

ANDERS JOHNSON

# BUILDING BRIDGES AND CHALLENGING CONVENTIONS

PERSPECTIVES ON IFN





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AND CHALLENGING  
CONVENTIONS**

PERSPECTIVES ON IFN

Translated from the Swedish by Linda M. Nyberg

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Translated from the Swedish by Linda M. Nyberg

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# Foreword

## Researching Trade and Industry

In 2006, the Research Institute of Industrial Economics changed its Swedish name from *Industriens Utredningsinstitut* (IUI) to *Institutet för Näringslivsforskning* (IFN). The English name had already been changed in 1997 from the Industrial Institute of Economic and Social Research. As a result, the institute now has a name, in both Swedish and English that better reflects what it has been for a long time: Sweden's largest institute for applied research in issues relevant to the entire business sector.

IUI was founded in February 1939. Its establishment was preceded by a few years' worth of internal discussions within the leading organizations of Swedish industry – the Swedish Employers' Confederation (*Svenska Arbetsgivareföreningen*, SAF) and the Federation of Swedish Industry (*Sveriges Industriförbund*, SI). But there were differing conceptions of what kind of work the proposed institute would pursue and how it would be organized.

The role that IUI would play was still unclear even at the time of its founding. A few years later, however, its character as a research institute was firmly established. For a long time, it was Sweden's only privately funded research institute in the field of social science.

IFN/IUI has engaged in most forms of applied economics. Much of its research has also transcended disciplinary boundaries and addressed issues in economic history and geography, business, finance, sociology, and engineering. Early in its history, IUI also began researching parts of the economy other than the industrial sector.

The Swedish Employers' Confederation and the Federation of Swedish Industry appointed the institute's board of directors until

2001, at which point the two organizations merged to become the Confederation of Swedish Enterprise (*Svenskt Näringsliv*). Now appointed by the Confederation alone, the board is made up of business executives and entrepreneurs who hold prominent positions in trade and industry. The president of the Confederation of Swedish Enterprise is always on the board.

The two founding organizations also contributed the institute's base financing. The rest of the institute's funding has come from research grants for the most part, although the institute has also been commissioned by public authorities on some occasions. Since 2001, the Confederation of Swedish Enterprise has provided the institute's base funding.

IFN has had two important objectives: first, to build bridges between the research world and the industrial sector; and second, to promote increased diversity in Swedish social science research, challenge established knowledge, and give alternative views of reality.

*Stockholm, September 2012*

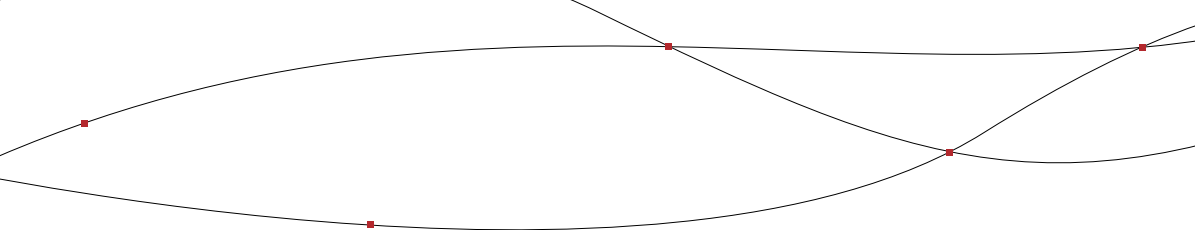
Magnus Henrekson  
Professor and President

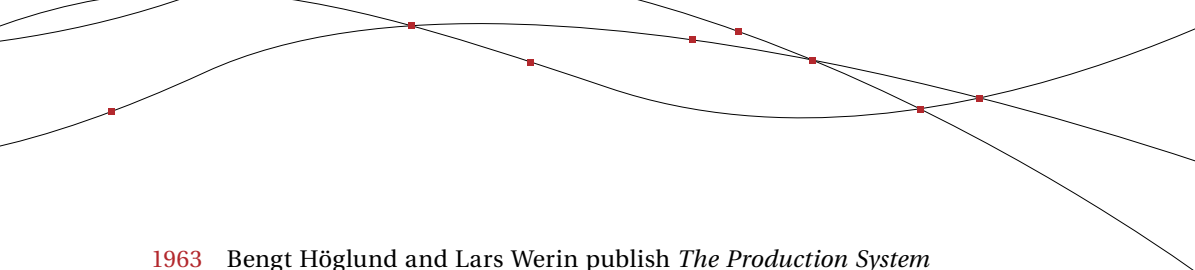


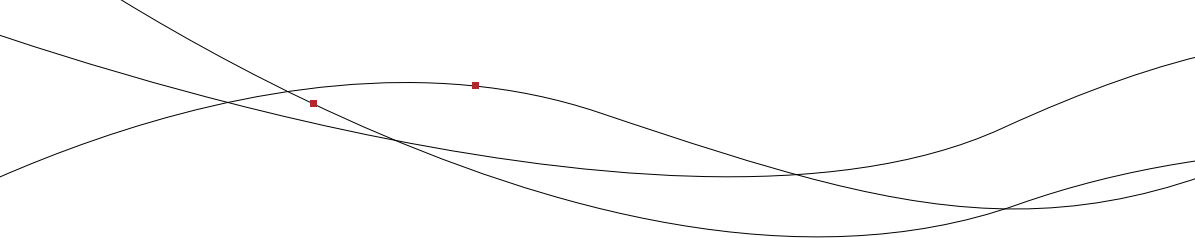


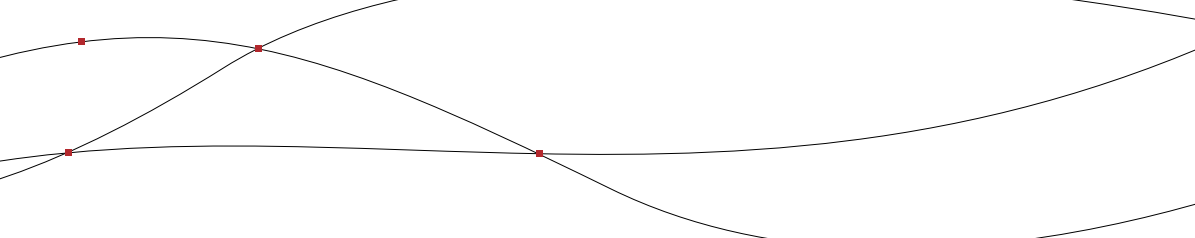
# Timeline

- 1936** J. Sigfrid Edström introduces the idea of starting a research institute to the Federation of Swedish Industry (*Sveriges Industriförbund*, SI) and the Swedish Employers' Confederation (*Svenska Arbetsgivareföreningen*, SAF).
- 1939** The Industrial Institute for Economic and Social Research (*Industriens Utredningsinstitut*, IUI) is founded with Ivar Anderson as president and Edström as chairman of the board.
- 1940** Ragnar Sundén is named president of IUI.
- 1941** IUI publishes its first book publication, *The Swedish Economy during the War-Time Blockade I (Vår folkförsörjning i avspärrningstider I)*. Ingvar Svennilson assumes the post of president.
- 1942** IUI hires its first female researchers, Elisabet Wiberg and Bitti von Vegesack.
- 1943** IUI is described as a research institute in a publication released in connection with Edström's departure as chairman. Ernst Wehtje becomes IUI's new chairman of the board.
- 1944** The report *Industry Employment in the Immediate Post-War Years (Industriens sysselsättning under åren närmast efter kriget)* is published. The report was IUI's first large public assignment and a forerunner to future undertakings for the governmental Swedish medium-term surveys (*långtidsutredningarna*).
- 1946** Folke Kristensson's *Studies of the Structure of the Swedish Textile Industry (Studier i svenska textila industriers struktur)* is published. In addition to being IUI's first dissertation, it made Kristensson Sweden's first recipient of a doctorate in economic science. Sven Lundberg becomes chairman of the board.

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- 1947 Sven Schwartz becomes chairman of the board.
- 1948 IUI publishes Sweden's first econometric study, *Cyclical Sensitivity of the Norrland Forestry Industry During the Inter-War Period (Den norrländska skogsnäringens konjunkturkänslighet under mellankrigsperioden)* by Erik Ruist and Ingvar Svennilson. It is also the last report released as part of the *Norrland Study (Norrlandsutredningen)*, IUI's most extensive research project to date.
- 1949 IUI 10 years. Erik Dahmén is named president of IUI.
- 1950 Erik Dahmén publishes one of Sweden's most groundbreaking dissertations in economics, *Entrepreneurship in Sweden: 1919–1939 (Svensk industriell företagarverksamhet 1919–1939)*. Marcus Wallenberg becomes chairman of the board.
- 1951 Jonas Nordenson is named president of IUI.
- 1953 Jan Wallander is named president of IUI.
- 1957 Ragnar Bentzel publishes IUI's large study of consumption, *Private Consumption in Sweden 1931–1965 (Den privata konsumtionen i Sverige 1931–65)*.
- 1958 Jan Wallander publishes the much-discussed *Studies of the Motoring Economy (Studier i bilismens ekonomi)*.
- 1961 Ragnar Bentzel is named president of IUI.
- 1962 Erik Höök defends his pioneering dissertation *The Expansion of the Public Sector: A Study of the Development of Public Civil Expenditures in the Years 1913–1958 (Den offentliga sektorns expansion – En studie av de offentliga civila utgifternas utveckling åren 1913–58)*.

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- 1963 Bengt Höglund and Lars Werin publish *The Production System of the Swedish Economy – An Input-Output Study*, the first IUI report to be published in English.
- 1964 Göran Albinsson publishes *The Economic Role of Advertising (Reklamens ekonomiska roll)*, the best-selling IUI publication ever.
- 1966 Lars Nabseth is named president of IUI. Odd Gulbrandsen and Assar Lindbeck publish IUI's most controversial report, *Objectives and Means of Agricultural Policy (Jordbrukspolitikens mål och medel)*.
- 1973 Lars Wohlin is named president of IUI. He is the head author of the report *Swedish Industry 1972–1977 (Svensk industri 1972–1977)*, the last of IUI's long-time engagement as compiler of the governmental Swedish medium-term surveys.
- 1975 Marcus Wallenberg departs as chairman of the board after 25 years at the post, and is named the institute's honorary chairman. Erland Waldenström becomes chairman of the board.
- 1976 Wohlin presents IUI's first self-published medium-term survey (*långtidsbedömning*), *Routes of Development for the Swedish Economy Through 1980 (IUI:s långtidsbedömning 1976 – Utvecklingsvägar för svensk ekonomi fram till 1980)*. Gunnar Eliasson is named president of IUI. Siv Gustafsson becomes the first female IUI researcher to publish a dissertation at the institute, titled *Salary Formation and Salary Structure in the State Sector (Lönebildning och lönestruktur inom den statliga sektorn)*.
- 1979 Birgitta Swedenborg's *The Multinational Operations of Swedish Firms* becomes the first IUI dissertation to be published at a foreign institution of higher learning (University of California, Los Angeles).

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- 1983 The concept of tax wedges is introduced in Jan Södersten's and Thomas Lindberg's report, *Corporate Taxation: Sweden in Comparison with the United Kingdom, USA and West Germany (Skatt på bolagskapital – Sverige i jämförelse med Storbritannien, USA och Västtyskland)*.
- 1985 Curt Nicolin becomes chairman of the board.
- 1993 IUI publishes its last medium-term survey, *The Long Road: The Limits and Possibilities of Economic Policy in Guiding Sweden out of the Crisis of the 1990s (Den långa vägen:...)*. Håkan Mogren becomes chairman of the board.
- 1994 Ulf Jakobsson is named president of IUI.
- 1997 The English name of the Institute was changed to the Research Institute of Industrial Economics.
- 1998 Ulf Jakobsson is appointed chairman of the Council of Economic Experts of the Swedish Centre for Business and Policy Studies (*SNS Konjunkturråd*) and leads the research behind the report *The Entrepreneur in the Welfare State (Företagaren i välfärdssamhället)*. IUI researchers Pontus Braunerhjelm, Stefan Fölster and Magnus Henrekson are also members of the Council.
- 1999 IUI establishes a research group led by Lars Persson and Johan Stenек that studies the driving forces behind mergers, particularly international mergers, and their impact on the welfare state.
- 2000 IUI arranges its first so-called IFN Stockholm Conference (*Vaxholmskonferens*) where world-leading researchers present research of great relevance for the development of trade and industry.
- 2003 Björn Hägglund becomes chairman of the board.

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- 2005 Magnus Henrekson is named president of IUI.
- 2006 IUI changes its Swedish name to *Institutet för Näringslivsforskning*, abbreviated IFN (the English name the Research Institute of Industrial Economics remains unchanged). The institute's first newsletter is published with the latest news from the front line of current research. Three new research programs are established: Globalization and Corporate Restructuring, Economics of the Service Sector, and Economics of Entrepreneurship.
- 2007 The research program Economics of Electricity Markets is established.
- 2008 IFN becomes a partner in the research prize *Global Award for Entrepreneurship Research*.
- 2009 The institute celebrates its 70th anniversary with a special anniversary seminar and the publication of the book *IFN/IUI 1939–2009: Seven Decades of Research on an Industrial Sector in Evolution (IFN/IUI 1939–2009 Sju decennier av forskning om ett näringsliv i utveckling)*.
- 2011 Michael Treschow becomes chairman of the board.



