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Recovery

Program

SWEDEN

COUNTRY STUDY

Economic Cooperation Administration

February 1949 • Washington, D. C.

Sweden

Country Study

European Recovery Program

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This document is based on the best information regarding Sweden currently available to the Economic Cooperation Administration, and the views expressed herein are the considered judgment of the Administration. Both the text and the figures for 1949–50 are still preliminary in character; participating countries will therefore understand that this report cannot be used to support any request, either to the Organization for European Economic Cooperation or to the Economic Cooperation Administration, for aid in any particular amount for any country, or for any particular purchase or payment.

Paul G Hoffman

FEBRUARY 14, 1949.

Administrator.

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PART I

Summary and Conclusions

As a result of the war, Sweden was compelled to turn to dollar sources for supplies formerly obtained from Europe, especially Germany. The extension of bilateral agreements to balance trade has also deprived Sweden of the possibility of using surpluses in trade with some countries to meet deficits with others. These dislocations of trade, arising from the war, would inevitably have resulted in dollar deficits. In addition, Sweden extended early postwar credits to Norway, Denmark, The Netherlands, and the United Kingdom. A postwar boom in consumption and domestic investment in Sweden, which resulted in too rapid a drain in 1947 and 1948 on Swedish reserves accumulated during the war, could have been avoided with foresight. The last factor contributing to Sweden's current problems is a drop in its sales of wood pulp in the American market.

The Swedish Government has had time, with ECA aid, to formulate a program to cure the imbalance in the Swedish economy without going through a sharp recession, and has been able to continue to export products to participating countries in amounts larger than its purchases of goods and services from them. Swedish iron ore, timber, pulp and paper, ships, and engineering products are particularly essential to other participating countries. A stable and productive Swedish economy will contribute to the success of the ERP, whereas instability in this area could only be harmful.

In 1946, the Swedish Government felt that it was necessary to protect the Swedish economy against prospective fluctuations in prices and business in the United States and increased the value of the krona. This policy encouraged imports and contributed to a boom in Sweden in 1947. It also led to increasing difficulties in marketing Swedish products abroad, especially in the United States.

The policies of that period were largely instrumental in bringing about a large deficit in the balance of payments. Before the war, Sweden had been a small exporter of capital. In 1946, it had a small and manageable over-all deficit of about 40 million dollars. In 1947, however, the over-all deficit jumped to the equivalent of 427 million dollars. Despite the fact that Sweden had large gold and dollar reserves at the end of the war, this rate of spending could not be long

continued. There was a sharp reduction of imports and an increase in exports in 1948; the over-all deficit for the balance of payments for that year is estimated at 136 million dollars.

The drain on Swedish reserves, however, was not stopped in time to prevent Sweden from facing a crisis by the middle of 1948. Gold reserves declined from 482 million dollars at the end of 1945 to 81 million dollars by the middle of 1948. Dollar balances over the same period declined from 210 million dollars to a low point of 38 million dollars, from which there has subsequently been some recovery. While Sweden still had some sterling balances that permitted the financing of a small deficit with the sterling area, resources to finance a deficit in the dollar balance of payments had nearly come to an end.

The Swedish Government then took measures to meet the crisis. Imports payable in dollars were sharply cut back, and imports of consumer goods in particular were greatly reduced. Although continuing an easy-money policy in some respects, the Government has by various administrative devices restricted the expansion of loans to the private sector of the economy. The domestic investment program was cut back partly by strict controls over building permits and partly by a reduction in the Swedish Government's part of the investment program.

In the fall of 1948, a comprehensive program was formulated by the Social Democratic Government to bring the Swedish economy into balance. The possibility of reestablishing an over-all equilibrium in the balance of payments will depend upon the vigor with which this program is implemented by the Swedish Government.

In two respects, the drive to increase exports may have to be more rigorous than has so far been planned. There is a long-run problem in Sweden as to the volume of timber exports that can be maintained; current programs apparently visualize smaller cuts of timber than before the war. In the present emergency, however, Sweden cannot afford to neglect any opportunity to raise exports and may have to abandon temporarily its plans to keep the production of timber at relatively low levels.

One of the primary obstacles to increase sales of Swedish products, particularly in the dollar area, is their relatively high price. Efforts to recover a share of the American pulp market are required, as well as the seeking of opportunities to push the exports of other products. Swedish exporters have experienced growing difficulties in marketing their products, especially in the United States, and it is therefore necessary that Swedish prices be made competitive in the dollar area, which the appreciation of the krona in 1946 has made more difficult.

Sweden's loss of a share of the American pulp market cost well over 20 million dollars in dollar exchange in the last half of 1948.

The drop in pulp sales in the American market is, in part, a reflection of increased production in the United States and Canada; but it is also the result of high Swedish prices. Though there was some reduction in the price of Swedish pulp last fall after the removal of an export tax by the Swedish Government, it has not attracted buyers because Swedish prices are still well above current American market levels.

Complex as many of the individual problems are that Sweden faces, the over-all problem can be stated in simple terms: the Swedish economy as a whole has been living beyond its resources, and, although it is tightening its belt, it will encounter a continuing dollar deficit. ECA aid has afforded some time in which to make the minimum adjustments that are necessary to achieve over-all balance, and to convert soft currency surpluses into dollars with which to pay for imports from the Western Hemisphere. The Swedish Government and the Swedish people are now faced with the need for vigorous and effective action, including the acceptance of a somewhat more austere standard of living during the next few years.

The long-run problem that Sweden faces of establishing a balance with the dollar area involves somewhat more fundamental changes in the Swedish economy. In particular, since Sweden cannot depend as heavily in the future as in the past upon exports of timber and wood pulp, greater reliance will have to be placed on more highly processed wood products and increased output of iron and steel, iron ore and products of the engineering and electro-chemical industries. Time is needed for this kind of development, and it is this time that is gained by conditional aid to convert soft currencies into dollars. The long-term program submitted by the Swedish Government anticipates increases of this sort based upon expanded hydroelectric power capacity.

The totals of the first two annual programs are summarized in the following table:

[In millions of dollars]

	1948–49	1949–50
Swedish request for gross dollar aid	109.0	70.7
OEEC recommendation of gross dollar aid	47.0	(1)
ECA estimate of gross dollar aid	46.6	54.0

[1] National Submissions for 1949-50 not yet reviewed by OEEC.

The original program submission to OEEC for 1948–49 indicated a dollar deficit on current and capital account of 108.8 million dollars, as compared with an actual gold and dollar deficit of 334.4 million dollars in the calendar year 1947. The OEEC recommended gross assistance for Sweden of 47 million dollars, of which 25 million dollars was to be in the form of conditional aid to finance a Swedish export surplus with other participating countries. The ECA accepted the OEEC

recommendation with only a slight modification. It is clear now that the actual dollar deficit during the current fiscal year will be much larger than the anticipated 47 million dollars and may amount to 75 million dollars.

Net ECA aid received by Sweden in 1948–49 will amount to 21.6 million dollars and has been extended on a loan basis. To date, Sweden has received 18.8 million dollars as conditional aid. An additional allotment of 6.2 million dollars will be necessary to complete the program for 1948–49. Sweden received no allotment for the second calendar quarter of 1948.

The Swedish investment program for 1949–50 provides for increased capacity in the paper and the iron and steel industries. It appears that a large part of the investment projected in the long-term program will be completed before the end of 1950. An increase in export volume will result partly from increased production, as in the case of iron ore, machinery and paper, and partly as a result of decreased domestic consumption, as in the case of timber. The value of Swedish exports, however, will not increase as much as the volume because of lower prices.

The program for 1949–50 visualizes a considerable improvement in the economic balance of Sweden. Internally, the Government intends to balance both its current and capital expenditures with current receipts. Consumption and domestic investment together are expected to decline sufficiently to offset a reduction of imports greater than the increase in production. Sweden also expects to increase exports. Externally, therefore, the Swedish Government anticipates that the over-all deficit on current account will be reduced to 40.1 million dollars, and to 18.3 million dollars on current and capital account.

An examination of the Swedish program for 1949–50 indicates that it should be possible to achieve an over-all balance or even a surplus in international transactions. A country with a large domestic investment program and with standards of living as adequate as those in Sweden should be able to close a gap of this size or else to bridge it by utilizing normal credit channels.

There appears to be no way, however, by which Sweden could eliminate a dollar deficit in 1949–50 without seriously restricting her exports to the participating countries. The dollar deficit estimated by the Swedish Government amounts to 71 million dollars for 1949–50 as contrasted with a probable deficit of about 75 million dollars in 1948–49. The dollar deficit for 1949–50 is still rather large owing to the low volume and value of Swedish pulp sales to the United States and the relatively low dollar earnings on shipping.

Some increase in dollar receipts beyond those visualized by the Swedish Government appears to be possible. Shipping receipts and

exports to Western Hemisphere countries other than the United States appear to be somewhat underestimated. While dollar receipts from trade with the Western Hemisphere outside the United States may be higher than anticipated, receipts from sales to the United States can hardly be increased and, in fact, already appear to be forecast on an optimistic basis.

In the program submitted by Sweden, imports from the United States already have been severely cut from the levels prevailing up to the middle of 1948. There are no plans to spend dollars for manufactured consumer goods or foodstuffs. Imports from the United States are apparently below the 1938 volume and comprise chiefly petroleum products, coal, iron and steel, chemicals, drugs and hospital supplies, and a variety of specialized manufacturing equipment. The greater part of this import program is directly or indirectly related to Sweden's efforts to improve its balance of payments position.

A review of the proposed dollar imports indicates that some further reduction may be possible, however, even though it may be necessary for Sweden to pay dollars for at least some part of its agricultural imports, including some cotton. A detailed scrutiny of imports from the United States and other dollar areas indicates that a net reduction of about 7.3 million dollars in imports could be made without affecting, directly or indirectly, Swedish export industries. This reduction, together with an estimated increase in exports and receipts from invisibles, would reduce the dollar deficit on current account by 12.4 million dollars.

The ECA has, therefore, estimated the total dollar balance of payments deficit for 1949–50 at slightly more than 58 million dollars, in contrast with the Swedish program estimate of 71 million dollars. Provision is made for only 54 million dollars of ECA aid, leaving the balance of the deficit to be financed through other means. This assistance could be entirely or almost entirely in the form of conditional aid.

This estimate of the minimum amount of assistance required by Sweden in 1949–50 is posited on maximum self-help by Sweden. It will, therefore, be necessary for Sweden to carry out vigorously the eight-point program advanced by the Swedish Government last October. In particular, it will be necessary to restrict consumption, to direct more resources toward export, and to bring about a readjustment of prices to make Swedish products competitive.

PART II

Chapter I. The Current Situation

A. INTRODUCTION

Since Sweden has one of the highest standards of living in Europe and remained neutral throughout the war, its need for assistance is inevitably a cause for surprise. Sweden emerged from the war with its foreign-exchange reserves enhanced and its production apparatus on the whole unimpaired. There would, therefore, seem to be no reason why Sweden should be unable to balance its international accounts.

Nevertheless, Sweden did suffer to some extent from the war and the consequences of the war. Under the conditions of semiblockade to which Sweden was subjected during the war, consumption and stocks inevitably declined and investment in a number of industries lagged, thereby creating a backlog of demand that was released after the war. The prices of imports during both the war and immediate postwar years rose more rapidly than the prices of exports; and it was not until 1947 that a balance in import and export prices was restored. The growing "bilateralization" of international trade interfered with established markets and sources of supply, and this was particularly serious since the "multilateral" sector of Sweden's foreign trade has always been large.

For example, Germany, from which Sweden drew about one-quarter of its imports before the war, and on which it became even more heavily dependent during the war, virtually disappeared as a source of supply. Thus, Sweden was compelled to turn to the American continent. At the same time, it was unable to increase its sales to the dollar area proportionally. In fact, it was faced with a declining market for one of its principal exports, wood pulp, in the United States, and it was threatened with the elimination or substantial reduction of its trade surplus with Latin America, from which it had previously derived some net dollar income. All these factors in the Swedish economic situation have given rise to the need for ECA assistance and will be discussed in greater detail in the course of this report.

B. POSTWAR CONSUMPTION AND INVESTMENTS

The factor which was immediately responsible for Sweden's request for ECA assistance in July 1948 was a very serious loss of gold

and dollar exchange over the previous year and a half. One of the principal causes of this deterioration in Sweden's foreign exchange position was the postwar boom in Sweden which led to an inflation of consumption and investment in excess of Sweden's economic resources. This fact becomes apparent from an examination of tables 1 and 1–A. Table 1 shows the development of the total value of goods and services available to the Swedish economy, both from domestic production and imports, and the extent to which these resources were utilized for consumption, investment, and export. Table 1–A indicates in particular the proportion of total resources devoted to consumption and exports.

TABLE 1.—*Estimates of total demand and supply of goods and services.*

[In millions of kronor]

	1938–39	1946	1947	1948	1949 preliminary forecast
	At current prices			At 1948 prices	
Supply:					
1. Gross national product	11,970	21,520	23,340	25,380	25,780
2. Imports, c. i. f.	2,270	3,390	5,220	4,800	4,200
3. Indirect taxes	680	1,870	1,750	2,060	2,060
4. Minus subsidies	−70	−330	−390	−390	−390
5. Total supply	14,850	26,450	29,920	31,850	31,650
Demand:					
6. Gross public investments	800	1,830	1,900	6,960	6,660
7. Gross private investments	2,130	4,180	4,960		
8. Changes in inventories	+250	+100	+500	+100	0
9. Exports of goods and services	2,220	3,300	3,780	4,360	4,460
10. Public consumption	1,080	2,200	2,590	2,880	3,000
11. Private consumption	8,370	14,840	16,190	17,550	17,530
12. Total demand	14,850	26,450	29,920	31,850	31,650

Source: Konjunkturinstitutet.

TABLE 1-A.—*Components of demand and supply*

[As percentages of the total]

	1938–39	1946	1947	1948	1949
Supply:					
1. Gross national product at production cost plus indirect taxes less subsidies	84.7	87.2	82.6	84.9	86.7
2. Imports, c. i. f.	15.3	12.8	17.4	15.1	13.3
3. Total supply	100.0	100.0	100.0	100.0	100.0
Demand:					
4. Gross investments:					
Public	5.4	6.9	6.3	----------	----------
Private	14.3	15.8	16.6	----------	----------
Total	19.7	22.7	22.9	21.9	21.0
5. Changes in inventories	+1.7	+.4	+1.7	+.3	----------
6. Exports of goods and services	14.9	12.5	12.6	13.7	14.1
7. Consumption:					
Public	7.3	8.3	8.7	9.0	9.5
Private	56.4	56.1	54.1	55.1	55.4
Total	63.7	64.4	62.8	64.1	64.9
8. Total demand	100.0	100.0	100.0	100.0	100.0

1. The Rise in Consumption

It will be noted that consumption expenditures rose by about 100 percent from 1938–39 to 1947. Since prices rose sharply during this period, the net increase in consumption, however, is estimated at an average of about 10 percent per capita. From 1946 to 1947 the total income of employed workers and salaried employees rose by 1,520 million kronor or 15 percent, while that of all groups in the population increased by 1,580 million or 12 percent. (See table 2.) In 1948 consumer income was originally expected to be 2,500 million kronor greater than in 1947 because of increases in salaries and wages and improved social insurance benefits; and even after allowing for probable net increases in taxes and savings, income available for consumer purchases was considered likely to be 1,800 million kronor more than in 1947. Revised estimates published in January 1949 indicate that the forecast of 1,800 million kronor proved high, however, and that greater savings by individuals served to reduce inflationary pressure by several hundred million kronor more than anticipated.

TABLE 2.—*Income of different groups of the population, 1945–48*

[In millions of kronor]

	1945	1946	1947	1948
Employers:				
Agriculture and associated occupations	1,183	1,413	+0	
Manufacturing and mining	440	534		
Transportation and communications	115	130		
Trade	563	682	+0	
Free professions	160	171		
Other	19	20		
Total employers	2,475	2,959	+0	
Employees:				
Agriculture and associated occupations	830	868	+40	[1]+2,500
Manufacturing and mining	4,195	5,023	+880	
Transportation and communications	896	1,059	+150	
Trade	1,436	1,686	+220	
Public service	1,473	1,615	+180	
Free professions	114	134	+20	
Domestic work	171	180	+20	
Other	96	91	+10	
Total employees	9,211	10,656	+1,520	
Not gainfully occupied	682	739	+60	
Total income earners	12,369	14,354	+1,580	

[1] Estimate prepared in the spring of 1948 by the Konjunkturinstitutet 1945–46: income according to tax statistics; the figures for 1947 and 1948 represent changes from the preceding year in millions of kronor.

Although some of the principal food items, such as meats, sugar, and fats, were rationed and the total consumption of foodstuffs remained about the same as before the war, the consumption of cheese and eggs in 1947 rose in relation to prewar, that of tropical fruits almost doubled, and that of fruits as a whole rose by about 20 percent. While consumption of textile fabrics was about the same as before the war, clothing consumption was up about 20 percent. The consumption of such goods and services as newspapers, bicycles, radios, and railway

travel was also considerably higher. This is borne out by the Riksbank's index of the volume of consumption of goods and services, which appears in table 3, but which is not adjusted for the increase in population of about 8 percent since 1939. Although consumption expenditures showed further increases in 1948, there may have been some qualitative deterioration in the standard of living in view of the substantial reduction effected in imports of consumer goods during 1948.

TABLE 3.—*Volume of Consumption*

[1939=100]

	1945	1946	1947
Food and provisions	103	115	120
Milk, butter, cheese, margarine	119	114	117
Meat	84	99	97
Bacon	90	97	99
Eggs	100	117	125
Fish	93	102	109
Potatoes, flour, bread, etc	125	122	143
Garden produce	101	146	140
Spices and colonial products	84	118	111
Beverages and tobacco	105	112	126
Housing	119	124	125
Fuel and light	101	105	106
Clothing and shoes	97	110	128
Clothing	93	110	129
Shoes	108	106	124
Household goods	87	106	125
Other goods and services	116	122	131
Total	103	115	124

Source: *Sveriges Riksbank Årsbok 1947*, p. 31. Consumption figures in preceding paragraph are from *Översikt över det ekonomiska läget 1948*, p. 74. Minor discrepancies between the figures in that paragraph and those in the table are apparently due to the difference in base years used.

