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# Recovery

# Program

## NORWAY

## COUNTRY STUDY

Economic Cooperation Administration

February 1949 • Washington, D. C.

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This document is based on the best information regarding Norway 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

Norway's fundamental economic problem is still that of repairing the damage of the war. This requires a large investment program, one so large as to create an inflationary threat. This latent inflation has been contained since the end of the war only by strong governmental controls, which raise problems of their own.

Another result of the war was the loss of Germany as a source of supply and the consequent necessity for larger Norwegian purchases in the United States. This has contributed to the abnormally large trade deficit with the Western Hemisphere, aggravated in turn by the fact that freight rates have not risen as much as the prices of imports, making it more difficult for Norway to pay for imports by carrying freight.

Norway is among the countries that suffered the greatest loss of property in the war. Half the merchant marine was lost. The Germans laid waste northern Norway, destroying iron mining and ore-concentration facilities that had played an important part in Norway's prewar foreign trade. Stocks of goods in consumers' hands and for business use were reduced by half. There was substantial damage to buildings and equipment. It is estimated that altogether Norway lost nearly a fifth of its wealth (at present prices about 2 billion dollars). For a nation of just over 3 million people this is a staggering amount.

Reconstruction has conditioned every economic decision and policy in Norway for the last 4 years. It is for this reason, for example, that the construction industry in Norway is operating at a level half again as high as in 1938 even at the cost of holding timber exports well below prewar levels. Reconstruction has been carried out so far almost entirely with Norwegian resources and credit but it can not be completed without ECA aid.

By the end of 1948 somewhat more than half the job of reconstruction had been done. Hydroelectric works are now above prewar capacity. The fishing fleet and whaling factories have been brought back to prewar levels. The merchant fleet, which offers the quickest chance to earn dollars with new investment, is approaching 90 percent of prewar tonnage. On the other hand, stocks of goods are still far

below normal, less than half the houses in the north have been rebuilt, and iron mining is still operating at a very low level.

Part of the costs of this huge job have been met out of current Norwegian production and savings. The balance has been made possible by imports from abroad.

Norway has not been able to pay for the necessary volume of imports out of current earnings. Its imports have been somewhat larger than before the war because of the orders placed abroad for ship construction. Earnings from shipping and exports have both lagged behind the general level of Norwegian production.

Before the war, net earnings from shipping paid for one-third of the Norwegian imports. Today they pay for a much smaller proportion, because tonnage is still below prewar levels, and because freight rates have gone up only about two-thirds as much as the price of Norwegian imports.

Exports, except for fish, have not recovered as much as industrial production. In part this is because production in the export industries declined to 45 percent of prewar levels in 1945 and has now returned to only around 90 percent. In part, the low level of exports is also due to larger use of products at home, as in the case of timber and of aluminum and electro-chemical products. While this may be attributed partly to a larger use of some Norwegian products by consumers, it also reflects the demands of the reconstruction program on Norwegian production.

Norway has used considerable resources to finance a surplus of imports for its reconstruction program. As a result of insurance payments for ships lost during the war and of earnings for freight carried, Norway had large credit both in dollars and sterling at the end of the war. Together these reserves would have been large enough to finance about a quarter of the reconstruction job, had it been possible to use the entire sterling reserve. Norway also realized several million dollars by requisitioning private Norwegian dollar assets and by using its own gold reserves.

Beyond this Norway had to borrow. The Norwegian Government has pledged its credit to purchase ships and to borrow nearly 100 million dollars from various agencies of the United States Government (other than the ECA) and to borrow another 40 million dollars from Sweden and Canada.

In this manner, Norway was able to pay for imports of goods and services that exceeded income from exports and shipping in each of the past 3 years: by 160 million dollars in 1946; 272 million dollars in 1947; 200 million dollars in 1948.

By the fall of 1947 it had become evident that Norway could not continue to pay for imports at the current rate. The ship program was continued in 1948, but the rest of Norwegian imports were cut back

from a level in 1947 slightly above prewar to only 86 percent of prewar in the first half of 1948. The Western Hemisphere dollar deficit was cut from 204 million dollars in 1947 to a rate of 132 million dollars in the third quarter of 1948. Further drastic cuts in food, raw material, and equipment imports would have been necessary without ECA aid. With ECA aid it was possible to lift the volume of imports to about 97 percent of prewar levels, and a severe depression was thereby averted.

By the end of 1948 Norway's capacity to go on financing a large deficit in its balance of payments was almost exhausted. The dollar loans were virtually used up, and dollar reserves had declined. There is still a considerable sterling balance from the war period, but the British cannot afford to permit large drafts to be made on it in any one year. The balance of 30 million dollars from an Export-Import Bank loan was the only large dollar reserve that Norway carried into the fiscal year 1948–49 and this is now nearly exhausted.

Norway received an allotment of 20 million dollars in the second calendar quarter of 1948, of which 15 million dollars was a loan and 5 million dollars a direct grant. Aid extended in 1948–49 and further aid programmed in 1949–50 are summarized in the following table:

[In millions of dollars]

| | 1948–49 | 1949–50 |
|---|---|---|
| Norwegian request for gross dollar aid | 104.0 | 131.8 |
| OEEC recommendation of gross dollar aid | 84.0 | (1) |
| ECA estimate of gross dollar aid | 83.3 | 105.0 |

[1] National submissions for 1949–50 not yet reviewed by the OEEC.

Of the 83.3 million dollars programed for 1948–49, Norway has already been allotted 61.8 million dollars, of which 20 million dollars is a loan, 29.4 million dollars a direct grant, and 12.4 million dollars conditional aid. An additional allotment of 21.5 million dollars is therefore necessary to complete the 1948–49 program.

On the domestic front the reconstruction program has necessitated a constant effort to increase savings and to suppress inflation. While the surplus of imports was large enough to provide for about three-fifths of the net investment program from 1946 to 1948, the program was so large that it proved difficult to finance even the remaining two-fifths from current Norwegian production and savings.

The Norwegian Government tackled this problem by encouraging increased production, by restricting consumption, by establishing large savings out of funds collected by taxes and by using such devices as were necessary to suppress inflation.

There has been a significant recovery in Norwegian production. Agricultural production, which was at 75 percent of prewar levels in 1945, has now recovered to 90 percent after a set-back due to the

weather in 1947. Industrial production for the home market has nearly doubled since 1945 and is now 40 percent above prewar levels.

Consumption has been severely restricted by the Government. Imports are screened to make sure that only the most essential goods are brought into the country. Almost all food is rationed except fish, potatoes, and vegetables. People in the cities are getting a much less satisfactory diet than before the war. Clothing is so tightly rationed that a man's quota for the year is used up if he buys a suit and a shirt. There is a general housing shortage and conditions are very serious in the devastated north. Fuel supplies are so limited as to cause severe discomfort during the winter.

Restrictions on consumption have succeeded in supporting the reconstruction program in some ways. They have prevented the unplanned diversion of foreign exchange to satisfy consumers' needs. They have been successful in insuring that local demands for reconstruction take priority over consumer demand, as for example, by insuring that hydroelectric works are built before houses. But they have not been at all successful in insuring that people who could not buy what they wanted would then save their money and invest it in the reconstruction of Norway. In 1946 there was only a small amount of spending of past savings by individuals, while there were large savings by business enterprises and small savings by the Government. In 1948 it appears that the use of past savings by individuals was so large that it almost equalled business savings. In effect, net savings in that year depended on public rather than private action.

The Norwegian Government is fully aware of the dangers inherent in this situation and has used the controls necessary to prevent inflation in a situation where there is full employment, a reasonably satisfactory relationship between wages and prices, and a considerably limited supply of consumers' goods. Prices are little higher than they were when the war ended. Prices and wages are both rigidly controlled. Subsidies have been extensively used to prevent rising costs from resulting in an upward revision of wage scales. Rationing has been used to insure an equitable division of available supplies of essential consumers' goods.

These contributions by the Government to the reconstruction program have not been without their cost. The Government surplus has only been made possible by heavy taxes, which may limit incentives to produce and which contribute to the decline in individual savings. The suppression of inflation has involved the establishment of arbitrary controls, and of price relationships that themselves tend to produce unfortunate consequences. While there is no evidence of a large diversion of resources to uncontrolled domestic services, there is undoubtedly some leakage of this sort. It is possible that consumption has been so drastically restricted as to encourage absenteeism and labor

turn-over. There is no indication as yet that Norway has been able to develop an amount of voluntary saving large enough to maintain the reconstruction program and at the same time to begin a gradual relaxation of detailed economic controls.

The long-term program of the Norwegian Government visualizes the completion of reconstruction by 1952–53. The Government hopes by that time that the investment program will result in sufficient increases of production, so that prewar standards of living can be restored and foreign accounts can be well enough balanced to enable Norway to live without extraordinary foreign assistance.

The magnitude of the program raises serious questions as to its financial feasibility. The program outlined by the Norwegian Government calls for an average annual net investment of 450 million dollars. This is somewhat larger than the investment program of 1947 and substantially larger than the program in 1948. It is assumed that half of the investment program can be achieved with a surplus of imports averaging about 225 million dollars a year. It is doubtful that Norway can finance an import surplus of this size without a substantial increase in the amount of ECA aid, though part of the surplus can obviously be financed by ship mortgages and some part might be financed by further borrowing from the International Bank and other sources.

The program contemplates domestic savings of about 225 million dollars, so that about half of the investment program would be carried out with domestic resources. Savings of this magnitude might be realized if private individuals could be induced to spend only their current income after taxes and could be dissuaded from spending part of their past savings as well.

A second grave difficulty in the program is that it does not appear to taper off. The only figures presented are averages for the period 1949–52. The program for 1949 and the first half of 1950 will not reach this average level. Obviously therefore it cannot be assumed that the program can be carried out in its entirety, unless the investment program and presumably foreign financing rise in later years. Equally, however, Norway cannot safely plan to be heavily dependent upon extraordinary foreign financing right up to the period when such financing will no longer be available.

It would appear to be necessary, therefore, to reconsider the whole long-term program to determine what parts of the investment program can safely be postponed. The Norwegian Government has indicated that in any reduction of the investment program, investment in export industries will be safeguarded.

A further question is the future adequacy of the labor supply. The Norwegian program anticipates a large increase in the productivity of labor and a comparatively small increase in the total size of the labor

force. While it does not specifically contemplate any marked transfer of labor from agriculture to industry, such a transfer may actually take place. In Norway, as in other countries, there has been a movement away from subsistence farming; and it may well be that if means can be found to finance the investment program, means can also be found to man a substantially expanded industrial establishment.

While there are grave doubts that the long-term investment program can be executed in its entirety, it should be emphasized that the amounts involved are reasonably related to the wartime losses, which must still be made good, and to the needs of a growing population. The program aims at developing the resources of Norway along the lines to which they are best suited. Some 40 percent of investment will be made in industries that will contribute directly to balancing Norway's foreign trade. Most of the remaining investment will make an indirect contribution to increased exports or decreased imports, though some parts that are designed to decrease the need for imports may need to be reexamined to insure that scarce resources are not wasted in the development of uneconomic industries.

The Norwegian program for 1949–50 visualizes a continuation of investments in reconstruction and an increase in production made possible by past investments. The program is substantially more modest than the long-term program. It thus illustrates the difficulty of achieving the goals of the long-term program without a substantial increase in the amount of foreign financing.

It is estimated that both exports and imports will increase in 1949–50 by about 50 million to 60 million dollars. The increase in exports in turn reflects an anticipated increase of about 12 percent in the level of industrial production as a result of investments that have been made in the electrochemical and other industries.

In general, increased consumption will absorb only a small part of the increase in goods and services expected to be available to the Norwegian economy in 1949–50.

In 1949–50, as in later years, the Norwegian Government will need to guard against increases in living standards that cannot be sustained after 1952 without extraordinary outside assistance. Consumption standards are, however, so austere in Norway that an increased supply of goods for consumption may be needed to get maximum production from present resources. Current expenditures for consumption are obviously increasing the inflationary strains that result from the present investment program. Since the eventual restoration of significantly higher living standards depends upon increasing the present investment program, a careful choice will apparently have to be made between immediate and ultimate increases in living standards.

The investment program in 1949–50 is expected to be somewhat larger than in 1948–49, but total figures have not been submitted. Substantial increases in capacity are anticipated in cement, nitrogenous fertilizers, superphosphates, sulphuric acid, chlorine and caustic soda, herring oil, and hardened fats. Cotton-spinning capacity and rayon-yarn capacity are being doubled. The merchant fleet is expected to be back to prewar levels by the middle of 1950. It is anticipated that reconstruction of the iron-ore plants at Syd-Varangar will have progressed sufficiently to permit production at about half of the prewar level by 1950.

In 1949–50 the Norwegian Government expects to follow basically the same fiscal policy as it is currently pursuing. The Government expects to cover expenditures out of current revenue, as it has in the past, and will not resort to loans to balance its budget. It will, moreover, continue its practice of selling savings bonds and sterilizing the proceeds as a means of checking consumer outlays on goods and services. It also apparently intends to adhere to its present practice of sterilizing the Norwegian kroner proceeds of loans and grants obtained abroad.

While anticipating that the over-all deficit in the balance of payments on current account will decline from about 211 million dollars equivalent in 1948–49 to about 188 million dollars equivalent in 1949–50, the program submitted by the Norwegian Government contemplates a large increase in the dollar deficit. Certain adjustments in the program will, however, be necessary. For instance, steel imports have had to be cut because of limited availabilities. The value of imports of petroleum and some agricultural products has been somewhat overestimated because Norwegian price assumptions were too high. Altogether, import reductions of about 28 million dollars, of which approximately 24 million dollars are from the dollar area, can probably be made. Certain adjustments have also been made in the capital account. The net result of all of these adjustments is to reduce the total dollar deficit for 1949–50 from 131.8 million dollars as estimated by the Norwegian Government to 105.1 million dollars as currently estimated by the ECA.

ECA estimates that the need for ECA dollar aid in 1949–50 will therefore amount to about 105 million dollars of direct dollar aid. While the indicated amount of dollar aid still is larger than the 84 million dollars recommended by the OEEC for 1948–49, it is modest considering the fact that 30 million dollars was available in 1948–49 from the Export-Import Bank credit and that virtually none of this credit will be left for use in 1949–50.

The amount of assistance that will be needed in the form of net drawing rights cannot be estimated before the OEEC studies the amount of the deficit with participating countries that can be financed

by shipbuilding credits and other means. In 1948–49 Norway has indirect assistance in the form of net drawing rights amounting to 31.8 million dollars equivalent. On the basis of available information, it seems possible that in 1949–50 Norway will require less indirect aid than in 1948–49. However, it is to be remembered that in 1948–49, Norway used an advance of 10 million dollars in Belgian francs from the International Monetary Fund to finance the Norwegian deficit with Belgium.

In view of the excellent postwar recovery record of Norway, it has been estimated that ECA direct dollar aid of 105 million dollars may be applied effectively to increase investment and production as a further step in the direction of economic viability.

PART II

# Chapter I. Analysis of the Current Situation

## A. CONSEQUENCES OF THE WAR

Norway's need for economic assistance is primarily attributable to heavy war losses. The most serious blow to Norway's international position was the reduction of her merchant marine from 4.9 million tons in 1939 to 2.7 million tons at the end of the war. This critically reduced Norway's ability to pay for essential imports. Before the war about one-third of Norway's imports had been paid for with net receipts from shipping; the much reduced tonnage could not possibly earn foreign exchange to the same extent. Insurance payments in foreign exchange received for ship losses during the war have been estimated to cover only 40 percent of war losses.

There was also considerable destruction within Norway. The principal iron ore mine and concentration plant was destroyed and a large portion of northern Norway was completely devastated by the scorched earth policy the Germans adopted in the retreat through Finnmark. Commercial and household stocks were reduced by almost half, and there was substantial damage to industrial buildings and equipment.

It has been calculated that the real capital loss during the war amounted to 5.8 billion kroner at 1939 prices, or 18.5 percent of estimated total real capital in 1939. The principal losses of real capital at 1939 prices are estimated as follows: buildings, 1 billion kroner; ships and boats, 1 billion kroner; stocks, 1.4 billion kroner; machinery and equipment, 0.6 billion kroner; and movable property and furniture, 1.3 billion kroner.

Even apart from the movable property and furniture loss which affects the comfort of living more than it does production and without regard to further miscellaneous losses of about 0.5 billion kroner, wartime destruction and consumption of productive capital closely approximated a full year's production of goods and services. It has been estimated that at present prices it would cost 10 billion kroner or about 2 billion dollars to make good wartime losses of real capital. This estimate may be entirely too low, because it is based on the rise of

wholesale prices in Norway to 1.7 times the prewar level whereas import prices have nearly trebled. The value of ship deliveries has already exceeded the estimated cost of replacement and yet the fleet is still 10 percent below the prewar level.

These wartime losses could not be made good without a substantial increase of imports. For example, Norway does not have shipbuilding facilities to rebuild her merchant fleet and it could be restored only by ordering ships built in foreign yards. Since there was no possibility of correspondingly increasing exports, this means that as a result of wartime losses Norway has had to face a serious deficit in her foreign payments.

In particular, Norway's position vis-à-vis the Western Hemisphere has seriously deteriorated as compared to the prewar period because of the disruption of international trade resulting from the war. Before the war Germany and other European countries were important sources of Norwegian imports and the receipts in sterling from Norwegian shipping enabled Norway to pay for an excess of imports from other areas. With the virtual disappearance of Germany as an important source of imports and the reduced availability of supplies from other European countries, Norway has been compelled to draw much more of its imports from the Western Hemisphere, especially from the United States. Exports to the Western Hemisphere have increased only slightly so that there has been a large import surplus with the Western Hemisphere. Whereas in 1938 Norway had a current account surplus with the Western Hemisphere of about 20 million dollars, in 1947 the current account deficit with the Western Hemisphere was 170 million dollars. Some improvement has taken place in 1948; the deficit with the Western Hemisphere on commodity trade in 1948 was about 54 million dollars less than in 1947, but the deficit in commodity trade alone still amounted to about 150 million dollars.

Furthermore, a current account surplus of at least 15 million dollars with the sterling area in 1938 had changed to a current account deficit of 87 million dollars in 1947.

One other factor which is adding to the foreign exchange difficulties of Norway is the failure of net shipping receipts per ton to rise as much as import prices. The commodity terms of trade of Norway have not deteriorated to any significant degree, but the failure of net shipping receipts per ton to rise as fast as import prices has seriously interfered with Norway's ability to pay for her imports.

## B. SUMMARY OF RESOURCES AND USE OF RESOURCES

Norway has shown a remarkable degree of recovery since the war in spite of the heavy war losses. The rate of investment has been

high and consumption has been severely restricted. The following table summarizes the total available sources and their allocation in the prewar and postwar period.

TABLE 1.—*Norwegian total resources*[1] *and allocation of resources, prewar and postwar*

[In millions of kroner, unadjusted for price changes]

| | 1938 | 1939 | 1946 | 1947 | 1948[2] |
|---|---|---|---|---|---|
| A. Total resources: | | | | | |
| Gross national product | 4,518 | 4,928 | 8,272 | 9,153 | 9,086 |
| Import (+) or export (−) surplus of goods and services | −164 | −41 | +747 | +1,331 | +966 |
| Total | 4,354 | 4,887 | 9,019 | 10,484 | 10,052 |
| B. Use of resources: | | | | | |
| Depreciation allowance | 482 | 535 | 1,500 | 1,579 | 1,643 |
| Net investment: | | | | | |
| Public | | 50 | 225 | 571 | 428 |
| Private | | 555 | 1,000 | 1,575 | 1,142 |
| Subtotal | 3,872 | 605 | 1,225 | 2,146 | 1,570 |
| Consumption: | | | | | |
| Public | | 456 | 1,438 | 1,129 | 1,002 |
| Private | | 3,291 | 4,856 | 5,630 | 5,837 |
| Subtotal | ---------- | 3,747 | 6,294 | 6,759 | 6,839 |
| Total | 4,354 | 4,887 | 9,019 | 10,484 | 6,830 |
| Net national product | 4,036 | 4,393 | 6,772 | 7,574 | 7,443 |
| Net additions to wealth (net investment minus import surplus) | n a | 564 | 478 | 815 | 604 |

[1] The imputed value of unpaid work of housewives is excluded from the original Norwegian figures in order to make them more nearly comparable with figures shown in other country studies

[2] For 1948 the original January budget estimates are shown except that the actual figures for the import surplus have been used, and the increase in total resources above the original estimate directly attributable to the increased imports has been allocated pro rata to consumption and investment. It is now believed that partly as a result of ECA aid the gross national product in 1948 will be about 6 percent higher than originally estimated or about 9.6 billion kroner. The increased level of imports not only added directly to resources available but made possible a much larger increase in national output. All of the postwar gross national product estimates furthermore are being revised upward. Census data which has recently become available for 1946 indicates the need of an upward revision. The revised estimates will be more comparable with the prewar data.