# Origins

## The Birth of the High Industrial Period

The 1930s were a period of great change throughout Swedish society. The country left its agricultural roots behind and stepped into the so-called high industrial period, an era of intense industrialization. During that decade:

- The number of people working in both the manufacturing and service sectors surpassed the number of agricultural workers.
- More people began living in cities than rural areas.
- Sweden changed from a country of departing emigrants to a country of incoming immigrants.
- The rail network reached its maximum distribution and the first regular passenger flights were established.

The 1930s were also a period when important parts of Sweden's society stabilized:

**Trade and industry** had undergone a period of dramatic and dynamic change in the 1920s. The beginning of the decade was marked by a deep economic crisis that decimated many companies and ownership groups. But the industrial sector experienced a period of rapid growth at the end of the 1920s, and many industrial companies amassed international successes. New companies were founded at a high rate. But the Kreuger Crash of 1932 brought that period to a screeching halt. The dominant industries, companies, and ownership groups that were established in the wake of the crisis of the early 1930s, however, lasted all the way through the 1970s.

**Politics**, on the other hand, went from turbulence to stability. The period of 1920 to 1932 was a time marked by minority parliaments, during which Sweden traded in its prime minister a full twelve times. In 1932,

though, an era of Social Democratic-led governments began which lasted through 1976.

The **labor market** took on a more ordered form. Prior to the 1930s, Sweden suffered from more labor conflicts than most other industrial countries. An important step in producing more peaceful conditions on the labor market was the passage of the law on collective bargaining and the foundation of the Swedish Labor Court (*Arbetsdomstolen*) in 1928. The Saltsjöbaden Agreement, signed by the Swedish Employers' Confederation and the Swedish Trade Union Confederation (*Landsorganisationen i Sverige*, LO), heralded a period of peaceful labor relations that only began to splinter around 1970. The 1930s witnessed a breakthrough in the unionization of white-collar workers as well.

## The Organizations of Swedish Trade and Industry

Many of the large organizations that came to characterize the twentieth century in Sweden were founded at the turn of the century. That also holds true for the leading organizations of Swedish trade and industry. The Swedish Employers' Confederation was established in 1902, and the Federation of Swedish Industry was founded in 1910.

The Swedish Employers' Confederation main arena was the labor market, while the Federation of Swedish Industry held a key role in bringing industry's voice to the political context. Conflicts in the labor market decreased in connection with the signing of the Saltsjöbaden Agreement in 1938, and the Confederation took pains to develop favorable relations with the labor unions. An important motive behind the decision of the Employers' Confederation and the Trade Union Confederation to enter into the agreement was their fear that the government would step in and limit the organizations' freedom in negotiating labor relations on their own, should they not act.



The Confederation had, for its part, developed close connections to the political sphere and strove to influence the political process without public confrontations.

But the Social Democrats' rise to power in 1932 altered the industrial sector's political influence. The parliamentary election of 1936 and the ensuing coalition with the Farmers' League (later renamed the Centre Party) consolidated the Social Democrats' political standing even further. Within the halls of Swedish enterprise, a concern grew that the labor movement would hold such a strong grip over the governmental administrative and committee apparatus that it would become more difficult for industry to influence political decision-making in the way it had traditionally done.

At the same time, a radicalization occurred among young researchers in the social sciences that changed the perception of political interference in the economy and society. This new view was not only held by people who more or less openly sided with the Social Democrats, but also by many who possessed liberal or conservative sensitivities. A prominent example was economics professor (1977 Nobel Laureate) and Liberal Party parliamentarian Bertil Ohlin, who was viewed with mistrust in certain sectors of Swedish enterprise. After a struggle over leadership, the Conservative Party (later to become the Moderate Party) named Gösta Bagge as its new party chairman. He was an economics professor with a more positive attitude toward political reform than was customary among conservative politicians.

There were differing views among the leading industrialists as to how these challenges should best be met. Several leading industrialists felt that the Swedish Employers' Confederation and the Federation of Swedish Industry acted far too cautiously in the new state of affairs. One of them was J. Sigfrid Edström.

## J. Sigfrid Edström



J. SIGFRID EDSTRÖM

J. Sigfrid Edström was an electrical engineering graduate of Chalmers University of Technology in Gothenburg. After further study and work in the United States and Switzerland, he was named director of Gothenburg's tramway in 1900. While there, he led the switch from horse-drawn carriages to electric power.

Edström was CEO of Asea (now ABB) for thirty years, and chairman of the board for sixteen years thereafter.

He transformed the company into a large-scale international group within the sector of electrotechnology. Edström was also one of the most important profiles in Sweden's industrial organizations. He was a member of the board of directors of the Federation of Swedish Industry and the Swedish Employers' Confederation for many years, and served as chairman of these organizations from 1929 to 1931, and from 1931 to 1943, respectively. As chairman of the Confederation, he was instrumental in negotiating the Saltsjöbaden Agreement of 1938.

In addition, Edström was the first great organizer of Swedish sports. He had been a good sprinter in his youth, running the 150-meter dash in 16.4 seconds in 1891, then a national record. He was vice chairman of the organizational committee for the 1912 Stockholm Olympics, the founder and first president of the International Association of Athletics Federation, IAAF (1912–1946), and then president of the International Olympic Committee (1946–1952).

## The Directors Club

The so-called Directors Club (*Direktörsklubben*) was formed in 1933 on the initiative of J. Sigfrid Edström. It was composed of the directors of the then largest firms: Asea, Electrolux, LM Ericsson, Separator, and SKF, and, beginning in 1941, the director of AGA as well. Originally, the purpose of the Directors Club was to discuss commercial issues and matters related to the companies' international subsidiaries in light of the increase in protectionism worldwide at that time.

The Club's members were concerned that the interests of the country's biggest export industries were not being sufficiently safeguarded by the country's large-scale industry groups. Some within the Directors Club also wanted the industrial sector to launch a more concentrated campaign to mold public opinion in opposition to the government's socialist ambitions, a strategy beyond the practical capabilities of the Swedish Employers' Confederation and the Federation of Swedish Industry. The non-Socialist parties' divisiveness and weakness were also viewed with worry.

The Directors Club quickly developed into one of the most influential lobby groups of Swedish enterprise aside the established organizations. It held regular meetings in conjunction with the board meetings of the Federation of Swedish Industry, and even tried to influence the research activities of the Confederation and the Federation. Domestic industrialists and senior officials within the groups resisted that attempt, however. They wanted to protect the organizations' political neutrality and did not want to jeopardize relations with the government.

The Directors Club's public activities were eventually organized as the Association for Research and Education on Industrial Conditions (*Föreningen för undersöknings- och upplysningsverksamhet om industriella förhållanden, FUIF*), which was established in 1937. According to its bylaws, FUIF would, among other things, "promote Swedish industry by conducting research and sponsoring educational programs related to economic, social, and political conditions of importance to industrial production."

It was in this environment that the idea of a research institute affiliated with the industrial sector was born.

## Edström Has an Idea

The process that ultimately culminated in the formation of IUI began with a motion made by Edström to the Federation of Swedish Industry on December 18, 1936. He wanted to boost the industrial sector's participation in both research and advocacy. He writes, among other things, that:

*Thus far, the industrial sector has lacked: a firm grasp of the societal and social policy sides of industrial production; opinions formed on the basis of its own research and experience in how development should be directed; and a positive desire to independently plan and carry out the reforms demanded by the times that will sooner or later become a necessity.*

The motion continues to state:

*Industry must itself create a positive plan of action for important current issues based on thorough research of a technical, organizational, and economic character. It must be ensured that the demands, wishes, and positive suggestions that thus arise are put into force both smoothly and effectively. Lastly, the utmost care must be exercised to achieve, through appropriate measures, a strong and widespread influence on public opinion in favor of solutions to existing problems that would be acceptable from the industry's perspective.*

Edström also made his proposal to the Swedish Employers' Confederation. Within both the Federation and the Confederation, however, opinions on Edström's ideas were strongly divided. After much discussion, a committee was formed in March 1937 to consider the matter. It

was composed of Edström, Federation president Vilhelm Lundvik, and Confederation president Gustaf Söderlund.

## The Three-Man Committee

Before he became president of the Federation of Swedish Industry in 1926, Vilhelm Lundvik had been a commercial counselor in Paris and undersecretary in the Ministry of Trade. He remained at the Federation until 1941, although he took leave of the post from 1928 to 1930 when he served as Minister for Trade in Arvid Lindman's conservative government. Gustaf Söderlund was president of the Swedish Employers' Confederation from 1931 to 1939, and its chairman from 1943 to 1946. Before that, he had served as undersecretary in the Ministry of Finance and conservative city commissioner in Stockholm.

Of all the members of the committee, Lundvik was most resistant to Edström's ideas. Lundvik was a very diplomatic character and shrunk from anything that could lead to the Federation being perceived as politically controversial. Söderlund, in contrast, took a moderate position on the issue.

In the fall of 1937, the committee recommended that the Federation of Swedish Industry and the Swedish Employers' Confederation establish a joint research agency. The boards of both organizations approved the proposal in December. In January 1938, Edström led a meeting with a large number of industry executives to discuss the fate of FUIF. He wanted FUIF to be subsumed under the new research agency. That, however, did not become the case.

**Mjök Kort**

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KORTET ÅR ..... PERSONLIGT.



**Kortinnehavarens**

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**Minutaffärens**

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**MJÖL o. BRÖD**

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Missbruk av växlingskort medför straffpåföljd  
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**KORT FÖR DIVERSE VAROR**

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JACOB BAGGER SÖNER

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KUPONG F	KUPONG E	KUPONG D
KUPONG C	KUPONG B	KUPONG A

**N°4 KAFFEKORT N°4**

KORTINNEHAVARENS NAMN: .....  
ADRESS: .....

KORTET ÄR PERSONLIGT OCH FÅR EJ ÖVERLÄTAS UTAN KORTINNEHAVARENS NAMN OCH ADRESS ÄR DETTA KORT OGLIETTIGT. LÖS KUPONG GÄLLER ICKE.

**4M KAFFE**  
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**4L KAFFE**  
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**4K KAFFE**  
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ENDAST SÄLJAREN FÅR AVSÄLJA KUPONG

LÖS KUPONG GÄLLER ICKE

**SOCKERKORT**

MAJ 1942

FÖR INKÖP AV DETTA KORT BÖRJAS KORTINNEHAVARENS NAMN OCH ADRESS PÅ SÄVA TAGING SOM KUNDKORT. KORTET ÄR SÄLLETT OCH GÖR ICKE FÖR EJ ÖVERLÄTAS. NYTT KORT UTSLÄMMAS ENBAST MOT DENNA TAGING.

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1 Kg. SYLT SOCKER gäller för inköp av KRÖSSAD MEJEL under <b>JULI</b>	1 Kg. SOCKER gäller för inköp under <b>JULI</b>

1919 tilldelas Grynkort för Spädbarn mot avlämnande av råguppongerna å barnets brödkort. Varje kupong gäller för inköp av 1150 gram havregryn i veckan.  
En kupong å grynkortet motsvarar 23 rågupponger å brödkortet.  
**Lös kupong gäller ej.  
Kortet får ej överlätas!**



**Extra-Kort n:r 1.**

Barn  
2 - 7 år.

Gäller vid tillfälliga ransoneringar för inköp inom Stockholms stad i enlighet med tillkännagivande för varje gång för:

# Beginnings of an Institute

## Ivar Anderson

On February 1, 1939, IUI began operations. The staff consisted of president Ivar Anderson and his assistant, Ragnar Sundén. The third person recruited before the institute got its start was Axel Iveroth. The board was appointed by the Federation of Swedish Industry and the Swedish Employers' Confederation, with J. Sigfrid Edström as its chairman.

Anderson was a journalist and prominent conservative politician. He had been Gösta Bagge's opponent in the 1935 campaign for leadership of the Conservative Party and was editor-in-chief of the newspaper *Östergötlands Dagblad*. As the conservative right's tax expert in parliament, he was well versed in economic matters. Yet his academic background was in another field; he was awarded a doctorate in history with a dissertation on domestic politics during the reign of King Charles XIV John of Sweden and Norway (1818–1844).

Anderson hoped to shortly take over the position of editor-in-chief of Stockholm newspaper *Svenska Dagbladet*. In the meantime, he undertook the task of launching IUI. In a working program for the institute, he summarized IUI's mission in the following terms:

- To pursue research to make industry better equipped to face the problems and tasks that developments in the political, economic, and social spheres are likely to produce;
- To assist in discussions of current affairs involving industrial policy; and
- To conduct educational campaigns to promote the purposes underlying the institute's founding.