2. Expansion of Investment

As table 1 indicates, gross public and private investment, exclusive of investment in inventories, amounted to 6,010 million kronor in 1946 and 6,860 million in 1947 as compared with 2,930 million in 1938–39. Allowing for changes in the prices of producers' goods, the real volume of these investments was about 27 percent greater in 1946 and 1947 than before the war. The proportion of the total supply of goods and services going into investment during 1946 and 1947 was about 23 percent as compared with about 20 percent in 1938–39.

Table 4 shows the distribution of gross investments over the years 1945 to 1948, inclusive, with a few preliminary estimates for 1949. It will be seen that residential housing has accounted in the aggregate for close to one-quarter of the total, but declined by over 300 million kronor in 1948. Public investments, particularly those of local authorities, continued to increase in 1948, but private investments in industry, after rising from 1945 to 1947, showed no further expansion in 1948.

3. Decline in Construction During 1948

Because of the rapid increase in investment, the Government determined to bring about in 1948 a planned reduction in construction

TABLE 4.—*Distribution of gross investments*

[In millions of kronor at current prices]

Item	1945	1946	1947	1948	1949
Public gross investments:					
Investments of the central government	1,254	1,211	1,149	1,466	
of which:					
State enterprises	406	586	690	830	
Military	702	451	280	371	391
Investments of local authorities	500	619	754	977	
Total	1,754	1,830	1,903	2,423	
Private gross investments:					
Residential building	1,420	1,562	1,691	1,269	
Industry	1,049	1,597	2,100	2,087	
Agriculture (machines and construction)	253	374	407	468	
Means of transportation	303	556	670	612	
Other	73	87	95	100	
Total	3,098	4,176	4,963	4,536	
Total gross investments	4,852	6,006	6,866	6,959	6,660
of which public and private residential building	1,456	1,654	1,835	1,506	1,456

activity for which Government permits were necessary. Aggregate investments in construction controlled by special permits were reduced by 300 million kronor below the 1947 level, as indicated in table 5.

A sharp decline in actual building investment during 1948 was indicated by the marked reduction in applications for building permits and the even sharper drop in the total value of new construction authorized.

TABLE 5.—*Estimated building activity requiring special permits*

[In millions of kronor]

	1947	1948	1949
Residential building	1,450	1,040	990
Residential repair and renovation		80	100
Manufacturing	360	250	200
Roads, etc	155	140	130
Communications and transportation	80	105	80
Schools, churches, and other public buildings	70	110	95
Power plants	80	120	120
Administration, social purposes, etc	70	90	75
Agriculture, lumbering, and fishing industries	60	55	50
Trade	35	60	45
Military	20	30	25
Reserve quota for nonresidential building			10
Total	2,380	2,080	1,920

Source: *Översikt över det ekonomiska läget, 1948*, Meddelanden från Konjunkturinstitutet, Serie B: 1, p. 28. *Statsverkspropositionen: Bil. 1;* also *Översikt över det ekonomiska läget, 1949.*

Table 6 shows that the total value of new construction for which building permits were given for the first 10 months of 1948 was 16 percent lower than in the same period of the previous year. It should be added, however, that actual activity declined less rapidly because many building permits issued in earlier priods remained valid and were utilized.

TABLE 6.—*Volume of building permits granted*

[Value in millions of kronor]

Period	Housing		Industrial building		Other building		Total	
	Number	Value	Number	Value	Number	Value	Number	Value
January–October 1947	30,082	1,006.9	3,432	222.8	15,810	480.8	49,324	1,710 5
January–October 1948	27,549	771.6	2,838	160.2	14,398	498.4	44,770	1,430.2

Source: *Sociala Meddelanden*, No. 12, 1948, p. 1001.

The decline in building activity caused a reduction of employment in the building industry from 198,000 in the middle of 1947 to 152,000 in the middle of 1948, thus permitting a release of much needed labor to forestry, agriculture, and industry.

4. Public Investment

Of total investment in 1948, it will be seen that 35 percent represented public investment. The National Government's investment program includes a substantial expenditure for state-owned enterprises (830 million kronor in 1948). Besides the railway and communications systems, these enterprises include about 40 percent of the country's hydroelectric power facilities, as well as an important iron works (AB. Norrbottens Järnverk). As of 1945 it was estimated that about 4½ percent of all workers employed in Sweden's mining, manufacturing, and power industries were employed by the national and local governments.

The military sector of the Government's expenditures in 1948 included investments in military equipment and installations estimated at 371 million kronor. Total expenditures of the Ministry of Defense, as shown in the Government's accounts (current and capital) for 1947–48, amounted to 800 million kronor. For 1948–49 the combined budgets, as passed by the Riksdag, authorized defense expenditures totaling 793 million kronor. Actual expenditures would vary from this figure, however, according to the amount spent under previous authorizations and the amount of new authorizations left unused at the end of the year. As a rough approximation, however, it may be estimated that military expenditures currently absorb less than 3 percent of the total supply of goods and services.

C. POSTWAR EXPORTS

It was inevitable that the large increase in domestic consumption and investment would leave a smaller proportion of Sweden's resources available for export. Whereas in 1938–39, 14.9 percent of the total supply of goods and services was exported, the proportion was only 12.5 percent in 1946 and 12.6 percent in 1947. For 1948, however, it

was probably about 13.7 percent and in 1949 it is expected to rise further to 14.1 percent. (See table 1–A).

Table 7 shows the development of the volume of Sweden's foreign trade uncorrected for seasonal variations. It indicates that the volume of exports has generally lagged far behind the volume of imports. It will be seen that the volume of exports is also substantially below prewar levels, although a considerable improvement has been evidenced since the middle of 1947. The index tends, however, slightly to understate the total volume of Swedish exports, owing to the increased importance of machinery exports, which are omitted. In 1948 exports of machinery represented 21 percent of the total value of exports, whereas in 1936–38 they represented only 14 percent.

TABLE 7.—*Volume index of Swedish foreign trade (excluding machinery)*

[1936–38=100]

	Import	Export		Import	Export
1945	31	47	1947:		
1946	97	62	I	105	44
1947	129	68	II	132	65
1946:			III	153	82
I	75	53	IV	125	83
II	99	63	1948:		
III	101	65	I	107	56
IV	112	67	II	122	75
			III	115	79

Source: Konjunkturinstitutet.

The high volume of investment and consumption was an important factor in diverting resources from the export market. In some industries producers preferred to concentrate as far as possible on the domestic market, particularly since the incentive to export was diminished in any event by the necessity of turning over all foreign exchange proceeds to the Riksbank. Labor and materials were increasingly diverted to home market industries. The Government also intervened to protect the needs of the domestic market by insisting that specified amounts of such key export products as timber, wood pulp, and paper be set aside for domestic consumption at ceiling prices considerably below export prices. A high proportion of some of Sweden's leading products was retained at home to satisfy the needs of the domestic market. For example, consumption of paper and paperboard rose from 158,700 tons in 1938 to an estimated 465,000 tons in 1948, and finished steel consumption, which was 853,200 tons in 1938, is expected to reach 1,440,000 in 1948–49.

Other factors also played a role in the relatively poor showing of exports. One of these was the relatively low volume of production of timber and, until recently, of iron ore. Initially the low output of iron ore, however, was largely attributable to the low level of steel output in Europe.

Another factor retarding exports, particularly recently, has been the high prices of Swedish goods. The appreciation of the krona in July 1946 by 17 percent undoubtedly had some effect ultimately on Swedish export prices, even though Swedish exporters of pulp were initially persuaded not to raise their prices. More recently, a number of Swedish exports, including pulp and engineering products, have been meeting increased resistance in foreign markets, particularly now that supply conditions have eased somewhat by comparison with the immediate postwar period.

The most striking evidence of such resistance to Swedish prices has been the sharp drop in pulp sales to the United States. In the third quarter of 1948 American pulp importers cancelled over half of their "reservations" for Swedish pulp in protest against the high prices quoted by Swedish suppliers. As a result, imports of Swedish pulp into the United States amounted to only 104,829 short tons for the five months, July to November, as compared with 282,529 tons in the same period of 1947. The value of such imports fell from 37.4 million dollars to 15.9 million dollars, representing a loss of over 21.5 million dollars in dollar exchange to the Swedish economy. Although the Swedish Government consented in September to the elimination of export fees of 50 kronor ($13.85) per metric ton on exports of chemical wood pulp, and of 20 kronor ($5.54) per ton on exports of mechanical wood pulp, and Swedish exporters subsequently reduced prices of chemical pulp in the United States by 15 dollars to 20 dollars per ton, there has been a further decline in exports.

Actually, the sharp reduction in Swedish pulp sales to the United States has been caused not simply by the high prices of Swedish pulp but also by the very substantial increase in the production of pulp both in Canada and the United States. This is reflected in the fact that Sweden's share in the United States market declined from 36 percent in 1937 to 15 percent in 1947, while that of Canada increased from 23 percent to 41 percent and that of the United States from 23 percent to 37 percent. Production in Canada rose from 5.1 million short tons in 1937 to 7.2 million tons in 1947, while output in the United States increased during the same period from 6.6 million short tons to 11.9 million tons. Although consumption of pulp in the United States also has risen, the increase in production has been sufficiently large to bring about a much easier supply situation, in which Swedish pulp has become much less essential.

By the middle of 1948 the improved supply situation had enabled American consumers to rebuild their inventories to a level where they were in a position to resist Swedish prices, which had been rising steadily. The cancellation of "reservations" for Swedish pulp was the consequence. Even the price reductions effected in Swedish pulp dur-

ing the fall were insufficient to attract buyers, largely because the reductions were more than matched by American mills. Swedish producers and exporters have been reluctant to cut prices still further, but it is evident that substantial quantities of pulp can be sold in the American market only if Swedish prices are reduced until they are competitive with American market prices.

While up to the present only exports of pulp to the United States have been hard hit, there is some indication of a softening in the United States market for paper and board and even for newsprint. This situation may presage a decline in the volume or the value of exports to the United States of these products also.

The table in annex A shows a development of the value and quantity of Swedish exports. From this table it will be seen that the volume of exports of wood pulp, timber, ball and roller bearings, pig iron, iron and steel, ferro-alloys, and a number of other products still remains substantially below prewar levels. During the first 9 months of 1948, for instance, exports of wood and wood products and of ball and roller bearings were running a little over half of pre-war volumes, those of pig iron only about 40 percent of prewar, and of wood pulp about 65 percent of prewar. On the other hand, exports of paper are virtually at prewar levels, and there has been such an increase in iron-ore shipments that exports of this ore for 1948 were probably about 11.5 million tons for the entire year, or only about a million tons less than the average of the last 3 years before the war. In fact, during 1948, there has been a considerable improvement in exports of various items, such as certain timber products, iron and steel, and engineering products. Total exports for the first 9 months of 1948 amounted to 2,745 million kronor as compared with 2,188 million kronor in the same period of 1947, but the total still fell below the expectations of the Government. The table in annex B gives figures for the value of Swedish foreign trade broken down by main commodity groups and by sources and destinations for 1938 and the postwar years.

A comparison of the first quarter of the fiscal year 1949 with the estimates in the program for the fiscal year 1949 submitted by Sweden to OEEC is interesting. In relation to the same period in 1947, total exports during the third quarter of 1948 were up 3.9 percent, as compared with an estimated increase of 8.7 percent over 1947 levels projected in the original Swedish program for the fiscal year 1949. Exports to the Western Hemisphere were 47 percent less, as compared with an anticipated reduction of 27 percent for the fiscal year 1949. This reflects marketing and price changes in the all-important American outlet for pulp and the relative stagnation in exports to South America while agreements to restore such trade on a nondollar basis

were being negotiated. Exports to ERP countries, on the other hand, increased 18 percent as compared with a projected increase of 16 percent for the fiscal year 1949.

The table in annex B shows that about 10 percent of Sweden's exports went to Eastern Europe in the first 9 months of 1948. Poland took 3.1 percent of Sweden's exports; Czechoslovakia, 2.7 percent; Finland, 1.8 percent; and the Soviet Union, 1.3 percent. The proportions for the entire year 1947 were not significantly different. It will be noted that the total for the Soviet Union is relatively small considering the fact that Sweden extended a credit of 1 billion kronor in October 1946 for the purchase of Swedish goods. By the fall of 1948, however, contracts amounting to less than 300 million kronor had been placed against this credit. On the other hand, trade with Poland has proceeded according to plan, for under the Swedish-Polish Trade and Payments Agreement of March 18, 1947, Poland placed contracts in Sweden for capital goods amounting to 361.5 million kronor as compared with an agreed annual total of 360 million.

While Sweden sold about 10 percent of its exports in Eastern Europe, it purchased 12.5 percent of its imports in that area during the first 9 months of 1948. Poland furnished 5.2 percent of its imports; Czechoslovakia, 2.1 percent; Finland, 1.5 percent, and the Soviet Union, 1.0 percent. The share of these countries in Sweden's imports in 1947 amounted to 3.1, 3.0, 1.3, and 0.8 percent, respectively. Imports from Poland have been particularly important to Sweden, which is obtaining about half of its solid-fuel imports from that country. Imports of grain, potash, phosphate rock, manganese, and even iron and steel are also of considerable importance to the Swedish economy.

D. DEVELOPMENT OF PRODUCTION

The supply of goods and services in Sweden in postwar years has generally paralleled the increase in demand, although recently there have been some signs that the demand might outrun the supply.

Production has risen substantially above prewar levels. The gross national product for 1946 and 1947, as is indicated in table 1, was respectively 80 and 95 percent higher than in 1938–39, although wholesale prices had risen only 61 and 73 percent since 1939. In 1948, the gross national product was probably a few percent higher than in 1947, after taking price changes into account.

1. Agricultural Output

Agricultural production was, of course, more responsive to weather conditions than to demand. For this reason, production was low in 1947. The year 1948, however, was a favorable year for all crops

except hay, which suffered from the after-effects of previous years and unfavorable weather. According to official statistics, total agricultural production in 1948 was almost as high as before the war. While grain production was still 20 percent below prewar, potato production was about 18 percent higher. The output of beet sugar, meat, and dairy products was approximately the same as before the war. (See table 8.)

TABLE 8.—*Agricultural production*

[In thousands of metric tons]

	Prewar average 1933–37	1947–48	1948–49
Wheat	672	390	689
Rye	439	142	315
Total bread grain	1,111	532	1,004
Barley	205	181	193
Oats	1,207	681	781
Mixed grain	529	435	569
Total feed grain	1,941	1,297	1,543
Potatoes	1,883	1,679	2,218
Sugar (refined)	256	215	250
Meat:			
Beef and veal	123	125	125
Mutton	14	16	15
Pork	148	144	155
Poultry	10	10	12
Offal	15	15	15
Total	310	310	312
Milk:			
Total production	4,644	4,250	4,557
Of which for human consumption as fresh, dried, and canned milk	1,509	1,600	1,697
Milk products:			
Butter (fat content)	73	76	84
Cheese	38	45	48
Eggs	50	75	35
Fats.			
Slaughter fats	15	16	16
Vegetable oils	----------	12	30

Source. U. S. Department of Agriculture, Office of Foreign Agricultural Relations.

2. Industrial Production

According to the most reliable index, industrial production in 1947 and the first 10 months of 1948 was respectively 38 and 42 percent higher than in 1938. A substantial part of this rise was due to an increase in productivity which, according to calculations of the official Konjunkturinstitutet, amounted to 10 percent (excluding administrative personnel). For the first 10 months of 1948 production averaged 3 percent above 1947.

The volume of production of certain selected commodities is given in table 10.

It will be seen that iron ore production has shown the most striking increase during 1948, reaching 1939 levels for the first time. A sharp increase also took place in the production of ball and roller bearings,

TABLE 9.—*Indexes of industrial production* [1]

[1935=100]

	Kommerskollegium index	Swedish Industrial Association indexes						
		General	Timber export	Pulp and paper	Iron and steel	Machinery	Food	Textile and needlework
1938	123	117	92	103	112	131	114	107
1945	138	106	74	69	129	109	113	110
1946	166	128	77	97	142	178	113	109
1947	169	130	75	103	139	174	115	109
1948								
January	170	130	[1] 75	103	143	176	113	112
February	174	133	[1] 75	107	149	180	114	116
March	175	134	[1] 75	106	145	184	116	119
April	178	136	[1] 76	109	149	186	116	119
May	175	134	[1] 75	106	144	180	117	117
June	175	134	----------	108	150	177	116	114
July	174	133	----------	108	144	173	117	111
August	174	133	----------	109	138	174	115	111
September	177	135	----------	108	139	179	115	114
October	178	136	----------	108	143	182	114	119

[1] Index in each case applies to a 12-month period including 6 preceding months and 5 following months.

Source: Kommersiella meddelanden, November 1948. The Kommerskollegium index is more accurate than that of the Swedish Industrial Association, but the latter is given also because of its break-down by branches of industry.

TABLE 10.—*Volume of production of selected commodities*

[1939=100]

	1947	1948
Iron ore	65	[1] 103
Pig iron	108	[1] 111
Ingot steel	103	[1] 105
Rolled wire	86	[1] 93
Ball and roller bearings	63	[2] 96
Hot rolled iron and steel bars	106	[1] 113
Cement	131	[1] 132
Light concrete (Lättbetong) [3]	306	[1] 294
Building bricks	93	[1] 93
Sawn plank and boards (pine and spruce)	82	----------
Planed boards	89	----------
Wood fiber sheets	194	[1] 204
Mechanical woodpulp	93	----------
Chemical paper pulp	89	[1] 94
Paper (newsprint, book and wrapping)	110	[4] 112
Refined sugar	91	[1] 84
Margarine	56	[1] 107
Wool yarn	133	[1] 140
Cotton yarn	72	[1] 76
Rayon fabrics	148	[1] 176
Staple fiber fabrics	259	[1] 259
Woolen fabrics	115	[1] 124
Cotton fabrics	80	[1] 87
Sole and innersole leather	93	[1] 100
Leather shoes (pair)	97	[5] 116
Superphosphates	115	[1] 123
Synthetic nitrogen products	118	[1] 117
Matches	65	----------

[1] January–August.
[2] January–September.
[3] A special Swedish concrete using a minimum of cement.
[4] January–July.
[5] January–June.

Source: Konjunkturinstitutet, Konjunturläget hösten 1948 p. 24.

another important Swedish product. Other increases during 1948 have generally been more moderate.

E. POSTWAR IMPORTS

During the first 2 years after the war, imports rose rapidly to meet the increased demand for goods and services in Sweden. The Swedish Government permitted liberal imports as part of its anti-inflationary program, since such imports dried up purchasing power which otherwise would have had inflationary consequences. In July 1946 the Government even appreciated the value of the krona by 17 percent in order to insulate the Swedish economy against rising prices abroad. In 1947 imports amounted to 17.4 percent of the total supply of goods and services available for disposal in Sweden, a proportion considerably greater than 1946 when it was 12.8 percent or in 1938–39 when it was 15.3 percent. The over-all increase in the volume of both imports and exports is shown in table 7 for all postwar years. The volume of imports for 1947 and the first three quarters of 1948 by types of goods is shown in table 11.

