

The Career of Dr. Harald Malmgren: Learning and Influencing America in Change

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To provide an overview of the perspective and approach of Harald Malmgren, I talked with him along with his daughter Pippa Malmgren this year while working on a book to be published later this year which brings together the essays he has written for us over the years on global developments.

I wanted to put together the essays Harald had written for us in honor of our friendship and to highlight the range of thinking which Harald has done in the area where our Venn diagrams in thinking overlap.

He will be 89 on his birthday in July and this book is a recognition of the breadth of his thinking.

He has written much more in the economic domain but as his daughter, Pippa Malmgren, has noted: "He does not think in silos. He has no analytical fences in his mind. He is a systems level thinker."

I can certainly attest to that. And for readers of the forthcoming book, they will rapidly learn that as well.

We discussed his career and its evolution over the years and how his career intersected with the evolution of the U.S. and the global syseem.

In broad terms, he trained as an economist in the U.S. and in England and then began a promising academic career at Cornell. He then was invited to become a Whiz Kid in the Kennedy Administration by McGeorge Bundy, Director of the National Security Council. He worked on various defense issues in

the Pentagon orbit through the Cuban missile crisis and then entered the Johnson Administration working on trade issues which he did through the Nixon into the Ford Administrations.

He later left the Administration but became involved on the Hill side in working trade issues as an advisor to the Congress. Thus, he had the chance to work both the Administration and Hill side on various defense and trade issues.

The next phase of his career tracked with the changes in the U.S. position in the global economy. He established a consulting company and worked with a number of CEOs for American corporations notably working abroad.

In that process, he began working with Toyota and worked closely with the CEO and his team in “in-sourcing” Toyota into the United States as they would become one of the most important American car manufacturers.

As the global economy shifted, his work changed as well and his clients became the big financial groups, again focusing on the global economy.

His unique brand of work on domestic and global issues, his background on defense and economics, has allowed him to see trends one would not see if more narrowly focused and that continues to the current day.

Phase One: Academia, 1953–1962

This period in Harald’s career has been described in biographical terms as follows:

Malmgren initially studied Physics at Rensselaer Polytechnic Institute, 1953–54. Offered a full scholarship to Yale University, he transferred to study economics, where he also became Research Assistant to Nobel Laureate Professor Thomas Schelling.

In 1956 he was selected as Yale Scholar of the House for his senior year, graduating B.A. summa cum laude from Yale University in 1957, and awarded Yale’s Howland Fellowship for study and travel abroad.

Upon graduation from Yale Malmgren was invited by the Provost of Queen’s College to study at the University of Oxford 1957–58. In autumn of 1958 he moved to Harvard University on invitation from the Dean of Graduate Studies but returned to Oxford on his appointment as Student of Nuffield College, Oxford University, 1959–61 and Fellow of the Social Science Research Council, 1959–61. At Oxford he studied under Professor Sir John Hicks and was ultimately awarded degree of Doctor of Philosophy from Oxford in early 1962.

During graduate studies at Oxford, Malmgren research was inspired by the historically important debate on markets vs. central planning between Ludwig von Mises and Oskar R. Lange, and by his subsequent personal interaction with Friedrich von Hayek and Oskar Lange.

While writing his Doctoral thesis, Malmgren authored several theoretical papers which were published in major peer-reviewed academic journals, including an historically noted academic paper, “Information, Expectations, and the Theory of the Firm”.

That paper was republished in several collections of historically significant papers in economic science. In this latter 2004 compendium of advances in institutional economics, composed of seven-volumes of historically important essays, the 1961 Malmgren paper is positioned chronologically as one of the first four classical foundation pieces from 1732 to 1961 underlying the emerging scholarly field “New Institutional Economics” which developed subsequently.

This 1961 paper and Doctoral Dissertation were also given central attention in a recent historical analysis of the hundred years' evolution of Oxford University economics and business studies from Alfred Marshall to the establishment of the Said School of Business at Oxford.