The institute would engage in objective and impartial research, not propaganda. Yet nothing in the documentation surrounding IUI's creation stated that its research would be of an academic nature. During the institute's early years, the second point – namely, assisting in discussions of current affairs involving industrial policy – came to occupy much of the institute's work. Among other things, this included parliamentary discussions of various tax issues.

Another matter that required extensive attention during the first months of 1939 was the invitation for collaboration between government and industry, extended by Trade Minister Per Edvin Sköld and Finance Minister Ernst Wigfors in the fall of 1938. IUI was commissioned to investigate whether the industrial sector would support such a collaborative effort. Through Anderson's efforts, IUI came to be a sort of headquarters for the talks held with the government.

With the outbreak of the Second World War in September 1939, however, these talks came to an end. Military preparedness shifted to the forefront instead. IUI responded to proposals of new laws and took part in investigations to determine the current state of supplies within key areas and assess future needs. No government agency had the necessary skills or resources to carry out this task because the National Institute of Economic Research (*Konjunkturinstitutet*) was temporarily closed during the war.

Two investigations initiated during Anderson's tenure included a survey of cottage industries (*Småindustriutredningen*) and the Norrland Study (*Norrlandsutredningen*). On July 1, 1940, Ivar Anderson left the institute to become editor-in-chief of *Svenska Dagbladet*. Ragnar Sundén took over the post of IUI president in his stead.



## The Norrland Study

In the spring of 1939, Ivar Anderson initiated what would become IUI's most comprehensive project ever: the Norrland Study. The forest industry, which dominated the economy of Norrland (Sweden's northernmost province, encompassing fifty-nine percent of the total area of the country), was facing a troubling shortage of raw materials and rising commodity costs. In order to remain profitable, the forest industry was forced to implement efficiency measures, a less-than-ideal solution from a social standpoint in a region where unemployment and poverty were more widespread than elsewhere in the country.

Anderson felt that Swedish enterprise had an interest in properly analyzing this problem. In addition, both social considerations and political strategy came to play here – it was important to forestall political plans to further regulate the forest industry.

The project became far more extensive than was originally planned, in part because the Second World War and government investigations along the way changed the conditions underlying the study.

The first report to be published as part of the survey was *Manufacturing Industries and the Economy of Norrland (Industrien och Norrlands folkförsörjning)*, released in 1941. The last report, *Cyclical Sensitivity of the Swedish Forest Industry During the Interwar Period (Den norrländska skogsnäringens konjunkturkänslighet under mellankrigsperioden)*, written by Erik Ruist and Ingvar Svenilsson, was published in 1948. It was Sweden's first econometric study.

## Ragnar Sundén and Axel Iveroth

Of IUI's three initial employees, Ragnar Sundén had the most experience in economic analysis. He held a law degree and had worked at the Ministry of Finance for three years. Sundén was head of the institute for a little more than a year, from 1940 to 1941. During that time, issues related to war-time preparedness dominated the institute's work.

At this point, the institute's publishing operations began. IUI's first book, *The Swedish Economy during the War-Time Blockade I (Vår folkförsörjning i avspärrningstider I)*, was released in the spring of 1941, and was composed of a number of radio talks arranged by IUI and the Swedish Radio Service in 1940. However, no new research was initiated during Sundén's time as president.

Sundén left IUI in September 1941 to become undersecretary of state of the Ministry of Education and Ecclesiastical Affairs under Gösta Bagge. Sundén later held the post of president of the Swedish Steel Producers' Association (*Jernkontoret*), among other things.

Axel Iveroth was only twenty-five years old and a recent graduate of the Stockholm School of Economics when he was hired at IUI. He became the institute's executive secretary in 1941. Iveroth was a dynamic and creative person who meant a great deal for the institute's early development. His interest and contacts in media were of special importance. He had, among other things, been a host of the Swedish Radio Service.

Iveroth became responsible for IUI's research into cottage industries, which had begun in 1939, and in the following year he became secretary of a government inquiry into handicrafts and small-scale industry. Through the Small-Scale Industry Survey, Iveroth amassed a wide personal network in Sweden's industrial sector and laid the foundation of the IUI tradition of implementing research in close contact with relevant companies. The result of Iveroth's research

was his more easily understood 1939 report, *Small-Scale Industry and Handicrafts in Sweden (Småindustri och hantverk i Sverige)*, which became one of IUI's most widely circulated texts.

Axel Iveroth left the institute in 1944 to become Sweden's industry attaché in Washington, DC. He later became the Federation of Swedish Industry's longest-serving president, heading the organization from 1957 to 1977. In that capacity, he served as a member of the IUI board of directors.

# Transformation into a Research Institute

## Ingvar Svennilson

Ingvar Svennilson was one of the leading young names in the Stockholm School, a group of economists that developed inflation and employment theory in the interwar years and analyzed the conditions of stabilization policy.

Svennilson received his doctorate in 1938 with a dissertation on financial planning. That same year he became an associate professor at Stockholm University. In the fall of 1938, Svennilson was hired by the National Institute of Economic Research to research structural and long-term matters, and prepared, among other things, the base data for the National Population Committee (*Befolkningskommis-sionen*). In 1940, he began working for the Industrial Committee (*Industrikommis-sionen*), where he undertook economic analyses of the wartime readiness of the industrial sector. The assignments for both the Population Committee and the Industrial Committee were closely linked to issues with which IUI worked.



INGVAR SVENNILSON

On September 1, 1941, Ingvar Svennilson became president of IUI. During his time at the post, which lasted until 1949, IUI was transformed into a research institute with an academically qualified research



INGVAR SVENNILSON WITH A COLLEAGUE.

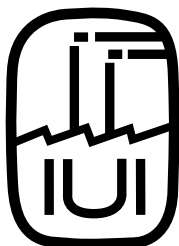
staff. While the institute continued to do its own basic surveys to collect data for research, the applied sciences formed the heart of its research activities. IUI became the country's leading research institute in applied economics.

The second point in Anderson's 1939 working program – namely, adding to discussions of current affairs involving industrial policy – gradually came to occupy a smaller role in IUI's activities. The third point, conducting educational campaigns, had never gotten to a real start due to the war, and Svennilson formally released the institute from this responsibility. On May 1, 1942, the Industrial Information Service (*Industriens Upplysningstjänst*) was established as a separate entity, although it was still controlled by the same board as IUI.

During his first years as president, Svennilson cleansed the institute of other activities that he deemed to be peripheral. In a document issued in connection with Edström's departure as chairman of the board in 1943, IUI was described as a research institute. From its beginnings as a form of political secretariat for the head organizations of Swedish industry, IUI had now become an independent scientific institute.



EXAMPLES OF BOOKS FROM THE 1950S.



IN 1942, IUI'S WELL-KNOWN EMBLEM OF  
BILLOWING INDUSTRIAL SMOKESTACKS BEGAN  
TO APPEAR ON THE INSTITUTE'S PUBLICATIONS.

*Ingvar created IUI, gave the institute its academic standing and laid down the guiding principles for its operations. And where was he in all this? The truth is that he wasn't really around. It was incredibly difficult to get hold of him. He had a lot of irons in the fire, and he seldom read what you wrote ... Ingvar's great contribution was the intellectual stimulation he conveyed to others through his wealth of ideas but also the academic prestige that he accorded IUI's work and the tenacity with which he pursued the basic principle that IUI should be a scientific research institution.*

JAN WALLANDER, AT A CELEBRATION OF IUI'S  
FIFTIETH ANNIVERSARY IN 1989. WALLANDER WAS  
HIRED BY INGVAR SVENNILSON AND LATER BECAME  
THE INSTITUTE'S PRESIDENT.

In 1947, Ingvar Svennilson was named professor at Stockholm University, and in 1949 he took a leave of absence from IUI to participate in an international research project. He never returned to the institute, but returned to Stockholm University to work as a professor. From 1967 to 1971, he was head of the university's Institute of International Economic Studies (*Institutet för internationell ekonomi, IIES*).





## The Industrial Workers' Housing Study

After the First World War, Sweden's standard of housing was nearly the worst in Western Europe, second only to Finland. The housing issue thus came to the political forefront during the interwar period, becoming a key issue for the Social Democrats when they came to power in 1932. The Social Housing Commission (*Bostadssociala utredningen*) was formed by the government the following year. It delivered its final report in 1945, which led to the 1947 parliamentary decision that laid the groundwork for the post-war period's new housing policy. Municipalities were thereby ordered to provide a sufficient supply of adequate housing.

Svennilson presented a proposal to make an inquiry into industrial housing as early as November 1941, at his first board meeting as IUI president. Svennilson had been a student of Alf Johansson, who led the present Social Housing Commission. Both welcomed the possibility that IUI would study workers' housing in industrial towns.

Architect Jöran Curman, active in the Social Housing Commission, was recruited to investigate. In 1944, Curman presented his report, *Industrial Workers' Housing (Industriens arbetarbostäder)*. The report was effectively industry's response to the intense politicization of the housing issues of the time. The industrial community wanted to demonstrate that it too had the ability to provide adequate housing.

As part of the Industrial Workers' Housing Study, Svennilson also recruited IUI's first female researchers, Elisabet Wiberg, employed for six months in 1942, and Bitti von Vegesack, who worked at IUI from 1942 to 1946. She then became executive secretary and later president of the Industrial Housing Association (*Industriens Bostadsförening*).

## The Industry Studies

Ingvar Svennilson had a knack for recruiting talented employees, and Folke Kristensson counts among the most important. In November 1941, IUI decided to conduct its first industry study, namely of the textile industry. Kristensson was recruited for this research. In 1940, he had begun working on contingency planning under Svennilson at the Industrial Commission Survey Bureau (*Industrikommissionens utredningsbyrå*). This work accorded him a good understanding of industrial interdependencies. Svennilson realized that the statistical data that the Commission gathered could be used to make inquiries into different industries.

Folke Kristensson constructed the IUI study so as to highlight the link between production and distribution. The latter stage had often been neglected in previous economic studies. Kristensson's work resulted in IUI's first doctoral dissertation, *Studies of the Structure of the Swedish Textile Industry (Studier i svenska textila industriers struktur, 1946)*. It also resulted in Sweden's first doctor's degree in economic science (ekonomie doktor), awarded by the Stockholm School of Economics.

Kristensson worked at IUI from 1942 to 1945. After serving as assistant director of the textile company MAB & MYA in Malmö, he began working at the Stockholm School of Economics as professor and president of the School's Business Research Institute (*Affärsekonomiska forskningsinstitutet*, AEF; called *Företagsekonomiska Forskningsinstitutet*, FFI, after 1950).

The industry studies became something of an IUI hallmark for several decades to come. Among other things, the institute completed studies of the shoe, brewing, engineering, chemical, steel, forestry, and shipbuilding industries, in addition to the transport and distribution industries.

The industry studies yielded valuable information about different conditions in Swedish enterprise. But Ingvar Svennilson had had higher

expectations for the industry studies. He was of the opinion, rather common at the time, that many industries were structured in an old-fashioned and inefficient manner, and that they would not change on their own. Svernilson had hoped that IUI's industry studies would form the basis of a centrally driven process of industrial restructuring and renewal, but that never occurred.

*It has been considered an important task for IUI as part of its economic research work to carry out surveys of the current state of various industries and especially those that have a relatively complex structure, of which the individual entrepreneur has had difficulty obtaining a good overview. Such mapping can also form the basis for joint action by companies, either through groups or within the general trade association.*

INGVAR SVENNILSON: *Industry Problems (Industriproblem, 1943)*

## Ernst Wehtje, Sven Lundberg, and Sven Schwartz

After Sigfrid Edström's departure as chairman of the board in 1943, the chairmanship underwent a period of relatively high turnover. Edström's successor was Ernst Wehtje, who was chairman from 1943 to 1946 and member of the board from 1941 to 1962. He was also the chairman of the Federation of Swedish Industry from 1942 to 1945.

Like his father Ernst Wehtje, Sr. before him, Wehtje was CEO of Skånska Cement for a long time. As a result of his deep roots in the construction sector, Ernst Wehtje made important contributions as chairman of the council of industry representatives that was attached to IUI's inquiry into industrial workers' housing.

Sven Lundberg was appointed IUI's chairman in 1946. He was chairman of the Federation of Swedish Industry from 1946 to 1947 and president of Förenade Superfosfatfabriker (United Superphosphate Works) and Reymersholm Company in Helsingborg. Lundberg died in 1947.

In 1947, Sven Schwartz was named IUI's chairman. He sat on the board from 1946 to 1966 and was chairman of the Swedish Employers' Confederation from 1947 to 1951 and 1954 to 1967. Among other things, Schwartz was CEO of Stockholms Bryggerier (Stockholm Breweries) and Boliden (a mining company).