TABLE 11.—*Development of the volume of imports by quarterly periods*

[1936-38=100]

Commodity groups	1947				1948		
	I	II	III	IV	I	II	III
Industrial raw materials	93	120	147	108	96	120	116
Consumption goods	162	190	174	140	110	120	98
Agricultural raw materials	54	75	135	101	70	92	136
Construction raw materials	75	101	159	125	113	135	129
Fuel and motor fuel	71	100	142	146	140	137	130
Total	105	132	153	125	107	122	115

Source: Konjunturläget hösten 1948, p. 49. Third quarter figures supplied from Swedish official sources.

Imports in 1947 were actually almost 29 percent greater than before the war. It will be noted from table 11 that imports of consumption goods during that year were particularly high.

In 1947 the Government felt that the deficit in the balance of payments made it necessary to take measures to curtail the volume of imports. These import restrictions, which were applied with increasing severity, did not become really effective until 1948. The volume of imports for the entire year 1948 is estimated to be about 13 percent lower than in 1947. Import restrictions have been particularly directed to consumers' goods, which had risen relatively more than any other group of imports in 1947. Textile and automotive imports showed the largest declines. A table of selected imports by value and volume is given in annex C and a break-down of imports by value and broad categories appears in the table in annex B.

During the third quarter of 1948, the value of total imports actually declined 20 percent from the level in the same period in the preceding year, whereas the 1948–49 program submitted by Sweden to OEEC had forecast a reduction of only 8.4 percent. Imports from the Western Hemisphere showed the sharpest decline from 1947 levels, namely 60.6 percent as against a target of 53.7 percent set in the 1948–49 program. Imports from ERP countries gained less in relation to the third quarter of 1947 than expected in the 1948–49 program, the increase being 16.4 percent as compared to a target of 32.6 percent. This was largely because of difficulties encountered in consummating certain transactions on a bilateral basis, particularly in the case of Belgium and the Bizone.

While imports from dollar areas have been severely reduced, much of this reduction has been offset by an increase in imports from the participating countries and their dependent areas. Moreover, the effect of the reduction in import licenses manifested itself only gradually in a decline of the value of actual imports, so that for 1948 as a whole the cut in imports has been less than anticipated. As a result, the original expectation that the demand for goods and services might outrun the supply, thus bringing about certain inflationary consequences, was not realized. Another factor in avoiding this inflationary impact was the rise in domestic production and, above all, the excellent 1948 harvest, which placed more home-produced goods on the market. It should be noted, however, that such domestic goods could not be fully substituted for the consumers' goods previously imported.

F. BALANCE OF PAYMENTS

The large volume of imports in relation to exports inevitably produced a large deficit in the balance of payments. Table 12 shows that the deficit of current international payments in all currencies amounted to 427 million dollars in 1947. This total compares with a slight surplus on current transactions in 1938 and a deficit of a little over 40 million dollars in 1946. The significant feature of the 1947 deficit is the fact that the deficit with North America on current account, which basically had to be settled in dollars, was as high as 371 million dollars.

The ensuing sharp decline in gold and dollar reserves led the Swedish Government to adopt stringent restrictions against imports of United States goods. In 1948 the balance of payments has, on the whole, shown improvement. Most of this improvement is traceable to a 25 percent increase in the value of exports.[1] Although the volume of imports has been reduced, the value has been only a few

[1] It should be noted, however, that this improvement took place almost wholly in the first half of 1948. Total third quarter exports in 1948 were only 4 percent over the third quarter of 1947.

percent below 1947. For the calendar year of 1948 the balance of payments deficit on current account in all currencies is estimated at about 135 million dollars.

TABLE 12.—*Estimated balance of payments in all currencies on current account*

[In millions of dollars]

Period	Nonparticipating countries					Participating countries	
	All areas	United States	Other Western Hemisphere	Sterling area	Other	Sterling area	Other
1947	−427	−363	+8	+27	−61	+54	−92
1948–49	−110	−63	+9	+11	−23	−54	+10
1949–50	−40	−73	+7	+9	+7	−21	+31
1952–53			+35	+37	−50	+1	−22

Source: Swedish program submissions to OEEC with subsequent revisions. Debt service is excluded from balance of payments.

The deficit with dollar areas, which was still large in the first half of 1948, has been very significantly reduced during the second half of 1948, although exact figures are lacking. For the fiscal year 1948–49 the revised over-all balance of payments deficit on current account is apparently estimated, according to Sweden's submission to OEEC and subsequent revisions, at about 110 million dollars, of which 63 million dollars is with the United States. The actual dollar deficit on current and capital account will probably be 75 million dollars, as compared with the dollar assistance recommended by OEEC of 47 million dollars.

The current account deficit with the participating countries other than the sterling area, which was originally put by the Swedish Government at 28 million dollars, is now expected, according to the latest estimates of the Swedish Government, to be converted into a surplus in 1948–49. The actual surplus may be as much as 10 million dollars (25 million dollars if the capital account is included) and Sweden has agreed to extend drawing rights to certain participating countries amounting to 34.8 million dollars as against a receipt of 9.8 million dollars in drawing rights on certain other participating countries. Thus, out of the 46.6 million dollars of ECA aid projected for Sweden during the fiscal year 1949, 25 million dollars will represent conditional aid. The deficit with the participating sterling area will be defrayed out of Sweden's holdings of blocked sterling, which amounted at one time to about 100 million dollars. This deficit with the sterling area has developed largely as the result of Sweden's attempt to shift from the United States to the sterling area as a source of supply. As table 12 indicates, in 1947 Sweden had a surplus of 81 million dollars with the sterling area as a whole.

As indicated before, the deficit in the Swedish balance of payments has been due to four primary factors:

(1) The inflated level of consumption and investments, leading to a very high rate of imports;

(2) Lagging output of timber, and, until recently, relatively low exports of iron ore;

(3) Increased reliance on the United States as a source of imports, at least until 1948, because of limited supplies available elsewhere; and

(4) The sharp decline in sales of wood pulp to the United States.

Of these four factors, the last two bear especially upon Sweden's dollar position. The decline in sales of wood pulp, which will probably be the most important continuing factor in Sweden's trade relations with the dollar area, has been of significance only since the middle of 1948. The first and third factors were the major causes of the deficit in 1947. Whereas in 1938 Sweden drew only 16.2 percent of its imports from the United States, this proportion had risen to 31.2 percent in 1947. At the same time, there was no corresponding increase in exports to the United States, the percentage going to the United States increasing from 9 percent in 1938 to only 10.8 percent in 1947. The table in annex B shows that the value of imports from the dollar area in 1947 was over five times as high as in 1938, while the value of exports was only a little over twice as high. In 1948 there was a reversal of this trend. During the first 9 months of 1948 imports from the United States represented only 14.8 percent of the total, while the proportion of exports going to the United States declined slightly to 9 percent.

G. GOVERNMENT FINANCES

On the whole, the Swedish Government's fiscal policy did not measurably contribute to the deterioration of the Swedish economic situation as reflected in the deficit in the balance of payments. To be sure, it added to consumer purchasing power by reducing income taxes and abolishing the turn-over tax immediately after the war, and still later, by putting into effect additional social-security benefits. While the national debt rose substantially during the war years, as table 13 indicates, it has increased only about 400 million kronor since June 30, 1946. In recent years, the Government's ordinary budget has been overbalanced, the surplus amounting to 450.8 million kronor in the fiscal year 1947, 466.4 million in the fiscal year 1948, and an estimated 499 million in the fiscal year 1949. With the addition of the capital budget, however, there has been an over-all deficit, which totaled a little over 200 million kronor in 1946–47, about 60 million in 1947–48, and an estimated 208 million during 1948–49. The table in annex D

gives a detailed break-down of estimated expenditures and receipts under both the current working budget and the capital investment budget for the fiscal year 1949. The table shows that the Government's budgeted operating expenditures this year total 4,285 million kronor, of which about 60 percent is accounted for by the following items:

	Millions of kronor
Pensions and family allowances	1,340
Military expenditures	771
Interest on national debt	311
Agricultural price subsidies	155
Total	2,577

It is believed that total operating expenditures may exceed the amount newly authorized in this year's budget by about 90 million kronor.

TABLE 13.—*National debt* [1]

[In millions of kronor]

	June 30, 1938	June 30, 1946	June 30, 1947	June 30, 1948	Sept. 30, 1948	Dec. 30, 1948
Funded debt	2,385	9,480	9,373	8,981	8,952	8,944
Floating debt:						
1. Promissory notes held by Riksbank [2]			182	182	182	182
2. Treasury bills	39	550	1,350	1,714	1,439	1,698
3. Loans from State institutions and funds, etc	6	1,165	515	609	616	774
Total	2,430	11,195	11,420	11,486	11,190	11,598

[1] There has been no external debt in recent years, prior to the assumption of dollar obligations under the ERP. The latter began with the opening of a 10 million dollar line of credit by the Export-Import Bank at the end of October 1948.

[2] Notes delivered to the Riksbank by the National Debt Office in order to cover the Riksbank's loss on the krona value of its gold stocks in connection with the exchange revaluation of July 1946.

Source: Swedish Government, Ministry of Finance.

In addition to its operating expenditures, the Government expects to make investments (directly or through the State business enterprises and various State capital funds) totaling as much as 1,044 million kronor, of which 724 million was newly authorized by the Riksdag and 320 million is expected to be spent on the basis of authorizations made in previous years. Loan funds for residential building represent about one-third of the newly authorized investments, and investments in hydroelectric power facilities represent an additional 15 percent.

Total operating and investment expenditures are expected to amount to 5,419 million kronor, which might be financed as follows:

	Millions of kronor
Taxes, fees, and pension contributions	4,697
Earnings of State business enterprises and other State capital funds	514
New borrowing	208
Total	5,419

Since tax receipts will probably exceed expectations and expenditures may be lower, little or no new borrowing may be necessary during the current fiscal year.

H. MONEY, CREDIT, AND PRICES

In general, an increase in the money supply and low rates of interest artificially maintained by the Riksbank's open-market operations, have contributed to the inflationary pressure in Sweden and, to some extent, to the expansion of investment and consumption. These pressures have, however, been countered by rising production and imports as well as by price controls and rationing.

During 1948 prices were between one and one-half and two times the 1938 level while the money supply was over two and one-half times the 1938 volume. There was no net credit expansion on the part of the commercial banks to the private sector of the economy during the first three-quarters of 1948, partly as a result of the voluntary credit restrictions adopted by the banks and in part because of the somewhat lessened demand for credit as a result of the curtailment of building activity, etc. The interest rate on long-term Government 3 percent bonds was maintained in spite of growing criticism and some upward movements in private interest rates. The Government has announced its determination to continue support of interest rates at present levels.

Gold and hard currency reserves continued to fall until July 1948, when the effect of drastic restrictions on imports from the United States became apparent. The exchange rate has remained unchanged. Despite some criticism of the Government's policy, the Government has announced that it does not intend to devalue the krona unilaterally.

1. Money Supply

As is indicated in the following table, total money supply has shown a steady tendency to increase over the postwar period.

TABLE 14.—*Money supply*

[1938=100]

	Currency in circulation	Deposit money	Total
December 1945	268	219	243
December 1946	280	242	260
December 1947	282	264	272
October 1947	266	244	254
October 1948	290	254	271

Source: International Monetary Fund, International Financial Statistics, December 1948.

The 7 percent increase in money supply during 1946 was effected chiefly by the banks through the sale of Government securities to the Riksbank and the subsequent expansion of loans and discounts to the

private sector, which helped to finance the reconstruction program. In 1947 and 1948, total money supply showed only a slight expansion. Certain anti-inflationary measures adopted by the banks and the Government, which went into effect in the latter part of 1948, have not yet been reflected in the volume of money supply.

2. Gold and Hard Currency Reserves

Gold.—Sweden has drawn down her gold holdings very rapidly since the end of the war, as is shown in the following table:

TABLE 15.—*Gold and hard currency reserves*

[In millions of dollars]

	Gold	Dollars	Total
December 1939	308	142	450
December 1945	482	210	692
December 1946	381	173	554
December 1947	105	59	164
June 1948	85	38	123
July 1948	81	48	129
August 1948	81	46	127
September 1948	81	49	130

Source: Federal Reserve Bulletin, December 1948.

At the end of 1945, Sweden had the substantial amount of 482 million dollars worth of gold reserves. Over 20 percent of these holdings were used up in 1946, and by the end of 1947 Sweden had only 105 million dollars left. Deterioration continued during 1948 until July. At the end of October 1948, gold holdings were still at the July level of 81 million dollars.

This rapid depletion of gold reserves made it necessary to revise the note-cover regulations. During 1947 the gold and foreign exchange note cover declined from 66 to 25 percent, while the supply of supplemental domestic note-cover assets increased from 60 to 99 percent of the note circulation. The Government issued two decrees in 1947 to increase the legally authorized proportion of assets other than gold for note cover. In February 1947 the note-issue limit was raised from the level of twice the gold reserves plus 350 million kronor to twice the gold reserve plus 1,400 million kronor. In June 1947 it was further raised to twice the gold reserve plus 2,500 million kronor.

In May 1948 the Riskdag passed a more drastic measure making the maximum limit of the note issue independent of changes in the amount of gold on hand. Effective July 1, 1948, to June 30, 1949, the maximum issue was fixed at 3,200 million kronor. This released all Swedish gold above the prescribed gold-reserve minimum of 150 million kronor for the purchase of foreign exchange.

Hard currency reserves.—Sweden's dollar balances have experienced the same rapid deterioration as gold reserves, as can be seen from the table above. From a high of 210 million dollars at the end of 1945,

dollar assets fell to a low of 38 million dollars in June 1948, representing a loss of over 80 percent. There was a substantial increase in the third quarter of 1948 which can be attributed to seasonal factors and a drastic cut in imports from the United States.

3. Exchange Rate

In July 1946 Sweden revalued the krona from a rate of 4.2 kronor per dollar to 3.6 kronor per dollar. The Government felt that this would protect the Swedish price level against the impact of inflated United States prices and generally help to make the Swedish economy more immune to economic fluctuations in the United States.

4. Credit and Interest Rates

The Riksbank's rediscount rate was set at 2 percent in February, 1945, and the official market rates have since remained unchanged. The Government has adhered firmly to its "easy money" policy by open market purchases of bonds by the Riksbank. Thus in 1947 the Riksbank's bond holdings showed a net increase of 958 million kronor, and in the first 11 months of 1948 there was a further rise of 558 million kronor. Most of these securities were purchased from individual holders, banks, and other financial institutions. These purchases counteracted the tightening of the money market which would otherwise have been the inevitable result of the Riksbank's losses of gold and foreign exchange. In December 1948 the governor of the Riksbank resigned in protest against the continuation of the "open market" operations, claiming that there should be an increase in interest rates to bring about a retrenchment in investments and an increase in savings. The Government, however, has so far shown no indication of changing its policy.

Nevertheless, there has been a continuous upward pressure on the level of interest rates. As a consequence of a strong demand for money in Sweden in 1947, adjustments were made in certain private rates. Thus, for example, the commercial banks gradually raised the call-money rates from 0.5 percent to 1.5 percent on loans subject to 1 day's notice and from 1 percent to 2 percent on loans subject to 10 day's notice. In the beginning of 1947, the National Debt Office issued 3-month Treasury bills at a discount of 0.75 percent on Riksbank loans against 6-month bills.

Similar upward adjustments were made in 1948. Thus the discount rate for 2-month Treasury bills was raised in August from 1 percent to 1½ percent, and in July the rates for interbank loans were raised. Furthermore, although the Riksbank continues to buy long-term Government 3 percent bonds at an unchanged rate of 99.75 percent, it ceased to support certain other bonds, such as those of the Swedish Mortgage Bank and the City Mortgage Bank, both of which are included in the Riksbank assets serving as note cover.

In spite of these increases, administrative measures rather than market rates have been relied upon to keep back credit expansion. In the early part of September 1947 the Riksbank recommended to all banks that they adopt a more restrictive credit policy. Apparently these voluntary controls have had some effect. There was a marked decline in commercial bank loans in the final quarter of 1947 after a large expansion during the first three quarters. This decline was the first serious interruption observed in the postwar expansion of such credit. Beginning in March 1948, there was a noticeable increase in commercial bank advances, but since that time a certain measure of stabilization has been achieved, the aggregate figure having remained for some months around 8 billion kronor. To some extent this stabilization seems to be due to the restrictive credit policy, but there is probably also less demand for credit owing to the curtailment of building activities.

While short-term credits to the private sector of the economy were more or less stabilized during 1948, holdings of Government securities were increased by both the central and the commercial banks. The Riksbank holdings of Government securities increased from about 2,700 million kronor at the end of 1947 to almost 3,000 million kronor at the end of the third quarter of 1948. The effect of this increase on the money supply was compensated for, however, by the sale of 300 million kronor worth of gold and foreign exchange assets in the same period. The commercial banks also increased their holdings of Swedish bonds and Treasury bills, from 533 million kronor at the end of 1947 to 806 million kronor at the end of August 1948. Advances by the commercial banks to the private sector showed a slight decline in the same period, so that the only inflationary pressure generated by the banking system was chiefly by way of increased holdings of Government securities and not by expansion of loans to the private sector of the economy.

5. Prices

To combat inflation, a rather rigid control over prices has been maintained in Sweden as is shown in the following table.

Both the index of wholesale prices and that of the cost of living indicate that prices rose less than 10 percent during 1948. As compared

TABLE 16.—*Price indexes*

[1938=100]

	Wholesale	Cost of living
December 1945	175	142
December 1946	168	143
December 1947	180	147
October 1948	195	157

Source: *Kommersiella meddelanden*, November 1948.

with 1938, prices are between 1½ and 2 times as high, while money supply is over 2½ times as high, but since output has also increased over the 1938 level, it appears that only a slight "inflationary gap" exists.

Price control has been supplemented by rationing of such items as meat, fats, sugar, oil for residential heating, and gasoline. Price and rationing regulations are generally strictly observed. Black markets virtually do not exist in Sweden, the only exceptions being a very limited black market in meat, gasoline, and dollar currency.