*On the occasion of the retirement of Sir John Hicks from the Drummond Professorship of Economics at Oxford, an essay by Malmgren which was included in a 1968 festschrift of papers of world recognized economists, including favorite students of Hicks, published as *Value, Capital, and Growth*, four years before Sir John Hicks was made Nobel Laureate in 1972.*

At the start of his academic career Malmgren was appointed to the Galen Stone Joint Chair in Mathematical Economics in the Department of Engineering and in the College of Arts and Sciences, Cornell University, serving 1961–62.¹

Reflections of Harald

In our discussion, he looked at this period as framing his initial cluster of interests in physics, mathematics, mathematical economics, political economics, and defense. The point was that the interactive issues he worked on during his professional life were the focus of his academic period.

As F. Scott Fitzgerald once said: “The test of a first-rate intelligence is the ability to hold two opposed ideas in mind at the same time and still retain the ability to function.”

Harald underscored that he learned the mathematical approach to economics in the United States but at Oxford he was told that “forget everything that you have learned about economics, because everything about real world economics is political and behavioral, not mathematical.”

While at Oxford, he focused on a major issue of the day, namely the contest between a centralized approach to economic growth and development and a decentralized approach. In this context, he had a chance to meet and study with major European economists who anchored this debate in the West, namely the Noble Prize winning Sir John Hicks, the liberal economist Friedrich von Hayek and the noted Polish economist Oskar Lange who advocated for market socialism.

The economic issue of centralization or decentralization was a key part of the debates both in the West and in the East and became core part of East–West conflict as well. Throughout the 1960s and 1970s in particular, the market socialism idea was part of the political conflict in the East and part of the conflict in the West as more conservative politicians like Thatcher and Reagan came to power in the 1980s.

In any case, Harold was working at the center of a major intellectual but also political and economic issues from the beginning of his career and this intellectual engagement would serve him well in the years to come.

When it came time to return to the United States, an opportunity opened at Cornell University where a new chair in mathematical economics was created for him.

As Harald noted: “They asked me to take the chair. I did not have to be an assistant professor and progress that way. During the year I was at Cornell, I stayed in the house of the Russian novelist Vladimir Nabokov who was absent from the university that year.”

Phase Two: Joining the Whiz Kids: 1962–1964

This period in his Harald's career has been described in biographical terms as follows:

*In the summer of 1962 senior White House and Defense Department officials invited him to join the Administration of President John F. Kennedy. He moved to Washington, D.C., to join the Institute for Defense Analyses (advisers to the Office of the Secretary of Defense), serving as as head of the Economics Group of the U.S. Joint Chiefs of Staff, Weapons Systems Evaluation Group (WSEG), in the Pentagon, and as aide to Secretary of Defense,, Robert McNamara Functioning as liaison to the White House National Security Council' He became known at that time as one of Defense Secretary Robert McNamara's "Whiz Kids."*²

Reflections of Harald

"When I got a personal call from the White House by McGeorge Bundy (National Security Advisor to President Kennedy) to invite me to come to work for the Administration as part of McNamara's team.

"I was immediately excited to be asked to join JFK's team of young new faces to help craft the launch of a new government aimed at putting World War II behind us and crafting a new agenda for America's role in the world.

"In formal paper work I was hired to work at the Institute for Defense Analyses, but that was a formality as my assignments were to do official tasks for the Joint Chiefs and the Secretary of Defense on a variety of defense issues.

"It was an exciting time. I saw from the inside how decisions are made, how one can influence policy and how an intellectual advisor can have an impact.

"Given my youth relative to the military and civilian officials I would be working with, I was mentored by a senior member of the Administration not to assert answers and lecture senior officials about the validity of my answers. Instead, I was urged to frame new questions."

"A good example was the Cuban missile crisis, where the Administration had to confront difficult life and death questions. In the course of my involvement with very senior military officers, I focused discussions on the importance of rethinking about threat of nuclear weapons and negotiation.

