law, which provided also economic education. He was formally a student at the University of Tartu until 1 November 1929, taking only one exam during this period – in general law (Professor Jüri Uluots), getting *maxime sufficit*.

One of the most paradoxical events in the life of the top economist happened also at the University of Tartu – Professor Mikhail Kurtchinsky gave him no credit at the exam of political economy on 11 September 1928, at least according to the minutes⁴. Whether Nurkse left him or whether Professor Kurtchinsky asked him to study more and come back at a later date, remains between the two of them.

■ Departure from Estonia ■

However, studies at the University of Tartu remained brief for Ragnar Nurkse. Already as a student of the University of Tartu he went to Edinburgh (Scotland). On 12 May 1929 he sent a letter to the Dean of the Faculty of Law and asked to postpone exams until autumn:

⁴ Estonian National Archives, History Archive: Collection 2100, Inventory 10, Unit 160.

“Unfortunately I could not come to Tartu to take exams at the end of the spring term as I am engaged here, and my duties do not allow my departure, besides, I am taking a course at the University of Edinburgh, and it would be difficult to interrupt it.”⁵

Life made some changes in the original plan, and he never returned to the University of Tartu. The same year he entered the University of Edinburgh, which has been a prestigious centre of economic studies throughout history. He graduated as an economist with excellent credits in 1932. Ragnar Nurkse considered himself a student of Professor F. W. Ogilvie. It is possible that he may have stayed in Edinburgh because his parents had emigrated to Canada in 1928.

In 1932–1934 Ragnar Nurkse continued on Carnegie and Van Dunlo scholarship in Vienna and Geneva. In 1933 he wrote his first research article ‘Ursachen und Wirkungen der Kapitalbewegungen’ (‘Causes and Effects of Capital Movements’)⁶. Two years later the Austrian Institute for Economic Research⁷ published his first monograph on the same subject, ‘Internationale Kapitalbewegungen’ (‘International Capital Movement’s’)⁸.

According to Ragnar Nurkse himself, this piece of research was an attempt to handle international capital flows in the context of general economic theory in a comprehensive and systematic way⁹. His introduction refers to the fruitful and close cooperation with Professor Gottfried Haberler who years later, in 1961, was one of the editors of the economic essays by Ragnar Nurkse, ‘Equilibrium and Growth in the World Economy’. In Vienna, Nurkse met besides Haberler such leading economists of the Austrian School like Ludwig von Mises, August Friedrich von Hayek, Fritz Machlup, Oskar Morgenstern, and others, who undoubtedly influenced his economic ideology views. Later Professor Haberler has called Nurkse’s research published during the Viennese period pre-Keynesian¹⁰.

Probably the entire period in his development could be called pre-Keynesian. Later several representatives of the Austrian School have said that important ideas of the School had been successfully absorbed into the Keynesian mainstream. The prefix “pre” in the context of the Austrian period is justified also by the very fact that Nurkse indicates in the foreword to the monograph ‘Internationale Kapitalbewegungen’ that research by Bertil Ohlin had had major impact on his views.

■ Years with the League of Nations ■

While in Vienna, on his own initiative and with the support of references from the Universities of Edinburgh and Vienna, Nurkse successfully applied for a job in the

⁵ Ibid.

⁶ Nurkse, R. (1933), ‘Ursachen und Wirkungen der Kapitalbewegungen’, Zeitschrift für Nationalökonomie, V. English translation: ‘Causes and Effects of Capital Movements’, Equilibrium and Growth in the World Economy. Economic Essays by Ragnar Nurkse (1961), Cambridge, pp 1–21.