## Industry's Peace Problems

Even during his first years as head of IUI, Ingvar Svennilson emphasized that the institute should highlight the problems that industry would have to confront once the Second World War ended. He was one of the first in Sweden to raise this issue, thinking that the industrial sector should take the initiative before any state authorities began to investigate the matter. With this in mind, he published a 68-page pamphlet, *On the Question of Sweden's Industrial Progress (Till frågan om det industriella framtidskridandet i Sverige)*, in September 1942.

IUI was then commissioned by the government to direct a public study into the transition to a peace economy. The commission culminated in the 1944 report *Industry Employment in the Immediate Post-War Years (Industriens sysselsättning under åren närmast efter kriget)*. This was the institute's first large public commission and a forerunner of commissions for the governmental Swedish medium-term surveys that the institute acquired in the coming decades. This work began when IUI was commissioned by the government to develop the first medium-term program, which covered the years 1949 to 1953.

## An Institute with Two Points of Contact

The research institute that was established under the direction of Ingvar Svennilson had two points of contact: one with the business sector and one with the academic world. The leadership of IUI has had to justify the institute's existence among both camps ever since.

IFN/IUI has to convince the institute's principals – the Federation of Swedish Industry and the Swedish Employers' Confederation (which merged to become the Confederation of Swedish Enterprise in 2001) – that the industrial sector should invest in research whose results it cannot control and whose immediate benefit is not always obvious. As for the academic world, a stimulating research environment has to be established to attract qualified researchers where private funding is not permitted to interfere with scientific rigors.

Of course, some people have harbored distrust of social science research financed by industry. In practice, however, IFN/IUI's dual points of contact have proven very fruitful for the institute's activities, and direct conflicts between scientific requirements and explicit industrial interests have only arisen on a few occasions.

With respect to the first step of the research process – namely, the choice of a research area – the IFN/IUI board has taken an active role in deciding which projects to pursue. In the early years, reference groups composed of representatives of affected parts of the industrial sector were associated with the various research projects as well. This ensures that industry has an interest in the project to be pursued, which stimulates the researchers in turn. The projects have thus been able to convey interesting observations and valuable information.

The organization of the actual research – the choice of methodology, formulation of findings and conclusions, and so forth – is the exclusive responsibility of the researchers involved. The institute's reports are always personally signed by those who have carried out the study and IFN/IUI never issues opinions about the results.

Certain disagreements have occasionally arisen regarding the third stage of a research project: publication. In some cases, board members or representatives of affected companies or industries have tried to stop the publication of reports that contain results that they dislike. The IFN/IUI leadership has, however, categorically required that all studies that meet the institute's quality standards be published.

*Engaging in research that can only be understood and appreciated by a small circle of researchers, who are themselves occupied by the same problems, becomes a rather colorless enterprise in the long run. That's how I feel at least. In that we were working on problems that were of interest for the industrial and commercial world, we naturally came to procure a large part of our primary data from businesses, and had every reason to discuss our theories and hypotheses with business owners. This close contact with our main objects of study was invigorating and stimulating.*

JAN WALLANDER, 1997. PRESIDENT OF IUI FROM 1953 TO 1961.

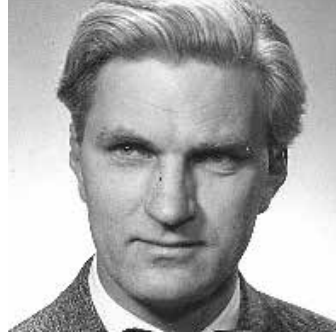
## The Nursery

Clearly, the representatives of business organizations have fewer opportunities to direct the activities of a research institute than a bureau of surveys and information. However, the principals have always been aware that the institute's research focus imparts greater credibility to the analyses that have been performed. They may even have realized that it may not be a drawback if a well-conducted academic study incidentally reveals that certain "truths" that have been cherished in some business circles do not prove their worth.

IUI's research focus has also amounted to a long-term benefit for the business community – and for other parts of society – in that the



ERIK DAHMÉN



RAGNAR BENTZEL



BENGT-CHRISTER YSANDER



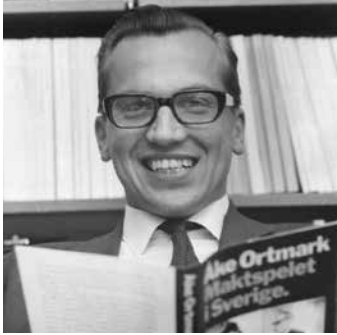
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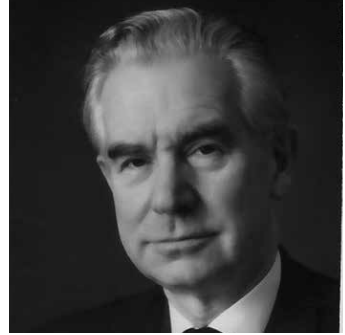
SIV GUSTAFSSON



PONTUS BRAUNERHJELM



ÅKE ORTMARK



AXEL IVEROTH



LARS NABSETH



JAN WALLANDER



BENGT RYDÉN



LARS WOHLIN



institute has served as a kind of nursery. Young academics have spent a few years at business-related research – often in close contact with representatives of affected companies – and then continued their careers elsewhere: in academia, the business community, or public administration. In this fashion, they gained experience, contacts, and an interest orientation that has often been beneficial for the business sector.

A series of IUI researchers have become university professors. Göran Albinsson and Åke Ortmark became prominent journalists. Axel Iveroth and Lars Nabseth both served as president of the Federation of Swedish Industry. Tore Browaldh and Jan Wallander headed Handelsbanken. Bengt Rydén became commissioner of the Stockholm Stock Exchange, and Lars Wohlin and Karolina Ekholm became Governors of the Swedish Central Bank.

Another IUI researcher, Villy Bergström, was president of the Trade Union Institute of Economic Research (*Fackföreningsrörelsens institut för ekonomisk forskning*, FIEF) from 1985 to 1995. FIEF, founded in 1985, was modeled on IUI. It was closed in 2006.

The fact that IUI has always been able to attract talented researchers can be traced directly to the institute's privileged research setting. There has never been a teaching requirement, and researchers received a fixed income even while writing their dissertation. IUI's facilities and support staff – in the form of programmers and other personnel – were simply superior to what universities could offer.

After an initial expansion phase, in 1950 IUI reached the size – approximately fifteen to twenty researchers – that it would continue to have thereafter. In recent years, however, the institute's researchers have numbered about twenty to twenty-five. For a long time, IUI was the country's largest producer of doctoral theses, generating roughly one dissertation per year.



## Boom Years

### Erik Dahmén and Jonas Nordenson

When Ingvar Svennilson took leave from IUI in 1949, Erik Dahmén was named acting director of the institute. He had come to IUI in the fall of 1942 after completing his master's thesis at Lund University. During his first stretch of time at the institute, Dahmén devoted himself to analyses of the business cycle. His contributions to investment analysis were innovative from the very beginning.

In 1950, Dahmén presented one of the country's most acclaimed doctoral dissertations in economics: *Entrepreneurial Activity and the Development of Swedish Industry, 1919–1939* (*Svensk industriell företagarverksamhet 1919–1939*). In that work, he documented business entry and exit during the interwar period and the individual entrepreneurs' critical role in industrial development. The dissertation contained an overwhelming amount of numerical data, developed with the help of the institute's support staff ("the arithmetic girls" or *räkneflickorna*) in a 300-page appendix table. A Festschrift presented on the occasion of Dahmén's resignation as director of IUI asserted that "few in fact were those numbers that were not included in the Dahménian compilations."

As an economist, Erik Dahmén evoked the spirit of Joseph Schumpeter. He emphasized the importance of the entrepreneur for economic development. Dahmén introduced the concept of "development blocks" (clusters) and highlighted their significance for both short-term business trends and for long-term economic growth.

In 1951, Erik Dahmén left IUI to begin work as a financial expert at Stockholms Enskilda Bank. During his time there, he became a close advisor to Marcus Wallenberg. As Wallenberg was IUI's chairman for twenty-five years, Dahmén exerted influence over the institute in this role. Erik Dahmén was also a prominent researcher, and began working

as an associate professor at the Stockholm School of Economics in 1950; in 1958, he was appointed a full professor there. Later, in the 1970s, Dahmén became involved in IUI's research activities once again.

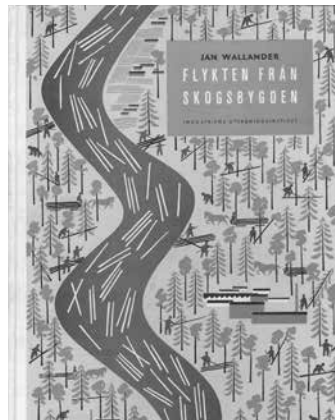
In 1951, Jonas Nordenson succeeded Dahmén as president of IUI. He came to the institute in 1948 after completing his master's degree at Uppsala University. Among other things, Nordenson worked on the governmental Swedish medium-term surveys. He was a very talented economist, but found it difficult to formulate his ideas in writing. In 1953, Nordenson left IUI to work for the Grängesberg Group and later became head of the Export Association of Sweden (*Sveriges Allmänna Exportförening*) and the Swedish Bankers' Association (*Svenska Bankföreningen*).

## Jan Wallander

Jan Wallander was president of IUI from 1953 to 1961. He had begun his scholarly career at the institute in 1945 with a study for the Uddeholm Company about the conditions of forest workers. The study was



JAN WALLANDER



THE EXODUS FROM THE FOREST REGIONS

commissioned because the forestry company had had problems with wood supply as a result of the depopulation of the woodlands of the Värmland province.

As the work was underway, the senior management of the company realized that Wallander would likely reach conclusions and observations that did not suit their fancy. However, Svennilson made it clear to Uddeholm's president that IUI would publish the study when it was finished, regardless of its conclusions. The work resulted in Wallander's 1949 dissertation, *The Exodus from the Forest Regions (Flykten från skogsbygden)*.

Jan Wallander then became research director and later president of the newly formed Centre for Business and Policy Studies (*Studieförbundet Näringsliv och Samhälle*, SNS) before he was recruited to become president of IUI. He became an associate professor of economics at Stockholm University in 1958. After his time at IUI, he became president of Sundsvallsbanken and later an extremely successful president and chairman of Svenska Handelsbanken.

*Leading researchers and getting them to deliver first-rate results in a timely manner is a task of the same caliber as managing an opera or a theater. It is notoriously difficult. Managing a bank is easy in comparison.*

JAN WALLANDER, 1997.

HE WAS PRESIDENT OF IUI FROM 1953 TO 1961.

## The Private Consumption Studies

1950 marked the beginning of the so-called boom years (*rekordåren*) of the Swedish economy. Economic growth was high. One explanation was that in 1945, Sweden's production apparatus remained fully intact while the rest of Europe lay in ruins. With Europe rebuilding at the same time

as trade barriers for industrial products disappeared, Swedish companies enjoyed great success on the export market.

Industrial production grew and unemployment was low. The government and the unions propelled Swedish society's structural transformation from agriculture to industry, from the countryside to cities, and from industries and companies only able to pay low wages to those that could afford to pay more.

A series of social reforms were introduced, including general children's allowances, universal health care, and the supplementary pension system. Weekly working hours became shorter and vacations longer. Private consumption also increased. People could now realize their material dreams.

The institute's large-scale study of private consumption characterized IUI's work during the 1950s. As part of that initiative, studies were made on the expansion of the motoring economy, as well as on television and the demand for housing. The foundational study focused on the development of private consumption in Sweden from 1931 through 1955. It showed that the growth in consumption could be traced in large part to price and income elasticities for different products. Therefore, reasonably accurate forecasts of future consumption trends within various lines of business could be made. This was met with great interest from both the business world and other sectors of society.

Jan Wallander led the pioneering studies of the development of the motoring economy. The 1950s witnessed the breakthrough of mass motoring, and many sectors of the economy were initially concerned that people were spending so much money on cars. The researchers concluded, however, that car owners were conscientious people who usually had their finances in better order than households without cars in similar income brackets. The study predicted a more rapid expansion of car ownership than most people thought possible at the time. IUI was right.

Even when it came to television, IUI released a study that professed a much more positive assessment of the new media than what leading decision-makers thought possible. Here, too, history proved IUI right.

IUI would continue releasing more private consumption studies, publishing *Private Consumption 1931–1975* (*Den privata konsumtionen 1931–1975*) by Carl Johan Dahlman and Anders Klevmarken in 1971 and *Automobile Forecast 1972–1985* (*Bilprognos 1972–1985*) by Lars Jakobsson in 1972.



IUI'S TWENTY-FIRST ANNIVERSARY IN 1960, CONFERENCE AT THE ODEON THEATER IN STOCKHOLM. FROM LEFT TO RIGHT: ERIK DAHMÉN, ODD GULBRANDSEN, JOHN EKSTRÖM, BENGT G. RUNDBLAD, JAN WALLANDER, GÖRAN ALBINSSON, RAGNAR BENTZEL AND ERIK HÖÖK.

## Marcus Wallenberg

IUI's longest serving chairman by far was Marcus Wallenberg (1899–1982), who led the board from 1950 to 1975. After his departure in 1975, he was appointed IUI's honorary chairman.