"The problem was specific to threat from Soviet nuclear weapons in a threatening space. Would this warrant unlimited nuclear war? Why would you strike Moscow and risk mutually assured destruction of the two nations? Who then would you negotiate with? Why would the Russians want to strike Washington? Whom would they have to negotiate with?

"It became obvious that less than all out military responses would be required and we should begin to contemplate escalation and negotiation in a more limited military response. As a result of intense debate we found ourselves in need for incremental decisions dependent on the specific nature of the specific challenges.

"After the Cuban missile crisis a whole new range of analytical work was generated to deal with escalation management and deterrence on a scale far less than all or nothing MAD."

"After the Cuban missile crisis, I was part of small team which began looking at the potential role of defense against ballistic missiles.

"Here I raised the key question of the cost of the competition: as you built defenses, what would it cost the adversary to assure that they could overcome the defenses you deployed?

"By building defenses, you raised the cost significantly in terms of building offensive forces. As part of that effort, we travelled around Europe to meet with senior European defense officials, and thus began my government role in dealing with European officials which would intensify later."

Phase Three: Working Trade Issues in Three Administrations: Johnson, Nixon, and Ford

This period in his Harald's career began with a request of the President's National Security Advisor for him to join senior staff of the Office of the U.S. Trade Representative (USTR), Executive Office of the President.

Initially he served as senior economist and Executive Assistant to the Special Representative, Christian Herter (formerly Secretary of State, Governor of Massachusetts, and Member of Congress).

In 1965 he was appointed as the first U.S. Assistant Special Representative for Trade Negotiations, directly responsible for leading international negotiations on non-tariff barriers to trade, reconciliation of national agricultural policies which determined world food trade, and broader rules on taxation of imports and exports in relation to domestic tax policies..

He resigned in 1969 and accepted an advisory role with Congress, specifically with the Senate Finance Committee.

In late 1971 President Richard Nixon asked Malmgren to serve as a special adviser to him on international economic policy, and in early 1972 appointed him Principal Deputy U.S. Trade Representative, with the rank of Ambassador, and his appointment was confirmed by the United States Senate in February 1972.

He served in this role as the chief U.S. trade negotiator with all nations, until mid-1975 when he resigned for family reasons. The Senate Finance Committee Chairman immediately asked him to help oversee continuing activities of USTR agency.

In early 1972 Malmgren was designated by President Nixon to be the first U.S. official to call for the creation of a Transpacific economic cooperation organization. In 1973 at the behest of President Nixon and French President Pompidou, Malmgren worked directly with French Finance Minister Valéry Giscard d'Estaing to devise, and subsequently launch the Tokyo Round of world trade negotiations.

In 1974 President Nixon asked him to take up leadership of the drafting of the Trade Act of 11974. This comprehensive legislation was intended to be historically the first major revision in U.S. trade law since 1934.

That law was approved by Congress late that year, opening the way for a new global round of negotiations with almost all nations.

When President Ford took office in late 1974, he was also asked to add to his activities the role of special adviser on global economic and security issues to President Ford and to William Seidman, Assistant to the President for Economic Affairs. His first primary assignment was to review and suggest reformulation of the intelligence process which provided support to the President.

Reflections of Harald

"When Johnson became President, his key concerns were domestic. He wanted trade issues off his desk so to speak so was looking for an experienced problem solver to do so. The person put in charge of this was Christian Herter, the former Secretary of State of Eisenhower. He was from Massachusetts which is how he became familiar to the Kennedys. He was also heir to a fortune involved in the breakup of Standard Oil, making him broadly influential.

“When Chris Herter first met with me, he noticed I was from Boston as well. But I pointed out that I was from the wrong part of Boston from a social standing point of view. He pointed that I had managed to graduate at the head of my class from the patrician Yale University. No one would care no one would care about on what side of Boston I was born.