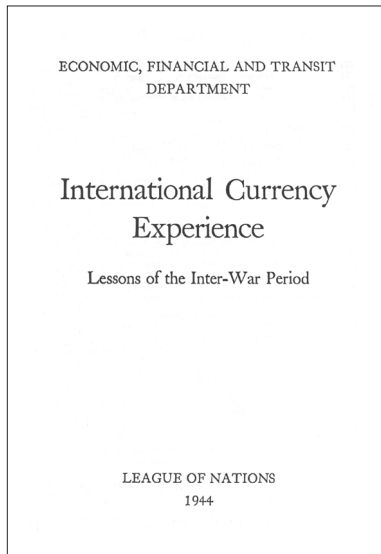
⁷ Österreichisches Institut für Konjunkturforschung.

⁸ Nurkse, R. (1935), ‘Internationale Kapitalbewegungen’, Vienna.

⁹ Ibid, p V.

¹⁰ ‘Equilibrium and Growth in the World Economy. Economic Essays by Ragnar Nurkse’ (1961), Cambridge p X.

Secretariat of the League of Nations in Geneva. He was one of the very few Estonians employed by the League of Nations but the only citizen of Estonia in the Secretariat. On 24



January 1934, the then Secretary General of the League of Nations Joseph Avenol sent Nurkse a letter informing him of a one-year service contract: "I am glad to be able to offer you an appointment as a temporary official on the Secretariat of the League of Nations, in the capacity of Member of Section. The appointment will date from the 1st May, 1934, and is made for one year. You will be on probation during the first six months of your service. Your salary will be at the rate of 11,400 Swiss francs per annum."¹¹

After the completion of the probation period, Nurkse was offered a long-term service contract for seven years. Secretary General Joseph Avenol informs August Schmidt (later Torma), the Permanent Delegate of Estonia to the League of Nations of the decision in his letter on 1 March 1935. He commends highly on the

work accomplished by Ragnar Nurkse and asks for understanding and support¹². Namely, problems had occurred most unexpectedly: as an Estonian citizen, Nurkse had to complete mandatory military service.

A prerequisite of the new service contract was that he should not interrupt his service in the League of Nations because of military service.

The issue of Nurkse's military service introduced a long correspondence and a considerable row between the Ministries of Defence and Foreign Affairs. On 11 May 1935, Defence Minister Major General Paul Lill sent a letter to Foreign Minister Julius Seljamaa, reproaching of the poor choice: "Certainly, it is useful to have an Estonian citizen working in the Secretariat of the League of Nations. However, the officials in these offices should complete the compulsory military service first."¹³ On 21 May 1935 the Foreign Minister replied: "No government can place its officials in the Secretariat of the League of Nations and no Estonian institution has placed R. Nurkse there. He has obtained higher education in England on his own initiative and the League of Nations employs him because of his outstanding personal traits. Should military service prevent R. Nurkse from concluding the service contract with the League of Nations, we have no possibility to replace him with another Estonian citizen."¹⁴

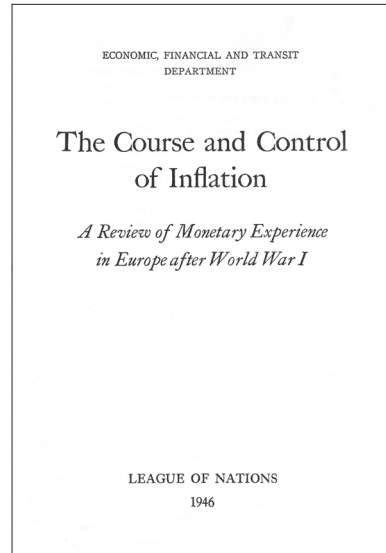
¹¹ Estonian National Archives, History Archive: Collection 957, Inventory 8, Unit 1321.

¹² Ibid.

¹³ Ibid.

¹⁴ Ibid.