Chapter II. Basic Problems

The central task of Sweden is to increase the resources available for consumption, investment, and exports without expanding imports and to devote a greater proportion of these resources to exports, while at the same time avoiding the danger of inflation. Only if this task is successfully performed can the balance of international payments be reestablished.

As has been pointed out elsewhere, the over-all balance of international payments has already shown a decided improvement since 1947, largely as the result of a continuing expansion of exports, and the size of the dollar deficit has been reduced to more manageable proportions by a very substantial cut in imports from the United States.

There is an increasing awareness in Sweden of the necessity of further corrective measures. After the Parliamentary elections in the fall of 1948, the Swedish Social Democratic Government announced on October 29 an eight-point economic program which can be summarized as follows:

(1) A balance between exports and imports should be achieved by increasing the proportion of the Swedish output that is exported.

(2) Priority will be given to exports in the granting of industrial and residential building permits, the allocation of import licenses, the distribution of controlled commodities, and the extension of credits.

(3) Production must be increased and proper scope given to investments in fields showing the highest productivity.

(4) There must be close cooperation between, and a concerted effort by, both Government authorities and all groups of the community, including industry and labor, to bring about the necessary increase in production and exports.

(5) While the above policies may lead to increases in the standard of living in the long run, the immediate situation necessitates a reduction of consumption.

(6) The volume of investments must be kept within the amount of savings, and less necessary investments must be curtailed by selective restriction of credit, through close cooperation between the Riksbank and the various credit institutions, but without raising the interest rate.

(7) Great restraint is required in public investments which have the effect of further increasing the domestic standard of living, and great economy must be observed in public expenditures. The overbalancing of the state budget (i. e., the current working budget) must be maintained, at least at the present level.

(8) The program requires a stabilization of prices and money incomes, and the sacrifices entailed in such stabilization will be the common contribution to the strenuous efforts which must be made to lay a foundation for continued economic progress.

At the same time, the Social Democratic Cabinet was reconstituted, and a special minister without portfolio was assigned the primary responsibility of executing the above program.

Much will depend on the vigor and thoroughness with which this program is implemented. The nature and possible solutions of the task confronting the Government can be more clearly understood by examining its various facets: (1) consumption, (2) investment, (3) imports, and (4) production and exports.

A. CAN CONSUMPTION BE REDUCED?

The possibility of realizing an immediate and significant reduction in consumption appears to be small, although the Swedish Government has taken steps to prevent an increase. In pursuance of its eight-point program, the Government requested the two chief labor organizations to consent to a continuation of wage agreements without any wage increases in 1949. The general council of the Confederation of Trade Unions, representing about 900,000 workers, agreed to make such a recommendation to its affiliated unions on November 11; the council of the Central Organization of Salaried Employees, representing the so-called white-collar workers, followed suit on December 11, 1948. That the top leadership of the labor movement is aware of the necessities of the current situation is indicated by the words in which the general council of the confederation couched its recommendation:

> It is impossible to build a Swedish island of prosperity amidst an ocean of political insecurity and economic misery * * *. Under the present conditions the standard of living cannot be raised by further money wage increases but only by increased production. Unfortunately, we have been increasing our consumption more speedily than we have been able to increase our production. It will presumably prove most difficult to maintain the present living standard of the great mass of the people during the coming year since an import cut of approximately 1 billion kronor over 1947 will be necessary.
>
> Swedish trade-unionism cannot ignore the gravity of the situation, and it cannot reject the Government's invitation to collaborate in its stabilization program. In following this invitation we presuppose that the new price-control regulations will prove effective and will allow a stable price and rent level. Moreover, Government measures should be taken to stabilize not only wages but

also all other incomes. In addition, we hope that 3 weeks' vacation will be introduced as soon as the national economic equilibrium permits.

On these grounds the general council recommends that the unions extend their current collective-bargaining agreements without alterations. It is realized that alterations might be justified in special cases, but any exception would counteract the objectives of economic stabilization.

The unions affiliated with these two labor organizations have generally agreed, with a few minor exceptions, to follow this recommendation of a virtual wage freeze.

While there is, therefore, an assurance that consumer purchasing power will not increase, there is no indication that there will be a substantial reduction in actual consumer expenditure. Although the Government has indicated the necessity for a reduction in consumption in the period immediately ahead, it is obviously difficult for it, on general political grounds, to bring about a significant decline in the standard of living especially since, as a Social Democratic government, it is dependent upon the labor movement for continued support. As already indicated, some qualitative decline in the standard of living is probably taking place, and it is possible that this decline may contine as stocks of imported goods are exhausted. In conservative circles there has been a demand for increases in indirect taxes, particularly in the form of a general turn-over tax which would discourage consumption, but there is a possibility that the wage freeze will not be maintained if increased taxes significantly raise the cost of living. (Indirect taxes are included in the cost-of-living index.) There is one possibilty of decreasing consumption, and that is to increase individual savings. A voluntary reduction of consumption might be brought about if people could be induced by a well-advertised campaign to save more and if the incentives toward increased savings could be offered. Some critics of the Government believe that an increase in interest rates might be helpful in this direction. At the same time, it must be admitted that with the tendency toward equalization of incomes, which has been discernible in many European countries during the past decade, the average proportion of income saved has inevitably tended to fall. Thus, there has been a greater reliance upon corporate savings rather than upon individual savings. Despite the undoubted difficulties of reducing consumer expenditures, such a reduction may have to be brought about if Sweden is to balance its international accounts.

B. SELECTIVE REDUCTION IN INVESTMENTS

The basic problem with respect to Sweden's investment program is that insufficient resources have been devoted to an expansion of the export industries. In view of the country's external difficulties, a

disproportionately large share of investment activity has been directed into housing construction and the expansion of industries to produce consumer goods for the home market. This has required not only a large volume of resources in foreign exchange, but also a large share of available manpower.

The Government has already taken steps to reduce less essential construction activity by its control over building permits. It is obvious, however, that some control will also have to be exercised over investments in fields other than building. Thus, applications for licenses to import raw materials and capital goods will have to be carefully scrutinized to give preference to those which are directly related to the drive to expand exports. Ways and means must be found, through close cooperation of the Government and financial institutions, to bring about a contraction of credit facilities to less essential industries and to make sure that credit is available to industries directly contributing to the export program. A selective control of investments, rather than a brake on investments in general, would appear to be desirable.

C. ADDITIONAL CUTS IN IMPORTS

Although the Government expressed its determination in the eight-point program to bring about a balanced trade by the expansion of exports rather than by a contraction of imports, it has already found it necessary to announce a further reduction in imports. On December 4, 1948, it made known a foreign trade plan for 1949 which contemplated a reduction of imports sufficient to bring Sweden's total external payment obligations in line with its expected proceeds from exports, as well as other resources such as ECA aid and accumulated sterling balances. Total imports of goods and services for the calendar year 1949 are to be reduced to 4,200 million kronor as compared with an estimated total of 4,800 million kronor in 1948. Dollar imports are to be slashed to 500 million kronor as compared with a total of approximately 850 million in 1948, 1,700 million in 1947 and 2,800 million in 1946. Imports of iron and steel are to be reduced by 100,000 tons, a loss which is to be offset by increased domestic production as well as a decline in the amount used for construction. Reductions in imports of machinery and motor vehicles are also to take place. Imports of textiles are to be further reduced, but more textile raw materials are to be imported, so that the textile supply will remain about the same.

It remains to be seen whether this reduction in imports can be brought about or, if it is realized, what consequences it will have upon Swedish industry. Selective reductions in imports, particularly under the present conditions of bilateralized trade, are difficult to effect.

Most countries can buy essential imports from others only if they are willing to take a certain proportion of less essential goods. Domestic political pressures, rather than purely economic considerations, also tend to determine to some extent the character of the projected reductions. Thus, in the case of the projected import program for 1949, there might be greater economic justification for reducing the combined volume of textiles and textile raw materials than the amount of machinery. It remains to be seen whether the import program is drawn up in such a way as to meet the needs of Swedish export industries for in the past there have been some complaints by Swedish exporters that they were being handicapped by shortages of steel, nonferrous metals, and spare parts.

D. INCREASED PRODUCTION FOR EXPORT

The problem of exports is in large part the problem of increased production. In the past exports of forest products have accounted for one-third to one-half of the total value of Swedish exports, while exports of minerals and metals have accounted for about one-third of foreign sales. As already indicated, one reason for the lag in exports has been the relatively low output of the timber industry.

There has been a steady decrease in the amount of timber cut. Table 17 shows the total amount of timber cut in recent years, the amount used as fuel, and the balance left for the forest products industry.

TABLE 17.—*Timber supply*

[In millions of cubic meters]

Years	Timber cut	Used as fuel	Available for forest products industry
1943	62.3	30.3	32.0
1945	59.2	40.0	19.0
1947	46.0	17.0	29.0
1948	37.0	9.3	27.7

The Swedish Government intends in the future to rely less heavily on the forest industry for exports in favor of greater emphasis on the development of the engineering industries. The determination to bring about this change in the structure of the Swedish economy rests upon the conviction that there has been serious overcutting of Swedish forests in the past. Thus, the Swedish Government plans to keep timber output relatively low and to maintain the supply of raw materials in the forest products industry primarily through reduced consumption of firewood.

There appears to be a difference of opinion as to whether Swedish forests are actually being overcut. Until recently Swedish official fig-

ures seemed to indicate that the annual growth of timber was in the neighborhood of 46 to 48 million cubic meters per year. While it may not be possible to continue annual cutting at this rate indefinitely, it is questionable whether it is wise at this particular juncture to plan for a reduced output of timber before the engineering industries are in a position to fill the deficit in the balance of payments left by the relatively poor record of production and export of timber and timber products.

This is all the more true because figures compiled by OEEC indicate that the supply of timber and timber products within the participating countries will continue to fall substantially short of the demand. Furthermore, the participating countries plan substantial purchases of paper pulp, dissolving pulp, paper, and paperboard from the Western Hemisphere in 1948–49 and 1949–50. While some of these purchases may not readily be diverted from the Western Hemisphere to the participating countries, there should be ample opportunity to market more timber products within the participating countries. The 4-year programs submitted by the participating countries to OEEC show even a greater need for imports of timber and timber products in 1952–53 than in the immediate future.

In the light of these factors, vigorous efforts to increase the timber cut and the supply of raw materials to the timber products industry seem to be necessary, at least temporarily. In the present emergency Sweden cannot afford to neglect any opportunity to raise exports. To increase the timber cut, difficulties in labor supply and, to some extent, shortages of equipment will have to be overcome. Under the present conditions of full employment special incentives will probably have to be given to attract labor to the timber industry. It may also be necessary to increase the prices paid to independent timber owners by the forest products industry, because the present relatively low prices have apparently been a factor in the low output. The cost of such incentives might be more than offset by the lower unit costs resulting from higher capacity utilization of the pulp mills, and thus partly offset the necessary reduction in prices of Swedish pulp abroad.

In the production of iron ore, another major Swedish export, considerable progress has been made recently. It is now possible to say, as a result of the production achieved during the first 9 months of 1948, that the output in the fiscal year 1949 will reach approximately 14 million tons as compared with an average of 14.2 million tons in the years 1937, 1938, and 1939. However, since domestic consumption of iron ore has increased substantially, a greater output will be necessary to reach the prewar rate of export. Such an increase in export is desirable, not simply from the point of view of improving the Swedish balance of payments, but also from that of over-all European recovery, since there is expected to be a continued shortage of high-grade iron

ores. An increase in output of as much as 25 percent might be achieved by full utilization of all available facilities, the provision of incentives to workers to work longer and more efficiently, and other measures of this type. Still further increases, say to 50 percent above prewar levels, would require major capital investments. Additional tunnels may have to be driven into the ore pile at Kiruna. Much more equipment—such as crushers, shovels, and conveyors—will have to be bought and more houses built for additional workers.

An increase in the production of the major export items will probably be of greatest help to the export program. At the same time, other measures are necessary. It is obvious that in the future there will have to be a more effective system of priorities for investment in productive plant and housing and for use of raw materials in such a way as to maximize exports. There may need to be a reconsideration of the present labor policy to make it possible to attract additional labor to the export industries.

The primary problem is to increase exports to the dollar area. In view of the fact that Sweden can probably never recapture fully the share of the American pulp market it used to enjoy, exports of other products will have to be pushed vigorously. It may well be possible to expand the sale of prefabricated houses, furniture, high quality glassware, wallboard, milk separators, tools, special steels, surgical instruments, and the like. In many cases a careful study of American market techniques and requirements will need to be made before an expansion of exports can be realized.

To provide some incentive to export to the dollar market, the Swedish Government inaugurated in October 1948 a scheme enabling Swedish exporters of specified products to retain their dollar exchange proceeds for the purpose of importing a limited list of necessities. This plan, however, was not applied to the principal Swedish exports, namely, pulp, newsprint, paper, and iron ore, and its effects are therefore unlikely to be very significant.

E. PRICES AND THE EXCHANGE RATE

Theoretically, either direct or indirect means of bringing about the desired export rise to dollar areas could be adopted. Among the direct methods would be the use of export licensing to channel exports to some extent away from more profitable non-dollar markets and the imposition on certain industries of export quotas, the fulfillment of which would be enforced by Government control over building permits, import licenses, allocation of materials, etc. Such direct methods have the obvious disadvantage of requiring more rather than less Government intervention in the economy.

Some critics of the Government believe a more satisfactory means

of accomplishing the same purpose would be to devalue the Swedish krona, particularly in relation to the dollar. Devaluation would, of course, have the effect of increasing the krona costs of imports and decreasing the price of Swedish exports in terms of dollar exchange. The increased cost of imports would probably not produce a significant contraction of imports from dollar areas, since these have already been cut severely. Imports from other areas probably would decline insofar as the krona was also devalued in relation to currencies other than the dollar, unless the increased cost of imports was offset by increases in wages and salaries, reductions in taxes, and the like. The impact of higher import prices on the cost of living would be minimized by the fact that rents and, in large measure, food prices would not be affected and that even the bulk of other consumer goods are manufactured primarily from domestic raw materials.

Proponents of a devaluation believe that such action should make it possible for Swedish pulp exporters to match current pulp prices on the American market. It is conceivable that American producers would cut their prices still further, in which case Swedish reductions, going beyond those resulting from a devaluation of the krona, might become necessary. Supporters of devaluation contend, however, that pulp prices may never become fully competitive unless the krona is depreciated, and that devaluation might also assist in the marketing of highly processed timber products, particularly prefabricated houses and furniture, sales of which have been restricted by high Swedish prices. With respect to other products, it might be possible for Swedish producers, after devaluation, to obtain a higher krona price for their products abroad, even after allowing for some reduction in prices in terms of foreign exchange. In this way an incentive to export would be provided.

If the krona were devalued in relation to the dollar to a greater degree than in relation to other currencies, it might have a significant effect upon the direction of exports, as well as upon the total volume, by making the krona yield of exports to the dollar areas relatively higher. At present, sales to non-dollar areas are generally more profitable to exporters in terms of krona proceeds than exports to dollar markets, because competition is less keen in non-dollar markets and prices can therefore be higher. It is obvious, however, that if the Swedish krona were the only European currency to be adjusted, it would have to be devalued uniformly in relation to both the dollar and other currencies unless "disorderly cross-rates" were introduced. Only a more or less simultaneous adjustment of a number of European currencies would therefore make it possible to devalue the krona more in relation to the dollar than to other currencies.

F. THE DANGER OF INFLATION

If the Swedish Government is successful in increasing exports and reducing the deficit in the balance of payments, it is obvious that an "inflationary gap" in the economy might result unless appropriate measures were taken to prevent the development of a possible disparity between available domestic purchasing power and the supply of goods and services. An effort to achieve external balance by increasing exports may even require an increase in some wage rates in order to attract sufficient manpower to the export industries involved. To the extent that it proves necessary to reduce imports of consumer goods, the supply of commodities available for home consumption will be diminished.

If such developments were not offset by increased production for the home market, they would have to be counteracted by fiscal and credit policies. It might be necessary to increase taxation in order to offset the higher money incomes resulting from the export drive, and bank credits for the expansion of nonessential industries and for housing might have to be further restricted. The combined budget of the Government not only may have to be balanced, but even overbalanced and the excess of receipts over expenditures sterilized in some way so as to permit the net absorption of at least a part of the excess purchasing power. What cannot be achieved through fiscal policy may have to be achieved so far as possible through an intensification of the savings campaign.

The resignation in December 1948 of the Governor of the Riksbank, Ivar Rooth, serves to emphasize the importance of this problem and the difficulty of reaching agreement as to the method of attack. This conflict of views helps to illustrate the difficulties encountered in trying to guide the economy into channels leading toward a recovery of the external balance, while at the same time trying to maintain internal equilibrium. It carries the suggestion that perhaps greater publicity efforts are required to educate the public on the necessity for accepting a somewhat more austere standard of living during the next few years.

Chapter III. The Long-Term Program (1952–53)

A. INTRODUCTION

In the 4-year program submitted to the OEEC the Swedish Government has outlined production and import and export targets, the achievement of which would permit a balance of Sweden's dollar transactions as well as its transactions in all currencies. In general, imports are to be limited to their present level and exports of goods and services are to be expanded. There is to be less reliance on the staples—timber and wood pulp—and greater reliance on more highly processed wood products and increased output of the iron and steel, engineering and electrotechnical industries. Hydroelectric power capacity is to be increased to permit an expansion of the industrial base of the Swedish economy.

B. DESCRIPTION OF THE PROGRAM

1. Projected Use of Resources

As compared with 1947, the Government has projected for 1952–53: a reduction of imports, partly offset by increased domestic production; substantially increased exports; a diminution of gross investments; and some increase in consumption. A reduction of nearly 8

TABLE 18.—*Estimates of total demand and supply, 1947 and 1952–53*

[In millions of kronor]

	At 1947 prices		Percentage change
	1947	1952–53	
Supply:			
Gross national product at market prices	24,700	26,802	+9
Imports f. o. b	4,619	4,259	−8
Total supply	29,319	31,061	+6
Demand:			
Gross investments	6,860	6,552	−4
Exports of goods and net exports of services (exclusive of kronor freights on exports)	3,179	4,259	+34
Consumption	18,780	20,250	+8
Increase of inventories	500	----------	−100
Total demand	29,319	31,061	+6

Source: The Long-Term Programme of Sweden, table 7, as prepared by the Swedish Government for the OEEC, October 1948, and slightly revised in the light of altered estimates of national accounts for 1947.

percent in imports, combined with an increase of approximately 9 percent in the gross national product at market prices, means that the total supply of goods and services available to the economy will be increased by only 6 percent.