“He taught me a lot about politics and about dealing with Europeans and how important individual personalities were in terms of European politics. And as well, I began to learn how to deal with Congress, as its role in trade was crucial. Congressmen and Senators all had economic constituencies involved in and affected by trade, so one had to become familiar with their individual concerns as well.

“I worked in the office of the Special Trade Representative (STR) for Johnson and then left to work with the Congressional committees but came back after Nixon became President.

“This was an interesting path for sure. When I was working at STR, a Nixon aide came to see me, Murray Chotiner. He had a checkered record for sure but had been close to Nixon for three or more decades.. When Nixon became President, Chotiner was a special assistant and a rival to Haldeman.

“Chotiner contacted me and said that Nixon needed a problem solver for trade issues, and he had suggested me. He arranged a meeting. Early on Nixon said his staff demanded to know if I was a Republican or a Democrat. I said: “yes.” Nixon asked “What does that mean?” I responded “I am a problem solver.

“I understood that he needed someone like me to work trade issues and keep them off his desk. He suggested that when I had an idea of how to deal with a particular issue, I communicate that to Chotiner who would give it to him and he then will give me a decision directly, rather than going through the Administration and its bureaucratic interagency decision system.

“This meant that I could get decisions on issues rapidly, and really this process would not be visible to the rest of the Administration, making my quick decisions seem like magic to them.”

This did raise an issue which I discussed with Harald, namely, how to write a memo for a senior policy maker. In fact, my first meeting with Harald in 1980 involved precisely such a task, and he wrote the speech I needed for my boss in about 50 minutes!

I was impressed, but obviously that was the result of much practice with major politicians.

Harald told the story about learning what to do.

“The first time I was asked to write a memo for the President was for President Johnson. An aide to Johnson described the process this way:

‘Your memo has a letterhead, then you leave scribble space for the President on the memo, and begin with why it is vital to the President to stop what he is doing and read what you have to say. So that are your first two paragraphs You tell him he needs to do something about this or something really bad will happen if he doesn’t. Then you are done. It is not an essay; you are not an academic!’”

Phase Four: Working Trade Issues in the Congress

This entailed two points in his career, the first being the gap years between Johnson and Nixon and the second after his time working for Nixon.

This period in his Harald’s career has been described in biographical terms as follows:

After resigning from USTR in mid-1969, he became director of research at the Overseas Development Council, 1969–71, Special Adviser to Senator Abraham A. Ribicoff and the Senate Finance Committee, 1970–71, and Adjunct Professor at Georgetown University, 1970–71.

In 1974 Malmgren personally worked interactively with Senate Finance Committee Chairman Russell Long and Senator Herman Talmadge to draft the historically innovative “fast track trade negotiations” provision which became embodied in the Trade Act of 1974 – the first major revision of US trade law since the Reciprocal Trade Agreements Act of 1934.³

Reflections of Harald

As Harald underscored, “Congress has a key role on trade, which is specified by Article 1 of the Constitution. Trade issues decisively affect the constituencies of Congressmen and Senators and are therefore important. It is the one foreign policy issue which is not simply a debating point.

“I dealt a good deal with Congress when in various Administrations and then worked directly for Congress on these issues. This was a period also where Japan was becoming a central trade player and working how to shape the “rules-based order” with the Japanese was a key effort and concern.

“When Clinton became President, he and his Secretary of State Albright did not put together the network necessary to engage the Chinese in working the “rule-based order.” The President was too concerned for various reasons on simply opening up China to American business.

“The key person for me to get engaged with the Congress was Senator Ribicoff, the Chairman of the Finance Committee. He asked if I would work with them as an advisor on trade issues. I got deeply involved with that effort and learned the nature of Congressional maneuvering to pass bills and protect interests. This learning process plus what I had learned within Administrations linked together created the foundation for the next phase of my career.”

