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## THE INDUSTRIAL INSTITUTE FOR ECONOMIC AND SOCIAL RESEARCH

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The Industrial Institute for Economic and Social Research was set up in 1939 by the Swedish Employers' Confederation and the Federation of Swedish Industries with the object of carrying out research into economic and social matters which are important for industrial development. The general programme of work of the Institute is determined by the Board, which consists of nine members, four being appointed by each of the founder organizations, and the ninth being the Head of the Institute. The Institute carries on its activity within the framework of this general programme as a scientific body, the intention being that the results of its research which are of general interest should be published.

The constitution also requires the Head of the Institute to be trained in economic, social or statistical disciplines, and it provides further that it is he who draws up proposals for the programme of work and is responsible for the publications of the Institute.

The major part of the funds which the Institute receives for its research work is provided in equal parts by the Employers' Confederation and by the Federation of Industries, but research is also financed out of contributions which the Institute receives from other sources. In the case of investigations of problems which are of special interest to some particular group in industry or similar body, it has seemed very right and proper for those who are particularly interested in the question to bear some part of the costs of the investigation themselves. These contributions have generally come from various economic organizations, but the Government has also made

considerable use of the service the Institute provides, by requesting it to investigate some special problems. An example of this is the enquiry into the economic consequences of a reduction in the hours of work which the Institute made some years ago.

### **The position of the Institute**

According to the description which has been approved by the Board and which appears in its reports, the Institute is "an independent scientific research institute". This formulation is intended to emphasize that the Institute operates in the same manner as a university research institute. When foreigners visit the Institute, it often proves difficult to explain to them that this is in fact the case, since it is natural for people to imagine that an institution whose research is financed by two economic interest groups, should also be influenced by the subjective attitude of these groups towards various problems. They find it difficult to believe that "the business point of view" must not colour the presentation of the Institute's research results, and that there is no tendency to suppress any results which may not be particularly pleasing from this point of view. The parts of the constitution quoted above show that this is not in fact so. However, it is well known that constitutions can be interpreted in different ways, and what is of decisive importance is the practice which has gradually grown up during the lifetime of the Institute, and which is reflected in the research work which has been carried out.

In the first place, the requirement that the research should be scientific means that the results have to be presented clearly and in complete

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agreement with the practice which has developed in that particular branch of research. In Sweden, one can say in this case that the norm is provided by the best theses presented for the degree of doctor of philosophy. Another natural consequence of the manner in which the work of the Institute is carried out is that many of the investigations which have been undertaken as part of its work have at the same time served as doctors' theses for the authors. To date, five of the more important projects have been presented as doctors' theses. One basic feature of scientific research, including the field of the social sciences, is that it is carried out on the assumption that the results will be made public, and this is the guiding principle behind the activity of the Institute. The results of research are published at the expense of the Institute when they fulfil the requisite standards of quality, and are, on the whole, of some general interest.

It is of course no coincidence that the work of the Institute has developed in this manner, but an expression of the desire of its sponsors that this should be so. The background to this attitude is, first of all, the research traditions we have in Sweden. In every sphere, we place a high premium on objectivity in investigations which are to form the basis for various kinds of decisions. We also believe firmly in the possibilities of resolving, or at any rate clarifying, problems with the help of scientific methods of enquiry. In addition to these factors, the work of the Institute is of course also based on the firm conviction of its sponsors that both the Institute itself, and others, have everything to gain from all the facts being presented as clearly and fully as possible.

It is natural to ask why, in these circumstances, a special research institute was started by industry at all. Would it not have been just as satisfactory to provide funds for research by the universities? There were several reasons for not taking this approach, but fundamentally it was felt that, by having access to an independent research institute, it would be possible to interest economists in problems which were known to be particularly important for industry. It is not the job of the Institute to conduct economic research in general, but to concern itself with problems which are of

special interest to industry. This would scarcely be possible unless the research worker had close contact with those who make up the industrial section of our economic life and who have to deal with its problems.

What has been said is not to be interpreted as meaning that the Institute executes research orders placed by the sponsor organizations. Things could not happen in this way. To a very large extent, it is the Institute itself which takes the initiative in new projects; behind this lies, on the one hand, the intuition of the research worker that a particular problem is worth taking up with a view to advancing knowledge, and on the other, the impression he has obtained from his contacts with industry that this problem concerns matters which are of practical significance.

One sometimes encounters scientists for whom the idea that the work on which they are engaged may have some practical importance is distasteful. This attitude is foreign to the work of the Institute. Instead, it is stimulating for the Institute to know that the problems investigated concern questions which are fundamental for practical work in industry. It would be remarkable if this were not so. It is evident, however, that the aim cannot be to arrive at recommendations for the action to be taken in a given situation — it is not possible on objective scientific grounds to draw such conclusions — but the Institute can at least hope that the results put forward may serve as a guide and stimulus for those whose job it is to make decisions.