The Swedish long-term program as submitted to OEEC contemplates some increase in consumption by 1952–53, although it will be kept stable in the immediate future. Total consumption is expected to be 8 percent higher in 1952–53 than in 1947, but this represents only a 5 percent per capita increase when the figures are adjusted for the anticipated increase in population. Consumption per capita is not expected to increase as much as production. While total consumption will constitute about the same proportion of total demand in 1952–53 as in 1938, the estimated rise in consumption will require 1,470 million kronor out of the total increase of 1,742 million in available supplies of goods and services.

Investments in 1952–53 must be smaller than in 1947 to make possible this increase in consumption and an increase in exports sufficient to balance Sweden's international accounts. The total decrease in investment is projected at 808 million kronor. Of this amount, 500 million kronor is based on the assumption that inventories will have been rebuilt before 1952–53. The balance represents a decline in housing and certain heavy industries. Even in 1952–53 Sweden plans larger investments for certain export industries than were made in 1947.

Sweden is planning a net increase in exports and in receipts for services of 34 percent above the 1947 level. In terms of goods exports alone, Sweden is planning on total receipts of 4,058 million kronor (f. o. b.), which would represent a gain of 25 percent in volume over exports in 1947 (table 19). Even this volume of exports will fall some-

TABLE 19.—*Estimated foreign trade 1952–53*

[In millions of kronor]

Commodity group [1] or area	Imports (c. i. f.)	Exports (f. o. b.)
Total	4,830.5	4,057.9
1. Foodstuffs	837.0	113.0
2. Minerals (ore and fuel)	884.0	757.4
4. Forest products		1,910.9
5. Textiles and footwear	632.9	46.8
6. Metals	447.1	
7. Machinery	771.1	805.0
9. "Other goods," including chemicals, and transportation equipment other than trucks	1,257.5	424.8
Total	4,830.5	4,057.9
ERP countries	2,584.4	2,221.6
Dollar area	670.7	548.6
South America	568.4	571.3
Other, including eastern Europe	1,006.9	716.4

[1] Numbers correspond to groups used in break-down of import trade data.

Source: The Long-Term Program of Sweden.

what short of the prewar (1936–38 average) level. Exports to ERP countries are expected to total 2,222 million kronor, a gain of 20 percent over 1947. Exports to North and Central America, estimated at 549 million kronor, would be one-third greater than in 1947; and those to South America, projected at 571 million kronor, would represent a gain over 1947 of nearly one-half. Exports to "other" areas, forecast at 716 million kronor, would be approximately one-quarter higher than in 1947.

On a commodity basis (where comparisons cannot be considered precise because of differences in classifications used in the forecasts as compared to recorded trade) exports of forest products in 1952–53 are forecast at 1,911 million kronor, a gain of 10 percent as compared to 1947. This is partly due to increased export of more fully manufactured forest products. The total increase in paper and cardboard exports, for example, is expected to amount to about 130,000 tons. By curtailing domestic use of timber, exports are to rise to 600,000 standards as compared with 433,000 in 1947 and an estimated 500,000 in 1949. The value of forest products, according to the program, would represent 47 percent of expected total exports, a proportion slightly smaller than has prevailed in the recent past.

Machinery exports, forecast at 805 million kronor, would represent a gain of 40 percent over the 1947 level, reflecting the great stress laid in the long-term program on increased production and export of mechanical goods. A substantial gain is also projected in the case of ores and metals, chiefly iron ore and steel, the export of which in 1952–53 is placed at 757 million kronor, a gain of about 80 percent over 1947. This estimate reflects the emphasis given in the investment program to the enlargement of the steel industry and the planned concentration on more fully manufactured steel goods.

2. Estimated Available Resources

(*a*) *Production.*—Gross national product (at market prices) is expected to increase about 9 percent—from 24,700 million kronor in 1947 to 26,802 million in 1952–53.

Because of a growing conviction that Sweden's virgin timber resources are becoming exhausted, the Swedish Government plans to restrict the output of forest products in the future. While the long-term program provides for no increase in the cutting of timber, Sweden is planning to increase its paper mill capacity by 100,000 tons.

Iron ore resources have been proved in the Kiruna area which should last 100 to 150 years at the present rate of use. The long-term program projects exports at a very conservative rate, in the vicinity of 13 million tons annually. In 1937, exports of iron ore were almost 15 million tons. Since the rate of production at the present time is in the neighborhood of an annual rate of 14 million tons and domestic con-

sumption takes only a small proportion of the output, there is no reason to doubt that the target can be met. In fact, it is possible that Sweden could produce 20 to 25 percent more than this target.

The long-term program envisages a substantial increase in the production of pig iron—from 693,000 tons annually to 1,200,000 tons in 1952–53—and in the production of rolled iron and steel—from 837,900 tons annually to 1,400,000 tons in 1952–53. This expansion seems reasonable.

There will also be a substantial increase in the production of the engineering industries (machinery, etc.), which will enable exports to be increased from 138 million dollars in 1947 to 224 million dollars in 1952–53.

During the long-term program 400 million dollars will be invested in a major expansion of the electrical production capacity of the country from 15,000 million kilowatts in 1947 to 21,000 million kilowatts in 1953. Without this additional electric power a large part of the increase in production in the steel and engineering industries would not be possible.

Because the labor supply will remain relatively constant, the increase in industrial production must result from technological improvements, shifting of labor, and the consequent increase of labor productivity. According to the Industviensutrednings Institutet, there has been increased employment in the manufacture of export products; the number of hours devoted to the production of exports was about 6 percent higher in October 1948 than in October 1947.

The aim of Sweden's 4-year agricultural program is to increase total farm production by 8½ percent from 1947 to 1952–53. This refers to a basic advance, assuming normal growing conditions. It represents a projection of the agricultural policy and program which were enacted by Parliament and put into effect July 1, 1948, after several years of study by the Government.

The prospects of achieving the 4-year objective are favorable, assuming that the fertilizer, farm tractors, and related machinery required for the program are available. The application of all commercial fertilizers in 1947–48 was about 35 percent larger than in 1938–39; nitrates increased 27 percent, phosphates 37 percent, and potash 48 percent above the prewar period.

Mechanization in agriculture is advancing rapidly, especially considering the large number of small farms. Of Sweden's 400,000 farms, only about 93,000 have 25 acres or more of cultivated land but they include approximately two-thirds of such land. The number of tractors in use in agriculture increased from about 20,000 in 1939 to approximately 43,000 by the end of 1948. This has helped materially in meeting the labor shortage in agriculture, to reduce the

number of horses, and to release agricultural land previously devoted to the support of draft animals. The additional mechanization contemplated in the 4-year program should release enough land to compensate for the increase in population.

(*b*) *Imports.*—By 1952–53 Sweden expects total imports to be valued at 4,259 million kronor (f. o. b., 1947 prices), a decrease of 8 percent from the value of imports in the peak year of 1947, but about equal to the present total. Adjusted to 1938 prices, this would mean that the 1952–53 import level would be 20 percent above the 1936–38 average.

On an area basis, imports from ERP countries are expected to total 2,584 million kronor, c. i. f., a gain of 23 percent as compared to 1947. Imports from North and Central America, involving dollars, are expected to total 671 million kronor, a decline of no less than 68 percent as compared to 1947. Imports from South America, estimated at 568 million kronor, would represent a gain of 14 percent over 1947. Imports from "other" nonparticipating countries, including Eastern Europe, are expected to total 1,007 million kronor, a gain of 48 percent. This last clearly contemplates continued reliance upon Poland as Sweden's chief source of steam coal. It also appears to contemplate a deficit in non-ERP and non-Western Hemisphere trade somewhat larger than has hitherto prevailed, presumably partly accounted for by payment in goods for Swedish property which has become state-owned in Eastern Europe.

As to the composition of the imports projected for 1952–53, the OEEC category "other goods"—chemicals, transportation equipment, and miscellaneous industrial materials—is expected to total 1,258 million kronor. In the case of minerals and fuel, it appears that imports in 1952–53 of 885 million kronor represent an increase of less than 10 percent and thus reflect the planned increased reliance of industry upon hydroelectric power. Imports of textiles and related products, forecast at 633 million kronor in 1952–53, represent a decrease of 42 percent from the value in 1947 (insofar as comparable), indicating plans for lessened importation of finished textiles in favor of textile raw materials.

Imports of machinery, including transport equipment, are expected to total 771 million kronor as against 817 million kronor in 1947, a decline of about 5 percent. In the case of metals, imports of 447 million kronor represent a decrease of 37 percent, as a result of the planned increase in domestic steel supplies. Foodstuff imports at 837 million kronor are nearly 30 percent lower than in 1947—a bad crop year—and also lower than in 1946; the projection takes into account the planned increase in efficiency and output of Swedish agriculture.

3. External Balance of Payments

(a) *Over-all.*—Sweden's program contemplates accomplishing an over-all balance on current account by 1952–53 principally by the maintenance of imports at present levels, which are lower than the 1947 levels discussed in earlier comparisons, and by an expansion of exports of goods and net exports of services, amounting to a 34 percent increase above the 1947 level and about 18 percent above the level the ECA estimates to be possible in 1948–49 (see tables 18 and 20). Compared to prewar levels, these objectives are not unreasonable. These objectives are not likely to be reached unless in the intervening period there is an adjustment in Swedish prices which will make Swedish goods fully competitive on the world market. Expansion of income from invisibles beyond the indicated net of 56 million dollars in 1952–53 does not appear practicable. This represents a substantial change from the 34 million dollar deficit in 1947.

(*b*) *With other participating countries.*—Sweden plans a substantial growth of trade with the nonsterling ERP countries. In the immediate future, this area is counted on as a source of earnings. However, as shown in table 12, Sweden ultimately plans a return to a deficit position with these countries. The favorable position forecast for the next year appears attainable in view of the vitally needed products Sweden can supply. The results of the three initial intra-European clearings show Sweden to be a creditor on intra-European account, exclusive of the sterling area, and it appears probable that Sweden will emerge in the net creditor position as forecast. The shift to a deficit in the payments balance with these countries at the end of the program does not result from any reduction of exports to them but from greater reliance on them as a source of imports as their recovery progresses. The participating sterling area, on the other hand, is regarded as a substantial source of imports in the immediate future and significant deficits are expected. By the end of the recovery period a balancing of trade with this area is scheduled. This means Sweden will not recapture the surplus position vis-à-vis the United Kingdom held in prewar years. However, the accomplishment of a balance on current account does not seem too formidable an objective. In this connection it should be noted that the 1952–53 goal for exports is below the rate already achieved, and the restriction of imports to this level would result in a substantial decline in trade.

(*c*) *With nonparticipating non-dollar countries.*—Sweden ultimately plans a growth of its surplus with the nonparticipating sterling area. Together with a surplus with South America, this favorable balance will be needed to finance the deficit with other nonparticipating countries and a small deficit with participating countries other than the sterling area. The feasibility of earning such

surpluses will be determined largely on the basis of Sweden's ability to meet price competition on the products of its 'new" export industries.

(*d*) *With the dollar area.*—Sweden contemplates attaining balanced trade with the dollar area by continued restriction of imports from North America and some growth of exports. Such restriction has already succeeded in drastically curtailing imports from this area. To reach the levels forecast as necessary to the achievement of balanced trade with the dollar area at the end of the recovery period, however, imports must be reduced still further. Such reductions appear practicable, but they will require Sweden to look to other areas to maintain the flow of imports at the levels necessary to preserve Swedish productive capacity. Exceptional measures may be required to accomplish the contemplated expansion of exports. Added to the difficulties Sweden is encountering in meeting price competition in the pulp market, is the complication of a lack of incentive for Swedish exporters to shift exports to dollar markets from soft currency areas where higher prices may be obtained.

4. The Projected Internal Balance

The long-term program recognizes the problem of accomplishing internal balance, which arises because the contemplated expansion of exports will not permit an increase in the standard of living commensurate with the rise in gross national product.

The measures outlined for coping with this problem over the period of the long-term program are not delineated in sufficient detail to permit a satisfactory appraisal of their adequacy. They basically follow the eight-point program announced by the Government on October 29, 1948, which has already been treated elsewhere in this report. In general, Sweden plans to continue the policy of stabilizing wages and prices. To protect the price level, restrictions on investment in building and construction are being continued. Particular mention is made of a restrictive credit policy. It is stated that the Swedish Government will pursue vigorously its present policy of limiting public expenditures and overbalancing the current budget. (In this connection it should be noted, however, that the changes introduced in the Swedish fiscal structure since the war have in general been in the direction of increasing the pressure of purchasing power on supply. The tax reductions have been thus affording relief to lower-income groups and increased expenditures have been made for social welfare purposes.) In the future, reliance will also be placed on a voluntary savings campaign. If such an expansion of voluntary savings does not materialize, as may well prove to be the case, increased savings may have to be achieved through fiscal means.

The imposition of direct controls on construction and other investment activity may help to achieve a balance between saving and investment. The plan states that it may be necessary to continue rationing certain important items, such as meat and sugar, until the end of the recovery period. If the voluntary savings campaign should prove to be unsuccessful, it may be necessary for Sweden to widen the use of direct controls, such as rationing, rather than to reduce their scope. Such a development would probably encounter formidable obstacles in a country which in the past has been reluctant to resort to extensive use of direct controls.

C. CRITIQUE OF THE PROGRAM

The long-term program of Sweden is a summary of production targets.

The basic industrial production goals of the long-term program appear to be reasonable. As a matter of fact, they are quite conservative if the Government will provide incentives to divert sufficient resources to the export market. Also, imports of fuel, raw materials, and machinery will be required, which will involve ECA financing of a comparatively small and diminishing dollar deficit.

The projected 8.5-percent increase in agricultural production appears modest.

Execution of the long-term program as drawn up would serve to restore Sweden's international economic balance by 1953, providing: (1) that the terms of trade do not turn markedly against Sweden, (2) that markets can be found for the new export capacity, and (3) that internal economic and fiscal policy will be conducive to increased production and exports.

The problem of finding markets requires that Sweden be prepared to act to meet competition, i. e., not be restricted by insistence upon internal stabilization to the detriment of the export program. The over-all export target is not overambitious, but it is clear that the sharp increase in exports to the Western Hemisphere will be achieved only if Swedish export prices can be lowered sufficiently to meet increased competition in the American market. Actually the program as developed is probably inadequate to maintain projected investments and consumption, because it appears likely that the export goals cannot be reached without an adverse shift in the terms of trade but the required additional volume of exports does not seem to have been specifically provided for in the program. The long-term program report does point out that much effort is needed in developing Western Hemisphere markets; i. e., market surveys, the establishment of sales outlets, and advertising.

While the long-term-program report does not indicate whether Sweden's international accounts in the years between 1949–50 and 1952–53 are expected to show an over-all deficit or a dollar deficit, it is clear that Sweden will have to plan henceforth to balance its over-all payments with other countries and to reduce progressively its dollar deficit. As already indicated elsewhere, it may have to rely more heavily in the intervening period on increased production and export of timber and wood pulp than it contemplates in the long run.

The program is well balanced in the sense that it touches on all aspects of the economy and sets up definite objectives, but it does not show specifically how Sweden intends to attain these objectives. Taken separately, each of the targets established seems attainable from a technical point of view. However, there is no integrated analysis of the over-all development of the Swedish economy. Despite this deficiency in the program, it appears that its accomplishment would not result in an unbalanced economy in Sweden.

With respect to the internal price level, the program states that it will be the Government's policy to prevent, insofar as possible, any further rise of domestic prices and wages. It is noted that this problem is made difficult by the large volume of purchasing power already existing, but there is no proposal for additional taxation, either of an extraordinary or recurring nature or for a reduction of accumulated cash holdings or current incomes.

References to financial problems in the long-term recovery program are confined to the observations that the Government plans to continue overbalancing the current budget and intends to pursue a restrictive credit policy, even though maintaining stable interest rates. The Minister of Finance has stated that the Government could not consider any unilateral change in the exchange rate, but did not specifically rule out the possibility of Sweden's participation in a general European readjustment of rates.

The need for expanding exports and reducing inflationary pressures at home may compel Sweden to adopt financial measures, which are not now a part of Swedish official policy, before the end of the recovery period. As already indicated, Sweden has demonstrated that it is moving in the direction of self-aid toward the objectives of ERP. There is some question as to whether the surplus purchasing power, which is limiting exports, can be absorbed entirely by the increase in production. It may be necessary either to: (1) raise the rate of interest, let the price level rise, and increase taxes; or else (2) increase governmental restrictions. At the present time Sweden is making real progress toward its long-term objectives.

The goals of the program appear to be consistent with ERP objectives. With respect to the balance of payments, balance with the Western Hemisphere is to be accomplished by a substantial expansion

of exports and a drastic reduction of imports as compared to 1947. Exports to the nonparticipating sterling area continue to exceed imports throughout the period. By 1952–53 trade with the participating sterling area is brought into balance, although heavy reliance is placed on an import surplus from the United Kingdom during the intervening years. Projected trade with the other participating countries confirms Sweden's intention to furnish a significantly growing volume of vitally important Swedish exports to Europe and to accept the products of other participants in payment.

Chapter IV. The First Two Annual Programs

A. THE PROGRAM FOR 1948–49

In the original Swedish Government submission to OEEC for the fiscal year 1949, a dollar deficit of 108.8 million was shown as compared with an actual gold and dollar deficit of 334.4 million in calendar 1947. The OEEC recommended ECA assistance of only 47 million dollars, and of this amount a net sum of 25 million dollars was conditioned on the extension by Sweden of drawing rights to other ERP countries. The OEEC recommendation was subsequently accepted by ECA with a slight modification.

While it was evident that Sweden would have to make drastic readjustments to reduce the large deficit in the balance of payments, it can be said that the expectation of a reduction in the dollar deficit to 47 million was excessively sanguine. After the OEEC made its recommendation, the Swedish Government did submit a revised balance of payments showing a deficit of 47 million dollars, but this result was achieved primarily by increasing the figure for anticipated exports to the United States from the original figure of about 76 million to 91 million dollars and by "allowing for" additional credits from the United States amounting to 12.8 million dollars.

It is clear now that the actual dollar deficit during the current fiscal year will be much larger than 47 million dollars. Although the size of the deficit cannot be predicted with absolute accuracy, it may well approach 75 million dollars, as is shown in table 20. The largest single factor in this increase is the expectation that exports to the United States will amount to only 72 million dollars, owing to the sharp drop in sales of Swedish pulp in the American market. A decline of this magnitude was not originally anticipated, particularly since pulp sales to the United States had continued in good volume and at high prices throughout the first half of 1948. Although a reduction in pulp inventories in the United States and perhaps a decline in Swedish prices may bring about a revival of pulp exports to the American market during the balance of the fiscal year, total Swedish exports to the United States are unlikely to exceed 72 million dollars.

