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"Economy and History" and the History of Swedish Economic Development

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Any study of Swedish economic history should begin with the review *Economy and History* rather than with the *Scandinavian Ecnoomic History Review*, since the latter, which first appeared some years before *Economy and History*, is devoted to more general tendencies and developments in the field of Scandinavian historical studies as a whole rather than to the specific features of any single aspect.

The greatest proof of the progress made by studies in Swedish economic history since those far-off days when they were initiated by Gustav Sandbärg (1857-1914) and Hans Forsell (1843-1901) is provided by *Economy and History* itself. It is a review which appears annually with the aim both of creating a vehicle for the publication and discussion of research projects in the fields indicated by its title, and of providing the study of economic history in Sweden with a means of maintaining contact with developments within the discipline, as well as with historical studies in other countries. It is also very significant that the review was founded on the initiative of the Institute of Economic History at the small, though ancient, university of Lund (founded in 1666), and not by one of the larger or older universities like Stockholm or Uppsala, which have become famous through the contribution which their scholars have made to economic studies in the last twenty years or so. This is much to the credit of the founder of the enterprise, Oscar Bjurling, who is the director of the Institute of Economic History at Lund and now director of the review. But an even greater achievement lies in his ability to concentrate around an academic review of this kind a strong group of economic historians of all ages from Lund University and from other educational establishments in his own country.

However one of the moving forces behind *Economy and History* was the father of modern economic history studies in Sweden, Eli Heckscher, who

in 1929 became the first occupant of a chair expressly devoted to economic history in Sweden. His great achievement was to wean the discipline in question away from the influence of German historical studies — an influence which was present in the works of Sundbärg and Forsell mentioned above and of the younger Heckscher himself.[1] In fact after the 1920's Swedish economy history abandoned the German models and more and more often found its inspiration in the major themes of a more youthful and lively Anglo-Saxon economic history, without forgetting however Heckscher's warning that « no economic history worthy of the name is possible without the use of economic theory ».[2] The influence of Anglo-Saxon economic history and Heckscher's teachings appear to be the two unchanging features of the panorama of the study of economic history in Sweden which fifteen years of *Economy and History* offer us.

During this time the topics examined by the review have been many. Methodological, disciplinary and 'global' — these referring to economic development — as well as more strictly social problems have been studied, although the main interest of economic historians in Sweden to emerge from *Economy and History* seems to lie in problems of economic development in its broadest sense and in particular in those sectors which have made the greatest contribution to the economic development of Sweden, that is agriculture, mining and industry.

The general interests of *Economy and History* illustrate that it is rooted in the broader tendencies of modern studies of economic history in Sweden, which is totally dedicated to the discussion of the major topics of economic development and the most appropriate means of achieving it. Even Heckscher, in his *An Economic History of Sweden*,[3] organized the volume according to the various phases of Sweden's economic development from the Middle Ages onwards, rather than in chronological periods, and it is no coincidence, we think, that the preface to the volume was the work of Alexander Gerschenkron. In recent years a thorough study has been made of the contribution of each sector of the Swedish economy to the country's economic development. Under this heading can be considered studies like those of Martinius, who tackled the problem of the contribution made by agriculture in providing capital for Swedish industry in the second half of the 19th century; [4] of Bergström, who analysed the effects of a hundred years of Swedish economic

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[1] Cf. L. DE ROSA, *Tra storia ed economia, l'avventura della storia economica: la maturità*, in « Rassegna Economica », 1972, n. 5, pp. 1175-1177.

[2] Cf. A. MONTGOMERY, *Eli F. Heckscher*, in « Architects and Craftsmen in History », Festschrift für Abbot Payson Usher, Tübingen, J.C.B. Mohr (Paul Siebeck), 1956, p. 534.

[3] E. F. HECKSCHER, *An Economic History of Sweden*, Cambridge, Harvard University Press, 1954.

