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THE CHANGING FACE OF SWEDEN'S ECONOMY

by Erik Höök

The reconstruction of the centre of Stockholm now in progress shows many of those phases of the changes with which we are concerned in this article. A well-known environment to which we have become accustomed vanishes, and is replaced by something new which has not yet found its form. Old buildings are demolished to give way to structures adapted to the needs of a new age; structures of a completely different type, built of different materials and by new techniques. This reconstruction is based on the balancing of practical and material desires against cultural and aesthetic values. It decides whether our everyday work at the office, our shopping and the spending of our leisure shall be in congenial surroundings.

A continuous metamorphosis of fundamentally the same kind, although different in expression and form, is going on in our economy, as in the economy of most other countries. The names given to this phenomenon may change from one period to another - industrialization, commercialization, automation - but they mainly denote the different stages in a course of evolution, the basic features of which are fairly recurrent. If one were to try to state briefly what this remoulding of the economy involves, one might say that it consists of the emergence of new commodities, new methods of production and of organization of work. Inventions

and discoveries of different kinds enable human needs to be satisfied in another and more easy way than before. Through new expedients and new techniques the production of goods and services already available to mankind can be simplified. Such progress means that consumers are better enabled to cover their traditional needs, or to satisfy new and different wants. And the resulting changes in consumption affect the structure of the economy.

A complete process of this kind is very difficult to grasp and to explain in simple terms. Statistics of employment in different industries and trades are often used to illustrate this development. A common example is the relative decline in employment in Swedish agriculture. According to the census figures the agricultural community decreased from about 80 per cent of the total population in 1870 to approximately 20 per cent in 1950. The expansion of industry, which took place at the same time, is often set against this: from barely 10 per cent of the actively employed population in 1870 to 40 per cent in 1950. Two more percentages may be mentioned, 13 per cent in 1870 and 34 per cent in 1950, to illustrate how trade and communications have attracted an increasing share of the active population. Other estimates refer to the redistribution that has taken place, particularly in recent decades, between wage-earners and salaried employees, the latter having approximately doubled in number between 1930 and 1950.

Increase in the Services Trades

Such figures undoubtedly give the impression that a fundamental transformation has taken place in the Swedish economy. But data of this kind must

be used with caution and with constant regard for what they really reflect. This is especially true if their purpose is to forecast future developments. For instance, it is a commonly held view that the services sector will grow more or less inevitably with a rise in the standard of living. This assumption is usually based on the following reasoning. An increase in incomes may be expected to be followed by an increase in consumption. Consumption, on the other hand, does not rise uniformly for all classes of goods and services, and the increased demand is concentrated to certain sectors. It seems probable that services of different kinds would be particularly affected by the increased demand. Since the provision of services is dependent on the services branches to a higher degree than on other branches, the above-mentioned expansion would be in this sector of the economy. It is adduced in support of this argument that, in most countries, the services trades have in fact grown at the same time as income has risen.

It is suggested above that the transformation of the economy is a very complex phenomenon. For this reason changes in census figures cannot be regarded as reflecting a simple uniform trend in the economy, but as the net result of several different factors - sometimes working in opposite directions. This makes one, a priori, suspicious of any schematic interpretations of shifts in the distribution of occupations and these doubts are strengthened by closer examination of the trends so far.

Realignment of Functions

When we consider the growth of the services trades, we can distinguish several different factors which have affected the relative amount of labour they employ. One reason for their growth may be said to

be a transfer to trade, communications and the like, of jobs which were formerly done within other branches of industry. The realignment of functions has mostly taken place in connection with the introduction of new methods of production or by the replacement of one commodity or service by another. Even if such changes are closely connected with other factors, it is clear that this element is an important one in the process of transition.

It is obviously not easy to see at a glance how the increased division of labour and increased specialization have resulted in certain agricultural occupations, for example, being replaced by trade and transport. Nevertheless, we can see a similarity between the job done by an assistant in a milk-shop and that of a farmer's wife who sold her milk to the neighbours. Or between the farm hand who supplied the horses with the fodder they needed if they were to draw the plough and the garage man who provides the fuel for the farmer's tractor. In a similar fashion, the services have had to take over different jobs from other trades or occupations. Take, for example, the field of domestic services. Not only has there been a decrease in the number of people engaged in domestic work, but at the same time a considerable expansion of the functions performed by the services trades. This expansion has to some degree widened the concept of national income and has had the result that the share of the total population engaged in trade occupations has increased. Bakers and confectioners, laundries, the manufacture of and trade in ready-cooked foods, and ready-made clothes are fields of activity which have been affected by these changes. On the other hand, though to a considerably less extent, there has been a movement in the other direction, from services to commodities. Packaging of goods is

an example. The grocer of yesterday spent much of his time weighing and packaging flour, sugar, raisins, coffee and other victuals, which today's tradesman provides in standardized consumer packets.