Other factors also played a role in increasing the dollar deficit. One of these is the decline in dollar shipping earnings. Such earnings in trade with the United States were originally overestimated, partly because they did not anticipate a reduction in sales of Swedish pulp which is normally carried in Swedish ships. More important, the anticipated dollar earnings from transportation of Swedish ores to other ERP countries have not materialized because freight charges on such shipments are no longer paid in dollars. Finally, the additional private credits which Sweden hoped to obtain in the United States have apparently not materialized.

Thus ECA assistance of 46.6 million dollars to Sweden during the fiscal year 1949 can be characterized as extremely conservative. A larger figure could probably be justified, but it seems preferable to err on the side of conservatism in order to give the Swedish Government every incentive to overcome the actual deficit through its own measures. There can be little doubt, however, that the Swedish economy, and through it the economy of other ERP countries, would seriously suffer if the minimum aid of 46.6 million dollars were not provided.

To date, of the programmed amount of 46.6 million dollars for the fiscal year 1949, Sweden has received allotments totaling 40.8 million dollars, of which 21.6 million dollars has been a loan and 18.8 million dollars a conditional grant. An additional allotment of 6.2 million dollars as a conditional grant will be necessary to complete the program for 1948–49. Sweden received no allotment for the second calendar quarter of 1948.

TABLE 20.—*Balance of payments for the fiscal year 1948–49*

[In millions of dollars]

	OEEC estimate[1]					ECA estimate				
	Dollar account			Non-dollar[2] account	Grand[2] total	Dollar account			Non-dollar[2] account	Grand[2] total
	United States	Other	Total			United States	Other	Total		
Imports f. o. b.	163.6	100.0	263.6	823.9	1,087.5	160.0	87.0	247.0	880.6	1,127.6
Exports f. o. b.	91.0	104.0	195.0	793.3	988.3	72.0	93.7	165.7	900.0	1,065.7
Merchandise balance	−72.6	+4.0	−68.6	−30.6	−99.2	−88.0	+6.7	−81.3	+19.4	−61.9
Invisibles (net)	+9.2	+11.1	+20.3	−30.9	−10.6	+7.2	+5.1	+12.3	−30.0	−18.6
Balance on current account	−63.4	+15.1	−48.3	−61.5	−109.8	−80.8	+11.8	−69.0	−11.5	−80.5
Settlements		−13.2	−13.2				−8.2	−8.2		
Non-ECA financing	+15.0	−.5	+14.5			+2.2		+2.2		
Net position	−48.4	+1.4	−47.0			−78.6	+3.6	−75.0		
Estimated requirements for United States aid			47.0					46.6		
Uncovered deficit								28.4		

[1] Based on Swedish submission to OEEC, with subsequent corrections.
[2] Capital account omitted.

Under the intra-European payments plan, Sweden is extending 34.8 million dollars of drawing rights to other participants and receives 9.8 million dollars in return. The net extension of drawing rights is 25 million dollars and, therefore, the net ECA aid received by Sweden in 1948–49 will be only 21.6 million dollars.

B. DESCRIPTION OF 1949–50 PROGRAM

In its program for 1949–50 Sweden expects that the deficit in its over-all balance of payments on current account will be reduced to about 40 million dollars as compared with approximately 80 million dollars estimated by ECA for 1948–49. The deficit in dollar transactions, however, is projected by Sweden at about 71 million dollars, whereas the deficit on current and capital account for 1948–49 will probably amount to about 75 million dollars. Since Sweden expects to achieve a surplus of about 46 million dollars with the other participating countries outside the sterling area and expects to meet its small deficit with the sterling area out of blocked sterling assets, the total amount of net aid requested by Sweden is presumably about 25 million dollars or about 3 million dollars more than that recommended by OEEC for 1948–49.

1. Projected Use of Resources

Sweden submitted information indicating the estimated supply of goods and services and their projected utilization in 1949 rather than in 1949–50. However, the patterns projected for the calendar year 1949 are expected to be generally valid for the fiscal year 1950. Both the composition and the pattern of utilization of the available resources show an improvement over 1948.

The total supply of goods and services available in 1949 will drop slightly because of a reduction in imports by 600 million kronor which is not fully offset by the 400 million kronor increase in the gross national product. (See table 1.) Imports will represent only 13.3 percent of total resources, as against 15.1 percent in 1948, 17.4 percent in 1947, and 15.3 percent in 1938–39. (See table 1–A.)

The Government is definitely planning, through its increased controls, to achieve a somewhat better balance in the utilization of these resources than in the past. While public and private consumption combined will remain stable, there will be a contraction of about 5 percent in investment as the result of the restriction of less essential investment. Exports will show only a slight increase in value owing to generally lower prices, but the proportion of goods and services exported is expected to rise to 14.1 percent, as compared with 13.7 percent in 1948, 12.6 percent in 1947, and 14.9 percent in 1938–39.

Reductions in domestic consumption of timber and paper, two of Sweden's most important export products, will make additional quan-

tities available for export. Internal consumption of iron and steel is also being restricted. The use of petroleum products is limited to essential purposes, and users of fuel oil must convert to coal wherever possible. Nonessential use of electrical energy is also restricted.

For 1949–50 an increase of a little less than 10 percent in consumption of bread grains and meat as the result of greater domestic production is envisaged, but there will be continued rationing of meat, fats, and sugar, and the supply of unrationed foodstuffs is expected to be smaller than in 1947.

Public investments of a nonproductive nature are being restricted, and the Government plans to achieve a surplus in the combined current and capital budgets for the year 1949–50.

Gross investments in 1949 are to be reduced by 400 million kronor below the level of 1948, if changes in inventories are included. Of this amount, a reduction of 160 million is planned in the controlled sector of the economy, namely, construction activity requiring special permits. Part of this reduction will be in residential building. This will release labor and material needed for the export industries. The remainder of the reduction is expected to occur principally in nonessential industries producing mainly for the domestic market. An expansion of capacity is anticipated in the paper industry, which is needed for increased exports. There will also be a substantial increase in iron and steel capacity. A considerable part of the investments planned in the long-term program will have been made by the end of 1950.

The total value of projected exports during 1949–50 amounts to 1,041.6 million dollars, an increase of 53.3 million dollars, or 5 percent over the 1948–49 program. The anticipated value of exports in 1948–49 is about the same as the actual 1948 figure but may be somewhat less than the actual figure for the fiscal year 1949. The volume in fiscal 1949, nevertheless, is expected to be greater than that in the calendar year 1948 because of lower export prices. Over half of the total expansion in 1949–50, as compared to plans for 1948–49, is expected to take place in trade with participating countries, where exports are projected at 645.3 million dollars as against 611.2 million dollars in the previous period, a gain of 34 million dollars, or 5 percent. Exports to the Western Hemisphere, outside the United States and Canada, are expected to gain about 17 million dollars, or 20 percent. This presumably anticipates a resolution of South American trade problems. Exports to the United States are expected to decrease by about 8 percent from the sanguine total of 91 million dollars at one time estimated by the Swedish Government for 1948–49. However, the estimate for 1949–50 is still 15 percent greater than the actual rate for the third quarter of 1948. A rapid and substantial gain will be needed in 1950–51 and 1951–

52, if the long-term plan's target for dollar exports is to be attained. Exports to the nonparticipating areas in 1949–50 are expected approximately to hold the gains forecast in the first annual program.

Of the 34-million-dollar increase in exports to participating countries, as compared with the OEEC program total for 1948–49, enlarged exports of ores and metals account for 26.6 million dollars. The enlarged trade with South America will consist of forest products and machinery.

The increase in exports includes chiefly iron ore, machinery, ships, timber, pulp, and paper. In some cases the increase in exports will result from an increase in production, e. g., iron ore, exports of which increased from 8.5 million tons in 1947 to approximately 12 million tons in 1948. In other cases the increase will result from a decreased domestic consumption, e. g., timber, pulp, and paper.

The Swedish Government is directing its efforts toward stimulating increased production for exports. Such industries are receiving preferential treatment in the issuance of building licenses both for industrial plants and for residential building. They will also receive priorities on import licenses and the allocation of raw materials in short supply. The labor requirements of export industries will be given special attention. The Ministry of Commerce is also building up a special staff to assist in the export drive.

2. Estimated Available Resources

(*a*) *Imports.*—As indicated in table 1, the national accounts estimate for the calendar year 1949 projects a decrease of about 600 million kronor in imports as compared to 1948. The total f. o. b. value of projected imports for 1949–50 is the equivalent of 1,102.7 million dollars, a very slight increase as compared with the OEEC program for 1948–49, but a drop of 13 percent as against 1947. It is about 4 percent less than the actual annual rate attained in the third quarter of 1948. Of real significance is the fact that, adjusted to 1938 prices, the projected 1949–50 level of imports is about the same as the 1938 level. The trade pattern also indicates replacement of essential dollar imports by imports from other sources.

Swedish imports from all participating areas are projected at 623.1 million dollars as compared to 676 million dollars in the OEEC program for 1948–49. Whereas imports from the United Kingdom and its dependencies are expected to decline substantially, imports from nonsterling participating countries will decrease from 432 million dollars to 408.6 million dollars in 1949–50.

Imports from North America, including dollar oil, are to be greatly curtailed in the second annual program, as compared with 1947. Dollar imports will be only 38 percent of their value in 1947. It is planned

to shifts imports to South America and the nonparticipating sterling area. Imports from other nonparticipants are expected to decline 12 percent, but no decline is expected in coal from Poland.

The second annual program shows a fairly consistent trend with that projected for 1952–53 in its reduction of imports from the United Kingdom and dependencies and from North America. The rising trend of imports from nonsterling participants and South America is also consistent.

The reduction of imports since 1947 has been accomplished through a severe cut in finished products and dispensable goods. According to the Swedish Government, imports of these items are being reduced as far as the bilateral trade agreements, which now cover a large portion of Sweden's trade, will permit.

In the dollar import program the Swedish Government has eliminated all manufactured consumers' goods and foodstuffs. Imports from the United States, totaling about 165 million dollars, are apparently below 1938 volume, considering the change in prices. They comprise chiefly: petroleum products (about 39 million dollars); coal (about 7 million dollars); iron and steel (about 9 million dollars); equipment for the expansion of the steel industry, petroleum refining, and power generation (about 10 million dollars); machine tools (about 5 million dollars) and machinery and parts (about 20 million dollars) destined for the export industries, primarily the engineering industry which is to be expanded in accordance with the long-term program; machinery for the textile, chemical, and miscellaneous industries (10 million dollars); automotive parts (about 5 million dollars); and chemical, drugs, and hospital supplies (13 million dollars). The greater part of this import program is directly or indirectly related to Sweden's efforts to improve its balance-of-payments position. It should be emphasized in this connection that Swedish industries, particularly export industries, are badly in need of many types of machines to reduce costs, improve efficiency, and increase output.

(*b*) *Production.*—The national product for 1949 is expected to be 400 million kronor higher than in 1948, and total output for 1949–50 will probably rise a few percent above the level anticipated for 1948–49.

The production of iron ore for 1949–50 is forecast at 14 million tons as compared with an output of approximately 13 million in 1948. Crude steel production is put at 1,350,000 tons, an increase of about 250,000 tons over 1948–49 and 1947. Finished steel output is scheduled to rise by 150,000 tons over these same years. Electric power production will rise to 17,500 million kilowatt hours from a probable total of 16,500 million in 1948–49 and a level of 15,000 million in 1947.

There will be an increase in the production of machinery which should result in exports totaling 10.6 million dollars above those projected for 1948–49. The output in the paper and paperboard industry is also expected to show an increase of about 20,000 tons.

It is anticipated that agricultural production will show some increase. The output of meat and milk in particular is expected to rise.

3. External Balance of Payments

Table 21 gives the revised balance of payments for 1949–50 as submitted by the Swedish Government. The totals for payments and receipts in all currencies as well as in dollars are given.

It will be seen that in contrast to the over-all deficit on current account of about 110 million dollars, anticipated in the OEEC program for 1948–49, the Swedish Government expects a deficit of 40.1 million dollars which, after allowing for receipts of debt payments amounting to 21.8 million dollars, is further reduced to only 18.3 million dollars. This substantial improvement is attributable to an increase in exports, a slight rise in net shipping receipts, and an expected surplus of "other invisibles" as compared with a deficit in 1948–49.

TABLE 21.—*Government estimates of Sweden's balance of payments by geographical areas (1949–50)*

[In millions of dollars]

	United States	Other Western Hemisphere	Non-participating sterling area	Other nonparticipating	Participating countries and DOT	Total
All currencies:						
Imports f. o. b.	164.9	102.9	66.1	145.7	623.1	1,102.7
Exports f. o. b.	83.3	103.3	63.9	145.8	645.3	1,041.6
Trade balance	−81.6	+.4	−2.2	+.1	+22.2	−61.1
Transports (net)	+6.0	+6.3	+9.6	+7.0	−1.2	+27.7
Other invisibles (net)	+3.0	+.1	+1.4	+.3	−11.5	−6.7
Net invisibles	+9.0	+6.4	+11.0	+7.3	−12.7	+21.0
Balance on current account	−72.6	+6.8	+8.8	+7.4	+9.5	−40.1
Debt service (net)				+6.5	+15.3	+21.8
Total balance	−72.6	+6.8	+8.8	+13.9	+24.8	−18.3
Gold and dollars:						
Imports f. o. b.	164.9	14.2				179.1
Exports f. o. b.	83.3	14.6				97.9
Trade balance	−81.6	+.4				−81.2
Transports (net)	+6.0	+1.4				+7.4
Other invisibles (net)	+3.0	+.1				+3.1
Total	+9.0	+1.5				+10.5
Balance	−72.6	+1.9				−70.7

Source: Swedish program submission to OEEC.

The deficit in dollar transactions, however, appears to show a marked increase from about 47 million dollars (1948–49) to approximately 71 million dollars (1949–50). As already pointed out, this rise is more apparent than real because the balance for 1948–49 was artificially adjusted by the Swedish Government to conform to the 47 million dollars of ECA assistance recommended by OEEC. The actual deficit is expected to approximate 75 million dollars. The dollar deficit for 1949–50 is still rather large owing to the low volume and value of Swedish pulp sales to the United States and the relatively low dollar earnings on shipping. Another reason is the anticipation of the Swedish Government that its dollar surplus with Latin America will be negligible. The growing scarcity of gold and dollars in Latin America has now forced Sweden to plan a series of trade and payment agreements generally providing for bilateral balancing of trade, and the settlement of any balances in sterling or other nondollar currencies. The first agreement was concluded with Argentina on November 23, 1948, and it is significant that this agreement contemplates a balanced trade with a country which has previously had a deficit with Sweden. The Swedish 1949–50 balance of payments forecast is quite certainly posited on the conclusion of other similar agreements now under negotiation. Some agreements, however, evidently will permit settlement of balances in dollars. Thus, a new agreement with Colombia will probably result in some net dollar payments to Sweden.

C. CRITIQUE OF 1949–50 PROGRAM AND RECOMMENDATION

While it should prove possible to reduce to some extent the dollar deficit anticipated by Sweden for 1949–50, it can hardly be cut below about 58 million dollars.

As far as trade with the United States is concerned, no significant rise in dollar receipts beyond those budgeted by the Swedish Government appears to be possible. Shipping receipts, it is believed, were slightly underestimated. On the other hand, the Swedish estimate of the proceeds of exports to the United States—83.3 million dollars—appears sanguine. Apparently this estimate was posited on the assumption that 350,000 metric tons (about 385,000 short tons) of wood pulp would be marketed in the United States at the same prices as those which prevailed in 1947, which were lower than those in the first half of 1948, but higher than those now current in the United States market. An expert appraisal indicates that the United States market could absorb 400,000 short tons of Sweedish pulp in 1949–50, but only provided prices for Swedish pulp are reduced on the average by about $20 per ton to the level of current prices in the United States.

Exports of this magnitude and at these prices would yield about 42.4 million dollars. In order to achieve the 83.3 million dollars goal for all exports to the United States, those other than pulp would have to be increased by about 50 percent over the current rate. This goal may be attainable through vigorous efforts, however, and it should be accepted as a target.

The Swedish expectation of dollar receipts from other Western Hemisphere countries seems to be excessively pessimistic. Shipping receipts are probably a little low and it should be possible to achieve some surplus on merchandise account in Latin America despite the tendency toward a bilateral balance with such countries as Argentina.

Some reduction in dollar expenditures could also be made even though imports from dollar areas have already been severely cut. A detailed scrutiny of imports from the United States indicates that a reduction of 15 million dollars in imports of industrial products could be made without affecting directly or indirectly Swedish export industries. On the other hand, it will probably be necessary to buy in the United States at least some agricultural products, including part of Sweden's cotton requirements, which Sweden is expecting to buy elsewhere, particularly in Latin America, and which may not be available there in the quantities anticipated. The net possible reduction in imports from the United States is therefore only about 6.3 million dollars. This revised import total appears to be well below that in 1938.

Table 22 shows the ECA estimate of dollar balance of payments for 1949–50. The indicated deficit has been lowered to 58.3 million dollars. Provision is made for only 54 million dollars of ECA aid, leaving the balance of the deficit to be financed through other means.

The expected improvement in the over-all balance of payments, as distinct from the dollar balance, has already been pointed out. Sweden should, however, be able to wipe out the remaining small deficit of 18.3 million dollars. Table 22 indicates some adjustments through which this deficit might not only be eliminated but even replaced by a small surplus. A cut in total imports is, of course, not the only method by which this result can be achieved. It should be possible, in particular, to achieve with the sterling area and the other participating countries a larger surplus than the Swedish Government anticipates. Vigorous efforts to increase the production and export of pulp, timber, iron ore, and engineering products should bring about such a result, particularly since all these commodities are in great demand by the participating countries. No specific upward adjustment in the value of projected nondollar exports has been made, however, because the lower prices which will be necessary to achieve the estimated volume of dollar exports will probably need to be extended also to nondollar exports,

thus making it difficult to maintain the increased value of exports achieved in 1948.

If 54 million dollars of ECA assistance is made available, it should be largely or wholly offset by the extension of drawing rights by Sweden to other participating countries. An assistance program of this sort would have the twofold advantage of (1) enabling Sweden to meet its minimum dollar deficit, giving it particularly the opportunity of buying machinery and other materials necessary for the development of industries which are expected to assist that country in ultimately overcoming the dollar deficit, and (2) permitting other ERP countries to buy an increased amount of the products of Sweden's forests, mines, and industries which are essential to their recovery.