[4] Cf. S. MARTINIUS, *Agrar kapitalbildning och finansiering 1833-1892*, Gothenborg, 1970.

policy on industry; [5] of Hildebrand [6] and Nygren,[7] who examined the role of the banks in Sweden's economic development; of Kranz, who studied the part played by the transport sector in the promotion of Sweden's general economic development after 1920 [8] (which is part of a wider examination of the relations between the transport sector and economic development in Sweden from 1850 to 1964). All of these studies attempt to define a ' leading ' sector or at least a sector which deeply contributed to the economic development of Sweden in the last 150 years. On the other hand there is another group of studies, also devoted to the problems of Sweden's development, but which appear more interpretative, and tend to consider economic development as the result of a balance between various productive sectors. Under this heading one can include the recent studies by Hedlund-Nyström on Swedish development between 1850 and 1870,[9] and Hammarström on Stockholm's role in the Swedish economy between 1860 and 1910,[10] Jörberg on the growth of the Swedish economy during the last century,[11] Lundberg on capital formation in Sweden,[12] and Aberg on production and productivity in Sweden in recent years.[13]

This approach to Swedish economic history is understandable, however, when one bears in mind both the Scandinavian ' pragmatic ' spirit and especially its Swedish form. One must also remember the extremely rigid conception of economic history as an ' instrument ' of economic analysis which, through a better and more rational understanding of past economic experience, may and must contribute to the achievement of more genuine and tangible economic prosperity in the present.

One can easily understand how, as a result of such a rigid conception of economic history, and despite the fact that the country offers a wealth of

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[5] V. Bergström, *Den ekonomiska politiken i Sverige och dess verkningar*, Stockholm, Almqvist & Wiksell, 1969.

[6] K.-G. Hildebrand, *I omvandlingens tjänst. Svenska Handelsbanken 1871-1955*, Stockholm, 1971.

[7] I. Nygren, *Västsvenska sparbankers medelplacering 1820-1913*, Gothenburg 1970; by the same author, *Svenska sparbankers medelplacering 1914-1968. En undersökning av de större sparbankerna*, Gothenburg, 1970.

[8] Cf. O. Krantz, *Studier i svensk godstransportutveckling med särskild hänsyn till lastbilismens expansion efter 1920*, Lund, 1972.

[9] Cf. T. Hedlund-Nyström, *Svenska kriser och internationella kojunkturer. En studie av det ekonomiska läget i Sverige under 1850- och 1860- talen med särskild hänsyn till de internationella konjunkturerna*, Lund, 1970.

[10] Cf. I. Hammarström, *Stockholm i svensk ekonomi 1850-1913*, Stockholm, Almqvist & Wiksell, 1970.

[11] Cf. L. Jörberg, *Svensk ekonomi under 100 år*, in « Svensk ekonomi », edited by Bo Södersten, Stockholm, Rabén & Sjögren, 1970, pp. 17-50.

[12] L. Lundberg, *Kapitalbildningen i Sverige 1861-1965*, Stockholm, Amqvist & Wiksell, 1969.

[13] Cf. Y. Ålberg, *Produktion och produktivitet i Sverige 1861-1965*, Stockholm, Amqvist & Wiksell, 1969.

sources not easily found elsewhere (see, for example, Norberg's recent archival guide),[14] several aspects of Swedish economic history, and sometimes whole sectors like entrepreneurial history, have been neglected by Swedish economic historians.

One might ask oneself at this point why the problems of economic development should interest Sweden so much, for it hold second place in the world classification of per capita GNP and, as is well known, enjoys one of the highest standards of living on earth.[15] In answering this question one must take into account both logical and psychological factors. Sweden has not always been a prosperous nation: in the mid-19th century it was still the source of one of the greatest waves of emigration between Europe and North America.[16] Prosperity was won at the price of all kinds of sacrifices and its preservation is, above all, a moral duty even more than a material advantage, since it reflects not only the dedication to labour and the sacrifice of more than a generation of Swedes, but also an attitude towards international relations involving Swedish neutrality which has lasted for several decades.