### **Structural investigations and long-term problems**

Professor Ingvar Svenilsson was Head of the Institute for the greater part of its first ten years, and naturally he had a strong influence on its work. To a very large extent, it is he who has built up the Institute and given it its present form and character. The present Director of the Federation of Swedish Industries, Axel Iveroth, also made an important contribution in these early years when he was Secretary of the Institute from 1939 to 1946.

Throughout the lifetime of the Institute, the



major part of its research work has been devoted to long term problems, especially to long-term changes in the structure of the economy, in particular of industry, and to changes in production methods. One typical long-term problem of this kind is the supply of labour. In 1946, Gösta Ahlberg and Ingvar Svernilson published a report on Sweden's manpower and industrial development. The work was continued in a special study of the labour situation in Norrland (i.e. the northern part of Sweden), and some years later Erik Höök took up the problem again for examination in his book on population trends and the supply of labour. Another aspect of this study of labour market problems was the enquiry which the present writer undertook into "The exodus from the forest regions", a special study of the movement of population in the valley region around the river "Klarälven".

The so-called "Norrland question" can also be regarded as a long-term structural economic problem, and for the first years of its activity the Institute was concerned with investigating aspects of this problem. This research resulted in a series of publications, stretching from general surveys like "Norrland, its nature, population, and economy", to special studies such as "The cyclical sensitivity of the Norrland forest industry during the inter-war years".

One problem which was the centre of discussion, particularly in the 1940s, was the question of the structure of industry — production, size, sales, etc. As the economy develops, the basis for building up the structure of industrial production will be continually changing, and the problem of how this structure can adjust as smoothly, quickly and painlessly as possible to changed conditions is a crucial and extremely difficult one. Obviously, if the Institute is to be in a position to discuss how this adjustment can be made, and how various measures undertaken by industry and by society can be expected to affect it, it is necessary to have a clear picture of how it has acquired its special characteristics.

Against this background, it was clearly a task for the Institute to map out the structure of various branches, and this gave rise to extensive and profound research which resulted in a number

of comprehensive monographs. Axel Iveroth's survey of small industries and handicrafts in Sweden was published in 1943; Folke Kristenson's "Study of the structure of Swedish textile industries" in 1946; Rickard Elinder's investigation of the Swedish shoe industry in 1948; and, finally, in 1955 the investigation into the chemical industry, mainly by Alv Elshult. The study of the structural change in agriculture which was published in 1957 by Odd Gulbrandsen can also be considered as part of this series of reports.

Erik Dahmén endeavoured to present a composite picture of the forces which make for industrial change in his "Swedish Industrial Entrepreneurial Activity in Swedish Industry 1919—1939", published in 1950. This was a very ambitious and broadly-conceived project which claimed a large part of the Institute's resources for several years. The investigation tried to give a general picture of the changes in industrial production during the inter-war years against the background of the conditions prevailing prior to 1919. It analysed the genesis of new products and new methods of production and distribution, and showed how the decline in old products and old-fashioned methods took place. The development of industrial enterprise, and the growth and decline of firms during the inter-war years, were also analysed in detail.

A comprehensive research project directed by Jonas Nordenson was begun in the Institute in 1950 under the broad heading of "Development trends in the Swedish economy". The aim here was to analyse and discuss long-term trends of development and problems in the Swedish economy in the years 1950—60, in order to obtain some idea of the continuous changes in the basic conditions for economic activity, and the manner in which this transforms the economy. This approach meant that attention was directed beyond the factors which are immediately operative in the development of industrial activity, in order to study regions the long-term development of which must have a decisive influence on changes in the industrial sector of the economy.

Thus two investigations elucidated thoroughly the conditions and development trends in the Swedish transport and distribution systems. The



analysis of population trends and labour supply by Erik Höök which was mentioned earlier also formed part of this enquiry. Since future economic developments are, to a large extent, influenced by the way in which economic resources — incomes — are divided among different groups in society, a special enquiry was also devoted to a detailed examination of the distribution of income in Sweden.

The future development of industry in Sweden must clearly be critically affected by the future direction of consumption, and an investigation into consumption therefore formed an important part of this series. This gave rise to an extremely comprehensive piece of research which resulted in the publication by the Institute in 1957 of "Private Consumption in Sweden 1931—1965".

#### The present pattern of research

At present the Institute employs 28 persons, 15 of whom are academic persons who are engaged in full-time research work in the Institute, and 8 who have been trained in accounting and office work and are responsible for the calculating and writing work in connection with the investigations. The remaining five are experts who have previously been employed by the Institute and who are well-experienced in research work. At present they are either working temporarily for the Institute in connection with some special enquiry, or they serve continuously as advisers in drawing up and executing various research projects.