Source Department of Commerce of Norwegian Government, National Budget Office. The figures on additions to wealth have been computed.

It is difficult to compare the prewar and postwar levels of gross national product. No attempt has been made to adjust all of the estimates for price changes. Wholesale prices in 1948 are almost 1.8 times prewar. If the level of wholesale prices can be used as a rough guide it appears that gross national product in 1948 will be in the neighborhood of 10 to 12 percent above the average for 1938 and 1939. Net production after allowing for depreciation is about 5 percent higher, while population has increased about 8 percent.

The substantial contribution of the import surplus to the available resources since the war can be seen in table 1. On the average from 1946–48 the import surplus has contributed roughly 10 percent of the total available resources. The importance of the import surplus to the net investment program is also seen in table 1. For the years 1946 to 1948 the import surplus has accounted for 60 percent of net investments as compared to 40 percent from domestic savings.

The distribution of total resources as between net investment, consumption, and depreciation may be seen from the following percentage calculations based on table 1. The revised 1948 data are expected to show a higher percentage of net investment in 1948. The percentage of net investment to the net national product in 1947 and 1948 is very high and could clearly be achieved only because of the large import surplus. Net additions to wealth after taking account of the import or export surplus averaged nearly 13 percent of net national production before the war, while the corresponding proportions for the postwar period are 7 percent in 1946, 11 percent in 1947, and 8 percent in the budget estimates for 1948.

TABLE 2.—*Allocation of resources to investments and consumption*

| | 1939 | 1946 | 1947 | 1948 |
|---|---|---|---|---|
| A. Percentage of total resources: | | | | |
| Net domestic investment | 12 | 14 | 20 | 16 |
| Consumption | 77 | 70 | 65 | 68 |
| Depreciation | 11 | 16 | 15 | 16 |
| | 100 | 100 | 100 | 100 |
| B. Percentage of net national product: | | | | |
| Net domestic investment | 14 | 18 | 28 | 21 |
| Consumption | 85 | 93 | 89 | 92 |
| Net export (+) or import (−) surplus | 1 | −11 | −17 | −13 |

Source: See table 1.

## C. PRODUCTION

Production in Norway has increased to more than prewar levels. However, the expansion of output has been much greater in some fields than in others. In particular, increases in production for the home market have been larger than increases in export industries. The latter have generally not recovered to prewar levels, partly because wartime destruction affected them more than it did industries producing for the home market.

An analysis of the gross national product data for prewar and postwar years is presented in table 3. As shown in the table, the gross national product in 1948 is estimated at 9.6 billion kroner as compared to an average for 1938 and 1939 of about 4.5 billion kroner. The revised estimate for 1948 is 6 percent higher than the original budget estimate. This increase is attributable partly to an unexpectedly good harvest and fish catch and partly to ECA aid, which actually arrived only in the last 6 months of the year.

Indices of the physical volume of output in the major sectors are presented in table 4 and show great differences as between the various sectors in the degree of recovery. While construction, industries producing for the home market, and fisheries were producing at rates more than 25 percent above prewar in 1948, the output of shipping, the export industries, agriculture, and forestry, were all below prewar

TABLE 3.—*Gross national product by major sectors (in millions of kroner, unadjusted for price changes)*

| | 1938 | 1939 | 1947 | Original estimate, 1948 | Revised estimate, 1948 |
|---|---|---|---|---|---|
| Agriculture | 373 | 397 | 725 | 767 | 895 |
| Forestry | 141 | 103 | 368 | 429 | 408 |
| Fishing | 79 | 77 | 260 | 234 | 292 |
| Whaling | 58 | 41 | 262 | 229 | 297 |
| Industry and electricity | 1,479 | 1,637 | 2,858 | 3,023 | 3,121 |
| Building and construction | 248 | 296 | 801 | 739 | 765 |
| Shipping | 448 | 575 | 686 | 836 | 763 |
| Other communications | 202 | 215 | 716 | 716 | 716 |
| Trade | 548 | 601 | 1,258 | 1,066 | 1,220 |
| Other | 701 | 738 | 1,153 | 1,046 | 1,136 |
| Total | 4,277 | 4,680 | 9,085 | 9,085 | 9,613 |

NOTE.—The imputed value of unpaid housework has been excluded in the above estimates. Both in 1947 and in the revised 1948 estimates there are revisions which could not be taken into account in table 1.

Source: Department of Commerce of the Norwegian Government, National Budget Office.

levels. Both shipping and the export industries have recovered substantially since 1946, however. In general, shortages of raw materials, war losses, and inadequate production capacity are largely responsible for low levels of production in the export industries. The reduced output of shipping clearly is a direct result of war losses, and the recent increases reflect the rebuilding of the fleet which placed so heavy a strain on Norwegian resources after the war.

TABLE 4.—*Indices of volume of output by major sectors*

[1938=100]

| | 1945 | 1946 | 1947 | Estimate 1948 |
|---|---|---|---|---|
| Agriculture | 75 | 88 | 80 | 90 |
| Forestry | 67 | 85 | 94 | 98 |
| Fisheries | 68 | 79 | 100 | 127 |
| Construction | 130 | 149 | 172 | 158 |
| Industry as a whole | 65 | 96 | 108 | 124 |
| Industries producing for home market | 74 | 109 | 121 | 140 |
| Export industries | 45 | 68 | 82 | 91 |
| Shipping | 55 | 60 | 72 | 80 |

Source. See table 3.

Not only is there a sharp divergence between the average rate of recovery in the industries producing for the home market and the export industries, but the rates of recovery of individual industries within the two groups vary greatly. In table 5 indices of production in certain major industrial groups are presented. In general, production in the mining, chemical, pulp and paper, and canning group is largely for the export market. With the exception of pulp and paper each of these groups is below prewar levels. In the case of pulp and paper the rate of recovery shown is much higher than the rate of recovery of pulp and paper exports. This reflects the increased home consumption of paper, to a large extent, as a substitute for textiles;

pulp production is still below prewar levels. In the mining group iron ore lags far behind other minerals because of wartime destruction.

TABLE 5.—*Industrial production indices*

[1938=100]

| | 1945 | 1946 | 1947 | January to June 1948 | July 1948 | August to October 1948 |
|---|---|---|---|---|---|---|
| Mining and metal extraction | 20 | 52 | 70 | 78 | 58 | 80 |
| Iron and steel manufacture | 102 | 139 | 160 | 177 | 85 | 173 |
| Chemical and electro-metallurgical | 77 | 94 | 98 | 95 | 103 | [1] 94 |
| Pulp and paper | 38 | 66 | 80 | 97 | 75 | 106 |
| Textiles | 62 | 86 | 108 | 129 | 44 | 131 |
| Shoes | 72 | 95 | 99 | 114 | 32 | 118 |
| Canning | 71 | 76 | 97 | 129 | 88 | 74 |
| Other food-processing industries | 81 | 114 | 117 | 122 | 110 | 116 |

[1] The index for October is 64 as a result of the Heroya strike.

Source: Central Statistical Office of the Norwegian Government.

In table 5 the rate of output in 1948 is shown separately for the first 6 months, for July, and for August to October. The decline in July is the result of the universal practice of taking holidays in the summer. The Norwegians are traditionally keen sportsmen and take advantage of the summer sun after their long and dark winters. In 1948 the decline was especially sharp as a result of the law guaranteeing a paid vacation period of three weeks for every worker. The fact that such a large proportion of the people take their holidays at the same time means a virtual stoppage of production in some lines. There has been considerable discussion recently of the need for some staggering of vacations to prevent the interruption of production. It is believed that the government will make every effort to find some solution to this problem.

The fact that the vacation period has been increased to three weeks can be considered as a separate problem. The wisdom of this increase under present conditions has been seriously questioned. It must be realized, however, that the psychological effects of the war and of the uncertainties of the future are very strong in Norway. Furthermore, there has been only one important strike in Norway and the absence of strikes is partly attributable to the increased vacation period. As long as the supply of real goods, including housing, is so restricted, the degree of importance attached to vacations is bound to be above normal.

The effect of the Heroya strike is seen in the index of chemical and electro-metallurgical output, which fell to a level of 64 in October. The strike involved about 1,800 workers and lasted 6 weeks. It was condemned by both the labor unions and the government and the leaders of the strike have been expelled from the union.

An important factor limiting the expansion of output in Norway

is the scarcity of manpower. There is full employment in Norway and substantial unsatisfied demand for additional labor in most fields. On October 1, 1948, 3,000 workers were registered as unemployed as compared to 4,700 on October 1, 1947. In the summer of 1948 three times as many vacant jobs were registered as the number of registered persons seeking employment. Industry is on a 48-hour week but there has recently been some pressure for a shorter work week. The ease with which new employment can be obtained, the scarcity of consumers' goods, the very high income tax rates, and uncertainties about the future combine to produce an environment in which there are not strong enough economic incentives for continuous work. Absenteeism has been high although some decline has taken place in 1948.

## D. CONSUMPTION

The Norwegian government has definitely adopted the policy of keeping consumption at a minimum in order to speed up the recovery and investment programs.

Despite large increases in production for the home markets, consumption has not regained prewar levels and the government does not aim to achieve prewar levels of consumption before 1952. Both domestic production and imports have been channelled as largely as possible to investment rather than to consumption. Indeed consumption has been so drastically controlled that many people feel that the most effective means of further raising production would be to increase the availability of housing, textiles, and higher grade foods.

However, the efforts of consumers to spend not only their current income after taxes but also their past savings has created serious strains. Wages have kept up with prices and there has been some shift from low-wage to high-wage employments. In effect, consumers are taking whatever quantity of goods and services government policy and domestic resources permit them to buy.

There have been substantial distortions in the pattern of consumption. In the aggregate consumers' expenditures even on a per capita basis are not far below prewar levels, but consumers are not able to buy the kinds of goods and services that they really want. In effect they are getting movies in place of meat, radios in place of fuel, vacation trips instead of clothing. Against the background of wartime losses of household possessions and years of inadequate supplies this situation is especially serious.

The consumption of almost all foodstuffs other than fish, potatoes, and vegetables is strictly rationed and is less than it was before the war. In the cities at least, it is often difficult to obtain the rationed quantities. The consumption of the higher quality foods by the

farmers themselves has risen compared to prewar. In table 6 per capita consumption of all important foodstuffs other than fish is shown. Milk and butter which are rationed are above prewar levels. The government has aimed to increase milk consumption at the expense of meat consumption. Butter, which is domestically produced, has not offset the loss of margarine. The Norwegian government estimates that the calories consumed per person are still below the prewar level, but makes no estimate of the precise level. It is clear in any case that there has been a substantial shift away from higher quality foods as compared to prewar.

TABLE 6.—*Indices of per capita consumption of certain foodstuffs*

[1938=100]

| | 1946 | 1947 | 1948 | | 1946 | 1947 | 1948 |
|---|---|---|---|---|---|---|---|
| Bacon | 47 | 52 | 61 | Cheese | 55 | 65 | 77 |
| Sugar | 64 | 60 | 66 | Fruit | 103 | 79 | 81 |
| Meat | 82 | 86 | 68 | Flour and bakery goods | 91 | 98 | 89 |
| Coffee | 70 | 72 | 70 | Potatoes | 109 | 105 | 103 |
| Eggs | 50 | 64 | 74 | Butter | 74 | 103 | 106 |
| Chocolate | 48 | 68 | 76 | Milk | 112 | 107 | 109 |
| Margarine | 93 | 85 | 77 | Vegetables | 103 | 103 | 145 |

Source: The Norwegian Government memorandum on the long-term program except for revised estimates by Norwegian Department of Commerce for consumption of vegetables and fruit in 1948.

For other types of consumption the best available estimates are those shown in table 7. Price changes since 1946 have not been large enough to cloud the comparison. As has been noted, the consumption of most foodstuffs is below prewar. The consumption and prices of alcoholic beverages and tobacco are above prewar, however, which accounts for the higher levels of expenditures in the group as a whole. These commodities are not rationed but are taxed heavily and are an important source of government revenues. The government believes that the present level of consumption of tobacco is necessary for morale.

The fact that the sales of clothing, textiles, and footwear are below prewar means a very low real standard of consumption. Personal and household stocks are at low levels due to their serious depletion during the war. Textiles are strictly rationed and it is difficult to buy even the rationed quantities. The existing rations permit a man to buy one suit and one shirt per year. The purchase of underwear, stockings, or any other item of clothing must be at the expense of the purchase of the suit or shirt. Women's clothing rations are equally low. The purchase of household textile supplies, furthermore, must be made at the expense of these minimum clothing rations.

Furniture sales appear to be well above prewar levels and other domestically produced durable goods appear to be at about prewar levels. This situation was already foreshadowed in the production

statistics. In interpreting these figures it is necessary to remember the wartime removals by the Germans and the absence of goods from the markets for 5 years.

The only large group in which postwar consumption is importantly above prewar is the miscellaneous group. This presumably reflects increased travel within Norway, increased attendance at movies and theaters, and increased use of restaurant and hotel facilities. Some diversion of resources to those fields has undoubtedly taken place but there has been little or no increase in the actual movie, restaurant, or hotel facilities. Because of the unavailability of real goods on the market the consumption of entertainment services, which are heavily taxed, has been the only outlet.

TABLE 7.—*Private consumption*

[In millions of kroner]

| | Normal prewar year (1946 prices) | 1947 (1947 prices) | 1948 (1948 prices) |
|---|---|---|---|
| Food, beverages, and tobacco | 2,797 | 2,870 | 2,900 |
| Clothing, textiles, and footwear | 1,322 | 1,250 | 950 |
| Fuel | 362 | 320 | 320 |
| Furniture | 65 | 100 | 90 |
| Radio, glass, china, bicycles | 135 | 130 | 130 |
| Correction | 81 | | |
| Total | 4,600 | 4,670 | 4,390 |
| Deduction for public consumption | n. a. | *100* | *100* |
| Private consumption of above articles | | 4,570 | 4,290 |
| Service of dwellings | 455 | 500 | 505 |
| Miscellaneous | 600 | 595 | 744 |
| Unaccounted for—adjustment to actual import surplus | | —35 | +298 |
| Total private consumption | | 5,630 | 5,837 |

Source. Department of Commerce, National Budget Office.

## E. GOVERNMENTAL USE OF RESOURCES

The Central Government has been making every effort to reduce its consumption of goods and services since 1946 and its success in so doing is reflected in the substantial decline in Government consumption. Such expenditures are still somewhat higher than they were before the war. Norwegian figures for governmental consumption of goods and services include the estimated imputed value of the services of nonbusiness public capital such as roads, schools, hospitals, etc., as well as the value of all goods and services purchased by the Government for other than investment purposes. In table 8, summary data on governmental use of resources are presented for central and local governmental bodies combined.

The most striking feature of these figures is the large increase in Government investment. This net investment was shown in table 1 and is included within the totals described in the following section.

TABLE 8.—*Governmental use of resources*

[In millions of kroner, unadjusted for price changes]

| | 1939 | 1946 | 1947 | 1948 |
|---|---|---|---|---|
| Government net investment | 50 | 225 | 571 | 428 |
| Government consumption | 456 | 1,438 | 1,129 | 1,002 |
| Total | 506 | 1,663 | 1,700 | 1,430 |

Source: See table 1.

While there is no break-down for net investment as such, the distribution of Government investment activities can be shown in terms of gross investment. Gross investment (other than in business enterprises) by central and local governments averaged 447 million kroner in 1947 and 1948. The bulk of this is accounted for by gross investments in roads, water works, and harbors averaging 175 million kroner, and in defense works averaging 161 million kroner. Gross investment in governmental business enterprises averaged 417 million kroner per year, 170 million of which was in electric power plants, 173 million in railways and streetcar facilities, 64 million in post, telephone, and telegraph facilities and 10 million in other enterprises.

## F. INVESTMENT

The heart of the Norwegian recovery effort has been an investment program to make good war losses, to increase exports and to decrease the need for imports. It has controlled domestic production policy, as is evident from the figures for the construction industry in table 4, and imports, as has been indicated in connection with discussion of the rebuilding of the merchant fleet. The need for a high level of investment has also dictated Government fiscal policy and the controls which have been exercised over consumption and prices.

Net investment, as was shown in table 1, amounted to 1,225 million kroner in 1946, 2,146 million kroner in 1947, and 1,570 million kroner in 1948. In these 3 years net investment has amounted, therefore, to 4.9 billion kroner. Since these amounts do not include investment in furniture and personal movable property, they must be compared with the estimated real capital loss during the war, excluding these items, which is 4.6 billion kroner at 1939 prices. At prevailing Norwegian prices restoration of the 4.6 billion loss would involve an investment of at least 7.8 billion kroner, but this is probably too low an estimate in view of the much greater rise in import prices and the dependence on foreign machinery and shipbuilding. Therefore, heavy as the investment program has been, less than 60 percent of the war loss has been made good.

Although the restoration of war losses is far from complete, by the end of 1948 the net investment program had succeeded in restoring

a substantial proportion of the war losses in certain sectors. The merchant fleet was approximately 4.4 million tons at the end of 1948 as compared to 4.9 million prewar and 2.7 million at the time of liberation. During the war 7 out of the 12 floating whaling factories were lost. A fleet of 10 whaling factories is now in operation, having approximately the capacity of the 12 prewar factories. The fleet of smaller whaling boats serving these factories has not been completely restored, however. In fishing, a substantial proportion of the war losses have been made good. Hydroelectric capacity has been increased to a level somewhat above 1938. In the mining industry the reconstruction of war damage is far from complete. The progress in industry has varied and stocks are still far below the prewar level. Only about half of the 12,000 houses destroyed in northern Norway have been replaced but for the country as a whole, the construction of new houses has exceeded the number destroyed. There is still a severe housing shortage, however, due to the increase in population.

In table 9 a break-down of total net investment by major fields in 1947 and 1948 is presented. As mentioned above, the total for 1948 will be somewhat higher when revised figures become available which take account of the increase in output made possible by the increase in imports. Shipping has been the largest single field of investment in both years, accounting for more than a third of the total in 1948.

TABLE 9.—*Net investment*

| | Preliminary 1947 | | Estimated 1948 | |
|---|---|---|---|---|
| | In millions of kroner | In millions of dollars | In millions of kroner | In millions of dollars |
| Agriculture | 47 | 9.4 | 78 | 15.6 |
| Forestry | 20 | 4.0 | 12 | 2.4 |
| Fisheries | 21 | 4.2 | 50 | 10.0 |
| Whaling | 50 | 10.0 | 35 | 7.0 |
| Industry | 230 | 46.0 | 230 | 46.0 |
| Electricity | 125 | 25.0 | 130 | 26.0 |
| Shipping | 563 | 112.6 | 565 | 113.0 |
| Inland communications and transport | 294 | 58.8 | 167 | 33.4 |
| Trade and finance | 20 | 4.0 | 10 | 2.0 |
| Stocks in trade and industry | 300 | 60.0 | −100 | −20.0 |
| Hotels and restaurants | 12 | 2.4 | 11 | 2.2 |
| Housing | 250 | 50.0 | 220 | 44.0 |
| Defense | 160 | 32.0 | 55 | 11.0 |
| Central and local administration | 6 | 1.2 | 4 | 0.8 |
| Miscellaneous, schools, hospitals, public utilities, etc | 59 | 11.8 | 45 | 9.0 |
| Adjustment due to actual level of imports in excess of estimate | −11 | −2.2 | 58 | 11.6 |
| Total | 2,146 | 429.2 | 1,570 | 314.0 |

Source: Department of Commerce of Norwegian Government, National Budget Office.