The studies of economic development published in *Economy and History* follow two directions. On the one hand they attempt to analyse the causes of the economic take-off in Sweden in the second half of the 19th century and on the other they try to single out, within the framework of this general process of development, the reasons why this take-off was either retarded, or else did not take place, in certain provinces of the country. It can be said that the first group of studies locate the causes of the more or less general economic expansion of Sweden up to the beginning of the industrial revolution in the country in factors which were ' external ' to the national economic and political system. The Crimean War in the first half of the 1850's for example, had beneficial effects in Sweden, as Fridlizius [17] (the author of, among other works, a basic study of the export of Swedish grain in the free trade period) [18] showed in a well documented essay, because of the belligerents' increased need for agricultural products and raw materials. On the other hand the end of the war, as an article by Hedlund-Nyström [19] stresses, plunged the country into the crisis of the second half of the 1850's (which culminated in 1857). Hedlund-Nyström returned to this theme later on [20] including it

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[14] Cf. L.-A. Norbog, *Källor till Sveriges historia*, Lund, Gleerup, 1968.

[15] Cf. « Vision », n. 37 (December 1973), pp. 14-15.

[16] Cf. A. Siegfried, *Panorama degli Stati Uniti*, Laterza, Bari, 1956, pp. 32-33.

[17] Cf. G. Fridlizius, *The Crimean War and the Swedish Economy*, in « EaH », 1960, n. III, pp. 56-103.

[18] Cf. G. Fridlizius, *Swedish Corn Export in the Free Trade Area*, Lund, Gleerup, 1957.

[19] Cf. T. Hedlund-Nyström, *The Swedish crisis of the 1850's*, in « EaH », 1963, n. VI, pp. 101-124.

[20] Cf. note 9.

among the characteristics of that period (1850-1870) which bridged the phase that Heckscher called the ' great transformation ', and the phase of ' maturity ' in the Swedish economy.

The Swedish economy had only recently given indications of making some advance as a result of various stimulants, when it experienced the boom of the 70's and underwent an authentic industrial revolution. A study by Jörberg [21] (which formed the introduction to a more detailed examination of developments in the Swedish economy in the last century by the same author),[22] analyses the complex causes underlying this change in the structure of the Swedish economy. Above all, the favourable international situation at the beginning of the 70's facilitated this process of transformation which was based particularly on the new role played by agriculture and its allied sectors in the economy of the country. Of primary importance, in Jörberg's view, was the State's activity in infrastructural investment, using capital obtained abroad. This State intervention made possible the accumulation of capital within the country which was then invested in national industries, many of which made use of Swedish innovations and inventions. It must be added that the population increase which was recorded during this period meant that the labor necessary for these changes was available. In the same way the railway boom of the years between 1868 and 1880 (examined in an essay by B. Holgersson and E. Nicander),[23] had some influence in speeding up this development with its great demand for iron and steel, which Sweden produced, and also stimulated the growth of a powerful national metal industry.

In effect agriculture, mining and industry were the sectors that contributed more than any others to Sweden's economic development. Sweden, as is well known, even today owes a great part of its wealth to products from the soil and subsoil, like timber and iron. Agriculture itself, in the narrowest sense, played an extremely important role in Sweden before the industrial revolution, that is until the middle of the 19th century, while at the end of the century the country was still one of the exporters of agricultural commodities, especially grain. However the change that most favourably affected this sector in the modern period was brought about when lands belonging to the Crown were put up for sale from the early 18th century, as the study by G. Aspwall [24] shows with great precision and a wealth of documentation.

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21 Cf. L. Jörberg, *Structural Change and Economic Growth: Sweden in the 19th Century*, in « EaH », 1965, n. VIII, pp. 3-46.

22 Cf. note 11.

23 Cf. B. Holgersson-E. Nicander, *The railroads and the economic development of Sweden during the 1870s*, in « EaH », 1968, n. XI, pp. 3-51.

24 Cf. G. Aspwall, *The Sale of Crown Land in Sweden. The introductory epoch 1701-1723*, in « EaH », 1966, n. IX, pp. 3-28.