Marcus Wallenberg was the most powerful man in Swedish enterprise in his time. Through his deep commitment to the institute, he imbued IUI with prestige and ensured it a strong position in society. He understood that IUI had an important role to play as an academic nursery and a creative, business-



MARCUS WALLENBERG

oriented research environment in a country where nearly all other social science research was done in government-financed institutes. When it came to getting companies to donate to IUI or making data available for research, the name Wallenberg was sure to open both wallets and doors.

IUI's board also enjoyed a special position in Swedish industry during Wallenberg's chairmanship. Trade and industry's leading representatives—within and outside the Wallenberg sphere—sat in a body headed by Marcus Wallenberg himself. It was hardly advisable to not take board membership seriously.

Marcus Wallenberg always wanted to be informed of issues to be discussed by the board *before* the meeting. One likely reason was that he wanted to consult with Erik Dahmén before making any decisions. At his first meeting as president, Ragnar Bentzel was unaware of this idiosyncrasy, and Wallenberg apparently rejected nearly everything he proposed.

Wallenberg was no great booklover; Jan Wallander reckons that Wallenberg never read more than the title page of the institute's reports.



But Dahmén gave him summaries of the most useful information. Wallenberg could then refer to IUI's reports at various board meetings, generating great interest in the business world for the fantastic institute that furnished him with such important analyses.

When the winds of criticism blew about the institute, Wallenberg defended its independence. But Wallenberg clashed with the rest of IUI's leadership at times. Jan Wallander maintains that he encountered this once during his tenure as IUI president. It involved an inquiry into the ideal location for the Stockholm region's new international airport.

Marcus Wallenberg was convinced that Jordbro, located south of Stockholm, was the best option. By virtue of his position in Scandinavian Airlines, he was very involved in the matter and ordered an inquiry done by IUI. At the time, Wallenberg's business interests were also heavily concentrated in the southern part of the greater Stockholm region. But the institute's report gave preference to the site of Arlanda, located to the north. Wallenberg repeatedly tried to sway IUI in Jordbro's favor but was eventually forced to concede defeat. Wallander refused to budge one inch from the principle that the institute would publish its results, regardless of what they were.

## Erik Höök and Ragnar Bentzel

When Wallander resigned as president in 1961, Erik Höök was named acting director of IUI for a short time. He had been deputy director of research at the institute since 1948. Höök did pioneering work on the development of the public sector, resulting in his 1962 dissertation *The Expansion of the Public Sector – A Study of the Development of Public Civil Expenditures in the Years 1913–1958* (*Den offentliga sektorns expansion – En studie av de offentliga civila utgifternas utveckling åren 1913–58*).

Thanks to the efforts of Erik Höök, IUI became a leading institution on

**Sommarmaten är redan färdiglagad**

BILKÖTT  
FLÄSKLÄGG  
KÄLLPULLAR  
KÄLLCORRÅD  
KÖTTBULLAR  
PANNRÖTT  
FÄLLBERGÖV  
SACCA BITEN

**HAKONS FÄRDIGA MAT KALOPS**

**HAKONS**

*För trivsamma hemmakvällar..*

**PRIPPS med röd etikett**

*Mmm... Marabou*

**fördubblat god...**

säger **YVONNE LOMBARD**

**NYHET**

**Electrolux**

**först igen**

— nu med två kombinationsmunstycken

**Radiola 62**

*transistor-radio  
transistor-skivspelare*

**HAKONS FÄRDIGA MAT**

*Bra att ha till hands*

**HAKONS FÄRDIGA MAT KÖTTBULLAR**

**HAKONS**

*Alice Babs*

**frisk i munnen**

**MARABOU TOY TUGGUMMI**

RIKTPRIS: 8 bitar 25 öre 3 bitar 10 öre

**Ger gott virke**

**CORONA**

*delicatesshavregryn*

the subject of economic research into the public sector despite its name and principals. Applying the ideas behind IUI's private consumption studies, Höök used price and income elasticity calculations to explain, for example, the expansion of health care and education and thereby public sector development itself. This method proved fruitful, but was met with mistrust from certain political circles that instead preferred to explain the expansion of the public sector by pointing to political efforts to increase the role of government in everyday affairs.

In 1962, Erik Höök left the institute to become head of planning at the Ministry of Finance. He later became president of the Swedish Steel Producers' Association (*Jernkontoret*).

Ragnar Bentzel had been periodically employed at IUI since 1948. In fact, it was Bentzel who launched IUI's private consumption studies in 1952. In 1961, he was appointed president of the institute.

Ragnar Bentzel, called Naja by his friends, was a prominent economist with a mathematical focus. He made important contributions to the development of econometrics. He also imbued the workplace with a positive atmosphere through his warmth, generosity, and humor. In addition, Bentzel began IUI's tradition of hosting international research conferences.

Bentzel had been appointed professor at the Stockholm School of Economics in 1959, and after resigning from the presidency of IUI 1966, he became professor at Uppsala University.

## Advertising and Regulations

During the 1960s, IUI published a number of high profile studies that addressed controversial political topics. One of these concerned advertising. There had emerged a political discussion surrounding

advertising, in part because of Sven Lindkvist's 1957 pamphlet *Advertising is Deadly (Reklamen är livsfarlig)*. Both foreign and Swedish studies also showed that public attitudes towards advertising were negative in many respects. Not much research had been done about the effects of advertising, however, despite that corporate advertising budgets were often quite large.

Göran Albinsson, an IUI researcher from 1955 to 1965, was the lead author of the best-selling IUI publication of all time, *The Economic Role of Advertising (Reklamens ekonomiska roll, 1964)*. IUI's role as a pioneer in Swedish advertising research was further underscored by Rolf Rundfelt's 1973 dissertation, *Advertising's Costs and Determinants (Reklamens kostnader och bestämningsfaktorer)*, commissioned by a governmental advertising inquiry.

In the 1960s, Assar Lindbeck was hired by the institute to contribute to studies on two heavily regulated sectors of the Swedish economy: the housing market and agriculture. In 1962, the report *Housing Shortage – A Study of Price Formation in the Housing Market (Bostadsbristen – En studie av prisbildningen på bostadsmarknaden)* was published. It was written by Bentzel, Lindbeck, and Ingemar Ståhl. Ten years later, in 1972, Lindbeck and co-author Sören Blomquist published *Rent Control and Housing (Hyreskontroll och bostadsmarknad)*.

The criticism of rent control in these reports was widely publicized. But it was nothing compared to the turmoil that arose in response to IUI's critical review of agricultural policies. Odd Gulbrandsen wrote his doctoral thesis, *Structural Changes in Agriculture (Strukturömvandlingen i jordbruket, 1957)* at the institute, and in 1966, he and Lindbeck published the report *Objectives and Means of Agricultural Policy (Jordbrukspolitikens mål och medel)*. Later, in 1969, Gulbrandsen and Lindbeck published *The Economics of Agriculture (Jordbruksnäringens ekonomi)*.

By all accounts, those two were the institute's most controversial publications, even causing rifts within IUI. It is a well-known pheno-

menon that heavily regulated sectors give rise to alliances known as “iron triangles” between producers, public authorities, and other actors within a sector to safeguard regulations.

Segments of the business community formed part of the iron triangle protecting agricultural regulations. The farmers’ cooperative had a certain degree of influence in the Federation of Swedish Industry and tried to stop what they saw as an attack on farmers and the farmers’ cooperative. Marcus Wallenberg stood firmly by the researchers, however.

One person with strong ties to the agricultural sector – Sven Hammar-skiöld, CEO of Sockerbolaget (the Swedish sugar monopoly) – sat on the IUI board. Hammarskiöld was also vice chairman of the Swedish Employers’ Confederation and a member of the board of the Federation of Swedish Industry, in addition to holding a number of other high-profile posts in the business world. He left the IUI board immediately when it became clear that Gulbrandsen’s and Lindbeck’s first report would be published.

Agricultural businesses were not the only actors who worried about Gulbrandsen’s and Lindbeck’s report. The non-Socialist political block worried as well. The Conservative Party and the Liberal Party were concerned that a highly critical report from IUI would be seen as an attack on the Centre Party (which had close ties to the farmers) and thereby create difficulties for political collaboration among the non-Socialist parties. As a result, Bertil Ohlin, the Liberal Party leader, called IUI’s president Lars Nabseth to try to stop the report from getting published.

## Lars Nabseth

Lars Nabseth was recruited by IUI right after his graduation from the Stockholm School of Economics in 1952. He took the job on the condition that he could write his doctoral thesis at the institute when he had settled on a suitable topic.

Initially, Nabseth worked on a study of economic distribution in Sweden. In 1955, he became executive secretary of the institute. It was an important position that meant that Nabseth came in closer contact with the institute's president and chairman.

In 1961, Nabseth submitted his doctoral thesis *The Effects of Wage Increases in the Industrial Sector – A Study of the Adjustment Process in Companies* (*Löneökningars verkningar inom industrin – En studie av anpassningsprocessen inom företagen*) at the Stockholm School of Economics. The previous year, he had left his post at IUI to become chief economist at the Federation of Swedish Industry.

From 1963 to 1964, Nabseth took leave from the Federation to become acting head of IUI, and in 1966, he was named president of the institute. During his time as president, Nabseth contributed to an inquiry into the shipbuilding industry and wrote about the proliferation of new technologies, among other topics. His 1974 book, *The Diffusion of New Industrial Processes* (co-authored by George F. Ray), received much international attention.



LARS NABSETH

But Nabseth's main priority was to manage the institute and support other researchers, and not least to ensure that the institute's doctoral students received good support and guidance from more experienced colleagues. During Nabseth's tenure, IUI became a major producer of Ph.D.'s.

Lars Nabseth recruited more women researchers to the institute, including Märtha Josefsson, Anita Lignell (later Du Rietz), and Birgitta Swedenborg. Previously, women researchers had been few and far between at IUI, as was the case in other social science research institutions in Sweden. Ever since Nabseth's time, however, IUI has been characterized by a higher percentage of female researchers than most other economic research bodies in Sweden. The first female IUI researcher to submit a doctoral dissertation (at the Stockholm School of Economics) was Siv Gustafsson, who presented *Salary Formation and Salary Structure in the State Sector (Lönebildning och lönestruktur inom den statliga sektorn)* in 1976. This was the third Ph.D. in economics ever awarded to a woman in Sweden, and the first since Karin Kock received hers in 1929. Siv Gustafsson later became a professor at the University of Amsterdam.

In 1973, Lars Nabseth left IUI to become president of the Swedish Steel Producers' Association. At the same time, he became an adjunct professor at Stockholm University. As president of the Federation of Swedish Industry from 1977 to 1989, Nabseth returned to IUI as a board member during that time.

*As with any economic research across the world, the mathematical-statistical component of our research and the use of computer technology will increase. At the same time, this increases demands on our ability to translate research results into an understandable language for a wider circle of interested people. Research results may not be presented in a way so that only a very small group of expert economists can understand them. The need to publish in foreign languages, especially English, will also significantly increase in the future. The limited sphere of people who understand the Swedish language has meant that many of our best books have not received the international dissemination and attention that they deserved.*

LARS NABSETH DURING A CELEBRATION OF IUI'S FORTIETH ANNIVERSARY IN 1969. PRESIDENT OF IUI FROM 1966 TO 1973.





# The End of the High Industrial Period

## The Swedish Welfare State under Siege

The Swedish 1970s were a turning point in the economy, politics, and society on a level at least as profound as the watershed moment of the 1930s. Back then, Sweden entered the high industrial period. Now, that era was drawing to a close:

- In the mid-1960s, manufacturing employment reached its maximum. Since then, manufacturing employment numbers have gradually declined while the service sector has grown. In addition, work tasks even within manufacturing companies have shifted to services.
- The 1960s ushered in a period of public sector expansion, giving Sweden a larger public sector than any other industrialized country.
- In about 1970, the population distribution between rural and urban areas stabilized (at about 15 and 85 percent, respectively).
- In 1972, non-Nordic labor immigration halted almost completely. In the following decades, though, many refugees arrived in Sweden, and the country received a large number of non-European immigrants for the first time in its history.

The stability that had characterized trade and industry, politics, and the labor market since the 1930s was shaken in a fundamental way:

**Trade and industry** was mired in a deeper crisis in the 1970s than at any other time since the beginning of the 1930s. Many companies and industries were affected by the crisis, not least the Swedish flagship industries of mining, steel, and shipbuilding. Unemployment became

a significant problem again. The economic problems were caused in part by international developments, such as the soaring oil prices of the 1970s. Yet beginning around 1970, Sweden began to lag behind in global economic development.

**Politics** were even more unsettled. Leftist intellectuals had a large impact on the media and the cultural debate, and the whole political spectrum shifted to the left. And yet, parties to the left of the Social Democrats did not enjoy an increase in voters until the 1990s. The liberal and conservative parties soared to government power for the first time since the 1920s in a few successful elections. During the 1980s and 1990s, new parties were voted into parliament for the first time since universal suffrage was introduced in 1921.