## G. EXPORTS AND IMPORTS

Summary table 1 on use and allocation of resources showed only the net import or export surplus on account of goods and services transactions, as it added to or reduced the total goods and services available

for consumption or investment. Table 10 shows the development of exports and imports of goods and services as compared to prewar. In this table shipping receipts are shown on a net basis, i. e., gross shipping receipts minus expenditures abroad of shipping companies.

TABLE 10.—*Exports and imports of goods and services* [1]

[In millions of dollars, unadjusted for price changes]

| | 1938 | 1939 | 1947 | 1948 | Estimated 1949 |
|---|---|---|---|---|---|
| EXPORTS OF GOODS AND SERVICES | | | | | |
| Commodity exports (f. o. b.) [2] | 191 7 | 187.5 | 360 6 | 410 0 | 434 0 |
| Ship exports | 9 8 | 8 1 | 18.0 | 10 0 | 14.0 |
| Net shipping receipts | 103 9 | 112.1 | 140 0 | 158 0 | 166.0 |
| Other services | 36.1 | 30 2 | 43.0 | 44.0 | 45 0 |
| Total | 341 4 | 337.9 | 561.6 | 622.0 | 659 0 |
| IMPORTS OF GOODS AND SERVICES | | | | | |
| Ordinary commodity imports (c. i. f.) | 254.1 | 286.1 | 614 2 | 602.0 | 635 0 |
| Defense imports | | | 21.0 | 23 6 | 17.0 |
| Ship imports | 36 8 | 31 6 | 149.2 | 141.2 | 159 8 |
| Imports of services | 9.0 | 11.6 | 43.4 | 48 4 | 50.0 |
| Total | 300.0 | 329 3 | 827.8 | 815.2 | 861.8 |
| Surplus of exports (+) or imports (−) | +41.4 | +8.7 | −266 2 | −193 2 | −202 8 |

[1] Does not include purely financial transactions, i. e., interest and amortization and dividends payments and receipts.
[2] Including whale oil direct from the whaling grounds.

Source: Department of Commerce of Norwegian Government, National Budget Office. Kroner figures in source have been converted to dollars and are shown in annex F.

Imports into Norway are strictly controlled. The volume of imports other than ships is about 97 percent of prewar. Such imports rose from 78 percent of prewar volumes in 1946 to 104 percent in 1947, dropped sharply to 86 percent during the first 6 months of 1948 in the face of a growing shortage of hard currencies and have since recovered by virtue of ECA aid. The nature of these imports is shown in greater detail in table 11.

TABLE 11.—*Value of principal imports: C. I. F.—Unadjusted for price changes*

[In millions of dollars]

| | 1939 | 1945 | 1946 | 1947 | Annual rate 1948 (Jan.–Sept.) |
|---|---|---|---|---|---|
| 1. Food | 40.7 | 93.4 | 79.2 | 89 2 | 101.6 |
| 2. Chemicals | 14 2 | 8 8 | 22 6 | 29.8 | 31.4 |
| 3. Textile products | 30.2 | 14 0 | 51.8 | 92.4 | 63.4 |
| 4. Wearing apparel | 9.5 | 8.0 | 19 4 | 31 2 | 7.2 |
| 5. Fuels | 42.3 | 28.0 | 49.2 | 73.6 | 81 8 |
| 6. Ores and metals | 51 4 | 14.6 | 55.8 | 104.8 | 106 6 |
| 7. Machinery, equipment (excluding ships) | 38 1 | 9 8 | 44 0 | 81.6 | 81.4 |
| 8. Ships | 31.6 | 33 4 | 50 6 | 149 2 | [1] 141 2 |
| 9. Others, including defense imports | 59.5 | 31.2 | 66 8 | 132.6 | 152.2 |
| Total | 317.7 | 241.2 | 439.4 | 784 4 | 766 8 |

[1] Based on contract delivery dates, not January to September imports.

Source: Central Statistical Office of the Norwegian Government, monthly and annual publications. Original kroner figures are shown in annex F.

Before the war Germany and other European countries were the principal suppliers of Norwegian imports. Germany is, of course, no longer an important source of imports and other European countries are not able to export to Norway on a scale comparable with prewar. As a result Norway has been importing much more from the Western Hemisphere since the war. Exports to the Western Hemisphere have been increased somewhat but they are very small compared to imports. The commodity trade deficit with the Western Hemisphere in 1947 amounted to 204 million dollars as compared to 28 million dollars in 1938. In 1948 imports from the Western Hemisphere have been cut and the commodity trade deficit may be reduced to 150 million dollars.

Trade between Norway and Eastern Europe has increased since before the war. Eastern European countries have been willing to export grains and other essential products, which Norway would otherwise have to buy in the Western Hemisphere, in exchange for Norwegian exports of fish and fish oils. They have to some extent replaced Germany as a market for Norwegian exports. Exports to eastern Europe (including Finland) have increased from an average of 7.4 million dollars in 1938 and 1939 to 37.1 million dollars in 1947 and an estimated 60 million dollars in 1948. Imports have also increased from an average of 15.6 million dollars in 1938 and 1939 to 37.5 million dollars in 1947, and may exceed 60 million dollars in 1948.

A decrease in the volume of exports, a decrease in merchant-ship tonnage and a greater rise in the price of imports than of ocean freights are the three factors that are responsible for turning a prewar surplus into a postwar deficit on the foreign account (table 10). The role of ship-imports in causing this deficit has been noted.

It is difficult to exaggerate the importance of shipping to the Norwegian economy. Even before the war Norway had a commodity import surplus. The gap was closed by net receipts from shipping which paid for nearly one-third of the imports in 1938 and 1939. Today they pay for only about one-sixth and, even excluding the extraordinary imports of ships, they cover only about one-quarter of the imports of goods. The reasons for this are the smaller size of the fleet and the greater rise in import prices than in shipping rates. In table 4 it was indicated that shipping, which was down 60 percent of prewar volume in 1946, is still only 80 percent. Beyond this, however, the failure of net shipping receipts per ton to rise as fast as import prices has seriously interfered with Norway's ability to pay for her imports. The foreign exchange cost of operating and repairing Norwegian ships has risen more rapidly than freight rates, and freight rates themselves have risen less than import prices. On the average, for the first 10 months of 1948, the index of

import prices (1938=100) has been 305, while the index of net shipping receipts per ton (1938=100) is 211.

With respect to commodity trade proper the terms of trade have not moved against Norway. For the first 10 months of 1948 Norwegian figures indicate that prices for exported goods had advanced over 1938 levels to the same extent as prices of imports. Since July export prices have risen while imports have declined slightly.

On the other hand the physical volume of exports has been definitely and persistently below prewar levels. It rose between 1946 and 1947 from 61 to 81 percent of prewar volumes with a further rise to 85 percent in the first 6 months of 1948. As a result of the summer vacation policy and the Heroya strike, discussed above, it fell to 65 percent in July and to an average of 78 percent for the 3 months of August through October.

Before examining the volume of individual exports as compared to prewar, it may be useful to get an over-all impression of the relative importance of the major export industries. The value of the principal exports in 1939 and in postwar years is presented in table 12. In 1939 fish products, fats and oils, and timber and wood processing products accounted for roughly 50 percent of total exports. These three groups of exports have reached roughly three times their prewar value in 1948 but the other groups have failed to do so. The relative importance of fish, fats and oils, and timber products has increased, therefore, to almost three-quarters of total exports in 1948.

TABLE 12.—*Value of principal commodity exports*

[Unadjusted for price changes. In millions of dollars]

| | 1939 | 1945 | 1946 | 1947 | Annual rate January–September 1948 |
|---|---|---|---|---|---|
| 1. Food, mainly fish and fish products | 32.6 | 16.8 | 66.8 | 89.2 | 95.0 |
| 2. Feedstuffs, fats and oils [1] | 24.9 | 1.4 | 29.8 | 68.0 | 85.8 |
| 3. Chemicals and fertilizers | 19.1 | 16.0 | 23.8 | 26.8 | 26.6 |
| 4. Timber and timber products, pulp and paper | 44.7 | 12.4 | 68.4 | 100.8 | 120.8 |
| 5. Ores and metals | 46.8 | 10.4 | 30.8 | 48.2 | 62.6 |
| 6. Machinery and equipment, mainly ships | 9.8 | .8 | 9.2 | 21.8 | 14.4 |
| 7. Others | 18.0 | 7.4 | 18.4 | 23.8 | 14.8 |
| Total | 196.0 | 65.2 | 247.2 | 378.6 | 420.0 |

[1] Including whale oil direct from the whaling grounds.

Source: Central Statistical Office of the Norwegian government, monthly and annual publications. Original kroner figures are shown in Annex F.

Some exports are running above prewar volumes. This is notably true of fish, paper, pig iron, and ferro-alloys (annex table D). Exports of fish in 1947 and 1948 have been in general above the 1938 level. In 1948 there was an exceptionally large herring catch. The increase in the export of paper reflects a policy of exporting as far

as possible the more highly fabricated product rather than pulp-wood or pulp.

With these exceptions the volume of exports of the principal commodities is running below the amounts exported by Norway in 1938. There appear to be two reasons that explain the lag in exports. Low levels of production account for low exports of iron ore and pyrites. High levels of domestic use are responsible for the small exports of timber, fish meal and fish oil. A combination of the two factors appears to be operating in the case of woodpulp, aluminum, and electrochemical products.

The degree of recovery in mining has been very low. The negligible output and export of iron ore is attributable to the wartime destruction of the main iron ore plants at Syd-Varanger in northern Norway. Production and export of pyrites are also well below prewar partly because existing mines have passed the peak of their production.

Domestic consumption is competing for some Norwegian products, notably those that can be substituted for goods that were formerly imported. The substitution of Norwegian paper for imported textiles has already been noted. Exports of fish meal and fish oil have not fully recovered, partly because of increased home consumption of lower-grade oils to make up for lower imports of foodstuffs and oils.

The Norwegian export of timber is being limited by the domestic investment program. Exports of timber products are being restricted largely because of the greatly increased home consumption of timber for the construction of dwellings and plants. Log cutting is above the prewar average; in fact, at an all-time peak. In the last years before the war, the average amount sold as timber (not including wood sold for fuel) was 5.7 million cubic meters. In 1947–48 a level of 6.5 million cubic meters was reached, as compared to 6 million in 1946–47, and the aim is to increase the amount sold as timber to 7 million cubic meters. So far, the 1948–49 cut has been running above the 1947–48 level. During 1947–48, the wood-processing industries, however, received only about 3 million cubic meters, as compared to 2.5 million in 1946–47. The wood-processing industries are operating well below capacity and could use about 5 million cubic meters. Before the war, an average of 4 million cubic meters went to the woodpulp industry.

## H. BALANCE OF PAYMENTS

In connection with the further analysis of the balance of payments, two closely related problems call for discussion. First, it is important to see how Norway has been able to meet its large current deficits since the war, in order to understand the extent to which Norway has used her own resources and credit to promote reconstruction and

to understand the present and prospective role of ECA aid. Secondly, it is important to analyze the deficit by currency areas, in order to see the magnitude of the effort which will be necessary to balance transactions with the dollar area.

Norway has had a substantial overall deficit on current account each year since the war. According to official government estimates, the current deficit in 1946 amounted to about 160 million dollars, in 1947 to 272 million dollars, and in 1948, to 200 million dollars—a total current deficit for the three years of 632 million dollars.[1]

During 1946 and 1947 the Norwegian Government was able to meet the deficit partly by new credits and partly by the use of foreign exchange holdings acquired during the war. The insurance proceeds received from ships lost in the war and the net earnings of ships during the war amounted to about 140 million dollars in gold and United States dollars, and about 320 million dollars in sterling. Most of these funds have been used. The Norwegian Government obtained credits of 50 million Swedish kronor and of 30 million dollars from Canada, most of which had been used by the end of 1947. In addition credits of 46 million dollars were obtained from the Maritime Commission, the War Assets Administration, and other United States Government agencies and the Norges Bank borrowed 13 million dollars from private New York banks. Substantial credits were also received under contracts for new ships but these were offset to some extent by required prepayments under ship purchase contracts. A loan of 50 million dollars was obtained from the Export-Import Bank but only a small part had been used by the end of 1947. The Bank of Norway's prewar gold holdings of 81 million dollars had been reduced to 75 million dollars at the end of 1947, and the government had requisitioned 5 million dollars of private dollar assets.

These resources were too nearly exhausted by the fall of 1947 to permit a continuation of imports at the 1947 level, though there were still some funds available to finance imports in 1948. By the end of 1947 the gold holdings of the Norges Bank totalled 75 million dollars. Its foreign exchange holdings totalled about 100 million dollars but a large part of the foreign exchange was in sterling and only a small part in dollars. Furthermore, 13 million dollars of the gold was to be used to repay the private bank credit. The remaining sources of foreign exchange could not be expected to enable Norway to maintain imports at anything like the 1947 level.

[1] The difference between these totals for 1947 and 1948 and those given in table 10 is that net interest and dividend payments abroad amounting to above 5 million dollars in 1947 and 7 million dollars in 1948 have been added to the totals for goods and services transactions shown in table 10. These are the only available comparable estimates for the current account deficits in 1946, 1947, and 1948. They are based on c. i. f. import data and net shipping receipt data which include kroner freight receipts. In general, however, the magnitude of the actual foreign exchange deficit on current account is believed to correspond closely to estimated deficits quoted in the text.

In the fall of 1947, therefore, the Government was forced to restrict imports. This reduction affected primarily imports other than ships and was reflected in a drop of more than 15 percent in the volume of imports during the first half of 1948. Even with ECA aid the volume of imports (other than ships) has not returned to prewar levels.

As is indicated in table 13, Norway financed about two-thirds of its current account deficit in 1948 from its own resources; i. e., by using up its foreign credits, by mortgaging ships and by the sale of its gold and foreign exchange reserves. ECA aid for goods actually delivered in 1948 covered only one-third of the current account account deficit for the year as a whole. In addition Norway used about 23 million dollars of its holdings to repay debts.

Most of the sources of funds utilized in 1948 cannot be counted on for 1949. The American and Canadian credits are exhausted and the official gold and foreign exchange reserves cannot be reduced much further. At the end of November 1948, the gold holdings of the Norges Bank amounted to only 53 million dollars as compared to 75 million dollars at the end of 1947.

The Norwegian Government estimates that net loans on ship purchases and ECA aid will be the principal means of financing the deficit in 1949. Both are expected to be larger in 1949 than in 1948. The Norwegian Government's estimate of ECA aid in calendar 1949 shown in table 13 assumes existing levels of aid for fiscal 1948–49 and for 1949–50 assumes direct aid at the rate of 114 million dollars, as requested in the program originally submitted to OEEC, and indirect aid at the 1948–49 estimated rate of 32 million dollars.

TABLE 13.—*Financing of current balance of payments deficit*

[In millions of dollars]

| | Preliminary 1948 | Estimated 1949 | | Preliminary 1948 | Estimated 1949 |
|---|---|---|---|---|---|
| DEFICIT | | | FINANCING—Continued | | |
| 1. Current Account | 200 | 210 | 4. War Assets & Surplus Property Credits | 4 | -------- |
| 2. Loan Retirement | [1] 23 | 10 | 5. International Fund | 10 | -------- |
| Total | 223 | 220 | 6. Miscellaneous—including use of ship insurance funds | 11 | 7 |
| FINANCING | | | 7. Use of gold and foreign exchange reserves | 66 | 9 |
| 1. Net receipts on ship loans, prepayments, etc. | 34 | 56 | 8. ECA aid: | | |
| 2. Eximbank loan | 33 | 8 | Direct | 50 | 103 |
| 3. Canadian credit | 3 | -------- | Indirect | [2] 13 | 32 |
| | | | Total | 224 | 220 |

[1] Includes repayment by Norges Bank of 13 million dollars loan from private New York banks.
[2] Doesn't check because of rounding.

Source: Department of Commerce of the Norwegian Government.

Norway's current account deficit with the dollar area has been very large in both 1947 and 1948. Data on the balance of payments by

areas is presented for 1938 and 1947 in table 14. The over-all current surplus of 24 million dollars in 1938 is typical of the 1930's. During the 1920's, however, there had been a steady inflow of capital that permitted greater imports than exports.

The deterioration of the Norwegian dollar position from 1938 to 1947 is very striking. While trade with the dollar area in 1938 resulted in a deficit of 28 million dollars, dollar receipts from shipping and other current items resulted in a surplus of 33 million dollars, thus producing a surplus with the dollar area on all current items of 5 million dollars.

In 1947 the trade deficit with the dollar area was seven times as large as in 1938, amounting to 204 million dollars, and dollar receipts from shipping and other current items yielded a surplus of only 34 million dollars. The deficit on current account with the dollar area in 1947 amounted therefore to 170 million dollars as compared to the 5 million dollars surplus in 1938. Similar developments in trade and current payments with the participating sterling area led to a current account deficit of 87 million dollars with the sterling area in 1947 as compared to a surplus of 15 million dollars in 1938. The deficit in pound sterling transactions is less than the deficit with the sterling area shown in table 14 because freight receipts from other than sterling area countries are paid in sterling to a substantial extent and have not been

TABLE 14.—*Current balance of payments by areas, 1938 and 1947*

[In millions of dollars, unadjusted for price changes]

| | 1938 | | | | 1947 | | | |
|---|---|---|---|---|---|---|---|---|
| | Dollar area (Western Hemisphere) | Participating sterling area | Other | Total | Dollar area (Western Hemisphere) | Participating sterling area | Other | Total |
| A. COMMODITY ACCOUNT | | | | | | | | |
| 1. Imports of goods and ships (1938 imports c. i. f.; 1947 f. o. b.) | 48 | 69 | 172 | 289 | 250 | 184 | 297 | 731 |
| 2. Exports of goods and ships | 20 | 56 | 115 | 191 | 46 | 77 | 261 | 384 |
| 3. Import surplus (−) | −28 | −13 | −57 | −98 | −204 | −107 | −36 | −347 |
| B. NET SURPLUS (+) OR DEFICIT (−) | | | | | | | | |
| 1. Commodity trade | −28 | −13 | −57 | −98 | −204 | −107 | −36 | −347 |
| 2. Shipping receipts and expenses | +32 | +23 | +47 | +102 | +33 | +11 | +41 | +85 |
| 3. Other items | +1 | +5 | +14 | +20 | +1 | +9 | +2 | +12 |
| 4. Total | +5 | +15 | +4 | +24 | −170 | +87 | +7 | −250 |

NOTE.—The fact that the 1938 imports are c. i. f. and the 1947 imports f. o. b. means that the import figures are not comparable. The figures for other current items differ from those in table 10 because they include financial transactions. The export figure for 1938 is 10 million dollars too small, cf. table 10, because exports of whale oil direct from the fishing grounds were omitted. Corrections have apparently been made for 1938 freight and whale oil in the invisibles; hence the 1938 balance seems to be comparable with 1947.

The net shipping receipts estimates for 1947 in this table exclude kroner freight paid on imports. In table 10 all kroner freight receipts are included in the post-war year estimates. Furthermore, the 1947 estimate for net shipping receipts appears to be about 18 million dollars too low according to other available information estimating net shipping receipts on a strictly foreign exchange basis.

*Source:* Norwegian Government memorandum on the long-term program.

included in table 14 in receipts from the sterling area. For all areas a current account surplus of 24 million dollars in 1938 had changed to a current account deficit of 250 million dollars in 1947.