It is likely that the first high-level justified positive evaluation of Ragnar Nurkse originates from this dispute. In his letter to August Schmidt on 22 June 1935, Alexander Loveday, head of the Financial Section and Economic Intelligence Service of the League of Nations provides an outstanding characterization of the 27-year old Nurkse: "...Nurkse is, in my opinion, a real discovery and likely to prove of very real value to the League, once we are placed in a position to be able to give him a contract. He has what is, in fact, unexpectedly rare, exactly the quality of mind which is suited to our Intelligence work here, as well as an exceptional knowledge of languages and a first-class education. He has proved himself quite unusually useful to me as, on account of his ability and training and also his quickness, I can turn him from one subject to another as pressure of work demands in a manner for which nobody else working in the Section is really fully adapted."¹⁵



Fortunately the row between the two Ministries came to an end with the interests of the Ministry of Foreign Affairs and Estonia prevailing. Ragnar Nurkse continued his service as Member of Section (providing diplomatic immunity in Switzerland) under Alexander Loveday. On 21–24 August 1937, Joseph Avenol, Secretary General of the League of Nations visited Estonia; Nurkse was a member of the accompanying delegation. Nurkse continued with the League of Nations even after the organisation discontinued operation de facto at the breakout of World War II, although in Princeton, USA. His most significant research in international finance was done in Princeton: 'International Currency Experience: Lessons of the Inter-War Period'¹⁶ and 'The Course and Control of Inflation: A Review of Monetary Experience in Europe after World War I'¹⁷.

Although neither of these studies under the auspices of the League of Nations was published under his name, they have become classical texts and are referred to by the name of Ragnar Nurkse. The texts analyse the development of monetary systems between the two World Wars as a valuable lesson, now already in the post-War context. Namely, he is mentioned as the main author in the forewords of both books. Nurkse has written eight chapters out of nine in the 249-page research paper 'International Currency Experience: Lessons of the Inter-War Period' (Chapter 6, pp 143–161 is by Professor William Adam Brown) and Part 1 (pp 3–84) in the 132-page 'The Course and Control

¹⁵ Ibid.

¹⁶ 'International Currency Experience: Lessons of the Inter-War Period' (1944), League of Nations, Princeton.

¹⁷ 'The Course and Control of Inflation: A Review of Monetary Experience in Europe after World War I' (1946), League of Nations, Princeton.

of Inflation: A Review of Monetary Experience in Europe after World War I'. Part 2 was written by A. Rosenborg. These two are but a fraction of his numerous but unfortunately anonymous articles in the publications by the League of Nations.

Professor Erik Lundberg from Sweden considered 'International Currency Experience: Lessons of the Inter-War Period' the best research of inter-war international monetary relations¹⁸. Also Professor Harold James¹⁹ of Princeton University has reached similar conclusions.

References to this book, especially under the name of Ragnar Nurkse, are still made in many recognized research papers and textbooks (Wilfred J. Ethier, Harold James, Paul Krugman, Manfred Willms, and others) on international economy or international banking issues. According to Professors Hans-Joachim Jarchow and Peter Rühmann, it was Ragnar Nurkse who with his criticism of floating exchange rates in the book 'International Currency Experience: Lessons of the Inter-War Period' launched the eternal discussion on fixed versus floating exchange rate²⁰.

After the official termination of the activities of the League of Nations in 1946, Ragnar Nurkse worked for a short while at the newly established United Nations Organisation.

■ Academic Career ■

From 1945 onwards Nurkse was a visiting lecturer at Columbia University, New York. In 1947 he was elected Professor at Columbia University, and he worked there until the end of his life. Besides, reportedly he was offered a high position in the newly founded International Monetary Fund but he preferred an academic career²¹. At Columbia University Nurkse continued research in international economics deriving from his earlier studies²². He lectured on this topic at many European universities. Nurkse spent the academic year of 1954–1955 primarily at Nuffield College, University of Oxford.

Later Ragnar Nurkse was more committed to development economics, and he is associated with the elaboration of the theory of balanced growth. Repeatedly he lectured on this topic at South-American universities, Turkey, Egypt, and elsewhere. He summarizes his research and lectures on the 163 pages of his third book (which has also become a classic) 'Problems of Capital Formation in Underdeveloped Countries'²³. This monograph has been translated into Spanish, Portuguese, and Japanese. In July 1952,

¹⁸ Nurkse, R. (1959), 'Patterns of Trade and Development. Wicksell Lectures 1959', Stockholm, p 7.