The **labor market** also became more turbulent. A miners strike in the far north from 1969 to 1970 marked the beginning of a long series of wild strikes. Even lawful strikes became significantly more common after 1970. The spirit of the Saltsjöbaden Agreement was abandoned in another respect when parliament began to enact a series of laws about labor issues that had previously been governed by agreements between the two parties. The strong dominance of the Swedish Trade Union Confederation and the Swedish Employers' Confederation on the labor market was broken in part by a sharp increase in white-collar workers in the private sector and in part by the improved position of the growing number of civil servants and the full bargaining rights that they enjoyed.

## Lars Wohlin

In 1973, Lars Wohlin succeeded Lars Nabseth as president of IUI. Wohlin had come to IUI in 1960 and had become executive secretary of the institute in 1967. He wrote a groundbreaking dissertation, *The Transformation and Growth Potential of the Forest Industry* (*Skogsindustrins*

*strukturomvandling och expansionsmöjligheter*), at IUI and earned his doctorate from the Stockholm School of Economics in 1970.

Wohlin's tenure as president did not last long; he was recruited in 1976 to become undersecretary of state under Gösta Bohman (Moderate Party), the Minister for Economic Affairs in the new non-Socialist government. Later, Wohlin became Governor of *Sveriges Riksbank*, the Swedish Central Bank.

One of the most significant events during Wohlin's tenure as president was the beginning of IUI's own medium-term surveys – the medium-term assessments (*långtidsbedömningarna*).

## Medium-Term Assessments

IUI played a major role in the governmental medium-term surveys (*långtidsutredningarna*) ever since they began to be compiled after the Second World War. This collaborative effort began to sour around 1970, because the Ministry of Finance wanted to scrutinize and influence the content of the data that IUI compiled, something that IUI president Lars Nabsbeth refused to accept.

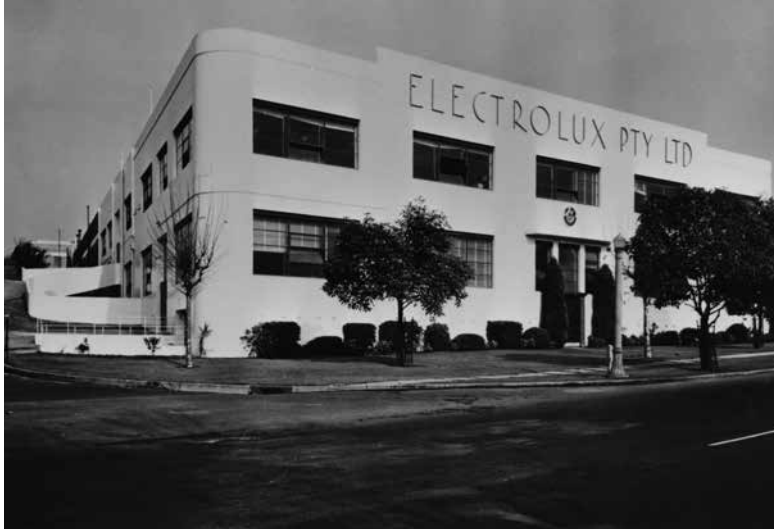
After establishing the National Industrial Board (*Statens industriverk*) the Ministry of Finance decided in 1975 that the Board would assume IUI's task of compiling the governmental medium-term surveys. IUI perceived this as a sign of political radicalization: It was no longer politically viable to base analyses on data compiled by a private research institute that did not formulate its conclusions in line with policy guidelines. IUI's long-running involvement with the governmental surveys ended with the 1973 report *Swedish Industry 1972–1977* (*Svensk industri 1972–1977*), for which Lars Wohlin was the lead author.

IUI was now faced with the choice of either phasing out the medium-term analyses or developing its own, more comprehensive approach. The institute chose the latter course. In 1976, the institute, headed by Wohlin, presented its first medium-term assessment, *IUI's Medium-Term Assessment 1976 – Paths of Development for the Swedish Economy Through 1980 (IUI:s långtidsbedömning 1976 – Utvecklingsvägar för svensk ekonomi fram till 1980)*.

Several medium-term assessments were published in subsequent years. They were based on the work of researchers at the institute who created a comprehensive model of the Swedish economy. IUI's researchers could now independently choose which problems they wanted to study. They were able to analyze different scenarios, such as the effects of various policy measures.

This development, which had only come about because the institute was barred from the governmental medium-term surveys, was quite positive in many respects. Increased economic integration between countries and industries, as well as worsening macroeconomic problems, meant that it became more difficult to analyze individual industries without relating it to the development of the aggregate economy. The increased politicization of the economy also created a growing interest in analyzing the economic effects of various policies and reforms.

In subsequent years, IUI was once again asked to help compile the governmental medium-term surveys. Richard Murray wrote an appendix to the 1987 survey, *The Public Sector – Productivity and Efficiency (Den offentliga sektorn – Produktivitet och effektivitet)*. It speaks volumes about the institute's versatility when the state turns to IUI for a study of the public sector.



ELECTROLUX (PTY) LTD, MELBOURNE, AUSTRALIA.

## Foreign Investments

The various models of the Swedish economy that IUI developed in the 1970s and 1980s are a testament to the institute's unique role in Swedish economic research, namely its ability to construct and manage costly models and databases that other researchers can then use over a long period of time. Another example is the extensive database on Swedish multinational companies' foreign direct investments.

Birgitta Swedenborg bore the chief responsibility of constructing this database. She came to IUI in 1969 after finishing her doctoral studies at the University of California, Los Angeles (UCLA), although she had yet to complete her dissertation. Erik Lundberg, a legendary professor at the Stockholm School of Economics, recommended that she seek a position at IUI. Lars Nabseth hired her immediately.



BIRGITTA SWEDENBORG

Birgitta Swedenborg began work with the medium-term surveys, and in 1970, Nabseth suggested that she write a dissertation on Swedish companies' investments abroad. These investments were growing rapidly and had garnered a fair share of political debate. Some political parties wanted to tighten controls on foreign exchange in order to protect Swedish jobs.

The Federation of Swedish Industry had conducted an earlier study on the topic that Swedenborg could build upon, but it required data collection on a massive scale. Swedenborg collected that data together with Eva Thiel, who had studied at Princeton University and who would also write her dissertation on foreign investments. Swedenborg attended to the real side of the data, while Thiel focused on the financial side.

The response rate was high and the quality good. Responses to additional questionnaires were later entered into the database, which is still maintained, but today's most recent data are drawn from public sources. The last old-style update was done in 2003. The database has formed the basis for several other researchers' work. The database is unique, even on an international level. The creation of the database required much effort on the part of both the institute's researchers and the participating companies. The companies would not have taken part to the extent they did if the researchers had not hailed from IUI, with its strong roots in leading circles of Swedish trade and industry.

Birgitta Swedenborg first wrote a largely descriptive report, *Swedish Industry's Investments Abroad 1965–70 (Den svenska industrins investeringar i utlandet 1965–70, 1973)*, and thereafter her dissertation, *The Multinational Operations of Swedish Firms* (1979). It was the first IUI dissertation to be defended and published at a foreign university (UCLA). She also contributed to several government commissions on foreign investments.

The dissertation showed that foreign direct investments have a positive effect on Swedish exports and employment. Contrary to popular belief, the companies would not have made similar investments in

Sweden had they not invested abroad. The companies' expansion into foreign markets thus contributed to the strengthening of companies in Sweden as well. Swedenborg's research influenced the debate on foreign investments and likely prevented more restrictive legislation. Instead, foreign exchange regulations were abolished.

Birgitta Swedenborg left IUI in 1981 but later returned to become the institute's executive secretary (deputy director) in 1986. She also worked with the multinational database during this time. After administering a new questionnaire, Swedenborg published *Swedish Industry's Foreign Investments 1960–86 (Den svenska industrins utlandsinvesteringar 1960–86)* in 1988. Swedenborg left IUI in 1990 to become deputy director of the Centre for Business and Policy Studies (SNS).

## Internationalization

As the Swedish economy becomes increasingly internationalized, IUI's research has become more internationally oriented as well. From the 1960s onward, international issues began to receive more and more attention. Studies regarding questions of foreign trade and international business practices were carried out; even studies on issues of national concern came to deal with international aspects.

IUI also became involved in international research projects. One such effort involved a study of the factors behind Sweden's economic growth of the previous one hundred years. In 1969, researchers presented several reports that originated in this project, a collaborative effort with researchers in France, Italy, Japan, the United Kingdom, the United States, and West Germany who conducted similar analyses in their home countries.

In leaving the post of chairman in 1975, Marcus Wallenberg presented a donation from the Marianne and Marcus Wallenberg Foundation to

fund visiting researchers so that IUI would be better able to follow and contribute to international developments. The Foundation has continued to make donations for this purpose.

## Erland Waldenström and Curt Nicolin

After twenty-five years as chairman, Marcus Wallenberg was replaced at the post by Erland Waldenström in 1975. Wallenberg was named the institute's honorary chairman. Waldenström was president and later chairman of Grängesberg Company from 1950 to 1977, and chairman of the Federation of Swedish Industry from 1971 to 1973.

Waldenström had broad interests and an intellectual turn of character that underscored his strong commitment to IUI's work. He had served on the institute's board of directors since 1962, but his connection to IUI went back farther than that.

Waldenström had worked at the institute from 1942 to 1946. He was hired as an industrial expert as part of the study led by Axel Iveroth on Sweden's cottage industries. Thereafter he made significant contributions to the Norrland Study, in addition to writing the 1942 report *On the Question of Sweden's Industrial Progress (Till frågan om det industriella framåtskridandet i Sverige)* in conjunction with Ingvar Svennilson.

Whereas Waldenström was sometimes characterized as a dove in trade and business circles, partly because of his efforts to compromise on the issue of wage-earner funds, his successor as chairman – Curt Nicolin – could rightly be characterized as a hawk.

In 1985, Nicolin took over the post of chairman. He had sat on IUI's board since 1976, was president and chairman of Asea/ABB from 1961 to 1991, and chairman of the Swedish Employers' Confederation from 1976 to 1984. Nicolin was a principled and fearless spokesman for



Swedish trade and industry. He led the cultural revolution that made the Employers' Confederation into a powerful opinion-maker for free enterprise – a role that perhaps suited his temperament better than leading a research institute. This, however, did not prevent Nicolin from protecting the institute's autonomy and fulfilling his duties as IUI chairman with great commitment.



GUNNAR ELIASSON



PARTS OF ELIASSON'S PRODUCTION.

## Gunnar Eliasson

With his eighteen years as president, Gunnar Eliasson was IUI's longest-serving head. Of all IUI's presidents, he likely spent the most time on his own research while at the post.

Beginning work at the National Institute of Economic Research (*Konjunkturinstitutet*) in 1963, Eliasson became involved with a survey of industrial investments, a project in which IUI also participated. Three years later, he joined IUI to write his doctoral thesis. In 1968, he received his doctorate from Uppsala University for his dissertation *The*

*Credit Market and Industry Investments (Kreditmarknaden och industrins investeringar)*. He was named associate professor directly thereafter.

Eliasson was hired as chief economist for the Federation of Swedish Industry in 1970, but chose to return to IUI in 1976. After serving as IUI president for eighteen years, he became a professor at the Royal Institute of Technology in Stockholm in 1994.

Gunnar Eliasson developed the institute's apparatus of international seminars. IUI hosted seminars with current Nobel laureates in economics for several years, for example. Another tradition that Eliasson started, and which continues to this day, is the Midwinter Dinners (*Midvintermiddagarna*), a yearly gathering of all present and past IUI employees.

*At IUI, we chose a problem and then looked for a suitable method. In academia, they choose a method and then look for a problem. Another important principle was that nothing was finished until it had been read. There is no need for industry to finance a traditional research institute that only panders to academia.*

GUNNAR ELIASSON, 2006.

## Business in Focus

During his time at the institute, Gunnar Eliasson became increasingly skeptical of the dominant macroeconomic research tradition in Sweden and other western countries in which businesses and entrepreneurs played a minor role. As IUI president, Eliasson harbored a strong desire for the institute to pave the way for a more Schumpeterian – or Dahménian – research tradition in which businesses and entrepreneurs were put in focus.

IUI had a proud tradition to build on in this respect, not least because of Erik Dahmén's 1950 dissertation. During Nabseth's tenure as president, Gunnar Du Rietz breathed new life into Dahmén's dissertation through his own 1975 doctoral thesis *Entry, Exit, and Industrial Growth in Sweden 1954–1970 (Etablering, nedläggning och industriell tillväxt i Sverige 1954–1970)* and the 1980 study *Firm Entry in Sweden During the Post-War Period (Företagsetableringarna i Sverige under efterkrigstiden)*.

Eliasson also wrote a series of essays and other writings on the role of the entrepreneur in the experimentally organized economy. He led the development of a new model of the Swedish economy – the micro-to-macro model (MOSES) – a project that Eliasson had begun at the Federation of Swedish Industry. It was based on a systematic database that links the micro (firm) level with the macro level.