Although it is impossible at this time to give a full break-down of the current balance of payments by areas in 1948, the data on commodity trade presented in table 15 shows some improvement in the net dollar position in the third quarter of 1948 as compared to the first half year. In comparison with 1947 there is a sharp improvement in the first 9 months of 1948. The deficit is running at an annual rate of 150 million dollars for the first 9 months of 1948 as compared to 204 million dollars in 1947. The improvement is almost entirely as a result of decreased dollar imports. Net dollar receipts from shipping are expected to be smaller in 1948 than in 1947, however. In the first three quarters of 1948 net dollar earnings from shipping were about 40 percent below earnings in the same period in 1947. Dollar receipts from other current items cannot be expected to increase.

TABLE 15.—*Trade with Western Hemisphere, 1948*

[In millions of dollars]

| Annual rates | Imports | Exports | Import surplus |
|---|---|---|---|
| First half year | 202 | 44 | 158 |
| Third quarter | 192 | 60 | 132 |
| First 9 months | 199 | 49 | 150 |

## I. FINANCIAL SITUATION

Ever since the war, strict Government controls, including a reform of the currency, prevented a real inflation. The investment program coupled with an enormous backlog of demand for goods on the part of consumers has maintained a latent inflationary situation. Private savings do not begin to carry the investment program which has required an expansion of bank credit despite fiscal policies which produce net savings on the part of the Government. The line has been held against inflation only by rigorous Government controls.

One of the serious consequences of the war to the Norwegian economy was the latent inflation with which the Norwegian authorities were faced at the time of liberation. The German occupation authorities financed expenditures for troop pay and the building of industrial and military installations by drawing on the Bank of Norway. The net amount drawn was 11 billion kroner, more than four times the total of currency in circulation plus demand and savings deposits in the hands of the public in December 1939. The pressure of expanded money supply was not allowed to make itself felt on prices or wages, however. The cost-of-living index was 156 (1938=100) and the

wholesale price index 178 (1938=100) at the end of April 1945. Wages had risen by approximately the same amount as wholesale prices. Much larger increases in prices and wages were prevented only by the maintenance of very rigid controls.

The fiscal policies of the Government helped to some extent to keep down the inflationary pressure. The Government was able before the liberation to reduce by 3 billion kroner the occupation account at the Bank of Norway, mostly by the use of war-loan receipts. On May 7, 1945, the occupation account was 8 billion kroner.

In September 1945 the Government carried out a monetary reform. Certain deposits were blocked, the majority only temporarily, and there was some currency conversion. The volume of notes in circulation was reduced from about 3 billion kroner to about 1.4 billion at the end of 1945. There was no net reduction, and in fact an increase, in both demand and savings deposits in the hands of the public from April to December 1945. This reflects mostly the shift from currency to deposits which took place in anticipation of the currency conversion.

Since the end of 1945 there has been a tendency for notes in circulation and for deposits to increase. It was particularly marked in 1947, as is evident from the figures in Table 16. A downturn occurred in October 1948, but it is too early to interpret its significance.

TABLE 16.—*Money supply* [1]

[In millions of kroner]

| | Notes in circulation outside banks | Demand deposits | Demand plus savings deposits | Currency and demand deposits | Money supply currency, demand and savings deposits |
|---|---|---|---|---|---|
| End of— | | | | | |
| 1939 | 524 | 266 | 2,578 | 790 | 3,102 |
| 1945 | 1,390 | 3,063 | 7,025 | 4,453 | 8,415 |
| 1946 | 1,813 | 2,639 | 6,709 | 4,452 | 8,522 |
| 1947 | 1,976 | 2,978 | 7,294 | 4,954 | 9,270 |
| 1948 | | | | | |
| June | 1,874 | 3,425 | 7,946 | 5,299 | 9,820 |
| September | 1,944 | 3,380 | 7,950 | 5,324 | 9,894 |
| October | 1,936 | 3,145 | 7,711 | 5,081 | 9,647 |

[1] It is dicult to find a satisfactory measure of the money supply in Norway with which to measure the degree of latent inflationary pressure. Normally money supply is measured by the amount of notes and demand deposits in the hands of the public. Since the war the banks in Norway have discouraged any increase in savings deposits, and this, coupled with restrictions on the use of savings deposits, tends to induce business firms to maintain large temporarily idle balances in the form of demand deposits. Under these conditions, it is probably more appropriate to measure the change in currency plus total deposits than the change in currency plus demand deposits alone.

The chief factor leading to an increase in the money supply in the hands of the public has been an expansion of bank credit. From the end of 1945 to September 1948, bank credit to the public has more than doubled, increasing from 1.7 billion kroner to 3.8 billion kroner. During the same period, however, there was a decrease in bank credit

to the Government and other public entities from 5.1 billion kroner to 3.5 billion kroner.

It may be suggested that the level of private bank loans to business of 3.8 billion kroner as compared to 2.4 billion in 1939 is less than in proportion to the rise in prices since 1939 and is only consistent with the expanded level of activity. A considerable amount of existing loans, furthermore, represents loans in connection with the expanded level of imports required to carry out the investment program. Loans to consumers are virtually nonexistent. It is true, nevertheless, that the expansion of bank credit to the public has been substantial and that further expansion could be dangerous. The Government and the central bank are carefully watching developments in this area.

The expansion of bank credit is of course a reflection of the very high level of investment and business activity. The large investment program since the war has tended to exert a steady inflationary pressure. Table 17 briefly summarizes available estimates of savings and

TABLE 17.—*Net investment, 1946 to 1948*

[Unadjusted for price changes]

| | In millions of kroner | | | In millions of dollars | | |
|---|---|---|---|---|---|---|
| | 1946 | 1947 | 1948 | 1946 | 1947 | 1948 |
| 1. Net investment | 1,225 | 2,146 | 1,570 | 245.0 | 429.2 | 314.0 |
| 2. Deficit on current balance of payments | 772 | 1,331 | 966 | 154.4 | 266.2 | 193.2 |
| 3. Savings: | | | | | | |
| (a) Business | 400 | 400 | 300 | 80.0 | 80.0 | 60.0 |
| (b) Government | 105 | 583 | 847 | 21.0 | 116.6 | 169.4 |
| (c) Private consumers | −52 | −238 | −290 | −10.4 | −47.6 | −58.0 |
| Total | 453 | 745 | 857 | 90.6 | 149.0 | 171.4 |
| 4. Sum of 2 plus 3 | 1,225 | [1] 2,076 | [2] 1,823 | 245.0 | [1] 415.2 | [2] 364.6 |

[1] The slight discrepancy is due to the savings estimate being based on a slightly different earlier estimate of the import surplus.

[2] The large discrepancy here is mostly in the result of the fact that the savings estimates were made at a time when the import surplus was expected to be 300 million kroner smaller than it actually was. The savings estimates may not be completely out of line, however, as the net investment in 1948 is expected to be considerably larger than 1,570 million kroner. The 1,570 million kroner estimate takes into account the direct effects of the larger import surplus but not the indirect effects on investment of the larger gross national product made possible by the increased imports.

Source: Department of Commerce of Norwegian Government, National Budget Office.

shows the great importance of the import surplus. While the estimates are only approximations, they are reliable as an indicator of the general order of magnitude of the various items. The import surplus has made possible the carrying out of about 60 percent of the net investment program in the three postwar years. Private consumers have been spending more than they earn currently each year since the war. Private dissaving has become larger from year to year and in 1948 is estimated to have equalled business savings. Business saving, which equals only about one-fifth of the investment program, itself declined in 1948. The bulk of the saving in 1948, there-

fore, was done by the Government. In 1947 also the great majority of the net saving was forced saving through the Government's budgetary policy.

The steady inflationary pressure exerted by the investment program, as evidenced in the expansion of bank credit to the public and the increase in the supply of money in the hands of the public, has been kept in check, and to some extent offset, by governmental policies. Price and wage controls, subsidies, and rationing have prevented prices from increasing by more than very slight amounts since the war. Government fiscal policies furthermore have succeeded in achieving a substantial amount of domestic saving. These two aspects of the Government's monetary policies will be discussed in turn.

The Government's price control and subsidy policies have been directed toward maintaining stability in the cost of living. The cost-of-living index was 157 at the end of November 1948 as compared to 155 at the end of April 1945. In each year, however, the index has tended to increase and has been kept down by special measures such as reduced taxes or increased subsidies. The various components of the cost-of-living index are shown in annex E. The cost of beverages and tobacco, clothing, and fuel have risen substantially more than the over-all index while the cost of food, rent, and gas and electricity have risen less.

The level of the cost-of-living index has been of critical importance in Norway since the spring of 1946 when the trade-union federation and the federation of employers agreed to tie wage increases to the cost-of-living index. The agreement provided for increases of 1.5 öre per hour in wages for each point increase in the cost-of-living index above 155.8, provided the index exceeded 160.8 at the end of June or December in any year. Ever since the agreement was reached, there has been a tendency toward increase in the cost-of-living index. In order to prevent a spiral of wage and price increases, the Government has taken the necessary steps to prevent the index from exceeding 160.8 on the critical dates. No upward adjustment of wages has ever taken place under the agreement. In June 1947, the general sales tax was reduced from 10 percent to 6.25 percent. In October 1947, all wages were frozen until the end of the year. In 1948, the chief action was continued increases in subsidies. The pressure for wage increases led to a master agreement for higher minimum wages in April 1948 and several groups of workers obtained increases later in 1948.

No wage index is available, but from data on wages per hour in various fields of activity it may be roughly stated that hourly wages in industry have risen between 60 and 80 percent above prewar levels.

Wages in agriculture and forestry and fishing have risen much more as compared to prewar.

The agreement tying wages to the cost-of-living index is clearly not a desirable one to continue indefinitely. To the extent that a gradual upward adjustment of the price level to the war-expanded level of money supply is necessary, it will be very difficult to make such adjustments because of the inflationary pressure inherent in the wage agreement. The rate at which wages are adjusted to cost-of-living-index changes under the agreement is believed to be such that wage earners would be more than compensated for the actual increase in their living costs. Unless import prices decline, the cost of subsidies will be an undue burden on the budget and any substantial further rise in import prices would clearly create a serious problem.

The level of wholesale prices has risen somewhat more than the cost of living, as compared to before the war, but neither has risen substantially in the period since the war. The subsidy program has, of course, had a substantial effect on the prices of groceries and certain agricultural products entering into the wholesale price index. In table 18 the

TABLE 18.—*Index of wholesale prices*

[1938=100]

| | Agricultural products | | | Industrial | | | | | General index |
|---|---|---|---|---|---|---|---|---|---|
| | Animal | Vegetable | Total | Fodders and fertilizers | Groceries | Raw materials and semi-manufactured goods | Finished goods | Total | |
| December 1939 | 107 | 98 | 104 | 106 | 133 | 130 | 113 | 120 | 116 |
| April 1945 | 150 | 113 | 139 | 135 | 208 | 189 | 197 | 193 | 178 |
| December 1945 | 156 | 125 | 147 | 143 | 168 | 187 | 163 | 174 | 166 |
| December 1946 | 174 | 126 | 160 | 145 | 141 | 209 | 159 | 182 | 173 |
| December 1947 | 174 | 149 | 167 | 145 | 120 | 223 | 161 | 189 | 178 |
| June 1948 | 174 | 153 | 168 | 147 | 107 | 238 | 161 | 196 | 182 |
| November 1948 | 174 | 143 | 165 | 147 | 107 | 239 | 161 | 196 | 182 |

Source: Central statistical office of the Norwegian Government.

principal components of the wholesale price index are presented. The disparity in the movements between various groups of commodities is very great. The prices of industrial raw materials and semi-manufactures have risen most as compared to prewar.

While wholesale prices and the cost of living have been stabilized at levels of about 180 and 160 percent of prewar, export prices as well as import prices have risen to a level of more than 300 percent compared to prewar. The indices of export and import prices have been presented earlier. The index for export prices has averaged 308 in the first 10 months of 1948. The government has levied export taxes on a number of export products partly as an anti-inflationary measure and

on many products the rate of taxation has been increased in 1948. In the fiscal year 1946–47 export duties were levied on 65 percent of Norwegian exports and averaged roughly 7 percent of the value of these exports. Precise information on the duties collected since 1946–47 are not available.

The fact that the government, on the basis of an analysis of cost and price data, has increased export duties on some of the major exports in 1948 would appear to indicate that the existing kroner rate is not acting as a deterrent to exports.

The kroner has been maintained at the level of 4.97 kroner to the dollar since the war as compared to an average rate of 4.09 kroner to the dollar in 1938 and 4.32 kroner to the dollar in 1939. It seems clear that the existing rate is not hampering recovery and that no change in the rate which would balance Norwegian international transactions would be desirable or even feasible at present. However, in view of the extensive use of subsidies, price and wage controls, and rationing, which have been devised to keep prices in Norway from adjusting fully to the level of the money supply, it is also clear that the existing kroner rate could hardly be maintained indefinitely if these controls were relaxed.

The government's fiscal policies, as well as its price, wage, and subsidy policies, have been directed at counteracting the inflationary pressure resulting from the wartime expansion of the money supply and the high rate of investment since the war. As the estimates of government savings imply, there has been a surplus of receipts in each year since 1946. Including social security funds and the like, the total net withdrawal of money income by all governmental bodies has been estimated at 68 million kroner in 1946, 324 million kroner in 1947, and 679 million kroner in 1948.

The state budget of the central government, together with certain major receipts and expenditures not included in the regularly published budget, are consolidated in table 19. The income of social security funds is not included.

It is clear from table 19 that the central government's fiscal policies have been exerting a substantial deflationary pressure since June 1947. Revenues have exceeded expenditures by 502 millon kroner in 1947–48, and are expected to exceed expenditures by 630 million kroner in 1948–49. Insofar as receipts exceed the out-payments in the case of the defense and war damage taxes the sums are being held as idle deposits. To date receipts from the capital levy are also so held. It is true that in 1949–50 the expenditures under the defense and war damage programs may become large. However, for the time being there is a substantial deflationary effect and it is possible that other developments will enable the government to continue its deflationary policy in 1949–50.

TABLE 19.—*Central government revenues and expenditures* [1]

[In millions of kroner]

| | 1938–39 | 1945–46 | 1946–47 | 1947–48 [2] | 1948–49 |
|---|---|---|---|---|---|
| A. Expenditures: | | | | | |
| Defense and special war | 55 | 669 | 548 | 300 | 209 |
| Social affairs | 100 | 188 | 223 | 346 | 598 |
| Subsidies—price | ---------- | 242 | 478 | 702 | 600 |
| Debt retirement: | | | | | |
| Internal | 57 | 22 | 22 | 23 | 24 |
| External | 26 | 131 | 36 | 51 | 60 |
| Total debt retirement | 83 | 153 | 58 | 74 | 84 |
| Other expenditures | 473 | 912 | [3] 1,620 | 1,109 | 1,145 |
| Total expenditures | 711 | 2,164 | 2,936 | 2,531 | 2,636 |
| B. Revenues: | | | | | |
| Customs and sales taxes | 360 | 914 | 1,338 | 1,364 | 1,221 |
| Regular direct taxes | 182 | 364 | 428 | 577 | 590 |
| Special direct taxes: | | | | | |
| Capital levy | ---------- | ---------- | ---------- | 53 | 300 |
| Extraordinary defense | ---------- | ---------- | ---------- | ---------- | 250 |
| War damage duty | ---------- | ---------- | ---------- | 478 | 172 |
| Total special taxes | ---------- | ---------- | ---------- | 531 | 722 |
| Proceeds of loans: | | | | | |
| Internal | 76 | 460 | 431 | 19 | 232 |
| External | ---------- | 104 | 218 | 200 | 210 |
| Total loans | 76 | 564 | 649 | 219 | 442 |
| Other revenues | 93 | 322 | 521 | 342 | 291 |
| Total revenues [4] | 711 | 2,164 | 2,936 | 3,033 | 3,266 |
| C. Excess of revenues over expenditures | ---------- | ---------- | ---------- | 502 | 630 |
| D. Net increase in internal debt | +19 | +420 | +409 | −4 | +208 |
| E. Net increase in external debt | −26 | −27 | +182 | +149 | +150 |

[1] Includes certain receipts not included in regular budget statements. Does not include taxes on exports and other taxes levied by price directorate and used for subsidies and benefits.
[2] Estimates based on preliminary figures for first 3 quarters.
[3] Includes 298 million paid to International Fund and Bank.
[4] Local tax receipts were as follows: 1938–39, 363; 1945–46, 638; 1946–47, 663; 1947–48, 804; 1948–49, 900.

Source: Department of Commerce of the Norwegian Government.

The fact that there is an estimated 208 million kroner increase in internal indebtedness in the fiscal year 1948–49 is in part further evidence of the government's anti-inflationary efforts. The issue of a premium loan at higher than the usual rate is being made as an anti-inflationary measure and the government plans to block the proceeds of the loan.

In order to assist the counter-inflationary efforts of the Norwegian Government, ECA agreed on January 7 to the use of 110 million kroner of grant counterpart for a further reduction of the Norges Bank occupation account. On January 22, 1949, the account stood at 7,818.9 million as against 8,094.1 million on January 22, 1948. Such a reduction, small as it is, has been considered as the symptom of a sound financial policy and has contributed to strengthening confidence in the Norwegian currency. A similar use for other blocked funds such as the proceeds of internal loans and the counterpart of external loans might be considered in the future.

The largest single item of central government expenditures in 1947–48 and 1948–49 is the subsidy item. The policy of granting subsidies

has become an essential part of the Norwegian Government's stabilization program. With rising import prices the expenditures on subsidies have steadily increased although a decrease from 700 million kroner in 1947–48 to 600 million kroner in 1948–49 is anticipated. In 1947–48 subsidies amounted to 28 percent of total central government expenditures. To a considerable extent the subsidy program is now directed at subsidizing agriculture and the tax burden of financing the subsidies rests on industry.

Defense and special war expenditures have been declining steadily since fiscal year 1945–46. In the present budget, defense and special war expenditures for 1948–49 amount to 209 million kroner as compared to 669 million in 1945–46. However, an additional defense appropriation of 112 million kroner to run from January 1949 to June 1950 has just been made, which is not taken into account in table 19.

Tax receipts from customs and sales taxes and ordinary direct taxes, as well as the receipts from the special direct taxes already mentioned, are very high.

While the government has been strikingly successful in suppressing inflation, the situation is not without its dangers. The government is still faced with the necessity of improvising new measures and extending old measures of control. For all the vigor of its measures it cannot suppress entirely the pressure of consumer demand for a larger share of available resources and in particular for a diversion of resources to uncontrolled areas. Finally in its efforts to sop up consumer purchasing power and to finance the ambitious investment program the central government is taking nearly 2.5 billion kroner in tax receipts in 1947–48 and 1948–49. This amounts to approximately one-third of the net national product in 1948 according to the national budget estimates. Local tax receipts are estimated at an additional 900 million kroner in 1948–49. Taxes on both income and property are very high, as are the major sales taxes on tobacco and alcoholic beverages. It may be seriously questioned whether the present level of taxes, or at least the progressive nature of the major income and profits taxes, are not interfering with initiative and restraining output in Norway.

Above all else a large increase in individual savings would help to ease the strain of the investment program.

# Chapter II. Long-Term Program

The Norwegian Government has prepared a program of investment and expansion of output designed to complete its recovery from the losses and disruptions of the war. The program aims at a gradual recovery of consumption to the prewar level and a balancing of Norwegian international transactions by 1952–53. Because of the serious deterioration in Norway's international position as a result of the war, these two aims can be achieved only through an extensive investment program and a sharp rise in the level of production. The extent of the program required may be seen in the need of eliminating a current account deficit in international payments running at the rate of 200 million dollars in 1948. Output, especially in the export industries, must be expanded to well above prewar levels by 1952–53. In certain key export industries, output in 1948 was still considerably below prewar levels.

## A. CONSUMPTION

The Norwegian long-term program gives a low priority to any increase in consumption. In general increased consumption is to take place only if the investment and production levels warrant such an increase. It is hoped that increased domestic output of some consumers' goods, such as food, textiles and footwear, will make possible a reduction in the imports of these commodities.