As the author stresses, this meant that the amount of land belonging to private citizens increased, so that Swedish agriculture benefitted both in terms of production and of productivity, and was then able to play a much greater part in the Swedish economy, and was, at the beginning of the 18th century, responsible for much of the surplus on the balance of trade. The continuous increase in agricultural prices during the 18th century — the consequence of a marked rise in the population which Heckscher had already pointed out with regard to the problems of a social, as well as economic, nature that it created [25] — led to a further increase in production which in turn, as a study by Jörberg demonstrates,[26] brought about the increase in agricultural wages in the same period. Jörberg is also careful to stress the rise in productivity which, although limited, took place during this period; this, it must be added, was similar to the increase recorded in other European countries.[27]

Other activites which are traditionally linked with agriculture — forestry and fishing — did not show, throughout the 18th century and the first half of the 19th, the vigour characteristic of agriculture proper. It was not until a more general process of industrialization took place in Sweden in the second half of the 19th century that the effects were felt in these traditional sectors of the Swedish economy, as far as organization and production techniques were concerned. On this question a study by O. Gerard [28] shows how the forestry estates were extended when the timber industry grew increasingly experienced and better organized, and were then concentrated in the hands of the industry from 1885 to 1906, the same period, as an essay by R. Bunte shows,[29] which witnessed the reorganization and development of fishing in Scania on industrial lines.

After the first World War Swedish agriculture became more responsive than ever to foreign demand. Growing demand for agricultural and related products both between the two World Wars [30] and after the second World War,[31] led to the increasing rationalization and intensification of Swedish agriculture with results which in terms of production, productivity and returns are striking when one considers the geographical position of the country and the relatively small area under cultivation, since half the total area of

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25 Cf. E. F. Heckscher, *op. cit.*, p. 133 et seq.

26 Cf. L. Jörberg, *The development of real wages for agricultural workers in Sweden during the 18th and 19th centuries*, in « EaH », 1972, n. XV, pp. 41-57.

27 Sull'aumento della produttività agricola nel corso del XVIII secolo, ma specie nella seconda metà di esso, in Inghilterra ed alcuni altri Paesi d'Europa, cf. Y. S. Brenner, *Storia dello sviluppo economico*, Napoli, Giannini, 1971 (I ed. 1969), p. 188.

28 Cf. O. Gerard, *The Purchase of Agricultural Land by the Timber Industry in Sweden from 1885 to 1906*, in « EaH », 1958, n. I, pp. 21-33.

29 Cf. R. Bunte, *Economic Structure and Development of Scanian Fishing, 1870-1960*, in « EaH », 1966, n. IX, pp. 29-61.

30 Cf. notes 32 and 33.

31 Cf. note 34.

Sweden is forested. Some of the essays on this subject, by C. A. Olsson,[32] T. Oveson [33] and G. Tiderius [34] examine in particular the efforts made in Swedish agriculture in this period, although they vary in their assessment of the general positive results. Olsson, for example, who calculates on a mathematical basis the standards against which Swedish agriculture might have been measured in the inter-war period, sees its development in these years as a continuous process and not as one phase (the '20s) preparing the way for another (the '30s). This thesis had been supported by Dahmen [35] only some years before. After all, echoes of this can be traced in Oveson who, in examining the government measures taken in favour of Swedish agriculture after the American crisis of 1929, sees a break in the development of the sector during this same crisis. One should note, incidentally, that these measures were the subject of great debate in Sweden at the end of the '30s.[36] The state's active intervention is the subject of an essay by Tiderius. He examines Swedish agricultural policy of the post-war period, which, according to the author, started with the agrarian reform of 1947. This was of fundamental importance in adapting the sector to the changed structure of home and international demand.