An important manifestation of the institute's Schumpeterian approach was the large seminar arranged in October 1979 in honor of Marcus Wallenberg's 80th birthday, memorialized in the book *Industrial Development in Sweden – Theory and Reality During One Century (Industriell utveckling i Sverige – Teori och verklighet under ett sekel, 1980)*. In that book, both current and past IUI researchers wrote essays that shed light on the driving forces behind Sweden's century-long process of industrialization.

During Gunnar Eliasson's tenure as president, IUI published two medium-term assessments that attracted a great deal of attention: *Properly Evaluating the 1990s (Att rätt värdera 90-talet, 1985)* and *The Long Road (Den långa vägen – Den ekonomiska politikens begränsningar och möjligheter att föra Sverige ur 1990-talets kris, 1993)*. Eliasson was also an author of one of IUI's best-selling books, *How Are Corporations Managed? (Hur styrs storföretag?, 1984)*.

During the 1980s, it became increasingly apparent in developed countries that services occupied a growing share of both industrial companies and the economy in general. This was addressed in several reports, including *Knowledge, Information and Services (Kunskap,*

*information och tjänster*, 1986), written by Gunnar Eliasson. In that report, Eliasson analyzed the interaction between education and the labor market, as well as the use of services and services production in industrial enterprises.

## The Boundary Conditions of the Market Economy

In the 1960s, IUI had done pioneering studies of the regulatory framework surrounding housing and agriculture. As a result of the increasing politicization of the economy, the opportunity (and need) arose to conduct new studies of how political interventions affect the functioning and development of the economy.

This important research program received the name The Boundary Conditions of the Market Economy (*Marknadsekonominns gränsvillkor*). The purpose of this program was not to issue policy advice or recommendations but rather to clarify the limitations of economic policy. The researchers were especially interested in studying how much intervention the market economy could withstand before its functioning was seriously damaged.

In 1981, the report *Industrial Aid Policy and Its Impact on the Economy (Industristödspolitik och dess inverkan på samhällsekonomin)*, written by Bo Carlsson, Fredrik Bergholm, and Thomas Lindberg, was published. Their conclusion was that massive industrial subsidies had some short-term positive effects on employment and exports, but at the cost of worsening the conditions for the long-term growth of the economy. This proved to be one of IUI's most talked-about studies.

The concept of tax wedges was introduced by IUI in Jan Södersten's and Thomas Lindberg's report *Tax on Corporate Capital – Sweden Compared to the United Kingdom, the United States, and West Germany*

*(Skatt på bolagskapital – Sverige i jämförelse med Storbritannien, USA och Västtyskland, 1983).*

One example of a 1980s study on price controls is Bo Axell's report *Can Inflation Be Banned? – On Free or Regulated Price and Wage Formation (Kan inflation förbjudas? – Om fri eller reglerad pris- och lönebildning, 1985)*. General price controls were first instituted in Sweden in 1970. After Axell showed that price controls are ineffective against inflation, decision-makers' enthusiasm for the instrument began to wane.

In his study, Axell used a monetary macro model, one of three models of the Swedish economy that had been developed and used in parallel at IUI. The first model was a traditional multi-sectorial model that had been developed for the medium-term surveys; the second model was MOSES.

In the 1980s, the Swedish economy was partially deregulated, giving rise to new research opportunities. Stefan Fölster was one of the researchers to take on deregulation issues. He co-authored the report *Is Sweden's Paradigm Shift in Danger? – Lessons from Privatization, Deregulation, and Decentralization (Sveriges systemskifte i fara? – Erfarenheter av privatisering, avreglering och decentralisering, 1993)* and wrote *The Art of (De)Regulating in Society's Interest (Konsten att (av)reglera i samhällets tjänst, 1994)*.

## New Office Space and Merger Discussions

IUI has enjoyed the status of an independent organization since its inception, even though it has been linked by both its board and funding to the Federation of Swedish Industry and the Swedish Employers' Confederation. Although IUI has done research on labor issues, the institute's research has been associated more with the Federation's areas of interest rather than those of the Confederation. Naturally,

then, the institute's collaboration with the Federation has been the most pronounced. For much of its history, IUI's offices were situated next to the Federation.

When IUI was first founded in 1939, it was located in the Federation's building on Malmtorgsgatan 8 near Brunkebergstorg in Stockholm. When the Federation moved to the newly built Industry Building (*Industrihuset*; later renamed *Näringslivets Hus*) at Storgatan 19 (the Confederation of Swedish Enterprise's current head office) in the 1960s, IUI first relocated to Artillerigatan 34 but then moved to the Industry Building after a few years. IUI remained there until 1976, when it moved to Grevgatan 34. IUI then returned to the Industry Building in the beginning of the 1990s, but later returned to Grevgatan 34 in 2005, where IFN is currently located.

IUI has also had affiliated offices in other locations in Stockholm's city center.

During his time as president, Gunnar Eliasson noted that the principals' and companies' interest in financing IUI's research was declining. It likely stemmed more from an impulse to question the institutions and methods that had characterized the business world during Sweden's golden years than any particular dissatisfaction with the institute's work.

Some people in the Employers' Confederation even thought that IUI should be shut down. Although that did not occur, Eliasson did have to devote more time than his predecessors to finding external sources of financing for the institute. Two key people in this regard were Bo Carlsson and Bengt-Christer Ysander.

Others suggested that IUI should increase collaboration with other research institutions or even merge with other institutes. In the beginning of the 1980s, there was talk that IUI should move to offices in the vicinity of the Stockholm School of Economics in order to enhance cooperation with researchers there and benefit from certain administrative coordination

advantages. The proposal was rejected, however, in part because people were afraid that IUI's special character as an institute for applied industrial research would be lost. A request to combine IUI with the Swedish Institute of Retail (*Handelns Utredningsinstitut, HUI*) was also rejected.

## Håkan Mogren and Björn Hägglund

In 1993, Håkan Mogren succeeded Curt Nicolin as chairman. As a result, the institute was now being led by its first chairman to have defended a doctoral dissertation – Mogren held a Ph.D. in engineering. In addition, he had been president of the large pharmaceutical company Astra, since 1988, a company with a significantly larger research contingent than IUI. He thus possessed a good understanding of research, making him ideally suited to lead IUI's board.



BJÖRN HÄGGLUND

After ten years, Mogren was succeeded by Björn Hägglund, who remained chairman until 2011. He had also completed a doctoral thesis, receiving a Ph.D. in forest science in 1972, and had worked as a professor at the School of Forestry (*Skogshögskolan*) beginning in 1974. After his academic career, he became director general of the Swedish Forest Agency (*Skogsvärdstyrelsen*) and later president of Stora and deputy CEO of Stora Enso.

Neither Mogren nor Hägglund had sat on IUI's board before becoming chairman.

## Ulf Jakobsson

After earning a bachelor's degree from Lund University, Ulf Jakobsson came to IUI in 1970 in order to write a doctoral thesis on income taxation. In 1974, he and co-author Göran Normann defended the dissertation *Income Taxation in Economic Policy (Inkomstbeskattningen i den ekonomiska politiken)* at Lund University.

The doctoral thesis was based on a sophisticated model; later in his career, Jakobsson became involved in IUI's efforts to build a model of the entire Swedish economy for the institute's medium-term assessments.

Lars Wohlin recruited Jakobsson in 1977 to serve as head of planning in the Ministry for Economic Affairs. After serving as chief economist at the Employers' Confederation, Handelsbanken, and the Federation of Swedish Industry, Jakobsson returned to IUI in 1994. He served as the institute's president until 2005, when he was appointed adjunct professor of economics at the Jönköping International Business School.



ULF JAKOBSSON

During his tenure as president, Jakobsson researched issues related to ownership and governance in the Swedish corporate sector, among other things. He also contributed to several of the yearly reports of the Economic Council (*konjunkturrådsrapport*) published by the Centre for Business and Policy Studies (SNS). He was chairman of the Council on two occasions (1998 and 1999).

In order to ensure that IUI's research remained of high quality, Jakobsson decided to concentrate research in a few areas. IUI would aim to produce the best research in Sweden, and hopefully Europe, in the following areas:



- International trade and specialization
- Human capital and technological change
- The economics of the welfare state

During Jakobsson's tenure, theoretically oriented research on the determinants of foreign direct investment was also conducted. Much of this investment occurs as a result of cross-border mergers and acquisitions. IUI has established itself as one of the premier research institutes in Europe on this topic. Leading names in this area include Pehr-Johan Norbäck, Lars Persson and Johan Stennek.

Pontus Braunerhjelm was deputy director of IUI from 1994 to 2000. He defended two doctoral theses on international economics, the first at the University of Geneva in 1994, and the second at the Jönköping International Business School in 1999. The latter dissertation, *Knowledge Capital, Firm Performance and Network Production*, explores small businesses, entrepreneurship, and the importance of knowledge capital in an international economy. From 2000 to 2003, Braunerhjelm served as deputy director of the Centre for Business and Policy Studies, and became a professor at the Royal Institute of Technology in 2005. He headed the governmental Globalisation Council (*Globaliseringsrådet*) from 2007 to 2009, and became president of Swedish Entrepreneurship Forum (*Entreprenörskapsforum*) in 2009.



LARS PERSSON

In 2000, Lars Persson succeeded Braunerhjelm as deputy director. Persson received his Ph.D. in 1998 for his dissertation *Asset Ownership in Imperfectly Competitive Markets*, completed at the Institute for International Economic Studies (*Institutet för internationell ekonomi*, IIES). In the thesis, Persson developed theories about how company ownership is determined in oligopolistic markets. Working together with Pehr-Johan Norbäck, Persson has further developed

these models to assess the welfare effects of competition and privatization policy from an international perspective.

In regard to the welfare state and its problems, Assar Lindbeck has completed pioneering work in analyzing the two-way interaction between norms and policy decisions in the developed welfare state. Lindbeck has been a part of the institute's research team since 1995.

## Becoming Part of the Academy

IUI's mission was to conduct research relevant to trade and industry. Thus, research results had to be presented in a way that could be understood by people who are not economic researchers.

In addition to publishing their results, IUI researchers have participated in the public debate since the 1940s as speakers and commentators at conferences and by authoring articles in the press. Through the 1970s, it was often possible to write a scientific text in a way that even laypeople could understand. But soon thereafter, a shift occurred in Swedish economic research that also affected IUI's work.

Economics became increasingly specialized, and research texts became more and more inaccessible to laypeople. In addition, more research reports started to be written in English. During the 1970s, the institute's researchers also began publishing in international scientific journals, a practice that had previously been quite rare.

The first IUI report published in English was *The Production System of the Swedish Economy – An Input-Output Study* (1963), written by Bengt Höglund and Lars Werin. During the 1980s, texts in English became about as common as those in Swedish, and by the 1990s, English had become dominant.

When Ulf Jakobsson took over as president in 1994, he decided to wind down IUI's in-house publishing operations. One reason was that large resources were required to achieve sufficient circulation of the written products. Another reason was that external publication would better ensure that IUI texts were of high quality. The yearbooks were the only texts to continue to be printed in-house.

Another noted change was IUI's burgeoning practice of hiring researchers who had already received their doctorates. As a result, the institute's role as a source of dissertations declined, and IUI began to focus to a greater extent on publishing in international journals.

In order to maintain IUI's role as an interesting actor in the public debate, it became more important for researchers to write newspaper op-eds and participate in the debate in other ways.



INVITATION TO A SEMINAR CELEBRATING IFN'S 70TH ANNIVERSARY.



# Rebranding

## Sweden in the New Millennium

The Swedish economy is becoming increasingly internationalized – or globalized. Several factors lie behind this development: Sweden joining the European Union in 1995 and the EU's continued expansion; reduced trade barriers on a global level, partly as a result of international agreements, and partly because many countries, not least giant nations like China and India, have liberalized their economies; and developments in information technology enabling the internationalization of more parts of the economy.

The Swedish economy is still powered by large industrial companies such as Volvo, Ericsson, and Sandvik. They are the locomotives of the economy. But these companies are not the main source of new jobs in Sweden, and neither is the public sector. Growth in the Swedish economy occurs mainly in the private sector – and involves, to a large degree, the expansion of business services, with the traditional industrial companies as the main clients.

The significance of smaller enterprises for the development of the Swedish economy has increased. Interest in entrepreneurship has grown. At the same time, in the first few years of the new millennium there were still major obstacles to entrepreneurship in large parts of the economy, such as in the provision of household services and welfare services.

All of this has created new and interesting challenges for business-oriented research. How is Sweden affected by globalization – and how can the country better utilize the opportunities that globalization offers? What does the interaction between manufacturing and services look like? What barriers and opportunities exist for Swedish entrepreneurship?