## B. INVESTMENT

The production plans and goals presuppose very large investments in plants and buildings, machinery, and equipment. The Norwegian Government has estimated that the production and export goals call for gross investments of 16.8 billion kroner or 3,360 million dollars from 1949 to 1952. The annual average gross investment called for, including investments to offset depreciation, is therefore 4.2 billion kroner or 840 million dollars. The required net investment after depreciation has been offset is roughly estimated at 9 billion kroner or 1,800 million dollars. This is at an annual average rate of 2.25 billion kroner or 450 million dollars.

Norway has succeeded in reaching an extraordinarily high level of investment in 1946, 1947, and 1948. The original national budget estimates for 1948 assumed that a substantial decline from the level of investment reached in 1947 would be necessary because of the reduction in imports that it was assumed would be required. ECA aid made possible a larger import surplus and the gross national product was 6 percent higher than had been originally estimated. Total available resources in 1948 were about 10 percent higher than originally estimated. The original investment estimates are too low, therefore, but it is not possible to estimate at this time the effect of the change in gross national product on investment. It is important, however, in analyzing the long-term program as compared to the level of investment in 1948, to bear in mind that the presently available 1948 estimates are too low.

In table 20 the over-all level of investment contemplated in the four-year program is compared to available estimates for the postwar years.

TABLE 20.—*Gross and net investment goals compared to postwar levels.*

[In millions of dollars]

| | 1946 | 1947 | 1948 budget estimate [1] | Annual average 1949–52 |
|---|---|---|---|---|
| Gross national product | 1,654 | 1,831 | 1,817 | [4] 2,100 |
| Import surplus | 140 | 266 | 193 | 200 |
| Total resources | 1,803 | 2,097 | 2,010 | 2,300 |
| Gross investment | [2] 545 | [2] 745 | [3] 691 | [3] 840 |
| Depreciation | 300 | 316 | [2] 329 | 390 |
| Net investment | 245 | 429 | [2] 314 | 450 |

[1] The import surplus figure is the actual estimated surplus rather than the budget estimate and the increase (71 million dollars) has been allocated pro rata to consumption and net investment. No account has been taken of the higher gross national product made possible by the actual import surplus being higher than the original estimate however.

[2] Does not include allowance for ship repairs.

[3] Does include allowance for ship repairs.

[4] A very rough estimate based on the revised estimate for 1948 of gross national product of about 1 9 billion and estimated increases of about 15 percent by 1952.

Source: Department of Commerce of Norwegian Government, National Budget Office.

It appears from this table that the levels of gross and net investment contemplated in the long-term program are considerably above available estimates for 1948, and even somewhat above the levels reached in 1947. The expected upward revision of the 1948 estimates as a result of the roughly estimated 100 million dollars increase in the 1948 gross national product above the budget estimate will decrease the gap between the long-term program levels and the 1948 levels as shown in the table. However, the rate of net investment contemplated will still be well above the 1948 level.

A more detailed comparison of gross investment estimates by trades and industries in 1948, and in the long-term program, is presented in table 21. In this table it is brought out that 45 million

TABLE 21.—*Gross investment*

[In millions of dollars]

| | 1948 budget estimates | Annual average 1949–52 | Net increase or decrease (—) | | 1948 budget estimates | Annual average 1949–52 | Net increase or decrease (—) |
|---|---|---|---|---|---|---|---|
| Agriculture | 55 | 60 | 5 | Motor vehicles | 21 | 40 | 19 |
| Forestry | 4 | 5 | 1 | Harbour works | 4 | 5 | 1 |
| Fisheries | 17 | 29 | 12 | Post, telephone, and telegraph | 13 | 16 | 3 |
| Whaling | 21 | 12 | —9 | Aviation | 10 | 6 | —4 |
| Mining and manufacturing | 112 | 150 | 38 | Stocks | —20 | 25 | 45 |
| Hydroelectric development | 33 | 34 | 1 | Housing | 94 | 113 | 19 |
| Shipping: | | | | Defense | 22 | 42 | 20 |
| (a) ships | 149 | 133 | —16 | Education and professional training | 6 | 20 | 14 |
| (b) repairs | 58 | 52 | —6 | Public Health | 4 | 8 | 4 |
| Subtotal | 207 | 185 | —22 | Miscellaneous | 19 | 23 | 4 |
| Railways | 34 | 39 | 5 | Unallocated | 12 | | —12 |
| Roads | 23 | 28 | 5 | Total | 691 | 840 | 149 |

Source: Norwegian Government memorandum on the long-term program.

dollars of the increase in the long-term program average annual net investment over the 1948 level is accounted for by the estimated 20 million dollars reduction in stocks in 1948 as compared to a planned average increase of 25 million dollars in stocks in the period 1949–52. A comparison of net investment goals by trades and industries cannot be made. The long-term program estimates are available only on a gross basis.

The contemplated investment program is heavily weighted in favor of the development of the export industries. The largest single item of gross investment is in shipping. Annual gross investment of 185 million dollars in shipping will be lower than the level reached in 1948, both absolutely and as a percentage of total gross investment. It will represent, however, 22 percent of the total gross investment contemplated in the program. The program provides for the expansion of the merchant fleet of Norway to 5.6 million gross tons at the end of 1952 as compared to 4.9 million at the end of 1939, and 4.8 million at the end of 1938. The contemplated increase in tonnage above the end of 1938 represents a 16 percent increase. In view of the efficiency of the Norwegian shipping industry, the traditional dependence of Norway on net shipping receipts to pay for imports, the relatively small amount of labor required for the operation of the fleet, and the speed with which increased foreign-exchange earnings can be expected to result from an expansion of the fleet, the Norwegian emphasis on shipping in the long-term program appears to be justified. There is some danger, however, that net earnings will be disappointing if the world-wide expansion of shipping is carried too far.

The second largest item in the investment program is investment in mining and manufacturing industries. A complete break-down by industries of the annual average of 150 million dollars is not available, but the majority is in export industries, primarily mining, the electro-chemical industry and the wood-processing industry. The remainder is planned for the iron and steel, textile, and metals and engineering industries where expanded domestic output will help to replace imports.

The other fields of investment which are directly aimed largely at an expansion of exports are forestry, fishing, whaling, and hydro-electric development. In forestry the need is for more roads, housing for wood cutters, and some machinery. The investment in fishing is for the modernization of the fishing fleet by the substitution of larger vessels and added equipment. Refrigerators and cold storage plants are needed, and also expansion of fish-processing plants. In whaling it is necessary to restore the fleet of smaller whaling boats servicing the floating factories.

Of the 840 million dollars a year of planned gross investment about 43 percent is to be used to expand exports. A large part of the remainder of the program is also aimed at making possible an expansion of output in export industries. However, it is difficult to determine precisely how much is needed to increase exports in these sectors. In some sectors the planned investment is aimed at some increase in facilities for purely domestic purposes.

About 13 percent of the programed investment is in inland transport facilities, including roads, railways and commercial motor vehicles. In railways some electrification and some increase in rolling stock are planned. A good part of this total, but not all, is undoubtedly a necessary counterpart of expanded output in export industries.

The small planned increase in working inventories is probably necessary for the efficient functioning of the economy.

Another 13 percent of the program is planned investment in new housing. To a large extent this investment is necessary to permit the expansion of output in the export industries. To some extent the increased housing is required for new industrial developments and increased timber cutting in less developed regions. An expansion of housing facilities in general is made necessary by the severe shortage in most parts of Norway and some increase is necessary to increase production. In northern Norway the wartime destruction has not been made good. The planned investment in housing calls for a smaller percentage of investment in housing in 1949 and 1950 than in the later years. The rate of construction of 12,000 houses in 1949 is to increase gradually to 18,000 in 1952.

The remaining 18 percent of the long-term program of investments is largely investment in agriculture and in industries producing for

the home market. In both cases the purpose is to reduce the dependence on imports. Some investment is also contemplated in public health, defense, education, and communications facilities but the amounts involved are quite small.

## C. PRODUCTION GOALS

The long-term program calls for a considerable expansion of output as compared to 1948. An over-all estimate of the increase in net national product may be 15 to 20 percent. The increase in the commodity-producing sectors of the economy will be even greater. The planned increase in output is to be achieved without any substantial increase in the labor force.

In table 22, a summary of some of the principal effects of the production plans in the main industries is presented. Planned output in 1952–53 is compared with actual or estimated normal output in 1938. The 1948 indices for forestry and fishing differ from the actual

TABLE 22.—*Indices of production in major fields*

[1938=100]

| | 1948 | 1952–53 |
|---|---|---|
| Agriculture | 90 | 110 |
| Forestry [1] | 110 | 120 |
| Fishing [2] | 120 | 140 |
| Building and Construction | 160 | 175 |
| Mining and Manufacturing | 114 | 140 |
| Merchant Fleet [3] | 80 | 116 |

[1] Normal extraction.
[2] Normal catch.
[3] Tonnage

Source: Norwegian government memorandum on the long-term program.

indices for 1948 presented earlier, because the former indices are compared to normal output before the war as opposed to actual 1938 figures. It is clear from the table that, while expansion is contemplated in each of the fields, the planned rate of increase is highest for shipping, mining and manufacturing, and agriculture.

The increased production in agriculture is planned to take place in bread grains, dairy products and meat. It is hoped that an increased supply of dairy products and meat will help to stimulate productive effort. The plan is to increase output through increased mechanization and increased use of fertilizers. This will not mean any saving in foreign exchange for the next few years.

In forestry the aim is to expand the commercial cut of timber from the 1947–48 level of 6.45 million cubic meters to 7 million cubic meters. The prewar normal was 5.7 million cubic meters. The aim is to use one-half of the total in the pulp and paper industry, i. e., to increase the supply to that industry from 3 million cubic meters in

1948 to 3.6 million cubic meters in 1952–53. The remainder of the commercial cut will continue to be used for housing and construction. Even with an increase in pulp and paper output, the industry will be operating at not more than 70 percent of full capacity. The industry never worked at full capacity even before the war.

In fisheries the normal prewar catch was 935,000 tons, and, with existing equipment in 1948, the normal catch is estimated at 1,100,000 tons. There was an extremely large herring catch in 1948 which increased the catch to 1,300,000 tons. The aim is that by 1952–53 the normal catch should reach this level. The plan is to increase the catch through modernization of boats and equipment. The principal increase is expected in herring, which will make possible the use of herring meal as a substitute for imported oilcakes.

In whaling it is not possible to expect any significant increase above the 1948 level, which was roughly the prewar level. The world catch cannot be increased without destroying the natural basis of the industry and is limited by international agreement to 16,000 whales a year.

The planned expansion of the merchant fleet has been described under the heading of investment. Virtually the entire expansion must take place through purchases of ships from abroad. The index of shipping in table 22 reflects the tonnage of the merchant fleet. The tonnage increase exaggerates somewhat the increased earning capacity because much of the postwar fleet consists of obsolete or inefficient ships.

In table 22 an expansion of mining and manufacturing from a level of 114 in 1948 to 140 in 1952–53 (1938=100) is indicated. The rate of planned expansion varies greatly, from industry to industry. Some indication of the planned levels of output can be seen in table 23. The indices presented are very rough estimates based on the current plans. In some cases, further expansion may in fact be carried out. The industries listed in table 23 are in general those in which an expansion of output is considered most necessary either to expand exports or reduce needed imports. The wood-processing industry will

TABLE 23.—*Indices of production in mining and manufacturing*

[1938=100]

| | 1948 | 1952–53 | | 1948 | 1952–53 |
|---|---|---|---|---|---|
| Coal | 133 | 216–266 | Zinc | 91 | 100 |
| Iron ore | 20 | 100 | Nickel | 112 | 175 |
| Pyrites | 75 | 80 | Electro-chemical | 100 | 200 |
| Pig iron | 79 | 276 | Wood-processing | 75 | 90 |
| Steel | 171 | 220 | Woolen yarn | ---------- | 160 |
| Ferroalloys | 61 | 132 | Cotton yarn | ---------- | 293 |
| Aluminum | 103 | 317 | Hydroelectric power | 127 | 166 |
| Copper | 100 | 118 | | | |

Source. Norwegian Government memorandum on the long-term program.

not reach prewar levels because of the demand for timber for construction and because of the inability to expand the total cut beyond the projected all-time-peak levels. In the case of pyrites, it is unlikely that the peak output of the past will ever be achieved again.

The expansion of coal output will reduce the need for imported fuel. The increase in iron ore output to the prewar level will result largely from the restoration of the Syd-Varanger plants in northern Norway and will permit a substantial increase in exports. A further expansion would be possible. The increase in iron and steel output will greatly reduce the dependence of Norway on imports from the United States and Belgium. The proposed expansion of output by 1952–53 does not take into account the new plant in Northern Norway, which will not begin production until 1953. The capacity of the new steel plant would enable steel output to be tripled in 1953 as compared to 1952, and the completed plant would eventually increase steel output to 7 times the 1952 planned output. The new plant would not cover more than 50 percent of domestic requirements, however.

While no index is presented for the metal-working industry, a considerable increase in output is planned. A rough measure of the expansion which has already taken place and the contemplated goal can be derived from employment data. The numbers employed reached 72,000 in 1948 as compared to 45,000 in 1938, and about 76,000 are expected to be employed in 1952–53. Expansion of this industry will substantially reduce import requirements.

The increased output of aluminum, copper, zinc, and nickel and of the electro-chemical industries is largely for export. In electro-chemicals large increases are planned for nitrogenous fertilizers, calcium-carbide, and other fertilizers. The expansion in the leather and textile industries will reduce import requirements. The proposed increased output in the fish-processing industry is largely for export.

The accomplishment of the full production plans for 1949–52 depends on an expansion of the labor force to meet the increased demands and on a rise in productivity. With full employment already in 1948 it will clearly be difficult to meet the increased demand for labor which is implied in the complete 4-year program. The increased demand by 1952 is estimated at about 60,000 and the employable age group is estimated to increase by only 10,000 during this period.

The Norwegian Government believes that women can be persuaded to enter industry in larger numbers, that some release of manpower from the fisheries and other branches of industry may be possible, and that there are certain hidden labor reserves in northern Norway which can be utilized with an expansion of industrial activity in that region to an even greater extent than at present. There are also possibilities of dovetailing employment in seasonal industries. In addition, a

program of rationalization must be carried out to increase output per man year.

## D. EXPORTS AND IMPORTS

The Norwegian Government at the time it presented its long-term program estimated that the volume of exports in 1948 would be about 87 percent of the 1938 level and that exports in 1952–53 would be from 25 to 30 percent above the 1948 level, or about 10 percent above the 1938 level. From the latest available data it appears that the volume of exports in 1948 will not reach 87 percent of prewar, but may be between 80 and 85 percent of prewar. The increase contemplated in the program above actual 1948 levels is therefore greater than indicated.

In table 24 a summary of the export goals in the major export industries as compared to 1948 exports is presented. The 1952–53

TABLE 24.—*Estimated exports*

[In millions of dollars]

| | 1948 | 1952–53 |
|---|---|---|
| Fish and fish products | 95 | 112 |
| Foodstuffs, fats and oils | 86 | 85 |
| Chemicals and fertilizers | 27 | 52 |
| Timber and timber products, pulp and paper | 121 | 148 |
| Ores and metals | 48 | 77 |
| Others | 43 | 63 |
| Total | 420 | 537 |

Source: Norwegian Government memorandum on the long-term program

estimates are at average prices in the second 4 months of 1948, which is roughly the same as the average level of prices in 1948. The changes in value, therefore, correspond closely to estimated changes in volume.

The planned expansion in exports shown in table 24 is clearly possible from a physical point of view if the production goals can be achieved. The principal question would appear to be the ability of the Norwegian exporters to market the increased quantities of fish, paper products, fats and oils, and fertilizers without encountering sales resistance. If the increased volume of exports can be marketed only at lower prices, the estimates of the dollar value of 1952–53 exports will turn out to be too high.

The estimated imports in 1952–53 can be compared only roughly with estimated imports in 1947 and 1948. The only available data for 1947 and 1948 are on a c. i. f. basis and the estimates for 1952–53 are on an f. o. b. basis. However, it may be estimated that the value of imports in 1952–53 would be about 810 million dollars c. i. f. as compared with 759 million dollars in 1947 and 743 million dollars in

1948. The Norwegian Government estimates that the volume of imports in 1952–53 will be about 10 percent above the prewar level.

It appears that the sharpest increases in volume as compared to 1947 and 1948 will be in iron, steel, metals, and machinery imports. These imports are necessary to fit in with the much higher level of industrial output planned for 1952. The proposed new steel plant will not be in operation until 1953. In the case of textiles a substantial increase over 1948 levels is indicated, but not over the 1947 level. The proposed imports would permit approximately the prewar level of consumption. The volume of ship imports will decline sharply as compared to 1947 and 1948. New ship imports will be limited essentially to the tonnage needed to maintain the fleet at the level planned for the end of 1952.

## E. BALANCE OF PAYMENTS

The available data on the balance of payments by currency areas in 1952–53, according to the Norwegian program, is presented in table 25 together with similar data for 1947. The program anticipates the almost complete balancing of Norway's over-all and dollar current account position. The commodity trade deficit with the dollar area will be reduced from 204 million to 82 million dollars, while the commodity trade deficit with all areas will be reduced from 347 million to 203 million dollars. It is hoped to increase net dollar shipping receipts about 100 percent from 33 million to 62 million dollars and total net shipping receipts in all currencies from 85 million to 186 million dollars. The current account deficit with the dollar area is to be reduced from 170 million to 21 million dollars, and the over-all current deficit from 250 million to 10 million dollars equivalent. The Norwegian Government believes that a deficit of 10 million dollars on cur-

TABLE 25.—*Current balance of payments by areas, 1947 and 1952–53*

[In millions of dollars]

| | 1947 | | | | 1952–53 | | | |
|---|---|---|---|---|---|---|---|---|
| | Dollar area | Participating sterling area | Other | Total | Dollar area | Participating sterling area | Other | Total |
| A. Commodity account: | | | | | | | | |
| 1. Imports of goods and ships f. o. b. | 250 | 184 | 297 | 731 | 149 | 200 | 391 | 740 |
| 2. Exports of goods and ships | 46 | 77 | 261 | 384 | 67 | 120 | 350 | 537 |
| 3. Import surplus (−) | −204 | −107 | −36 | −347 | −82 | −80 | −41 | −203 |
| B. Net surplus (+) or deficit (−): | | | | | | | | |
| 1. Commodity trade | −204 | −107 | −36 | −347 | −82 | −80 | −41 | −203 |
| 2. Shipping receipts and expenses | +33 | +11 | +41 | +85 | +62 | +54 | +70 | +186 |
| 3. Other items | +1 | +9 | +2 | +12 | −1 | +7 | +1 | +7 |
| 4. Total | −170 | −87 | +7 | −250 | −21 | −19 | +30 | −10 |

Source: Official memorandum of the Norwegian Government on the long-term program.

rent account is reasonable for a country developing rapidly and that a capital import of this amount would be natural. During the thirties Norway had a small outflow of capital, but it is believed that a return to the situation in the twenties when there was a steady small inflow of capital is to be expected.

The reduction in the dollar deficit on commodity trade is to be achieved largely by shifting imports from the dollar area as much as possible. An increase in imports from western Germany to anything like prewar levels is not expected. Imports are necessarily to be obtained in large part from those countries willing to purchase Norwegian products. It is planned to purchase large quantities of bread grains from Russia in exchange for fats, herring, and aluminum. No very great expansion in Norwegian exports to the dollar area appears to be possible. The shifting of imports from the dollar area and the inability of Germany to supply Norway as in prewar days will force Norway to continue to have a deficit with the sterling area rather than a surplus as in prewar days.