As for the part played by Sweden in the world economy as a major producer of iron ore and semi-manufactured iron, it must be said that, although it is still of considerable importance today, it was very much greater before the beginning of the industrial revolution in England and the adoption of new methods of combustion and smelting of iron in the second half of the 18th century. But even after this period the name of Sweden was associated for a long time with high technological standards in the smelting and production of iron and steel. A study by C.-A. Nilsson [37] (part of a more extensive work on the ' Market for Swedish Iron and Steel 1885-1912'), shows how the demand for iron and steel and the technological standard of production maintained a high level even in the second half of the 19th century and after, even though other important producers were now appearing on the market, thanks to new methods of smelting. These allowed them to use iron one containing phosphorus which had until then been neglected,

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32 Cf. C.-A. Olsson, *Swedish agriculture during the interwar years*, in « EaH », 1968, n. XI, pp. 67-107.

33 Cf. T. Ovesen, *Swedish Agricultural Policy and Agricultural Production from 1930 to 1940*, in « EaH », 1958, n. I, pp. 43-64.

34 Cf. G. Tiderius, *Some Notes on Agricultural Policy in Sweden after the Second World War*, in « EaH », 1965, n. VIII, pp. 47-77.

35 Cf. E. Dahmén, *Svensk industriel företagarverksamhet*, Stockholm, 1950, vol. I, p. 359 et seq.

36 See the brief bibliography in T. Ovesen, *op. cit.*, p. 64, note 4.

37 Cf. C.-A. Nilsson, *Some Notes on the Swedish Iron and Steel Consumption 1885-1914*, in « EaH », 1971, n. XIV, pp. 27-53.

and in the same period Sweden began a major process of industrialization under the impetus of its ' own ' industrial revolution of the 1870s.

This industrialization affected not only technology but also the organizational and commercial structure of the enterprises. The years 1870-80 were in fact years of great competition between Swedish industries and also, as an essay by Jörberg [38] shows, they were years of development of a desire for concentration which was present to some degree in all the industrial sectors and which developed in two directions: cooperation and incorporation. The economic logic which led in particular to company mergers is examined by Nilsson [39] in a study which offers only the first results of his research on incorporation and company mergers in Sweden before the first World War. According to the evidence put forward in a study by L.-E. Hedin [40] the most striking examples of incorporation were to be found in the state financing of the Swedish railway industry between 1860 and 1914 which, in the author's view, preceded both the transfer of the railways to the state and also state intervention in national industry, which were to take place shortly afterwards.

The pressure of increasing competition in the traditional sectors of Swedish industrial activity in the twenty years or so after 1918 forced the government to intervene in the country's industrial system with massive financial help and programmes of rationalization. However, although the powerful presence of the state was of vital importance in Sweden due to the wise and timely choice of industries for investment, it is now assessed in various ways. In his examination of the state's involvement in industry between the two wars, Charlesworth [41] does not consider that it was sufficient. It must be said that Charlesworth employs a mathematical method to calculate coefficients of efficiency and productivity in specific sectors in which the state invested, without paying much attention to the ' historical ' roots of economic development, so to speak, that is neglecting elements of a social, or in any case unquantifiable, nature which make any calculation of definite parameters for gauging development so much more difficult and uncertain. Westrup,[42] on the other hand, stresses the positive role of the state in the shipbuilding industry in the '50's which doubled the tonnage it produced

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[38] Cf. L. Jörberg, *Some Notes on Competition and Cooperation in Swedish Industry in the Eighteen Seventies and Eighteen Eighties*, in « EaH », 1958, n. I, pp. 34-42.

[39] Cf. C.-A. Nilsson, *Buisness Incorporations in Sweden. A Study of Enterprise 1849-1896*, in « EaH », 1959, n. II, pp. 38-96.

[40] Cf. L.-E. Hedin, *Some Notes on the Financing of the Swedish Railroads 1860-1914*, in « EaH », 1967, n. X, pp. 3-36.

[41] Cf. E. K. Charlesworth, *The contributions of rationalization to industrial development in Sweden 1918-1939*, in « EaH », 1969, n. XII, pp. 3-42.

[42] Cf. R. Westrup, *Investment and Profitability of the Shipbuilding Industry in Sweden during the 1950's*, in « EaH », 1964, n. VII, pp. 3-45.