New Goods and Services

Another way in which the work of the services sector has been expanded is the appearance of new goods and new techniques. Telephones, radio, films and television may be said to have created new functions in the community, which devolve on the services to a great extent. Not only have these media created new needs, but they may also be said to have made entertainment, lecturing, education, etc., much more easily and cheaply available. The same is true, though to a decidedly smaller extent, of motoring and aviation, which have cheapened not only the transport services, but also the wider field of demand comprised in the tourist and travel services.

This brings us to the factor which is often accorded the greatest importance in this connection: the increase in individual incomes and the relative increase in the demand for services this is assumed to have entailed. Undoubtedly, the rise in incomes may in some cases have had this effect, but it cannot be said to be a prominent feature in the situation as a whole. On the contrary, the most characteristic feature has been that the supply of services, in the proper meaning of the word, has diminished at the same time as incomes in the community have increased. Thus we have the somewhat paradoxical situation in which services proper have declined, while the services trades as a whole have expanded. How, then, can this be explained? The most important cause is probably the interplay between incomes and prices - one of the greatest driving forces in the

whole transition process. The profits which are the aim of different forms of mechanization bring about an increase in income which is, to an overwhelming degree, paid out as wages to those engaged in production. Wage increases, however, cannot be limited to the sector or sectors in which the increased productivity is being attained, but on account of market conditions must be spread over the entire field. This has the effect that a price must be paid for services proper which is fixed by the hourly earnings paid in industry as a whole. If a service has not been mechanized it will rise in price in relation to commodities whose manufacture has been simplified and cheapened. A relative price change of this kind eventually reacts on demand. If there is a latent tendency to an increased consumption of services with rise of incomes it will be moderated and counteracted by the rise in price for those services. The higher price leads to an attempt in various ways to substitute goods by services, or to a mechanization of services.

Goods versus Services

Developments so far offer many examples of the interplay of these forces. Increased prices of tailored suits, dresses and coats have contributed to an extended use of ready-made clothes. The same is true of shoe-making - another side of the same trend, for we now have our shoes mended more seldom and instead buy new ones, or buy shoes which do not need so much mending. This exchange of services for goods is another example of the tendency towards mechanization of services. The efforts in this direction have concerned all fields in which services are required. In the household the higher cost of domestic service has led to the reduction in home-cooking (preserved and ready-cooked foods, etc.) and in sewing (ready-made clothes), and to the mechanization of different elements of housework (vacuum cleaners, washing machines and other apparatus)

which are so prominent a feature of our times. If we go to the retail trade there are strong manifestations of the same tendency - the increased use of ready-packed goods, self-service shops, automats, and so on. This process has naturally not affected occupations in which it is difficult to replace personal services by goods, such as hairdressers and beauty parlours. Further, the State has partially dislocated the price mechanism for certain personal services such as those of the medical and dental professions.

Hence the expansion of services cannot be explained solely on grounds of the increase in incomes. Several factors have contributed to their development, among others the increased distribution of labour and the specialization referred to above. Changes in production and prices brought about by technological developments, in combination with the rise of incomes, are another very important feature in this connection, of which the radio and telephone are a good illustration.

Wider implications

The consideration of the problems of transition as they affect the services may be defended on the grounds that they probably have some relevance for other fields of the economy as well, and that what is happening in the services has an important bearing on future developments. There are strong reasons for believing that the whole question of reorganization will, to a greater extent than before, be concerned with ways and means of mechanizing services of different kinds. Questions of distribution have been under scrutiny for some time and it seems highly probable that the pressure to achieve greater productivity will be further intensified.

Another field, admittedly not directly connected with the services but involving work of a similar kind, is office organization. The use of mechanical aids in offices is advancing so quickly that one may well

prophesy that the next ten years will be a decade of office mechanization. The reason why this field has begun to come more and more into the foreground is that office work, as a result of its great growth, has become a big cost item in the budget of most companies. It therefore represents an important object of economizing. Furthermore, clerical work has not been subjected to efficiency studies in the same way as production departments which may mean that it offers a greater relative scope for improvement in the overall productivity.