In addition to the 10 million dollar current account deficit there is estimated to be a 25 million dollar uncovered deficit on capital account after allowing for credits on ship purchases and certain other debt service items which are relatively small. Payments on ships delivered in the past and prepayments on ships to be delivered in the future will amount to about 65 million dollars. On the other hand, the value of ship deliveries which have been prepaid is estimated at 23 million dollars and credits on new ship deliveries are estimated at 28 million dollars. Of the total capital account deficit 16 million dollars will be with the dollar area. This means an estimated uncovered current and capital deficit with the dollar area of 37 million dollars, and with all areas of 35 million dollars.

The Norwegian Government believes that further credits may be obtainable on ship purchases. In view of the net capital outflow planned on ship purchase contracts in 1952–53 it would seem advisable for Norway to make every effort to eliminate the small estimated current account deficit both with the world as a whole and with the dollar area and, in fact, to aim at an over-all current account surplus. Although a net capital inflow may be natural for a country in Norway's stage of economic development, the schedule of indebtedness and required prepayments under ship purchase contracts are so large that further private credits to the extent necessary to secure a net inflow of capital may not be obtainable. However very large credits on ship purchases have been made available in the past and Swedish and British yards may be sufficiently dependent on Norwegian contracts to increase substantially the credits granted.

Another question arises with respect to the estimated current account deficits for 1950–51 and 1951–52. There is no indication in

the long-term program of the speed with which Norway expects to approach the relatively balanced current account position forecast for 1952–53, and the reduction of the current account dollar deficit to 21 million dollars. The fact that the full investment program would require an import surplus of goods and services averaging 225 million dollars a year suggests that sufficient attention has not been given to the necessity of gradually approaching a balanced position. With respect to the dollar deficit in particular it may be assumed that United States aid will necessarily be reduced each year. In the absence of more detailed estimates from the Norwegian Government it is impossible to determine whether in fact this problem is being given sufficient attention. One factor to be considered in the development of the current account deficit over the period of the long-term program is the fact that ship deliveries under existing contracts almost all from participating countries will run at 111 million dollars in 1950, 128 million in 1951, and 65 million dollars in 1952. This will tend to keep the current account deficit high through 1951 vis-à-vis the participating countries.

## F. FINANCIAL OUTLOOK

The net investments envisaged in the Norwegian long-term program can be fully carried out only if net domestic savings and the import surplus can be substantially increased. The net investments contemplated are at the rate of 450 million dollars a year as compared to about 429 million dollars in 1947 and something more than 314 million dollars in 1948. The way in which the net investment levels have been achieved in 1947 and 1948 and the Government's estimates for 1949 to 1952 are presented in table 26.

It is clear that the current import surplus is expected to make possible almost half of the planned level of net investment. It is not clear how the Norwegian Government plans to finance a current ac-

TABLE 26.—*Net investment*

[In millions of dollars]

| | 1947 | 1948 | 1949–52 annual average |
|---|---|---|---|
| 1. Net investment | 429 | 314 | 450 |
| 2. Import surplus | 266 | 193 | 225 |
| 3. Savings: | | | |
| (a) Business | 80 | 60 | |
| (b) Government | 117 | 169 | |
| (c) Private | −48 | −58 | |
| Total | 149 | 171 | 225 |
| 4. Sum of 2 plus 3 | [1] 415 | [1] 364 | 450 |

Sources: Department of Commerce of the Norwegian Government, National Budget Office, and the memorandum of the Norwegian Government on the long-term program.

count surplus averaging 225 million dollars a year. Net credits on shipping contracts may yield 40 million dollars a year and some further credits may become available. In the 1949–50 program year approximately 164 million dollars in direct and indirect ECA aid has been requested but continued aid at this rate can hardly be expected. Some use of non-dollar foreign exchange reserves is also contemplated.

The Government plans to continue, through its budgetary policies, to keep Government savings at a high level. Steps have also been taken recently to encourage private savings.

If an import surplus of 225 million dollars proves to exceed the means available to Norway, the net investment program cannot be achieved in its entirety without larger domestic savings than are planned on. The program calls for an increase in aggregate net savings from 171 million to 225 million dollars. While this appears to indicate a 30 percent increase over the 1948 level, it is in fact no more than is currently being saved by business and the Government. In other words it is a rate that would have been achieved in 1948 if private individuals had not met their living costs in part out of past savings.

Clearly, however, there is a relationship between high levels of saving by the Government and dissaving by individuals. Consumption standards are relatively inflexible and high tax rates therefore tend to lower the rate of private saving. Thus there may be some conflict between the Government program to keep Government savings at a high level and the steps it has recently taken to encourage private savings.

In the final analysis it is important to consider the feasibility of the over-all projected rate of domestic saving without regard to the agency through which savings are to be accumulated. Inadequate as the projected amount of saving appears to be if the investment program is to be carried out, 225 million dollars of saving out of domestic resources would involve a rate of saving equal to 13 or 14 percent of the total net national product of Norway projected for 1952–53 and of more than 14 percent of the current net product. While this rate is apparently about the same as the prewar rate of saving in Norway, it is substantially higher than rates in other countries and would involve even greater sacrifices of a people who are already living under very austere conditions.

## G. COMMENTS AND BASIC PROBLEMS

The long-term program of the Norwegian Government plans an expansion of its traditional export industries and of the merchant fleet. In addition the development of certain new export fields is contemplated. The investments in those fields are well suited to the potentialities of the Norwegian economy and can be expected

to go a long way toward achieving balance in Norway's international transactions. Other investments are contemplated in transport facilities, housing, and stocks which are for the most part necessary to make possible the expansion of output in the export industries. Certain other investments in domestic industries, partly to reduce the dependence on imports, are also planned.

One of the major problems relates to the over-all size of the investment program. It seems unlikely that the level of foreign financing and the level of net domestic savings necessary to permit the carrying out of the full long-term program can be achieved. Sufficient attention may not have been given to the fact that the level of ECA aid requested must decline each year. Perhaps also there is an excessive degree of optimism about the availability of private credits. As far as net domestic savings is concerned, it would appear to be difficult to maintain year after year the present level of net Government saving and also substantially increase private savings.

If the full long-term program cannot be carried out, some of the investments in domestic industries, inland communications facilities and the like, though highly desirable in themselves, may have to be deferred. The Norwegian Government has indicated that it realizes that priority must be given to the development of export industries, if viability is to be achieved in 1952–53. It is important that the Government continue to keep careful watch on the investment program year by year so that it is within the limits of available resources and so that priority is given to the development of exports. The program actually presented for 1949–50 seems to be very reasonable both from the point of the total planned investment and the investments that will increase earnings of foreign exchange.

Only if the investment program year by year is geared to the available foreign and domestic resources will the government succeed in preventing an increase in the latent inflationary pressure already present in the economy. Any substantial increase in this pressure might endanger the Government's stabilization program. Furthermore, an adjustment to the latent inflation must eventually be reached so that price and wage controls can be eliminated. While these controls have been effective and have avoided a serious inflation, they undoubtedly interfere somewhat with the most efficient use of labor and resources. In addition an eventual adjustment to the latent inflationary situation would probably permit the Government to reduce the level of taxes somewhat. The present level of taxes and the tax system are such that they probably tend to some extent to discourage savings and hard work.

The most basic problem of a non-financial nature is the problem of labor supply. It is doubtful if the full increase in the labor force called for in the long-term program can be achieved. In spite of the

Government's efforts to encourage the employment of women and the dovetailing of seasonal industries, it is probable that the limited labor supply, like the limited foreign and domestic financial resources, will necessitate some reduction in the long-term program goals. The Government must watch the level of investment in the lower priority phases of the investment program to see that they do not absorb too large a share of the labor force. If the goals in the export industries are to be achieved it may be necessary to defer expansion in agricultural employment and employment in domestic industries.

# Chapter III. The First Two Annual Programs

## A. THE PROGRAM FOR 1948–49

As has already been indicated, Norway's capacity to go on financing a large deficit in its balance of payments was almost exhausted by the end of 1948. ECA aid beginning in 1948 was the only alternative to a further drastic curtailment of imports. Imports could not have been curtailed sufficiently without creating extreme hardship, precipitating a depression and halting reconstruction in Norway.

For 1948–49 the OEEC recommended that the ECA extend direct dollar assistance amounting to 84 million dollars, plus drawing rights on other ERP countries, primarily Sweden and Belgium, amounting to a net sum of 31.8 million dollars. The ECA has accepted this recommendation with a minor reduction in direct dollar aid to 83.3 million dollars. The revised balance of payments submitted by the Norwegian Government showed a dollar deficit on current account of 103.4 million dollars and a total dollar deficit of 90.4 million dollars after allowing for the use of an Export-Import Bank credit to the extent of 30 million dollars and various amortization payments. The current accounts deficit compares with one of 170 million dollars in 1947. During the latter year, however, there were far larger private and public credits available so that the total dollar deficit amounted to only 73 million dollars.

Examination of the 1948–49 balance indicates that the deficit is conservatively estimated. In fact a detailed scrutiny of the import requirements underlying the estimate indicates that the value of dollar imports from the Western Hemisphere may have to be raised by 11.3 million dollars above the Norwegian estimate. Even after allowing for the probability that Norwegian exports to the United States may have been underestimated by about 3 million dollars, Norway's total dollar deficit appears to be 14.4 million dollars above the amount of aid recommended by ECA (see table 27). There is no certainty, of course, that Norway will actually incur such an additional deficit, for, unless receipts rise above present expectations, the Norwegian Government may prefer to cut imports below original requirements rather than sacrifice more of Norway's slender gold and dollar reserves.

TABLE 27.—*Norwegian balance of payments for the fiscal year 1948–49*

[In millions of dollars]

| | ECOC[1] | | | | | ECA estimate | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Dollar | | | Non-dollar | Total | Dollar | | | Non-dollar | Total |
| | United States | Other | Total | | | United States | Other | Total | | |
| 1. Imports f. o. b. | 121.4 | 46.5 | 167.9 | 552.4 | 720.3 | 126.4 | 51.8 | 178.2 | 552.4 | 730.6 |
| 2. Exports f. o. b. | 22.0 | 17.0 | 39.0 | 351.3 | 390.3 | 25.0 | 17.0 | 42.0 | 351.3 | 393.3 |
| 3. Merchandise balance | −99.4 | −29.5 | −128.9 | −201.1 | −330.0 | −101.4 | −34.8 | −136.2 | −201.1 | −337.3 |
| 4. Invisibles (net) | n. a. | n. a. | +25.5 | +93.5 | +119.0 | +12.0 | +13.5 | +25.5 | +93.5 | +119.0 |
| 5. Balance on current account | n. a. | n. a. | −103.4 | −107.6 | −211.0 | −89.4 | −21.3 | −110.7 | −107.6 | −218.3 |
| 6. Settlements on payments agreements | | −4.0 | −4.0 | | | | −4.0 | −4.0 | | |
| 7. Capital transactions: | | | | | | | | | | |
| (a) Non-ECA financing | +30.2 | | +30.2 | | | +30.2 | | +30.2 | | |
| (b) Repayments | −13.2 | | −13.2 | | | −13.2 | | −13.2 | | |
| 8. Net position | | | −90.4 | | | −72.4 | −25.3 | −97.7 | | |
| 9. Estimated requirements for United States aid | | | 84.0 | | | | | 83.3 | | |
| 10. Uncovered deficit | | | 6.4 | | | | | 14.4 | | |

[1] Based on reviseed Norwegian submission to OEEC and subsequent revisions.

It seems clear in any event that a substantial reduction in assistance below the conservative total recommended by OEEC would require a severe cut in imports. Since the austere standard of living in Norway could hardly be reduced, any curtailment of imports would be at the expense of the capital investments which Norway is attempting to carry out in an effort to become ultimately self-supporting.

Norway received an allotment of 20 million dollars for the second calendar quarter of 1948, of which 15 million dollars was a loan and 5 million dollars a direct grant. To date, of the programed amount of 83.3 million dollars for fiscal 1949, Norway has received allotments totaling 61.8 million dollars, of which 20 million dollars is a loan, 29.4 million dollars a direct grant, and 12.4 million dollars conditional aid. An additional allotment of 21.5 million dollars will be necessary to complete the program for 1948–49.

## B. THE PROGRAM FOR 1949–50

### 1. Character of the Program in General

The Norwegian program for 1949–50 is substantially more modest than the long-term program. It thus illustrates the difficulty of achieving the goals of the long-term program without a substantial increase in foreign financing. The 1949–50 program was worked out on the assumption that total aid from the United States, if not from ECA alone, could not be increased above the 1948–49 level. This factor by itself necessitated the sort of reductions in the 1949–50 program which may well be necessary in the full 4-year program, i. e., reductions in

the less urgent although clearly desirable goals; to fit the level of imports and the level of investment to available resources. It also differs from the long-term program because, like the program for 1948–49, it is essentially a continuation of the plans made by the Norwegian Government immediately after the war when it was realized that drastic measures were needed to increase the foreign exchange earning capacity of Norway and when the amount of external assistance available was believed to be much more limited. Finally, it departs from the long-term program because the Norwegian Government believes that priority must be given to expansion of the export industries. In the opinion of the Norwegian Government progress toward raising consumption from present austerity levels to the prewar level and improvements in domestic industries and transport and communications facilities can and must be postponed if such postponement is necessary in order to make possible more urgent expansion in the export industries.

In spite of the relatively less ambitious nature of the 1949–50 program, ECA aid is requested at more than the 1948–49 rate. In the first estimates submitted, aid was requested up to 119 million dollars as compared to 84 million dollars in 1948–49. This increase was requested although imports from the dollar area were planned to be at the same rate as in 1948–49. The principal explanation is the fact that Norway had 30 million dollars from an Export-Import Bank loan available for use in 1948–49. None of this credit will be available for use in 1949–50 and no other similar credit is yet in prospect. The total United States Government aid, i. e., ECA plus Export-Import Bank aid, required according to the original 1949–50 program estimates was, therefore, at about the 1948–49 level.

In December 1948, the requested aid was increased by 12.2 million dollars. Virtually the entire increase was requested because the Norwegian Government believed it would be impossible to obtain certain essential imports up to a value of 10.5 million dollars from other participating countries, which the original 1949–50 program estimates had assumed could be obtained from such countries.

**2. Imports**

The level of imports contemplated in the revised Norwegian Government estimates of total imports is not as high as would be required to fully carry out the long-term program. In table 28 the over-all value as compared to the 1948–49 program and the estimated 1948 level is shown.

The value of estimated ship purchases in 1949–50 is in line with the long-term program estimates. The value of estimated imports other than ships for 1949–50, on the other hand, is lower than that indicated for the long-term program and is projected at about 12

TABLE 28.—*Value of imports, f. o. b.*

[In millions of dollars]

| | Ships | Other | Total |
|---|---|---|---|
| Estimated 1948 | 141 | 560 | 701 |
| 1948–49 | 156 | 564 | 720 |
| 1949–50 | 151 | 629 | 780 |

percent above the 1948–49 estimates. The volume increase is lower since the Norwegian Government has stated that the 1949–50 estimates are based on higher import price assumptions than the 1948–49 estimates. Precise data on the price assumptions are not available. The volume of imports other than ships in 1948 is estimated at 90 percent of the 1938 level, as compared to 1947 imports at 104 percent of the 1938 level. Even assuming no increase in the level of prices used in the 1949–50 estimates as compared to the 1948 and 1948–49 estimates, therefore, the volume of imports other than ships in 1949–50 may be estimated at approximately the prewar level, and at about 12 percent higher than the 1948–49 programed level.

In table 29 a summary of the changes in the programed value of imports of certain major groups of commodities from 1948–49 to 1949–50 is presented. Total imports as well as imports payable in dollars are shown. More detailed information on the items in each group is presented in annex A. The 60 million dollars increase in the value of programed total imports reflects a 17 million dollars planned increase in machinery imports, an 18 million dollars increase in imports of food, beverages, and fodder, and smaller increases in imports of textile products and ores and metals. The programed increased in dollar imports is only 15 million dollars, the majority of which is accounted for by an approximately 10 million dollars increase in ores

TABLE 29.—*Norwegian Government estimates of total import programs*

[In millions of dollars]

| | Revised 1948–49 | | Revised 1949–50 | |
|---|---|---|---|---|
| | Total dollar value | Payable in dollars | Total dollar value | Payable in dollars |
| Food, beverages, and fodder | 116.4 | 60.1 | 134.4 | 63.2 |
| Chemicals | 44.2 | 7.2 | (1) | (1) |
| Textile products, excluding clothing | 78.3 | 15.0 | 88.5 | 16.5 |
| Fuels | 64.8 | 17.3 | 66.6 | 15.1 |
| Ores and metals | 88.2 | 29.4 | 92.8 | 38.8 |
| Machinery, excluding ships | 95.1 | 27.4 | 112.4 | 31.5 |
| Ships | 156.0 | 0.0 | 151.0 | 0.0 |
| Other | 77.2 | 11.5 | [2] 134.1 | [2] 17.0 |
| Total [3] | 720.3 | 167.9 | 779.9 | 182.0 |

[1] Included in "other."
[2] The fact that chemicals are included in this group means that the 1949–50 values for "other imports" cannot be compared with the 1948–49 values; totals are comparable.
[3] Because of rounding columns do not always add precisely to total.

and metals imports, more specifically in imports of finished steel products.

The programed increase in imports of machinery and ores and metals is necessary for the carrying out of the 1949–50 investment and output programs. The increase in total food imports and in textiles is designed to make possible some increase in consumption. The increases in textiles are largely in raw cotton and wool to fit the much higher capacity of the textile industry. In annex B details are presented on the volume of certain major imports in thousands of metric tons for the program years as well as for 1947, 1948, and 1935–38. The programed volume of imports of food, feedstuffs, and beverages in 1949–50 on the whole is below prewar levels. The programed volume of raw cotton and wool imports in 1949–50 is much above prewar levels. The other major increases are in iron ore and finished steel. A sharp decline in imports of solid fuels is offset by a sharp increase in petroleum product imports.

### 3. Consumption

The increased resources due to higher imports and output are planned to have little effect on over-all consumption levels. In table 30 per capita supplies of a few products in 1949–50 based on the programed levels of imports and production as compared to the average per capita supplies in 1935–38 are shown.

TABLE 30.—*Per capita supplies of certain commodities*

| | Per capita supplies in 1949–50 (kilograms) | Per capita supplies in 1948–49; index, 1935–38=100 | Per capita supplies in 1949–50; index, 1935–38=100 |
|---|---|---|---|
| Bread grains | 142 | 94 | 97 |
| Fats and oils | 25 | 83 | 82 |
| Sugar | 25 | 73 | 79 |
| Meat | 27.5 | 72 | 76 |
| Tobacco | 1.5 | 139 | 142 |
| Coal | 663 | 66 | 62 |
| Raw cotton | 2.5 | 136 | 214 |
| Unmanufactured wool | 2.1 | 157 | 203 |

*Source:* Official program data submitted by the Norwegian Government.

It is clear from table 30 that some increase in per capita consumption of bread grains, sugar, and meat is contemplated in 1949–50 as compared to 1948–49. In the case of fats and oils little or no change is planned. However, in none of these cases is consumption to be increased by more than 10 percent and in each case per capita consumption in 1949–50 will be below the prewar level. In fact, bread grains is the only one of these commodities for which per capita consumption in 1949–50 is programed to approach the prewar level. In the case of meat, sugar, fats, and oils consumption will be from 76 to 82 percent of prewar, while coal will be at 62 percent. Tobacco supplies are

programed to increase very slightly in 1949–50 from a level in 1948–49 already well above prewar. The increase in per capita consumption of tobacco is world-wide and reflects the Norwegian Government's opinion that approximately the present level is necessary for morale purposes in a country in which very little other than minimum supplies of basic foods can be purchased. It is also an important source of revenue, for tobacco is heavily taxed.

The increased per capita supplies of raw cotton and wool reflect the increased capacity of the Norwegian textile industry. The increased imports of cotton and wool will permit an increase in the present woefully inadequate supply of textiles. However, the level of per capita supplies of raw cotton and wool as compared to prewar cannot be taken as an indication of the increase in textiles available for purchase, or as an indication of an increase in consumers' supplies of textiles. Imports of finished textiles are well below prewar in volume, and consumers' supplies are so low that very much increased purchases above the prewar annual rate would be necessary to raise consumers' supplies to the prewar level. Moreover, some of the increased domestic output of textiles will be used for industrial purposes, e. g., cotton bags for the export of fish meal, and some of the increased output based on the increased imports will not actually be available to consumers or industry until after 1949–50.