The work which the Institute carries out at present, and which it plans for the immediate future, involves a continuation of the lines of earlier research work. This can be divided under three main headings; industrial progress, future markets, and labour market problems. A fourth extremely important sphere of operations of the Institute is that of providing current statistics, a consultative service, and making enquiries into current issues.

#### Industrial progress

Industrial progress forms a central core of the work of the Institute. Current work in progress in this field includes, for example, the enquiry

into the sources of industrial capital which is being directed by Dr Erik Dahmén, and a joint venture with the National Institute of Economic Research, the Agricultural Economics Research Institute, and Stockholm University, in compiling an input-output table. In this connection, a special study within the Institute will be made of the Swedish engineering industry, and an attempt will be made to draw up a more detailed table for this sector of Swedish industry. It is also planned to make other special studies of conditions in this field, which is of such central importance in Swedish industry and in Swedish economy.

#### Future markets

Modern industrial enterprises must make long term decisions, and if it is to prove possible to draw up investment and other long-term plans, it is absolutely vital for them to be able to make some assessment of the future market for their products. The large-scale investigation into the development of private consumption in Sweden which was mentioned earlier is intended to provide basic data for such long-term assessments. But the Institute did not consider its task done when this enquiry was published in 1957. In the first place, it is evident that the estimates of the future which can be and are made in this work must necessarily be surrounded by a great deal of uncertainty. As new facts are discovered, it is therefore important that the forecasts should be revised, so that firms have access at every opportunity to the "best possible guess" about the future. The Institute therefore intends to revise continually the assessment of future trends made in the above enquiry.

For the purposes of this investigation, the market was divided in a way that seemed natural from the consumer's point of view. This means, for example, that an attempt is made to bring together goods and services which comprise one planning group for consumption purposes, e. g., laundry and cleaning, entertainment, etc. Clearly, however, there may be goods in every such group which are manufactured by very different types of industry, and a particular industry may there-



fore find its products in a number of the consumption groups. It is obviously desirable from the point of view of the producer that all these different sub-groups should be brought together so that he can obtain a picture of his total market. For this reason also, therefore, it is necessary to continue to work on the material which we have now collected.

The long-term aim of the Institute is therefore to make a continuous study of future markets, and work on this is now in progress. Thus, special investigations have been made of the demand for television-sets, while an extensive enquiry was begun some years ago into the demand for motor cars, which is the most dynamic feature of Swedish consumption trends. The first results of this were published in 1956, and the manuscript of the final report is now ready for publication. Another aspect of this work is the analysis of the consumption of textiles which the Institute has made at the request of a special committee appointed in the textile industry. This analysis will be published in the near future.

### Labour market problems

The Institute has long taken an interest in this field, and extensive research is planned and in progress at the present time. A large-scale interviewing programme will be carried out in Norrköping in the spring, with a view to obtaining material which can elucidate the factors that influence the movement of labour. It is an extremely difficult problem to know what action to take in order to promote the necessary mobility on the labour market in a full employment economy, and one object of this enquiry will be an attempt to find out what factors are important in determining people's actions when they are looking for work and change of employment.

For some years the Institute has also been working with an extensive enquiry into the economic effects of wage increases. This is based on intensive studies of a small number of firms, in which the research worker has tried to trace in detail the changes in production methods, price-fixing, and type of product which accompany a rise in wages. It has emerged from this enquiry that what happens in reality differs rather drasti-

cally from what would have been anticipated according to theoretical calculations. The work of preparing the final report of this investigation is in progress at present.

### Current statistics, services, and enquiries

A great many statistics about economic developments are compiled in the Institute. Thus, it is responsible for the production index of the Federation of Swedish Industries, which shows the changes from month to month in industrial production. The Institute also compiles statistics of orders for the engineering industry, which show, twice annually, the development regarding orders received and the state of order books. Monthly information is also collected on employment in the engineering industry.

The provision of a consultative service comprises a fairly significant part of the Institute's work, and consists of furnishing firms, organizations, etc. with statistical information, and carrying out minor investigations. For example, the report on the economic situation which forms the basis for discussion in Enterprise Councils is compiled by the Institute three times yearly. Another aspect of the service the Institute provides is the large number of lectures on current economic problems which are given by the Institute's staff, and their participation as experts in government enquiries, etc.

Naturally enough, problems arise from time to time which demand investigation, but for which a large-scale project is neither suitable nor possible. Such enquiries are occasionally taken up in the programme of the Institute. At present, work is in progress on the problems of European integration under the direction of Professor Svenilsson, and a preliminary report was published last autumn entitled "Swedish industry and the European market". Another investigation of much the same type which is being planned at present is an enquiry into the growth of the public sector. The intention here is to provide a statistical account of the actual conditions, and to try to show, in greater detail, the spheres in which this expansion has been particularly evident, and the factors which are likely to have determined its development.