TABLE 22.—*Balance of payments for the fiscal year 1949–50* [1]

[In millions of dollars]

	Swedish submission to OEEC					ECA estimate				
	Dollar account			Non-dollar account [2]	Grand total [2]	Dollar account			Non-dollar account [2]	Grand total [2]
	United States	Other	Total			United States	Other	Total		
Imports f. o. b.	164.9	14.2	179.1	923.6	1,102.7	158.6	13.2	171.8	884.2	1,056.0
Exports f. o. b.	83.3	14.6	97.9	943.7	1,041.6	83.3	17.3	100.6	943.7	1,044.3
Merchandise balance	−81.6	+0.4	−81.2	+20.1	−61.1	−75.3	+4.1	−71.2	+59.5	−11.7
Invisibles (net)	+9.0	+1.5	+10.5	+10.5	+21.0	+10.4	+2.5	+12.9	+9.5	+22.4
Balance on current account	−72.6	+1.9	−70.7	+30.6	−40.1	−64.9	+6.6	−58.3	+69.0	+10.7
Settlements										
Non-ECA financing										
Net position	−72.6	+1.9	−70.7			−64.9	+6.6	−58.3		
Estimated requirements for United States aid			70.7					54.0		
Uncovered deficit								4.3		

[1] In contrast to table 21, this table excludes debt service.
[2] Capital account omitted.

The estimate of assistance made above is posited on maximum self-help by Sweden. It will therefore be necessary for Sweden to carry out vigorously the eight-point program for correcting existing economic maladjustments announced by the Swedish Government last October. In particular, it will be necessary to restrict consumption, direct more resources toward export and to bring about a readjustment of prices to make Swedish products more competitive, especially in dollar markets. In the recent past Sweden has made considerable progress in reducing its balance of payments deficits both by cutting imports and expanding exports. It is clear, however, that the dollar deficit cannot be reduced to even the figure anticipated by the Swedish Government unless the prices of Swedish export staples are made competitive in the United States market, and the volume of Swedish exports is thus raised substantially above present levels.

PART III

Appendix Tables

Annex A: Major Swedish Exports.
Annex B: Swedish Foreign Trade.
Annex C: Swedish Imports From All Sources.
Annex D: Government Budget for Fiscal Year 1948–49.

ANNEX A.—*Major Swedish exports*

[Quantity in 1,000 metric tons]

Commodity	1936	1937	1938	1946	1947	Jan.–Sept.	
						1947	1948
All animal products	65 2	81 1	85.9	43 5	37.1	(*)	(*)
Total last 3 items	47.7	62 2	67 1	32.5	17.2	13 1	37.4
Live cows and horses (units)	7,920	8,044	4,150	8,500	27,758	12,859	6,884
Beef	12 7	13 6	13 3				
Fish	15.9	25.1	25 2	32.5	17.2	13 1	37.3
Butter natural	19.1	23 5	28 6				
All vegetable products	184 2	93.2	109 4	72 4	52 6	(*)	(*)
Unground grains	135 5	43 1	46.0	31.6	28 8	28 7	12 8
Fats, oils, and wax	22 6	22.7	(*)	4 5	2 0	(*)	(*)
Vegetable fats and oils	15 3	14 8	16.1	3.7	1.7	.1	3.0
All stone and ores	11,825 8	14,656.2	13,322 0	5,742 7	8,933 9	(*)	(*)
Iron ore	11,198 8	13,964.6	12,685 2	5,315.6	8,451.0	5,996 0	8,686.0
All chemicals	131.6	128.9	115 0	96.7	87.7	(*)	(*)
Total both items	67 6	67.9	54 0	54.8	40 7	37.7	38 2
Selected raw materials	51.7	51 1	37.4	43.6	38 9	29.2	28.9
Matches	15 9	16 8	16 6	11.2	11 8	8.5	.9 3
All hides and pelts	19.2	18 0	16 9	1.3	1.2		.4
Hides and skins	19.0	17.8	16 7	1.1	1.1		.3
Pelts, raw and finished				2	.1		.1
All wood and products	3,376 2	3,584.4	2,991.7	1,500 6	1,412 8	(*)	(*)
Total items below (1,000 metric tons) [1]	2,603 0	2,368 0	1,982.7	1,295.0	1,210 0	750 6	957.7
Timber (1,000 cm.)	277.0	494 3	655 8	479 0	390.1	316 4	241.3
Cut or sawn (1,000 cm.)	3,074 0	3,165.8	2,433.7	1,688.0	1,628.4	893.8	1,309 7
Boxwood (1,000 cm.)	212 1	280 7	218.7	70 5	115 4	81.7	89.6
Finished products (1,000 cm.)	722 8	755.5	645.0	195.4	218 1	113.4	143 0
Building materials and other (1,000 tons)	21.8	19.7	16 1	79.6	34 7	19.8	20 5
All wood pulp and products	3,235.3	3,518 5	2,784 1	2,574.9	2,629.2	(*)	(*)
Total items below	2,939 9	3,275 4	2,514.7	2,258.9	2,349.4	1,732 0	1,687.1
Woodpulp (dry weight) [1]	2,343.5	2,634 8	2,062.3	1,804.2	1,797.5	1,305.9	1,223.4
Paperboard	70.0	79.3	56.4	29 8	34.4	251.1	251.1
Paper	526 4	570 3	396 0	424.9	517.5	373.1	371.3

* Not available.
[1] Cubic meters converted at 1 cm. = .52 metric tons.

ANNEX A.—*Major Swedish exports*—Continued

[Quantity in 1,000 metric tons]

Commodity	1936	1937	1938	1946	1947	Jan.–Sept.	
						1947	1948
All iron and steel products	353.6	411.7	395.0	151.1	176.7	(*)	(*)
Total items below	264.9	312.1	266.6	109.3	113.7	82.2	88.0
Pig iron	78.1	89.9	94.5	17.1	16.4	11.2	16.0
Ferro-alloys	30.4	35.1	11.2	3.8	7.0	6.3	1.7
Tool and stainless steel	6.2	8.7	7.2	5.3	6.8	4.2	4.9
Hot-rolled iron and steel	45.7	67.9	64.4	25.8	23.6	16.0	17.1
Cold-rolled iron and steel	13.2	14.9	13.6	12.1	12.1	8.7	8.4
Wire strips profiled	41.8	46.6	36.0	20.6	22.7	16.3	18.3
Iron piping	39.7	37.1	33.8	15.2	15.3	11.8	13.0
Knives and saws	1.0	1.4	1.6	2.3	2.5	2.0	2.3
Bits and reamers	.1	.1	.2	.4	.9	.5	.9
Ball and roller bearing	8.7	10.4	11.3	6.7	6.4	4.8	5.4
All machinery	56.6	75.7	64.6	59.7	62.0	(*)	(*)
Total items below	37.9	39.3	35.2	34.1	38.4	21.5	25.2
Combustion and hot air motor	3.7	4.2	3.9	3.3	4.5	3.3	3.7
Machine tools	1.3	1.9	2.1	2.5	2.7	1.9	1.8
Tractors and traction engines	.4	.3	.3	.8	1.0	.7	1.1
Drive mechanisms	3.2	4.1	3.2	3.4	3.4	2.5	3.3
Pumps, fans, and compressors	4.6	3.6	3.8	4.3	3.9	2.7	3.3
Centrifuges	.3	.6	.5	.5	.4	.3	.5
Pneumatic machines	.2	.3	.3	.3	.4	.3	.3
Steam and water turbines	.3	.7	1.3	1.3	1.3	.8	.8
Locomotive and tender	1.3	.8	.1	4.3	.4		
Milk-skimming machines	3.9	4.3	3.2	2.2	2.0	1.5	1.6
Selected electrical machinery	18.7	18.5	16.5	11.2	11.1	7.8	8.8
All transport	137.5	163.5	122.9	82.3	124.3	(*)	(*)
Boats and ships (units)	370	340	278	411	66	54	34
Autos (units)	649	320	516	211	185	85	370
Trucks (units)	122	137	1,272	302	91	53	47
Chassis (units)	1,871	3,026	2,674	2,324	3,161	1,988	1,289
Total all exports (1,000 tons) [2]	19,837.3	23,450.5	20,377.9	10,486.2	13,635.0	(*)	(*)
Selected total (exclusive transport)	17,373.3	20,165.2	17,684.3	9,146.6	12,243.8	8,661.9	11,526.5

*Not available.

[2] Includes some minor commodity groups not listed above.

ANNEX B.—*Swedish foreign trade (by area and commodity groups)*

[In thousands of kronor]*

	1938			1946			1947		
	Imports (c. i. f.)	Exports (f. o. b.)	Balance	Imports (c. i. f.)	Exports (f. o. b.)	Balance	Imports (c. i. f.)	Exports (f. o. b.)	Balance
Total	2,081,766	1,843,288	−238,478	3,385,588	2,540,732	−838,805	5,175,208	3,220,343	−1,954,865
ERP countries	1,208,176	1,102,623	−105,553	1,589,961	1,581,240	−8,722	2,095,820	1,846,426	−249,394
Eastern Europe	303,025	291,721	−11,394	299,513	230,047	−69,466	475,283	313,134	−162,149
Dollar area (plus)	344,226	183,311	−160,915	953,945	234,601	−719,344	1,834,067	385,679	−1,448,328
South America	83,124	71,229	−11,895	402,847	310,642	−92,205	498,600	414,654	−83,946
Other [1]	53,214	104,403	+51,189	139,331	190,202	+50,871	271,408	260,450	−11,048
Foodstuffs	475,352	181,441		037,258	140,441		1,168,927	139,080	
Minerals (ore and fuel)	372,464	265,987		480,807	145,146		802,809	218,828	
Chemicals	106,467	51,071		275,946	02,046		336,070	93,197	
Forest products	49,248	072,858		04,584	1,230,044		97,623	1,715,196	
Textiles and footwear	303,876	29,230		648,504	78,514		1,091,884	40,891	
Metals	262,367	316,781		447,414	349,192		706,750	394,733	
Machinery	109,190	176,882		218,066	316,368		404,794	348,575	
Transport equipment	134,288	79,656		121,703	114,135		205,960	177,758	
Other	118,514	69,373		191,315	80,249		256,727	111,587	
Total	2,081,760	1,843,288		3,385,593	2,546,732		[2] 5,221,545	[2] 3,239,762	

* Exchange rate: one dollar=3.6 kronor since July 1946; one dollar=4.2 kronor for 1938.
[1] Includes United States, Canada, Newfoundland, Mexico, and dollar petroleum from Netherland West Indies.
[2] Discrepancy in preliminary data on commodity basis noted.

ANNEX B.—*Swedish foreign trade (by area and commodity groups*—Continued

[In thousands of kronor]*

	January–September 1947			January–September 1948			July–September 1947			July–September 1948		
	Imports (c. i. f.)	Exports (f. o. b.)	Balance	Imports (c. i. f.)	Exports (f. o. b.)	Balance	Imports (c. i. f.)	Exports (f. o. b.)	Balance	Imports (c. i. f.)	Exports (f. o. b.)	Balance
Total	3,832,256	2,188,099	−1,644,157	3,702,766	2,745,055	−957,711	1,565,181	942,047	−623,134	1,246,266	980,170	−266,096
EPR countries	1,647,708	1,235,023	−312,685	1,904,833	1,621,499	−283,334	602,325	526,356	−75,969	700,974	622,180	−78,794
Eastern Europe	322,351	206,384	−115,967	462,082	269,020	−193,062	154,860	97,552	−57,308	172,297	109,978	−62,319
Dollar area (plus)	1,356,378	266,870	−1,089,508	707,462	276,884	−430,578	569,448	114,698	−454,750	179,762	71,101	−108,661
South America	385,611	208,778	−86,833	290,947	271,308	−19,639	149,207	132,043	−17,164	103,057	59,996	−43,071
Other [1]	220,208	181,044	−39,164	337,442	307,014	−30,398	89,341	71,398	−17,943	90,166	116,914	+26,748
Foodstuffs	925,258	93,500		785,960	105,770		314,086	29,098		250,714	32,574	
Minerals (ore and fuel)	506,647	148,319		738,418	213,333		252,610	70,555		248,386	93,400	
Chemicals	240,503	68,723		268,627	74,501		105,814	23,008		88,074	27,151	
Forest products	63,605	1,146,350		69,678	1,432,958		31,671	555,034		37,540	533,970	
Textiles and footwear	846,624	30,889		652,708	24,707		324,217	12,376		223,300	8,755	
Metals	521,305	280,079		508,907	319,180		235,433	96,711		164,416	108,225	
Machinery	330,649	237,565		393,728	310,068		156,066	81,179		132,344	108,826	
Transport equipment	180,007	94,199		140,810	143,664		72,741	20,135		41,245	36,935	
Other	199,471	87,176		134,000	120,781		72,524	42,151		50,392	30,495	
Total	3,832,132	2,187,999		3,702,766	2,745,055		[2] 1,565,162	[2] 941,047		[2] 1,245,426	[2] 980,430	

*Exchange rate: one dollar=3.6 kronor since July 1946; one dollar=4.2 kronor for 1938.
[1] Includes United States, Canada, Newfoundland, Mexico, and dollar petroleum from Netherland West Indies.
[2] Discrepancy in preliminary data on commodity basis noted.

ANNEX C.—*Swedish imports from all sources*

	C. i. f. value in million kronor									Quantity in 1,000 metric tons						
	1936 all	1937 all	1946 all	1947		January–October 1947		January–October 1948		1936 all	1937 all	1946 all	1947		January–October	
				All	Selected [1]	All	Selected [1]	All	Selected [1]				All	Selected [1]	1947 selected [1]	1948 selected [1]
I. Live animals and animal products	42.9	42.2	103.1	102.0	85.3	89.4	75.0	59.0	48.6	75.7	71.5	75.6	71.1	49.3	44.3	28.6
A. Live animals	3.1	2.6	2.2	(*)	1.4	(*)	1.2	(*)	.4	2.2	1.5	.4	(*)	.2	(*)	(*)
B. Beef and pork	7.5	6.2	20.8	(*)	22.3	(*)	20.0	(*)	10.0	7.7	6.0	11.4	(*)	12.0	10.8	4.4
C. Fish, mussels, etc	21.7	21.7	32.2	(*)	26.6	(*)	23.4	(*)	10.5	53.3	49.7	28.4	(*)	27.7	25.3	19.8
D. Dairy products	3.9	3.7	30.4	(*)	21.1	(*)	17.9	(*)	10.1	3.4	3.0	15.6	(*)	0.4	3.5	3.2
E. Bone, horn, horsehair, etc	6.7	8.0	17.58	(*)	13.9	(*)	12.4	(*)	8.6	9.1	11.4	10.7	(*)	3.9	2.3	1.2
II. Vegetable products	177.4	222.9	453.3	407.7	454.7	422.4	403.0	395.3	374.7	569.1	753.4	556.3	603.3	583.3	506.0	495.2
A. Live plants, flowers	9.6	9.8	18.6	(*)	20.7	(*)	14.6	(*)	15.0	6.1	6.0	5.3	(*)	5.1	3.6	3.7
B. Potatoes, tomatoes, hay	4.9	4.7	10.5	(*)	5.9	(*)	5.4	(*)	7.3	14.3	15.3	5.5	(*)	7.0	6.1	6.9
C. Fruits, berries, and nuts	51.1	54.8	215.3	172.3	160.5	(*)	154.1	(*)	67.3	96.0	100.0	200.6	(*)	153.8	135.1	75.7
Oranges										35.1	38.3	93.3	(*)	68.7	50.8	38.4
Apples										13.0	13.3	32.7	(*)	24.7	10.6	14.4
D. Coffee, tea, spices, etc	44.5	50.1	93.0	113.4	109.6	(*)	91.9	(*)	81.5	48.6	49.3	51.6	(*)	49.4	41.5	31.7
E. Unground grains	19.6	40.6	40.5	66.3	65.9	(*)	53.6	(*)	122.5	159.5	207.4	136.1	(*)	154.8	127.6	223.6
Rough										105.3	234.2	96.8	(*)	68.5	59.0	72.1
Cereal										54.2	53.6	37.4	(*)	85.9	68.6	151.5
F. Flour, malt, etc	2.7	8.9	24.7	(*)	49.3	(*)	44.8	(*)	37.2	15.1	55.9	93.0	(*)	104.0	117.8	110.2
Flour										.1	.2		(*)	.9	7.9	2.5
Bran										10.2	48.0	90.9	(*)	149.7	134.3	105.1
G. Seeds and oil-bearing fruits	39.5	46.0	32.3	27.5	25.3	(*)	24.2	(*)	35.8	212.2	207.0	44.3	(*)	30.1	29.0	29.3
H. and I. Preservatives, salad, grass	5.4	7.9	18.4	(*)	17.5	(*)	14.3	(*)	8.6	16.5	21.1	19.8	(*)	19.1	14.6	8.7
III. Fats, oils, and wax	30.2	35.5	37.1	93.7	92.2	75.5	74.1	57.3	56.4	57.3	61.3	22.1	43.7	43.0	33.0	29.4

*Not available.

[1] Selected items only. These include all major commodities. As can be seen by comparing the totals of the major groups under "All" and those under "Selected," the selected totals are, for the most part, only slightly less than the complete totals.