### 4. Investment

Detailed estimates of the total rate of investment or the rate of investment in various industries are not available for 1949–50. It is reasonably certain, however, that the net investment will not be at the rate of 450 million dollars a year contemplated in the long-term program. The attainment of this level of investment would require an over-all current account deficit of 225 million dollars and an increase in the rate of net domestic savings from about 171 million to 225 million dollars. The full increase in net domestic savings will almost certainly not be realized unless there begins to be some net savings by individuals. Furthermore the official estimated current account deficit for 1949–50 is 188 million dollars. The rate of net investment contemplated in 1949–50 is probably between 350 million and 400 million dollars.

Although detailed estimates are not available for investment by industries in 1949–50, some indications of the direction of the investment program for 1949–50 are available. First, the investment in ships continues to be the major single item in the program. Purchases of new ships will amount to 151 million dollars as compared to 156 million dollars in 1948–49 and 141 million dollars in 1948. Net investment in shipping will presumably amount to about one-third of total

net investment in 1949–50 as it did in 1948. The merchant fleet is expected to reach 5 million gross tons at the end of the 1949–50 year as compared to 4.4 millions tons at the end of 1948 and 4.9 million tons at the end of 1939. The expansion of the fleet is believed to be the quickest means of increasing foreign exchange earnings.

Investment in mining and manufacturing will also be large. The principal investments are in mining, electro-metallurgical, chemical, and electro-chemical industries, all of which are industries producing directly for export. Before the end of 1949–50 some construction projects will be completed for the output of nitrogenous fertilizer, sulphuric acid, superphosphate, chlorine, and caustic soda. New production and expansion in output in a number of other chemicals is planned. Substantial investment will be made in completion of the reconstruction of the Syd-Varanger iron ore mine and concentration plant. The effect on exports will not be felt until 1950–51, however. The rate of investment in forestry, fisheries, and whaling will not be very high in 1949–50 since an expansion of output in these major export fields is limited by physical factors and not by inadequate plant and equipment. Substantial investments in these fields have already taken place. There will be considerable investment in oil-processing and fat-hardening plants producing for export. Further investment in the pulp and paper industry will also take place.

Another important field of investment will be the development of hydro-electric power. The further development of hydro-electric power is essential for the planned expansion of ferro-alloys output, electro-chemical production and, in fact, is basic to a large part of the planned expansion of industry. In 1949–50 output is to be increased by 2,300 million kilowatt hours. The increase for the 4-year program is only 4,000 kilowatt hours.

In certain other fields in which substantial investments are contemplated in the long-term program the 1949–50 program appears to be less ambitious than the 4-year program. To some extent this presumably represents a recognition that investment in these fields is less urgent, even though highly desirable. In housing the long-term program itself called for a lower rate of investment in the earlier years of the whole program. As far as motor vehicles are concerned most of the planned expansion is scheduled to begin only after 1950. In the textile industry, however, the expansion of capacity will be complete by the end of 1949–50. Substantial progress toward the reconstruction of war-damaged bridges, the laying of hard-surface roads, and the planned electrification of railways will be made. To a considerable extent the investment in these last fields is the necessary counterpart of the general expansion of output.

## 5. Production

The description of the investment program for 1949–50 clearly indicates the fields in which the major expansion of output is expected. The chief expansion of output will be in industry and mining. Agricultural output is expected to be at about the 1948 level, but there will be some increase in the output of meat, milk, and eggs. Crop yields are not expected to be greater than in 1948 when the weather was abnormally favorable. The fish catch is estimated to be somewhat smaller than in 1948 when the fish catch was unusually good, but cod fishing is expected to show a better return. The cut of logs to be sold as timber is estimated at 7 million cubic meters as compared to 6.5 million estimated for 1947–48 and 5.7 million prewar. Some further improvement in the fish catch by 1952–53 is expected, but in timber the 7 million goal is believed to be the maximum attainable due to actual physical limitation on further expansion.

By the end of 1949–50 industrial output is to be at a level 12 percent higher than in 1948, reflecting partly the large investment in the past which may well show more substantial results in 1950–51. Capacity for the production of aluminum is expected to rise from 12,000 to 24,000 tons in 1949–50. Substantial increases in the production capacity of cement, nitrogenous fertilizers, superphosphates, sulphuric acid, chlorine and caustic soda, herring oil and hardened fats will also be realized. In the textile industry greater output will result from an increase in the number of cotton spindles from 55,000 to 98,000 and from an extension in the production capacity for rayon yarn from 400 to 1,000 tons. Mining production as a whole will show no substantial expansion, although by the end of 1949–50 the reconstruction of the iron ore plants at Syd-Varanger will have progressed sufficiently to permit a rate of production of one-half of the planned capacity.

Table 31 shows the output of certain industrial and mining products forecast for 1949–50. Naturally increases in production do not fully reflect the increased capacity that will become available only in the course of that year.

TABLE 31.—*Industrial and mining production*

[In thousands of metric tons; electric power in millions of kilowatt-hours]

| | 1938 | 1948 | 1949–50 | 1952–53 |
|---|---|---|---|---|
| Coal | 300 | 450 | 550 | 650 |
| Iron ore | 1,475 | 300 | 500 | 1,500 |
| Pyrites | 1,028 | 750 | 700 | 800 |
| Steel | 35 | 60 | 65 | 77 |
| Aluminum | 29 | 30 | 37 | 95 |
| Nitrogen | 75 | 90 | 150 | 175 |
| Cement | 330 | 500 | 700 | 750 |
| Electric power | 9,650 | 12,300 | 14,300 | 16,000 |

### 6. Exports

The increased resources, due to expanded levels of output and of imports, will be reflected in an increase in commodity exports. It has been stated that the value and volume of imports is expected to be about 10 to 12 percent above the 1948 and 1948–49 levels and industrial output is expected to be about 12 percent in volume above the 1948 level. An increase in the value of exports in 1949–50 to 464 million dollars is contemplated as compared to the 390 million dollar estimate for 1948–49. A more significant comparison is between an estimated level of 420 million dollars in 1948 and the planned level of 464 million dollars. The increase in value is about 10 percent; the increase in volume is less but a precise estimate cannot be made because of lack of complete information on the price assumptions. Since the volume of exports in 1948 is about 81 percent of prewar, the programed level of exports in 1949–50 will still be well below the prewar volume.

The investments and expansion of capacity planned for 1949–50 will make possible a much higher level of exports of minerals, metals, and chemicals after 1949–50 rathe rthan in 1949–50 itself. The Syd-Varanger iron ore plant will not be producing until after 1949–50. The planned expansion in the output of nickel will not begin until after 1949–50. The new aluminum plant at Aardal will only affect exports to a very small extent in 1949–50. In the electro-metallurgical field as a whole much greater expansion of output and exports can be expected after 1949–50.

Another reason for the relatively small increase in exports in 1949–50 as compared to 1948 is that the unusually large fish catch in 1948 cannot be expected to be repeated in 1949–50. But some expansion of canned fish, fish meals, and hardened fat exports are expected. Also an expansion of pulp and paper exports is expected.

It may be that the volume of estimated exports will in fact be slightly higher than estimated if most favorable conditions are realized. On the other hand the estimated value of exports appears a bit high in view of recent weakening in the prices of fish, fats and oils, and pulp and paper products.

Exports to the dollar area, or dollar earning exports are estimated for 1949–50 at 40 million dollars as compared to 39 million dollars estimated by the Norwegian Government for 1948–49. The failure of dollar earning exports to expand more rapidly reflects in part the fact that the market for fish and pulp and paper products is not as elastic as the market for the ores, metals, and chemicals which Norway is planning to export in much greater volume after 1949–50. Dollar earning exports to the United States will be only 1.7 million dollars greater than the estimate by the Norwegian Government for 1948–49. Dollar earning exports to the other Western Hemisphere countries, on

the other hand, will be 4.4 million dollars higher than 1948–49. The increase in dollar earning exports to the Western Hemisphere is therefore 6.1 million dollars. Total dollar earning exports will, however, rise by no more than 1.1 million dollars because in 1948–49 5 million dollars was received from exports to other participating and non-participating countries, whereas in 1949–50 no dollar earnings from exports to such countries are expected.

### 7. Balance of Payments

The official program estimates of the balance of payments in 1949–50 as compared to 1948–49 are presented in table 32. The estimated balance of payments in all currencies shows a substantial improvement over 1948–49. The deficit on merchandise trade is estimated at 316 million dollars as compared to the estimated 330 million dollars in 1948–49. Net shipping receipts are expected to incerase from 104 million dollars in 1948–49 to 129 million dollars in 1949–50. The increase is not fully commensurate with the increased tonnage because of rising operating expenses abroad. The net income from other invisibles of 12 million dollars in 1948–49, however, is changed to a 1 million dollar deficit in 1949–50. The current deficit is estimated at 188 million dollars as compared to 211 million dollars in 1948–49. On the basis of 1948 data the 1948–49 estimated exports appear to be too low. This means that the degree of improvement in 1949–50 is probably somewhat less than is indicated by a comparison of the program estimates. Even taking account of this fact, however, the current balance of payments in all currencies shows considerable improvement.

TABLE 32.—*Norwegian estimates of balance of payments* [1]

[In millions of dollars]

| | All currencies | | Gold and dollars | |
|---|---|---|---|---|
| | 1948–49 | 1949–50 | 1948–49 | 1949–50 |
| 1. Imports | 720 | 780 | 167.9 | 182 9 |
| 2. Exports | 390 | 464 | 39 0 | 40 1 |
| 3. Merchandise balance (net) | −330 | −316 | −128 9 | −142 8 |
| 4. Shipping (net) | +107 | +129 | +28. 5 | +33 0 |
| 5. Other invisibles (net) | +12 | −1 | −3.0 | −1.0 |
| 6. Total invisibles (net) | +119 | +128 | +25 5 | +32.0 |
| 7. Balance on current account | −211 | −188 | −103 4 | −110.8 |
| 8. Capital account | | | +13.0 | −21.0 |
| 9. Balance on current and capital account | | | −90.4 | −131.8 |

[1] The 1948–49 figures are based on revised estimates submitted to the OEEC in October 1948. The 1949–50 figures represent the revised estimates submitted to the OEEC in December 1948.

The balance of payments in gold and dollars for 1949–50, on the other hand, shows a serious deterioration. While dollar imports are programed at 15 million dollars more in 1949–50 than in 1948–49, dollar earning exports will increase only 1.1 million dollars. The net mer-

chandise deficit increases from 128.9 million dollars in 1948–49 to 142.8 million dollars in 1949–50. Net dollar freight receipts are estimated to increase from 28.5 million to 33 million dollars and other invisibles will result in a net deficit of 1 million dollars. The estimated increase in net dollar shipping receipts is not in proportion to the increase in over-all tonnage partly because competition for dollar freight is becoming increasingly severe and partly because operating expenses incurred in dollar ports have been rising very rapidly in recent months. The net dollar deficit of Norway on account of current imports and exports of goods and services is estimated to increase from 103.4 million to 110.8 million dollars.

The most important single factor affecting the dollar balance of payments of Norway is the change in the capital transactions from 1948–49 to 1949–50. In 1948–49 in spite of dollar amortization payments of 13 million dollars, and certain other transactions, there was a net inflow of capital of 17 million dollars, not counting a 4 million dollar obligation under a payments agreement. This was because Norway has been able to utilize 30 million dollars of a previously granted Export-Import Bank credit during 1948–49. This credit will be fully exhausted by June 1949 and no other source of substantial dollar credits can be counted on in 1949–50. In 1949–50, Norway estimated a net deficit on capital account of 21 million dollars. Interest and amortization payments continue to be large and certain dollar payments are due to other participating and non-participating countries. Full details on the Norwegian Government's estimates of the gold and dollar balance of payments of Norway by areas to and from which payments are made and received are presented in annex C for 1948–49 and 1949–50.

### 8. Critique and Conclusion

The description and discussion of the 1949–50 program has brought out the fact that it appears to be in general a well-balanced and reasonable program. It is less ambitious than the long-term program and aimed at the maximum increase in the export capacity of Norway. While the improvement in exports during 1949–50 will be relatively small, this must be expected in view of the fact that a substantial part of the investment and increased capacity will have full effects only after 1949–50. In general, there appears to be appropriate balance between investment and consumption. Furthermore, there is every reason to think that the Government can succeed in carrying out the program without adding too much to inflationary pressures and in spite of the labor shortage.

In the 1949–50 program a number of the basic problems raised in connection with the long-term program either do not arise or arise in a much more limited degree. The financial problems in particular are not of the same magnitude. The 1949–50 net investment program

is smaller than that contemplated in the long-term program and therefore does not require the same level of savings or the same import surplus. Questions have been raised in connection with the discussion of the full long-term program as to whether the goals set forth could be reached. The 1949–50 investment program is believed to be geared to a considerably lower import surplus and level of net domestic savings. Questions have also been raised in connection with the long-term program with respect to the availability of the labor supply required by the full program. The 1949–50 program appears to be concentrated on the fields which not only will tend to expand exports but which require less domestic labor. The agricultural expansion contemplated in the long-term program and the expansion in housing construction and development of inland communication facilities are not reflected fully in the 1949–50 program. To some extent this is because higher rates of expansion are planned in the later years. However, these are fields requiring a substantial amount of labor and the fact that the rate of expansion is lower in 1949–50 will ease the labor shortage.

As far as the strictly financial aspects of the program are concerned little or no increase in latent inflationary pressure need be expected in 1949–50. The investment program will not be at a very much higher level than 1948, and the Government will probably be able to continue to exert a substantial deflationary pressure through its budgetary policy. The Government plans at least to cover all its expenditures out of current revenues. It also plans to continue its practice of selling "premium" or savings bonds carrying a higher rate of interest than ordinary Government bonds in order to exert an anti-inflationary influence. The Government will presumably also continue to sterilize the proceeds in Norwegian kroner of loans and grants obtained from abroad. Although the program itself is not likely to lead to added inflationary pressure, there is always a danger that the pressure for increases will disrupt the existing arrangements which have enabled the Government to prevent a spiral of wage and price increases. Another danger lies in increased pressure for much larger defense expenditure.

Certain adjustments in the 1949–50 program will, however, be necessary. For example, steel imports have had to be cut because of limited availabilities. The import estimates for petroleum products payable in dollars can probably be cut by several million dollars because Norwegian price assumptions were too high. Imports of agricultural products from dollar areas will be somewhat cheaper than was anticipated by the Norwegian Government. Some shifts of imports from dollar to non-dollar areas also appear to be possible. Altogether import reductions of about 28 million dollars, of which approx-

imately 24 million dollars are from the dollar area, can probably be made.

On the capital account, it is assumed provisionally that payments of 4 million in dollars said by the Norwegian Government to be payable to Denmark, the Netherlands, and Italy may not have to be paid, since the supposed recipient countries apparently do not count on receiving such payments. If in practice it should prove impossible to avoid these dollar obligations through refunding or payment in nondollar currencies, the allotment to Norway may subsequently have to be increased and those of the recipient countries correspondingly cut. On the other hand, a detailed check has revealed that Norway has inadvertently failed to provide for dollar payments to Belgium which amount to 3.5 million dollars and arise out of past trade debts not covered by the present Intra-European Payments Agreement.

The net result of all of the above adjustment is to reduce the total dollar deficit for 1949–50 from 131.8 million to 105.1 million dollars. In the light of this deficit ECA assistance amounting to 105 million dollars is estimated to be necessary.

The total balance of payments on current account in all currencies, as adjusted by ECA, shows a deficit of 160.8 million dollars. There is a deficit of 73.2 million dollars with nondollar areas. With nondollar areas outside the ERP countries Norway will have a surplus most of which will be in inconvertible currencies. The expected deficit with ERP countries will therefore be substantially larger than the net deficit shown with all nondollar areas. Norway expects to finance this deficit with other ERP countries through the use of drawing rights under the intra-European payments agreement, through credits obtained on new ships constructed for Norwegian account in other countries and through the use of sterling holdings which presumably remain from the ship indemnity and insurance payments received as the result of wartime shipping losses. The exact amount of drawing rights needed in 1949–50 cannot at present be predicted, but they may not need to be as large as those in 1948–49.

While the direct ECA dollar assistance estimated as necessary for 1949–50, namely 105 million dollars, is higher than the 83.3 million dollars recommended for 1948–49, the difference is due to the exhaustion of other sources of dollars. While about 30 million dollars was available from the Export-Import Bank in 1948–49, only 2 million dollars in dollar loan proceeds are expected in 1949–50. Counting dollar amortization payments, Norway can count on a net capital inflow (other than ECA assistance) of 17 million dollars in 1948–49 but in 1949–50 Norway must reckon with a net outflow of 15.5 million dollars. According to the ECA estimates given in table 33 the dollar deficit exclusive of the capital account will be 87.6 million dollars in 1949–50 as compared with a total of 103.4 million dollars projected by

TABLE 33.—*Norwegian balance of payments for the fiscal year 1949–50*

[In millions of dollars]

| | Norwegian submission to OEEC | | | | | ECA estimate | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Dollar | | | Non-dollar | Total | Dollar | | | Non-dollar | Total |
| | United States | Other | Total | | | United States | Other | Total | | |
| 1. Imports f. o. b. | 133.1 | 49.8 | 182.9 | 597.1 | 780.0 | 122.5 | 36.6 | 159.1 | 592.8 | 751.9 |
| 2. Exports f. o. b. | 23.7 | 16.4 | 40.1 | 423.9 | 464.0 | 23.7 | 16.4 | 40.1 | 423.6 | 463.7 |
| 3. Merchandise balance | −109.4 | −33.4 | −142.8 | −173.2 | −316.0 | −98.8 | −20.2 | −119.0 | −169.2 | −288.2 |
| 4. Invisibles (net) | +18.0 | +14.0 | +32.0 | +96.0 | +128.0 | +18.0 | +13.4 | +31.4 | +96.0 | +127.4 |
| 5. Balance on current account | −91.4 | −19.4 | −110.8 | −77.2 | −188.0 | −80.8 | −6.8 | −87.6 | −73.2 | −160.8 |
| 6. Settlements on payments agreements | | −5.0 | −5.0 | | | | −5.0 | −5.0 | | |
| 7. Capital transactions | | | | | | | | | | |
| (a) Non-ECA financing | | | | | | +3.0 | | +3.0 | | |
| (b) Repayments | −12.0 | −4.0 | −16.0 | | | −12.0 | −3.5 | −15.5 | | |
| 8. Net position | −103.4 | −28.4 | −131.8 | | | −89.8 | −15.3 | −105.1 | | |
| 9. Estimated requirements for United States aid | | | 131.8 | | | | | 105.0 | | |

the Norwegian Government for 1948–49 and one of 110.7 million dollars estimated by ECA for 1948–49. That the improvement in the current account is not more marked is attributable to several factors. The failure of dollar earning exports to increase more rapidly is partly due to the disappearance of dollar receipts on exports to non-Western Hemisphere countries, partly to difficulties in expanding exports of fish and pulp and paper to the United States, and partly to the fact that many of the steps which have been taken to increase exports of ores, metals, and chemicals to the United States will not have a substantial effect on exports until after 1949–50. The failure of net dollar shipping earnings to rise more rapidly is due to lower freight rates, increased competition for dollar freights, and much higher operating expenses in the United States. The net result of all these factors is a 1949–50 current account deficit of 87.6 million dollars as compared to 110.7 million dollars in 1948–49. A much more rapid decline in the current account dollar deficit can be expected after 1949–50.

In view of the excellent postwar recovery record of Norway, it is estimated that ECA direct dollar aid of 105 million dollars may be applied effectively to increase investment and production as a further step in the direction of economic viability.