At most it appears that one can conclude on the basis of the development of Swedish industrial policy in most recent years and its results [43] that state involvement in industry has been more profitable since the second World War than it was previously.

The other series of studies of economic development is devoted to the examination of cases of regional development and areas where the economic take-off was either retarded or else did not take place. The case of Västernorrland, for example, which is examined by L. Schön,[44] is typical of a province whose economic structure was changed from artisan to industrial in the second half of the 19th century as a result of the concentration and capitalist organization of the timber industry (sawmills). On the other hand, the case examined by J. Svensson [45] is a typical example of retarded economic development — Östergotland, a county in Eastern Sweden whose capital, Norrköping, was for a long time an important centre of the Swedish textile industry, before the industrial revolution in the country. In Svensson's view, the reason why Östergotland marked time in terms of development was that the textile industry of Norrköping lost its function as a 'leading' sector in the local economy following the great industrial changes of the second half of the 19th century. There were, then, basically two contrasting features distinguishing the industrial scene between the end of the 19th century and the early years of the 20th — these were the technological 'blocks' and 'jumps', the first of which lay behind the Swedish emigration in the second half of the last century, and the second behind the acceleration in the process of Swedish economic development in the same period.

The Swedish Northern 'problem', that is Norrland, is examined by O. Gerard [46] in his study of the parliamentary debates on the problem from the end of the 19th. These records reveal the profound causes that affected the development of such a great area of Northern Sweden — its geographical position most of all and also the relative scarcity of manpower — although it did possess considerable natural resources. Norrland is still a region that has not fully experienced economic development. But the concept of development itself has in the meantime been modified and today the region is no longer seen as an obstacle to the country's industrialization, because it is

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[43] Cf. the recent essay by MARIE and CHRISTIAN NORGREN, *Industrial Sweden*, Stockholm, V. Pettersons Bokindustri AB, 1971.

[44] Cf. L. SCHÖN, *Västernorrland in the midle of the nineteenth century — a study in the transition from small-scale to capitalistic production*, in « EaH », 1972, n. XV, pp. 83-111.

[45] Cf. J. SVENSSON, *A Case Study in Economic Retardation*, in « EaH », 1960, n. III, pp. 38-55.

[46] Cf. O. GERARD, *The Norrland Question. Studies in the Government's and the Parliament's treatment of the Norrland Question*, in « EaH », 1971 (Suppl.), n. XIV, pp. 5-164.

not highly populated, but is seen rather as a valuable ' reserve ' development area since one of the problems of present-day economies is the rational exploitation of resources (in other words future development) without impeding or halting development in the present.

In the view of some scholars the process of economic development in Sweden owes much to the stimulus given by the state, while the allied, but no less indispensable, role of the banking sector in the financing of many of the changes in the industrial sector is also generally recognized. In must be remembered in this respect that Heckscher rather played down the role of the state, especially in the initial phase of industrialization in Sweden, in favour of the banking sector,[47] which in financing the industrial revolution in fact played a role in Sweden that was very different from the role it played for instance in England during the first phase of its industrial transformation.

Today, however, much more than before, the economic development of Sweden depends on external factors and one should remember that Swedish timber and steel, 80% of which is exported, are still of considerable importance in international trade.[48] But just as compromise and cooperation, rather than competition, were the means of social change that led to present day economic and social standards of living, so, as Gunnar Heckscher says,[49] the Swedes' ability to turn events to their advantage through steady industry, sound perception and a genius for compromise leads us to believe that the achievements made by Sweden can be maintained for a long time.

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47 Cf. E. F. HECKSCHER, *op. cit.*, p. 246 et seq.

48 These opinions are shared in both private and public circles of the Swedish economy, as is shown in the essay by M. and C. Norgren cited above (see note 43).

49 Cf. E. F. HECKSCHER, *op. cit.*, p. 283. Gunnar Heckscher, the son of the better known Eli, is responsible for the supplementary chapter (The Disintegration of nineteenth century Society, pp. 268-283) of the work by Eli Heckscher mentioned above.