Public Services

A few words may be said in this connection about two fields in the public sector - education and prison reforms - both of which are going through a process of change. Demands have been raised for thoroughgoing reforms in both spheres, to attain an improved educational standard in the community and to prevent an increase in crime. Greater resources in the form of material and personnel are obviously essential. The general desire seems to be for greater individualization in teaching and penitentiary care. This is undoubtedly essential if greater efficiency is to result. It must be observed, however, that the efforts towards individualization in certain services is contrary to the general tendency, which is towards a higher degree of mechanization of services. This seems to reveal that it is possible, at a certain cost, to choose between a diminishing quantity of services of a higher quality and an increasing quantity of services of a lower quality. Since I am not qualified to discuss questions of schools and prison care, I cannot say whether such a choice is realistic in these cases. But it seems not improbable that, in the long run, it will be necessary to concentrate rather on finding more efficient methods of education and crime prevention if the standard

in these respects is to be raised. If so, the most important reforms would be to invest as soon as possible in research in education and criminology.

West European Integration

In recent times it has not been possible to discuss our own situation without considering how the efforts at integration in Western Europe may affect the structure and development of the Swedish economy. No one seems to have any very clear idea on these points. There is agreement that certain problems of adjustment will arise, but considerable uncertainty as to where and in what way they will manifest themselves.

It is doubtful, however, whether the changes in the economy brought about by the expansion of markets will involve any essentially new elements in the transition process. Several examples may be adduced from earlier periods, when changes in our competitive situation vis-à-vis buyers and sellers abroad set the Swedish economy a problem of adjustment of a more fundamental kind than those which may be expected at the present time. Mining, iron manufacture, agriculture have all, at different periods, been faced with radical changes in production methods and prices, that have been caused by international conditions. Moreover the differences in the price level between Sweden and other countries in recent decades, which in their effects may be put on the same footing as tariff adjustments, have in some cases changed the competitive situation more than the customs adjustments can do. Even if the efforts at integration from this point of view can be described as a new element in the reorganization of our economy, or as affecting the rate at which it can be remoulded, the needs and opportunities which are the consequence of increased international co-operation are not thereby lessened in importance. For if the transformation process - and

the improvement of standards to which it will lead - is to continue at the same rate as hitherto, all changes in competitive conditions must be quickly recognized and the necessary measures taken to re-direct production accordingly.

Changes in Agriculture

The efforts at integration would perhaps have a more far-reaching effect on general developments in Sweden if they were to include agriculture to a greater extent. This follows from the fact that agriculture has for several decades been protected in different ways from international competition. We cannot go further into the question here, but it should be stated that, even if agriculture is not affected by integration, a rapid transition may be expected to continue in this part of our economy. The changes in the structure of agriculture, which had been in progress for a long time, were concerned chiefly with questions of internal organization, while the outer framework in the shape of the size of cultivated areas, the number of farming units, etc., was affected only to a slight extent. The possibilities of any great improvement in profitability of the individual farm along these lines have been greatly reduced in recent years, and further improvements in efficiency must therefore be sought through changes in size structure. Having regard to the probable future demand and to the changes in price relationships between the factors of production - labour, capital and land - there is reason to expect that developments will be rapid. The interwar period and the 1940's resulted in a drastic curtailment of the number of agricultural workers and family helpers on farms. The next decades may well result in a similar reduction in the number of farmers; the trend is towards large-scale units in agriculture.

At the same time a far greater degree of specialization is likely - we can already see this e.g. in chicken-farming and pig-breeding - and the tendency seems to be extending to other fields. Agriculture is therefore likely to advance towards fewer but larger and more specialized units.

In this account we have been able to consider only a few aspects of the transition. Among the many aspects not discussed are those relating to economic policy. One such question is to what extent it is possible, by means of various government measures, to control the rate or direction of structural re-organization. Discussions on these questions seem scarcely to have led to any concrete results in the sense of drawing up effective lines of policy. Nor have the attempts made hitherto been particularly encouraging. With regard to agriculture, it may be said that the considerable reorganization which has taken place has come about in spite of, rather than thanks to agricultural boards, land acquisition law, etc. A more fruitful line of attack for the community's efforts to reorganize its economy seems to be through an active labour market policy, to which greater attention has been paid in recent years with certain practical achievements as a result.

All change has its price; advances in knowledge, in new techniques and new methods, and new goods must be weighed against the loss of markets for older products, loss of opportunities of employment in certain areas, aesthetic values which vanish, and so on. We often complain that the cost of change does not seem to have been sufficiently considered, and that the price to be paid for the mountain lake or the tree-shaded meadow has been left out of account; we complain, but without justification. The price is certainly included in the calculation, but has been set

too low. So we can only reproach ourselves, who complain but will not pay the higher price that is asked.

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