ANNEX C.—*Swedish imports from all sources*—Continued

	C. i. f. value in million kronor									Quantity in 1,000 metric tons						
	1936 all	1937 all	1946 all	1947		January–October 1947		January–October 1948		1936 all	1937 all	1946 all	1947		January–October	
				All	Selected [1]	All	Selected [1]	All	Selected [1]				All	Selected [1]	1947 selected [1]	1948 selected [1]
IV. Agricultural products, etc.	67.43	96.5	153.1	247.1	230.1	216.1	192.8	201.6	197.3	204.0	278.0	146.7	230.0	184.8	187.2	225.8
A. Sugar, cocoa bean, candy Sugar.	13.3	17.5	44.9	76.0	63.6	(*)	56.0	(*)	62.0	29.2	29.2	27.9	(*)	40.0	34.8	58.2
										5.1	6.5	5.3	(*)	17.0	13.4	45.0
B. Wines and liquors	15.9	17.3	32.8	36.9	33.7	(*)	28.5	(*)	30.6	7.3	9.8	11.5	(*)	11.3	8.7	9.6
C. Tobacco	19.1	29.9	39.2	62.6	62.5	(*)	[2] 46.5	(*)	[2] 41.5	6.4	8.1	6.5	(*)	10.7	[2] 7.9	[2] 6.8
Raw										6.0	7.6	5.3	(*)	9.0	6.7	5.6
Manufactures										.4	.5	1.2	(*)	1.7	1.2	1.2
D. Oil cake and meal	19.0	31.8	36.1	70.8	70.8	(*)	60.8	(*)	63.2	164.1	231.6	100.8	(*)	158.8	136.8	161.2
V. Mineral and fossil products	264.8	377.6	480.8	774.5	750.4	612.4	592.0	805.5	785.0	9,435.4	11,000.2	6,123.5	9,551.8	9,249.0	7,329.2	9,304.7
A. Stone and ores	31.5	45.6	66.7	76.6	59.4	(*)	49.6	(*)	42.3	715.7	799.4	711.3	(*)	417.1	390.5	374.1
B. Coal, coke, and petroleum	233.3	332.0	414.1	697.9	691.0	(*)	542.4	(*)	742.7	8,769.7	10,207.8	5,412.2	(*)	8,832.0	6,938.7	8,043.6
Coal										5,616.4	6,606.0	2,443.0	(*)	4,135.0	3,241.0	4,644.0
Coke										2,077.7	2,331.5	1,011.0	(*)	904.0	721.0	1,276.0
Briequetts										9.3	23.3	59.0	(*)	646.0	456.0	208.0
Gasoline (1,000 liters)										604.5	664.7	605.4	(*)	882.0	733.2	632.0
Crude oil										60.6	80.4	459.8	(*)	476.6	407.1	472.9
Fuel oil										342.5	449.9	727.8	(*)	1,754.1	1,354.2	1,631.5
Kerosene										100.8	104.4	119.7	(*)	131.2	107.5	146.1
Grease										55.2	66.5	69.6	(*)	69.5	60.3	46.4
VI. Chemical products	143.9	160.6	275.9	335.3	290.2	283.0	235.9	288.8	252.1	878.3	1,031.3	792.5	928.8	876.9	720.3	743.7
A. Raw Chemicals & Drugs	60.7	74.2	125.6	173.4	139.3	(*)	133.6	(*)	132.2	501.5	697.0	470.8	(*)	592.4	484.2	525.7
B. Chem. for photography	7.3	7.3	13.5	(*)	23.5	(*)	12.0	(*)	10.8	6.6	.0	.9	(*)	1.1	1.0	.8
C. Tannin extracts, paints, etc.	35.7	37.8	58.7	68.2	59.0	(*)	52.2	(*)	52.0	50.4	57.0	57.1	(*)	36.2	30.5	27.
D. Perfumes, cosmetics, etc.	3.5	3.7	10.4	(*)	10.4	(*)	9.2	(*)	10.2	.2	.3	.4	(*)	.4	.3	.5
E. Soap, candles, etc.	4.4	5.5	14.1	(*)	16.3	(*)	10.8	(*)	10.4	5.7	7.6	11.0	(*)	11.3	8.9	7.1
F. Glue, paste, gelatin	1.7	2.1	3.7	(*)	(*)	(*)	(*)	(*)	(*)	1.7	1.8	1.4	(*)	(*)	.6	.7
G. Explosives, matches	1.2	1.3	2.0	(*)	(*)	(*)	(*)	(*)	(*)	.9	.8	.2	(*)	(*)	(*)	(*)
H. Fertilizers	29.4	28.7	48.0	41.6	41.6	(*)	35.8	(*)	33.0	257.2	265.7	250.6	(*)	235.5	203.8	181.7

VII. Hides, skins, and pelts	45.4	58.5	115.0	129.2	127.0	116.1	114.2	89.0	87.2	18.8	20.0	26.0	16.8	16.6	15.0	15.8
A. Hides and skins	32.1	42.0	60.4	69.5	69.0	(*)	62.5	(*)	54.7	18.4	20.4	23.0	(*)	14.6	13.2	14.2.1
B. Products of leather and skins	3.6	4.4	6.4	(*)	6.1	(*)	5.6	(*)	2.7	.2	.2	.1	(*)	.1	.1	
C. Pelts	6.5	6.7	3.1	(*)	35.0	(*)	31.9	(*)	23.2	.2	.3	2.0	(*)	1.8	1.6	1.5
D. Products of pelts	3.0	4.5	8.1	(*)	16.0	(*)	14.3	(*)	6.7							
VIII. Rubber, gutta-percha, etc.	18.0	27.0	75.8	111.8	90.3	98.3	78.8	61.2	54.1	8.9	12.4	21.0	31.6	28.4	24.4	19.6
IX. Wood, cork and products thereof	20.3	27.0	43.7	66.7	55.8	51.5	41.4	62.5	52.2	706.5	434.5	281.3	421.2	(*)	173.6	321.6
A. Wood and products thereof	25.6	23.7	39.4	52.3	52.3	(*)	38.6	(*)	49.6	697.8	426.0	275.1	(*)	(*)	167.5	316.2
B. Cork and products thereof	3.1	3.6	4.0		3.1	(*)	2.8	(*)	2.6	7.2	8.2	0.1	(*)	6.6	6.2	5.4
C. Baskets, etc.	.6	.6	.2	(*)	(*)	(*)	(*)	(*)	(*)	.5	.3		(*)	(*)	(*)	(*)
X. Paper, pulp, pasteboard and paper	18.4	23.4	20.9	20.1	12.2	24.6	10.2	19.4	10.5	20.6	30.0	13.0	21.1	7.4	6.5	5.4
A. Wood pulp, pasteboard, and paper	12.7	17.3	13.1	20.4	6.6	(*)	5.7	(*)	5.0	25.3	37.6	11.8	(*)	6.4	5.7	4.5
B. Newsprint	5.7	6.1	7.8		5.6	(*)	4.5	(*)	5.5	1.3	1.4	1.2	(*)	1.0	.8	.9
XI. Textiles and products thereof	280.5	324.3	618.5	1,053.2	1,002.6	921.8	876.7	707.4	671.3	114.7	123.9	100.0	120.1	113.1	90.4	85.2
A. Textile raw materials	80.1	102.1	150.1	160.3	157.2	(*)	136.4	(*)	170.7	76.3	80.8	62.6	(*)	55.8	49.2	54.2
B. Yarn, thread, and cordage	62.0	70.1	131.1	320.8	190.7	(*)	16-.9	(*)	183.3	11.5	12.8	12.6	(*)	17.1	14.5	14.5
C. Woven fabrics, and felt	81.2	98.0	227.0	464.5	450.0	(*)	397.4	(*)	243.5	18.0	22.0	19.7	(*)	33.1	20.3	22.0
D. Bands, cords, lace, etc.	10.1	23.1	60.2	140.0	137.5	(*)	123.1	(*)	49.1	1.6	1.8	1.5	(*)	3.3	3.1	1.7
E. Sewed articles n. e. s.	20.2	31.0	47.0	67.0	57.0	(*)	52.0	(*)	24.6	0.4	6.5	3.6	(*)	3.8	3.3	2.7
XII. Shoes and hats	13.4	13.4	30.0	36.3	23.9	34.4	33.2	16.0	16.2	.7	.7	.6	1.7	1.3	3.3	2.7
A. Shoes	2.5	2.5	3.1		2.6	(*)	13.1	(*)	5.2	.3	.3	.2	(*)	1.3	1.2	.6
B. Caps and hats ... 1,000	9.2	9.2	26.0	21.3	21.3	(*)	20.1	(*)	11.0	.4	.4	.4	(*)	2.2	2.0	2.1
XIII. Stone, clay, and glass products	29.7	36.3	40.5	74.3	52.1	63.0	44.5	49.0	34.5	65.7	83.8	40.4	67.7	51.6	43.0	40.6
A. Stone products	7.6	10.8	6.3	(*)	11.7	(*)	10.0	(*)	9.7	25.6	37.7	11.7	(*)	6.9	6.0	4.4
B. Clay products	11.6	13.4	12.1	23.2	20.2	(*)	17.1	(*)	15.3	28.7	31.8	16.1	(*)	21.0	16.8	25.2
C. Glass and glass products	10.5	12.1	18.1	31.6	20.2	(*)	17.3	(*)	9.5	14.3	14.2	12.5	(*)	23.7	20.2	11.0
XIV. Precious metals and products	4.2	4.5	10.5	18.6	8.5	16.3	8.0	9.3	4.7							

* Not available.

[1] Selected items only. These include all major commodities. As can be seen by comparing the totals of the major groups under "All" and those under "Selected," the selected totals are, for the most part, only slightly less than the complete totals.

[2] January–September.

ANNEX C.—*Swedish imports from all sources*—Continued

	C. i. f. value in million kronor									Quantity in 1,000 metric tons						
	1936 all	1937 all	1946 all	1947		January–October 1947		January–October 1948		1936 all	1937 all	1946 all	1947		January–October	
				All	Selected [1]	All	Selected [1]	All	Selected [1]				All	Selected [1]	1947 selected [1]	1948 selected [1]
XV. Common metals and products	206.8	327.3	447.4	705.9	664.8	588.4	524.3	552.3	511.0	875.7	1,068.0	829.0	1,006.0	1,036.9	804.9	950.5
A. Iron and steel products	123.5	200.3	251.0	447.2	425.0	(*)	319.5	(*)	340.4	784.3	959.1	689.1	(*)	892.4	740.0	860.0
1. Pig iron and cast goods	21.4	38.2	37.2	(*)	36.1	(*)	42.6	(*)	45.2	213.3	250.9	132.1	(*)	145.8	141.7	116.5
2. Malleable iron and steel	102.1	162.1	213.9	(*)	388.9	(*)	276.9	(*)	295.2	571.1	708.2	557.0	(*)	756.6	589.3	744.4
B. Other metals and products	78.7	121.7	189.2	250.6	236.2	(*)	201.8	(*)	167.7	90.7	100.1	139.3	(*)	144.2	121.6	95.5
C. Metal products n. o. s.	4.6	5.4	7.2	(*)	3.6	(*)	3.1	(*)	2.9	.6	.7	.6	(*)	.3	.3	.1
XVI. Machinery	131.1	177.3	218.1	404.8	455.0	391.3	361.0	436.8	398.5	55.0	77.0	44.0	103.9	96.8	74.5	96.3
A. Nonelectric machinery	76.7	104.0	142.4	283.9	257.5	(*)	202.6	(*)	245.8	36.1	46.2	31.6	(*)	62.6	47.2	64.9
Machine tools	12.3	16.2	35.1	(*)	63.6	--------	50.0	--------	36.0	5.4	5.1	6.1	(*)	12.6	10.0	6.7
Tractors	3.8	8.2	13.9	(*)	21.9	--------	15.0	--------	36.4	2.8	5.7	6.0	(*)	9.1	6.6	13.4
B. Electrical machinery	54.4	73.3	75.6	210.9	197.5	--------	158.4	(*)	152.7	18.9	23.0	12.4	(*)	34.2	27.3	31.7
Electric cables	2.8	4.9	2.1	(*)	24.0	--------	17.3	--------	32.1	3.3	4.8	1.1	(*)	11.2	8.3	13.1
XVII. Transport	74.5	90.4	121.7	250.1	239.5	205.3	196.0	158.5	148.0	72.8	65.0	54.4	145.1	(*)	--------	--------
A. Railway and tram cars	1.4	1.6	.5	(*)	(*)	(*)	(*)	(*)	(*)	4.2	3.6	.9	(*)	(*)	(*)	(*)
B. Automobiles, etc.	63.8	89.5	83.4	192.9	180.2	(*)	153.0	(*)	113.8	34.0	50.0	26.0	(*)	(*)	(*)	(*)
Passenger 1,000	--------	--------	--------	--------	--------	--------	58.2	--------	30.2	11.0	19.8	9.4	(*)	14.8	12.3	8.2
Trucks 1,000	--------	--------	--------	--------	--------	--------	12.6	--------	14.7	.5	.6	2.3	(*)	3.6	2.3	3.4
Chassis 1,000	--------	--------	--------	--------	--------	--------	6.2	--------	5.8	2.4	2.9	1.2	(*)	1.5	1.2	.0
Parts	22.4	25.7	19.5	(*)	77.0	--------	63.2	--------	41.8	15.5	17.7	7.7	(*)	29.4	24.4	15.2
Ships and airplanes	9.5	8.3	37.7	(*)	50.3	...(*)...	43.7	(*)	34.2	34.7	14.5	20.6	(*)	(*)	(*)	(*)
XVIII. Instruments, etc.	26.4	33.3	53.5	83.3	80.2	71.5	68.7	46.8	44.9	1.9	2.4	1.0	2.0	(*)	(*)	(*)
A. Technical instruments	16.2	20.9	29.1	(*)	55.1	(*)	45.1	(*)	34.8	1.1	1.3	.8	(*)	1.7	1.3	1.1
B. Watches	6.8	7.9	10.2	(*)	17.8	(*)	17.1	(*)	5.6	.3	.3	.2	(*)	(*)	(*)	(*)
C. Musical instruments	3.3	4.5	5.1	(*)	7.3	(*)	6.5	(*)	4.5	.6	.8	.6	(*)	(*)	(*)	(*)

XIX. Weapons and ammunition	2.0	4.8	3.0	14.2	(*)	11.9	(*)	11.8	(*)	.3	.6	.3	2.2	(*)	(*)	(*)
A. Weapons	1.7	3.4	2.3	(*)	(*)	(*)	(*)	(*)	(*)	.1	.2	.1	(*)	(*)	(*)	(*)
B. Ammunition	1.2	1.4	.8	(*)	(*)	(*)	(*)	(*)	(*)	.2	.4	.2	(*)	(*)	(*)	(*)
XX. Other	25.2	29.8	68.8	67.5	63.7	60.5	57.3	32.6	29.6	27.0	26.5	29.5	24.5	5.4	4.5	4.4
Total	1,632.7	2,123.5	3,385.0	5,175.2	4,797.6	4,353.7	3,987.9	4,061.6	3,840.0	13,426.1	15,151.3	0,158.8	13,484.1	12,342.0	10,141.1	12,401.8

*Not available.

[1] Selected items only. These include all major commodities. As can be seen by comparing the totals of the major groups under "All" and those under "Selected," the selected totals are, for the most part, only slightly less than the complete totals.

ANNEX D.—*Sweden: Government budget for fiscal year 1948–49*

I. WORKING BUDGET

	Millions of kronor	
A. Receipts:		
1–15. Total receipts	5,015	
1–11. Total taxes	4,370	
1. Preliminary income and property tax	2,100	
2. Taxes on production and sale of alcoholic beverages	634	
3. Tobacco duty	420	
4. Sales tax on gasoline	390	
5. Customs duties	240	
6. Special sales tax	160	
7. Inheritance and gift taxes	85	
8. Vehicle tax	80	
9. Amusement tax	40	
10. Tax on soft drinks	30	
11. Other taxes	191	
		4,370
12. Civil service fees, etc	70	
13. Miscellaneous current revenue	137	
		207
14. Receipts from state capital funds: [1]		
(a) State business enterprises [2]	165	
(b) State pension funds	32	
(c) State loan funds	27	
(d) Loan subsidy fund	21	
(e) Defense fund	20	
(f) State-owned shares	20	
(g) Other state capital funds	33	
		318
15. Old age pension contributions		120
Total receipts		5,015
B. Expenditures:		
1–7b. Total operating expenditures		4,285
1. Ministry of social welfare:		
(a) Pensions and certain welfare funds	777	
(b) Allowances to families with children	420	
(c) Other	143	
		1,340
2. Civil service pension system		163
3. Ministry of defense		771
4. Ministry of church and education		506
5. Ministry of agriculture:		
(a) Agricultural price subsidies	155	
(b) Other government departments	259	
		414
		774
Total current departmental expenditures		3,968

[1] Includes both interest on treasury advances to the state capital funds and profits surrendered by such funds to the treasury.

[2] Includes post office, telephone and telegraph system, state railways, hydroelectric power system canals, and state domains (principally forests).

ANNEX D.—*Sweden: Government budget for fiscal year 1948–49*—Continued

I. WORKING BUDGET—continued

B. Expenditures—Continued		*Millions of kronor*
7. State capital funds:		
(*a*) National Debt Office:		
(1) Interest on funded debt	293	
(2) Interest on floating debt	19	
(3) Interest on budgeted new debt and other costs	8	
	320	
(4) Less revenue of debt office	−9	
		311
(*b*) Aviation subsidy		5
Total operating expenditures		4, 285
(*c*) Appropriations for covering unproductive expenditure in the capital budget:		
(1) Loan fund for residential building	60	
(2) Construction of schools, hospitals, laboratories, etc	10	
(3) Housing subsidies	6	
(4) Other	15	
		91
(*d*) Appropriations for covering capital losses		50
		4, 426
Estimated additional expenditures on basis of previous authorizations		90
		4, 516
Estimated surplus		499
Total		5, 015

II. CAPITAL INVESTMENT BUDGET [3]

A. Receipts:	
1. Appropriations in working budget for covering unproductive capital expenditures and capital losses	141
2. Estimated surplus from working budget	499
3. Earnings of state business enterprises and other state capital funds directly available for financing investments	196
Total funds available without borrowing	836
Deficit resulting from government's total operating and investment activities	208
Total	1, 044

[3] This presentation differs from the published "Capital Budget" in that (1) it includes funds which the state business enterprises, etc., are authorized to use for investments directly out of earnings, without such items being entered in the government's own budget; (2) it includes an estimate of additional investments likely to be made on the basis of earlier authorizations.

ANNEX D.—*Government budget for fiscal year 1948–49*—Continued

II. CAPITAL INVESTMENT BUDGET—continued

	Millions of kroner
B. Investment expenditures:	
1. Post office (land, buildings, and vehicles)	7
2. Telephone and telegraph system:	
(*a*) Equipment and installations	100
(*b*) Buildings, etc	5
Total	105
3. State railways:	
(*a*) Purchase of private railways	45
(*b*) Rolling stock	34
(*c*) Buildings and installations	26
(*d*) Bus lines	10
(*e*) Other	11
Total	126
4. Hydroelectric power system and canals:	
(*a*) Power transmission facilities	57
(*b*) Power stations	40
(*c*) Other	10
Total	107
5. Public domains	13
6. Aviation	7
7. Public buildings	22
8. Defense (buildings and installations)	23
9. State loan funds:	
(*a*) Loan fund for residential building	240
(*b*) Other	5
	245
10. Loan subsidies	42
11. Purchase of shares in commercial enterprises	6
12. Other investments	22
Total newly authorized investments	724
Estimated additional investments on basis of previous authorizations	320
Estimated total investments	1,044

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