## PART III

# Appendix Tables

TABLE A. Norwegian programed imports.

TABLE B. Programed volume of certain imports compared with recent periods and prewar.

TABLE C. Program estimates: Balance of payments in gold and dollars by geographic area: 1948–49 and 1949–50.

TABLE D. Volume of some principal commodity exports, 1938–48.

TABLE E. Cost of living index: 1939–48.

TABLE F. Exports and imports: 1938–48, in millions of kroner.

TABLE A.—*Norwegian programed imports*

[In thousands of dollars]

| | Revised 1948–49 | | Revised 1949–50 | |
|---|---|---|---|---|
| | Total dollar value | Payable in dollars | Total dollar value | Payable in dollars |
| Food, beverages, and fodder: | | | | |
| Bread grains | 36,040 | 25,840 | 37,850 | 21,850 |
| Coarse grains | 13,840 | 10,500 | 13,841 | 10,500 |
| Fats and oils | 25,238 | 13,800 | 25,431 | 13,760 |
| Oil cake and meal | 0 | 0 | 1,700 | 1,700 |
| Meat | 602 | 0 | 3,010 | 0 |
| Tobacco | 7,080 | 4,200 | 6,770 | 5,600 |
| Sugar | 10,859 | 2,002 | 11,871 | 2,002 |
| Coffee | 7,680 | 3,240 | 8,620 | 7,020 |
| All other | 15,106 | 540 | 25,286 | 720 |
| Total | 116,445 | 60,122 | 134,379 | 63,152 |
| Chemicals: | | | | |
| Rock phosphate | 500 | 0 | 938 | 0 |
| Soluble phosphate | 4,430 | 0 | 3,798 | 0 |
| Potash | 3,990 | 0 | 3,675 | 0 |
| Other | 35,282 | 7,191 | (1) | (1) |
| Total | 44,202 | 7,191 | (1) | (1) |
| Textile products excluding clothing: | | | | |
| Raw cotton | 4,124 | 3,744 | 6,240 | 5,930 |
| Raw wool | 6,076 | 0 | 9,600 | 0 |
| Hard fibers | 2,858 | 1,842 | 2,858 | 1,842 |
| Other raw and finished | 65,254 | 9,460 | 69,842 | 8,700 |
| Total | 78,312 | 15,046 | 88,540 | 16,472 |
| Fuels: | | | | |
| Solid fuels | 26,100 | 672 | 25,150 | 0 |
| Petroleum products | 38,709 | 16,581 | 41,494 | 15,115 |
| Total | 64,809 | 17,253 | 66,644 | 15,115 |
| Ores and metals: | | | | |
| Iron ore | 400 | 0 | 500 | 0 |
| Ferro-alloys | 530 | 0 | 600 | 0 |
| Pig iron | 520 | 240 | 520 | 0 |
| Semifinished steel | 2,620 | 1,190 | 2,775 | 1,235 |
| Finished steel | 61,134 | 23,022 | 62,335 | 32,394 |
| Copper | 2,370 | 1,020 | 2,995 | 1,120 |
| Tin | 824 | 0 | 912 | 0 |
| Lead | 1,958 | 1,958 | 1,958 | 1,958 |
| Zinc ore | 3,828 | 1,790 | 4,172 | 1,650 |
| Nickel and nickel matte | 6,080 | 0 | 6,080 | 0 |
| Other nonferrous metals | 7,965 | 195 | 10,000 | 400 |
| Total | 88,226 | 29,415 | 92,847 | 38,757 |

TABLE V.—*Norwegian programed imports*—Continued

| | Revised 1948–49 | | Revised 1949–50 | |
|---|---|---|---|---|
| | Total dollar value | Payable in dollars | Total dollar value | Payable in dollars |
| Machinery, excluding ships: | | | | |
| Electric power plant | 7,500 | 800 | 7,500 | 800 |
| Coal mining equipment | 160 | 60 | 480 | 240 |
| Petroleum equipment | 0 | 0 | 1,000 | 400 |
| Iron and steel equipment | 6,800 | 2,800 | 8,500 | 2,900 |
| Wheeled tractors | 1,850 | 650 | 2,280 | 780 |
| Other tractor and agricultural machinery | 3,370 | 770 | 4,000 | 1,500 |
| Metalworking machinery | 6,000 | 2,100 | 6,300 | 2,000 |
| Woodworking machinery | 400 | 90 | 500 | 60 |
| Wagons | 620 | 0 | 800 | 0 |
| Lorries | 1,320 | 600 | 2,100 | 1,050 |
| Other inland transport | 7,900 | 1,500 | 8,400 | 1,400 |
| All other machinery | 59,160 | 18,050 | 70,520 | 20,360 |
| Total | 95,120 | 27,420 | 112,380 | 31,490 |
| Ships | 156,000 | 0 | 151,000 | 0 |
| Other: | | | | |
| Raw hides and skins | 3,705 | 3,700 | 4,020 | 3,360 |
| Timber | 9,170 | 1,290 | 8,930 | 1,290 |
| Pulp | 4,350 | 0 | 4,350 | 0 |
| Paper and products | 1,834 | 53 | 1,100 | 80 |
| All other | 58,002 | 6,410 | 107,280 | 12,280 |
| Total | 77,201 | 11,453 | 134,091 | 17,010 |
| Grand total | 720,315 | 167,900 | 779,859 | 181,996 |

[1] Included in "All other."

Source: Official revised program estimates of the Norwegian Government.

TABLE B.—*Programed volume of certain imports compared with recent periods and prewar*

[In thousands of metric tons unless otherwise indicated]

| Commodity | Annual Average 1935–38 | 1947 | Annual rate based on January–September— | | Revised 1948–49 | Revised 1949–50 |
|---|---|---|---|---|---|---|
| | | | 1947 | 1948 | | |
| Bread grains | 354.0 | [1] 388.0 | 137.6 | 339.3 | 372.0 | 390.0 |
| Coarse grains | 214.0 | [1] 227.0 | 143.1 | 140.6 | 180.0 | 180.0 |
| Fats and oils | [2] 107.5 | 30.0 | 33.7 | 54.3 | 48.7 | 48.2 |
| Oil cake and meal | 110.0 | 68.1 | 77.6 | 32.6 | (3) | 20.0 |
| Meat | 4.1 | 3.6 | .8 | 1.3 | .7 | 3.5 |
| Tobacco | 3.0 | 4.2 | 4.1 | 4.0 | 4.6 | 4.7 |
| Sugar | 96.5 | 84.8 | 78.6 | 61.8 | 77.0 | 85.0 |
| Coffee | 18.1 | 10.6 | 1.0 | 19.0 | 15.0 | 17.0 |
| Solid fuels | 2,781.0 | 2,161.0 | 2,136.0 | 1,562.7 | 1,702.0 | 1,640.0 |
| Petroleum products | 547.0 | 1,018.0 | 893.3 | 1,270.7 | 1,498.0 | 1,611.0 |
| Iron ore | [2] 2.0 | (3) | (3) | (3) | 45.0 | 55.0 |
| Pig iron | 19.1 | 1.4 | 1.1 | 1.4 | 6.9 | (3) |
| Semifinished steel | [4] 27.5 | 6.8 | 6.1 | 15.4 | 25.5 | 27.0 |
| Finished steel | [4] 320.7 | 313.0 | 306.7 | 250.0 | 483.0 | 490.0 |
| Copper | 4.5 | 9.4 | 1.7 | 2.2 | 3.6 | 4.5 |
| Tin | .4 | .3 | .3 | .3 | .4 | .4 |
| Lead | 3.6 | 4.2 | 3.0 | 4.6 | 4.5 | 4.5 |
| Zinc ore | 64.7 | 83.0 | 77.3 | 67.0 | 40.0 | 53.0 |
| Timber (1,000 cubic meters) | 386.1 | 233.5 | 149.1 | 117.0 | 75.0 | 75.0 |
| Pulp | 19.4 | 32.7 | 31.8 | 34.0 | 25.0 | 25.0 |
| Paper and products | 8.0 | 2.9 | 2.6 | 4.2 | 6.3 | 3.4 |
| Raw cotton | 3.4 | 3.7 | 3.9 | 3.3 | 5.1 | 8.0 |
| Unmanufactured wool | [2] 1.0 | 3.7 | 4.0 | 3.3 | 3.0 | 4.8 |
| Manila and sisal | 3.8 | 4.3 | (3) | (3) | 5.3 | 5.3 |
| Rock phosphate | [2] 28.9 | 24.6 | 26.7 | 25.9 | 16.0 | 30.0 |
| Soluble phosphate | (3) | (3) | (3) | (3) | 17.8 | 15.0 |
| Potash | 16.0 | 34.0 | (3) | (3) | 42.0 | 45.0 |
| Rawhides and skins | 4.6 | 3.5 | 5.0 | 5.0 | 5.5 | 5.8 |

[1] 1947–48.
[2] 1937–38 average.
[3] Not available.
[4] 1937.

Sources: Official program estimates of the Norwegian Government and regular publications of the central statistical office of the Norwegian Government.

TABLE C.—*Program estimates: Balance of payments in gold and dollars by geographical area, 1948–49 and 1949–50*

[In millions of dollars]

| | Total | | Western Hemisphere | | | | | | Other participating countries and DOT | | Other non-participating areas [1] | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | United States | | Canada and Newfoundland | | Other Western Hemisphere | | | | | |
| | 1948–49 | 1949–50 | 1948–49 | 1949–50 | 1948–49 | 1949–50 | 1948–49 | 1949–50 | 1948–49 | 1949–50 | 1948–49 | 1949–50 |
| CURRENT ACCOUNT | | | | | | | | | | | | |
| Trade: | | | | | | | | | | | | |
| Imports (f. o. b.) | 167.9 | 182.9 | 121.4 | 133.1 | 21.6 | 19.5 | 24.7 | 30.3 | ------ | ------ | 0.2 | ------ |
| Exports (f. o. b.) | 39.0 | 40.1 | 22.0 | 23.7 | 5.0 | 5.0 | 7.0 | 11.4 | 3.0 | ------ | 2.0 | ------ |
| Balance of trade | −128.9 | −142.8 | −99.4 | −109.4 | −16.6 | −14.5 | −17.7 | −18.9 | +3.0 | ------ | +1.8 | ------ |
| INVISIBLE ITEMS | | | | | | | | | | | | |
| Payments: | | | | | | | | | | | | |
| Shipping | 66.5 | 68.0 | n. a. | 40.0 | n. a. | 9.0 | n. a. | 17.0 | n. a. | 2.0 | n. a. | ------ |
| Tourism | 2.0 | 1.0 | 2.0 | 1.0 | ------ | ------ | ------ | ------ | ------ | ------ | ------ | ------ |
| Investment income | (2) | 8.0 | (2) | 8.0 | ------ | ------ | ------ | ------ | ------ | ------ | ------ | ------ |
| Other payments | 15.0 | 5.0 | 15.0 | 5.0 | ------ | ------ | ------ | ------ | ------ | ------ | ------ | ------ |
| Total payments | 83.5 | 82.0 | ------ | 54.0 | ------ | 9.0 | ------ | 17.0 | ------ | 2.0 | ------ | ------ |
| RECEIPTS | | | | | | | | | | | | |
| Shipping | 95.0 | 101.0 | n. a. | 59.0 | n. a. | 12.0 | n. a. | 26.0 | n. a. | 4.0 | n. a. | ------ |
| Tourism | 2.0 | 2.0 | 2.0 | 2.0 | ------ | ------ | ------ | ------ | ------ | ------ | ------ | ------ |
| Investment income | (2) | 2.0 | (2) | 2.0 | ------ | ------ | ------ | ------ | ------ | ------ | ------ | ------ |
| Other receipts | 12.0 | 9.0 | 12.0 | 9.0 | ------ | ------ | ------ | ------ | ------ | ------ | ------ | ------ |
| Total receipts | 109.0 | 114.0 | ------ | 72.0 | ------ | 12.0 | ------ | 26.0 | ------ | 4.0 | ------ | ------ |
| Invisible balance | +25.5 | +32.0 | ------ | +18.0 | ------ | +3.0 | ------ | +9.0 | ------ | +2.0 | ------ | ------ |
| Current account net surplus (+) or deficit (−) | −103.4 | −110.8 | ------ | −91.4 | ------ | −11.5 | ------ | −9.9 | ------ | +2.0 | ------ | ------ |
| Net gold and dollar movements resulting from payment agreements | −4.0 | −5.0 | ------ | ------ | ------ | ------ | ------ | ------ | ------ | ------ | −4.0 | −5.0 |
| Other capital operations | +17.0 | [3] −16.0 | +17.0 | [3] −12.0 | ------ | ------ | ------ | ------ | ------ | −4.0 | ------ | ------ |
| Total net balance | −90.4 | −131.8 | ------ | −103.4 | ------ | −11.5 | ------ | −9.9 | ------ | −2.0 | −2.2 | −5.0 |

[1] Transactions with the sterling area are not shown separately because of the very small amounts involved.
[2] Included in other payments and receipts.
[3] Excludes 13 million-dollar repayment of a Norges Bank loan which was due in 1949–50 and shown on the original 1949–50 program as to be paid in 1949–50 out of gold reserves. The loan was repaid out of gold reserves in late 1948 in order to save interest charges.

NOTE.—Trade estimates for 1948–49 based on prices during first 4 months of 1948, trade estimates for 1949–50 based on prices for second 4 months of 1948.

Source: Official revised program estimates of the Norwegian Government.

TABLE D.—*Volume of some principal commodity exports*

[In thousands of metric tons]

| | 1938 | 1946 | 1947 | January–August 1948 |
|---|---|---|---|---|
| Fish products: | | | | |
| Fresh herring | 96 | 56 | 85 | 108 |
| Salt herring | 34 | 101 | 93 | 79 |
| Klip-fish | 41 | 27 | 45 | 25 |
| Canned fish | 26 | 26 | 34 | 26 |
| Fish meal | 79 | 9 | 0 | 3 |
| Fish and whale oil | 403 | 220 | 306 | 210 |
| Timber products. | | | | |
| Timber | 235 | 123 | 169 | 106 |
| Mechanical pulp (dry weight) | 255 | 83 | 138 | 121 |
| Chemical pulp (dry weight) | 260 | 85 | 102 | 85 |
| Paper | 245 | 247 | 262 | 183 |
| Minerals: | | | | |
| Iron ore and concentrates | 1,497 | 5 | 51 | 114 |
| Pyrites | 655 | 330 | 398 | 311 |
| Copper ore | 16 | 13 | 15 | 10 |
| Zinc ore | 15 | 6 | 7 | 1 |
| Sulfur | 77 | 62 | 72 | 29 |
| Metals: | | | | |
| Pig iron | 27 | 45 | 43 | 27 |
| Ferro-alloys | 82 | 42 | 81 | 74 |
| Zinc | 44 | 24 | 24 | 22 |
| Aluminum | 29 | 10 | 17 | 13 |
| Chemicals: | | | | |
| Calcium carbide | 45 | 8 | 16 | 9 |
| Cyanamide | 40 | 33 | 43 | 19 |
| Sodium nitrate | 13 | 2 | 4 | 2 |
| Nitrate of lime | 404 | 428 | 375 | 244 |

Source: Central statistical office of the Norwegian Government, monthly and annual publications.

TABLE E.—*Cost of living index, 1938=100*

| Date | Food | Beverages and tobacco | Coal, coke, wood, and oil | Gas and electricity | Clothing | Rent | Other | Total |
|---|---|---|---|---|---|---|---|---|
| December 1939 | 109.2 | | | | | | | 106.8 |
| April 1945 | 156.0 | 174.9 | 308.3 | 101.5 | 196.9 | 94.2 | 145.1 | 155.0 |
| December 1945 | 156.7 | 174.9 | 299.9 | 101.5 | 200.8 | 94.2 | 150.1 | 156.3 |
| December 1946 | 157.5 | 218.2 | 296.1 | 101.0 | 214.6 | 94.2 | 158.2 | 161.3 |
| December 1947 | 152.3 | 219.5 | 255.9 | 100.7 | 208.9 | 94.2 | 163.2 | 157.5 |
| June 1948 | 152.6 | 228.0 | 256.6 | 100.7 | 213.5 | 94.2 | 167.1 | 159.2 |
| November 1948 | 147.3 | 228.0 | 270.8 | 100.7 | 214.8 | 94.2 | 167.2 | 157.1 |

Source: Central statistical office of the Norwegian Government.

TABLE F.—*Exports and imports of goods and services* [1]

[Unadjusted for price changes]

| | 1938 | 1939 | 1947 | 1948 | Estimated 1949 |
|---|---|---|---|---|---|
| | In millions of kroner | | | | |
| Exports of goods and services: | | | | | |
| Commodity exports (f. o. b.) [2] | 786 | 806 | 1,803 | 2,050 | 2,170 |
| Ship exports | 40 | 35 | 90 | 50 | 70 |
| Net shipping receipts | 426 | 482 | 700 | 790 | 830 |
| Other services | 148 | 130 | 215 | 220 | 225 |
| Total | 1,400 | 1,453 | 2,808 | 3,110 | 3,295 |
| Imports of goods and services: | | | | | |
| Ordinary commodity imports (c. i. f.) | 1,042 | 1,230 | 3,071 | 3,010 | 3,175 |
| Defense imports | | | 105 | 118 | 85 |
| Ship imports | 151 | 136 | 746 | 700 | 799 |
| Imports and services | 37 | 50 | 217 | 242 | 250 |
| Total | 1,230 | 1,416 | 4,139 | 4,076 | 4,309 |
| Surplus of exports (+) or Imports (−) | +170 | +37 | −1,331 | −966 | −1,014 |

[1] Does not include purely financial transactions, i. e., interest and amortization and dividends payments and receipts.

[2] Including whale oil direct from the whaling grounds.

Source: Department of Commerce, of Norwegian Government, national budget office.

*Value of principal imports; c. i. f.*

[Unadjusted for price changes]

| | 1939 | 1945 | 1946 | 1947 | Annual rate 1948 (January–September) |
|---|---|---|---|---|---|
| | (In millions of kroner) | | | | |
| 1. Food | 175 | 467 | 396 | 446 | 508 |
| 2. Chemicals | 61 | 44 | 113 | 149 | 157 |
| 3. Textile products | 130 | 70 | 259 | 462 | 317 |
| 4. Wearing apparel | 41 | 40 | 97 | 156 | 36 |
| 5. Fuels | 182 | 140 | 246 | 368 | 409 |
| 6. Ores and metals | 221 | 73 | 279 | 524 | 533 |
| 7. Machinery, equipment (excluding ships) | 164 | 49 | 220 | 408 | 407 |
| 8. Ships | 136 | 167 | 253 | 746 | [1] 706 |
| 9. Others, including defense imports | 256 | 156 | 334 | 663 | 761 |
| Total | 1,366 | 1,206 | 2,197 | 3,922 | 3,834 |

[1] Based on contract delivery dates, not January to September imports.

Source: Central statistical office of the Norwegian Government, monthly and annual publications.

*Value of principal commodity exports*

[Unadjusted for price changes]

| | 1939 | 1945 | 1946 | 1947 | Annual rate 1948 (January–September) |
|---|---|---|---|---|---|
| | In millions of kroner | | | | |
| 1. Food, mainly fish and fish products | 140 | 84 | 334 | 446 | 475 |
| 2. Feedstuffs, fats and oils [1] | 107 | 7 | 149 | 340 | 429 |
| 3. Chemicals and fertilizers | 82 | 80 | 119 | 134 | 133 |
| 4. Timber and timber products, pulp and paper | 192 | 62 | 342 | 504 | 604 |
| 5. Ores and metals | 201 | 52 | 154 | 241 | 313 |
| 6. Machinery and equipment, mainly ships | 42 | 4 | 46 | 109 | 72 |
| 7. Others | 77 | 37 | 92 | 119 | 74 |
| Total | 841 | 326 | 1,236 | 1,893 | 2,100 |

[1] Including whale oil direct from the whaling grounds.

Source Central statistical office of the Norwegian Government, monthly and annual publications.

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