¹⁹ James, H. (1996), 'International Monetary Cooperation Since Bretton Woods', Washington DC, Oxford/New York, p 98.

²⁰ Jarchow, H.-J. and Rühmann, P. (1993), 'Monetäre Aussenwirtschaft. II. Internationale Währungspolitik', Göttingen, p 198.

²¹ Nurkse, R. (1961), 'Equilibrium and Growth in the World Economy. Economic Essays by Ragnar Nurkse', Cambridge, p VIII.

²² See, e.g. Nurkse, R. (1947), 'Domestic and International Equilibrium', The New Economics, Seymour E. Harris (ed) New York; Nurkse, R. (1947), 'International Monetary Policy and the Search for Economic Stability', American Economic Review. Papers and Proceedings, XXXVII, May.

²³ Nurkse, R. (1953), 'Problems of Capital Formation in Underdeveloped Countries', Oxford/New York.

Nurkse wrote a preface to the book, in which he refers to his relationship with another Estonian financial expert of international renown, Professor Nikolai Köstner, Head of the Research Department at the National Bank of Egypt at that time.

Nurkse gained wide recognition also in the field of the theory of balanced growth; he is often referred to side by side with Gunnar Myrdal. However, it is emphasised that Ragnar Nurkse was against central planning. Kaushik Basu, the author of an article on Nurkse in 'The New Palgrave' considers Nurkse's third book more important than the texts authored while working with the League of Nations²⁴.

Ragnar Nurkse was a recognized and strict academician of extremely modest behaviour. Professor Nurkse's lectures gathered a much larger audience than those of other professors lecturing on the same subject. An Estonian paper in New York, *Vaba Eesti Sõna* (Free Estonian Word), resorted to superlative in its obituary to Ragnar Nurkse: "Prof Nurkse was not just highly-rated by his students but also an economist of outstanding international renown. It is evident that there has to be an underlying reason for such domestic and international fame – a reason sweeping along crowds of students, a reason differentiating one researcher from another. In brief, we can say that the reasons include in-depth knowledge of international economic theory and practice, original ideas, clear and authentic vision of problems, bold and constructive prognosis, logical presentation skills, and last but not least – his attractive personality."²⁵

Ragnar Nurkse spent the academic year of 1958–1959 on a Ford Research Professorship primarily in Geneva but also lecturing all over Europe. In 1959 he was appointed Professor of Economics and Director of International Finance Section at Princeton University, but he died before taking up the new responsibility. In April 1959, just before his death, Nurkse was invited to Stockholm to deliver the Wicksell Memorial Lectures²⁶.

Ragnar Nurkse's successful academic career ended suddenly. On 6 May 1959, having returned from Stockholm, he went for a walk to the slopes of Mont Pelerin, northeast of Lake Geneva, where he had a heart attack. Ragnar Nurkse was buried in the cemetery of a nearby city of Vevey. Also Professor Nikolai Köstner had died just a few months earlier.

Obituaries were published apart from New York *Vaba Eesti Sõna* also in the New York Times, the New York Herald Tribune, and other papers. In 1965, Columbia University opened a Chair of Ragnar Nurkse.

PS The author and Eesti Pank are grateful for any information about Ragnar Nurkse. Please contact the author by e-mail: kalev.kukk@starman.ee

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²⁴ 'The New Palgrave. A Dictionary of Economics' (1987), Vol 3, London, New York, p 687.

²⁵ *Vaba Eesti Sõna* (1959), 28 May; see also 'Equilibrium and Growth in the World Economy. Economic Essays by Ragnar Nurkse' (1961), Cambridge, pp VII-XIII.

²⁶ Nurkse, R. (1959), 'Patterns of Trade and Development. Wicksell Lectures 1959', Stockholm.