## Magnus Henrekson

On November 1, 2005, Magnus Henrekson replaced Ulf Jakobsson to become president of IUI. Henrekson received a doctorate in 1990 from the School of Business, Economics and Law at the University of Gothenburg with a dissertation testing alternative theories to explain the development of the Swedish public sector. Thereafter, he worked at the Trade Union Institute of Economic Research and then at IUI from 1995 to 1999.

While at IUI, he wrote about the institutional determinants of the business environment, among other things. In 1996, he published *Conditions for Enterprise – Rules of the Game for Employment and Growth (Företagandets villkor – Spelregler för sysselsättning och tillväxt)*. Henrekson was also a co-author of the 1998 Economic Council Report published by the Centre for Business and Policy Studies (SNS), titled *The Entrepreneur in the Welfare State (Företagaren i välfärdssamhället)*.

From 2001 to 2009, Henrekson was the Jacob Wallenberg Professor of Economics at the Stockholm School of Economics, where he focused on the development of Swedish trade and industry and economic policy.



MAGNUS HENREKSON



A NEW LOGOTYPE FOLLOWED THE NAME CHANGE. THE FAMILIAR INDUSTRIAL SMOKESTACKS WERE REPLACED WITH STYLIZED FOLIAGE, REPRESENTING BOTH FREE AND INDEPENDENT RESEARCH AND THE GROWTH OF TRADE AND INDUSTRY.

## Transforming the Institute

As president of IUI, Magnus Henrekson rebranded the institute in both form and content. In 2006, IUI changed its name to *Institutet för Näringslivsforskning* (IFN), which better reflects the essence of its work and its name in English, the Research Institute of Industrial Economics. The institute uses the domain name [www.ifn.se](http://www.ifn.se) and [www.ifn.se/eng](http://www.ifn.se/eng) for its Swedish and English websites, respectively.

IFN's mission was formulated as follows:

- Conduct independent research of the highest international academic caliber – based on economic methods – in areas of central importance for trade and industry in Sweden and abroad.
- Contribute high-quality analyses and policy recommendation to public and private decision-makers on issues of relevance for Swedish enterprise.
- Disseminate research results through publications and seminars, as well as commentaries and analyses in the media.

Henrekson has modernized the institute's work in many respects. In addition to conducting and publishing their own research, IFN researchers are now explicitly required to communicate their results to people outside the research community. To better accomplish this task, researchers have undergone training in external communications. In 2006, the institute hired Sofia Strömberg, a highly qualified head communications officer, to develop a communications strategy.

The institute also initiated a new publication series aimed at leading experts, policy makers, and journalists to disseminate research results relevant to trade and industry. In addition, IFN launched a new website and digitized the institute's previously unpublished writings. Almost all of the institute's texts written in Swedish are now available on the Internet.

According to Magnus Henrekson, the institute now emphasizes the importance of researching issues relevant to policy and especially economic policy to a greater extent than before. But this does not mean that the institute has curtailed the scientific quality of its work.

In order to ensure that the output of the institute remains of the highest caliber, IFN has developed and established a scoring system to assess the quality of the researchers' journal publications. The scoring system is transparent and is published annually in the IFN Yearbook, together with a grand total for all the researchers at the institute and a comparison with previous years.

The institute has worked at getting its researchers involved with the major international research networks, inviting scholars who are leaders in the institute's program areas to conduct research at IFN. In addition, IFN has arranged several international conferences as part of its effort to strengthen cooperation with leading international researchers.

In 2008, IFN was named a partner in the prestigious research prize *Global Award for Entrepreneurship Research*. The purpose of the Award



is to further strengthen research on the importance of entrepreneurship for social development. IFN also hopes that the partnership will provide opportunities for exchange and co-authorship with leading international researchers and institutions in this key area.

The 2000s have seen a marked increase in IFN's annual rate of publication of working papers, journal articles, and book chapters. The number of articles published in peer-reviewed journals has also grown.

IFN can hold its own in international competition. The most comprehensive and accessible comparison of economic research institutes is done by RePEc (Research Papers in Economics). Of more than 2,300 institutions in the European Union, IFN falls at spot thirty-nine of the RePEc index (in 2011); of more than one hundred Swedish institutions, IFN is just trailing third place. Among purely private research institutes, only two institutes in Europe are ranked ahead of IFN.

In 2011, Michael Treschow succeeded Björn Hägglund as chairman of the IFN board. He is an engineer and has, among other things, been CEO of Atlas Copco and Electrolux and chairman of Ericsson and the Confederation of Swedish Enterprise. He is currently chairman of Unilever.



MICHAEL TRESCHOW

## Four Research Programs

Nearly 30 percent of the institute's funding comes from the Confederation of Swedish Enterprise. Although this amount covers most of the fixed costs of the institute, all research projects are financed by external grants.

It would be wholly unrealistic to run an institute with job security for long-term researchers based solely on individual external research grants. Instead, the institute concentrates efforts on a limited number of key research areas and identifies long-term basic funding for each of them.

IFN has focused on four program areas to date. The first three were launched in 2006 and the fourth in 2007:

- Economics of Entrepreneurship
- Globalization and Corporate Restructuring
- Economics of the Service Sector
- Economics of Electricity Markets

Entrepreneurship is crucial for the transformation of new ideas and knowledge into healthy businesses that contribute to economic development. Yet entrepreneurship is still a relatively unexplored area within economics. In the program Economics of Entrepreneurship, IFN has conducted research into the conditions for entrepreneurship in terms of patents and research and development policies, for example. Magnus Henrekson and Mikael Stenkula published the book *Entrepreneurship (Entreprenörskap)* in 2007, the first economics text at the university level in Swedish on this topic.

Increasing international economic integration presents both opportunities and threats for Swedish companies and workers. The purpose of

the Globalization and Corporate Restructuring program is to examine, in detail, globalization's impact on society. Some examples of projects in the program include the globalization of the financial market and its effects on Sweden's industrial structure; globalization's effects on labor and capital; and the rise of China and its effects on the Swedish economy. Researchers from IFN were asked to contribute studies to the governmental Globalisation Council (*Globaliseringsrådet*).

The program Economics of the Service Sector stems from the fact that the bulk of Sweden's labor force is employed in business services, private personal services, and publicly financed social services. The program includes research on the governmental purchase of services and regional business development, the effects of school choice and tax deductions for domestic services (the so-called *RUT/ROT-avdrag*), and the formalization of informal markets.

A dependable, cost-efficient electricity supply is the foundation of a modern economy. In the program Economics of Electricity Markets, researchers study the formation of electricity prices, the regulation of electricity grids, or more generally the welfare economics of electricity markets with respect to competition, regulation and industry structure.

## New Methods, Same Mission

The institute has always had two important roles to fulfill. The first is to contribute to greater diversity in research. Sweden is a small country characterized by consensus where the vast majority of social science research occurs under the umbrella of the public sector. The institute, though, will challenge established truths and provide alternative explanations for real-world phenomena. The institute's second role is to form a bridge between science and society in an age when research has become increasingly specialized and less accessible to non-specialists.

The Research Institute of Industrial Economics should be a source of knowledge and information about the conditions and development of trade and industry for policy makers, public officials, and journalists alike. To that end, the institute has expanded its program of seminars and meetings. In addition, up-to-date information on the research of both the institute and others is available on the website and in newsletters, as well as in more policy-oriented reports and outlines.

*I think it is quite possible to both produce results of high academic quality and communicate them to the public. This dual task can also be beneficial for the research itself, as it tests whether what we are doing is relevant, and thus inherently useful.*

*The key is to be hungry for knowledge. For us, our research becomes better if we proceed from a framework of Swedish and European conditions. But this is not always true for those who want to publish in a highly ranked American journal.*

MAGNUS HENREKSON, 2012.

# Presidents

1939	Ivar Anderson
1940	Ragnar Sundén
1941	Ingvar Svennilson
1949	Erik Dahmén
1951	Jonas Nordenson
1953	Jan Wallander
1961	Ragnar Bentzel
1966	Lars Nabseth
1973	Lars Wohlin
1976	Gunnar Eliasson
1994	Ulf Jakobsson
2005	Magnus Henrekson

# Chairmen

- 1939 J. Sigfrid Edström
- 1943 Ernst Wehtje
- 1946 Sven Lundberg
- 1947 Sven Schwartz
- 1950 Marcus Wallenberg
- 1975 Erland Waldenström
- 1985 Curt Nicolin
- 1993 Håkan Mogren
- 2003 Björn Hägglund
- 2011 Michael Treschow

## Sources

IFN/IUI's yearbooks were the main sources of information. Specific historical summaries are provided in the yearbooks from 1969 (Lars Nabseth) and 1979/80 and 1989/90 (Gunnar Eliasson). The latter also contains a retrospective of Jan Wallander and a statistical account by Jeanette Åkerman.

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Henrekson, Magnus, ed. (2009), *IFN/IUI 1939–2009 – Sju decennier av forskning om ett näringsliv i utveckling*. Stockholm: Ekerlids.

Henrekson, Magnus (2011), "Perspectives on the Success and Early History of the Industrial Institute for Economic and Social Research (IUI)". *History of Economic Ideas* 19(1), 125–146.

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Henriksson, Rolf G. H. (1990), *Som Edström ville – Hur IUI blev till*. Stockholm: IUI.

Iveroth, Axel (1994), *Det härliga livet – Minnen, skrönor och debattinlägg*. Stockholm: Industrilitteratur.

Meyerson, Per-Martin (1997), *Socketbagare i doktorshatt*. Stockholm: Fischer.

Nabseth, Lars (1980) "Studier av näringsgrenars struktur inom Industriens Utredningsinstitut – Misstag och möjligheter". In *Industriell utveckling i Sverige – Teorier och verklighet under ett sekel*. Stockholm: IUI.

Wallander, Jan (1997), *Livet som det blev – En bankdirektör blir till*. Stockholm: Bonniers.

# Interviews

Gunnar Eliasson

Ulf Jakobsson

Lars Nabseth

Birgitta Swedenborg

Valuable insights were also provided by Rolf G. H. Henriksson.





IFN BOARD MEMBERS FEBRUARY 2012. STANDING FROM LEFT: TOMAS NICOLIN, MAGNUS HENREKSON, ROBERT AF JOCHNICK AND URBAN BÄCKSTRÖM. SITTING FROM LEFT: MAGDALENA GERGER, MICHAEL TRESCHOW AND SIGNHILD ARNEGÅRD HANSEN. ABSENT: SVERKER MARTIN-LÖF.

# The IFN Historical Project

The Industrial Institute for Economic and Social Research (*Industriens Utredningsinstitut*, IUI) was founded in 1939. The Institute has played several important roles in post-war Sweden, acting as an applied research institute with a clear business sector focus, a nursery for young research talent, a builder of bridges between academia and the surrounding society, a challenger of conventional wisdom, and more.

The English name was changed to the Research Institute of Industrial Economics in 1997, a name that better reflected what it had been for a long time: Sweden's largest institute for applied research in issues relevant to the entire business sector. In 2006, the Swedish name was changed to *Institutet för Näringslivsforskning* (IFN). Since then, both the English and Swedish names adequately reflect the institute's research orientation.

In order for an organization to survive and flourish in the long term, it has to both renew itself and build on its own history despite drastic shifts in underlying conditions. As the institute changed names in 2006, the IFN Historical Project was born with this in mind. The purpose of the Project is to study IFN/IUI's research and other activities from 1939 to the present and put them into their larger societal context.

The following books have been published in the series thus far:

Johnson, Anders (2007), *Brobyggare och ifrågasättare. IUI från starten till namnbytet 1939–2006*. Stockholm: IFN.

Henrekson, Magnus, ed. (2009), *IFN/IUI 1939–2009. Sju decennier av forskning om ett näringsliv i utveckling*. Stockholm: Ekerlids Förlag.

Johnson, Anders (2012), *Building Bridges and Challenging Conventions: Perspectives on IFN*. Stockholm: Samhällsförlaget.

MAGNUS HENREKSON, PROJECT EDITOR



**THE RESEARCH INSTITUTE OF INDUSTRIAL ECONOMICS (*INSTITUTET FÖR NÄRINGSLIVSFORSKNING, IFN*) WAS FOUNDED IN 1939.** It grew into Sweden's largest institute for applied economic research on issues relevant to trade and industry, and was for a long time the country's only such institution. Many studies have also addressed issues in economic history and geography, business, finance, sociology, and engineering.

The institute has two important functions: first, to build bridges between academia and industry; and second, to promote greater diversity in Swedish social science research, challenge conventional wisdom, and offer alternative perspectives on the economy.

Initially, the institute was named the Industrial Institute for Economic and Social Research (*Industriens Utredningsinstitut, IUI*). While at first focusing mainly on manufacturing, the researchers soon began to study other sectors of the economy as well. The name was changed to IFN (*Institutet för Näringslivsforskning*) in 2006 to better reflect the breadth of its research activities.



In this publication, Anders Johnson traces the development and activities of IFN since its inception in 1939 to the present.

Johnson is a writer and former editor-in-chief of the newspaper Dagens Nyheter, and has authored more than forty books on the history of trade and industry.