Phase Five: Working Trade Issues as a Global Consultant: 1977–Present

In 1977 he founded the Malmgren Group (international economic consultancy and advisory services on corporate and financial strategies to several CEOs of major U.S. and foreign corporations and banks, and consultancy services to the European Union Commission), and in 1979 also founded the UK company, Malmgren, Golt & Kingston Ltd., 1979 to 1995, consultants to multinational companies, financial institutions, and the Commission of the European Union on European business and regulatory affairs.

He continues today as President of Malmgren Global LLC, advisers to global financial institutions and sovereign wealth funds, and as partner with Nicholas Glinsman, a recognized hedge fund trader, advising major investors and hedge funds on their trading activities.

In recent decades Malmgren served as strategist and risk advisor to many CEOs, CFOs, and CIOs in some of the world's biggest sovereign wealth funds, banks, insurers, asset managers, electronic trading platforms, stock exchanges, automotive and electronics manufacturers, and computer services enterprises in Asia, Europe, and North America. He has also been asked to brief many boards of directors.

In the mid-1980s former Japanese prime minister Takeo Fukuda asked Malmgren to serve as policy adviser to the UN sponsored Interaction Council, the independent association of former heads of government of all nations. He continued in this role with Fukuda's successor, Interaction Council Chairman Helmut Schmidt, former Chancellor of Germany.

Since the late 1960s Malmgren also acted as an adviser to Several Presidential Commissions, Special Adviser to the OECD Secretary General, the OECD's Wise Men's Group on Global Economic and Financial Reform, the Secretary General of the United Nations Conference on Trade and Development, and to several Heads of Government and other political leaders in Europe and Asia. He was also Co-Founder with Former Secretary of State Lawrence Eagleburger of the Cordell Hull Institute in 1998, serving as its chairman until 2008.

Reflections of Harald

"After I left government and then worked with the Congress, I had met several CEOs of major U.S. corporations and worked with several European leaders. To continue that work. I set up a consulting practice and worked initially with CEOs during the years when setting up trade practices abroad was a key priority.

"Later, I worked with major financial groups in the United States globalizing their practices. My career thus intersected with the nature of the changing U.S. economy."

He told the story of an early meeting with Henry Ford (the son) in which Ford asked him to Dearborn but did not indicate why. As Malmgren recalled: "I got to the board room and the first person to greet me was Lee Iacocca, who ran Ford's operations. Next in was the head of Ford's international operations and then Henry Ford entered.

"Ford then asked Iacocca to present his plan for building cars in Europe and asked me to then comment. He presented his plan to build cars in Britain and then export to the continent. Ford then asked: Well Hal what do you think?

"I commented that it was a very bad idea. Europe would not import British cars and you needed a significant supply chain in Europe for such a Ford venture to be successful.

"Naturally, Iacocca was furious. When he left, Ford told me: "That was great. I have not been able to tell him he was wrong for a long time. And you helped me do it. Thanks.

"I commented: So it was a set up job?

"Ford answered: Yes."

Harald also discussed his role with Toyota in setting up their "insourcing" strategy for the United States which have made them a major U.S. car maker.

He underscored: "The CEO of Toyota, who was the son of the founder, involved in a great many of the corporation's operations, so I got to know their business. He was interested in exporting cars to the United States but I persuaded him that insourcing would be much more successful than exporting. And Toyota did so."

In other words, each and every phase of Malmgren career has enabled the next one. And my engagement with Harald through the years has been precisely to discuss the intersection of defense with economics and politics to shape the world we live in, which has led to the writing by him of the essays included in the forthcoming book entitled, *Assessing Global Change: Strategic Perspectives of Dr. Harald Malmgren*.

1. https://en.wikipedia.org/wiki/Harald_Malmgren
(https://en.wikipedia.org/wiki/Harald_Malmgren).

2. https://en.wikipedia.org/wiki/Harald_Malmgren
(https://en.wikipedia.org/wiki/Harald_Malmgren).

3. https://en.wikipedia.org/wiki/Harald_Malmgren
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