Swedish business embraces Olof Palme's Schachtian policy for trade and labor

by Leif Johnson

Interviews with leading Swedish policy makers this month have revealed that the Swedish Three-Year Plan currently in effect is the most thoroughly fascist economic program that any nation has contemplated since Hjalmar Schacht was the head of Hitler's Reichbank.

Sweden has embarked on a policy of cutthroat export competition using competitive currency devaluations and domestic wage reductions to dump cheap Swedish goods on the world market, and gouge out a large share of rapidly declining world trade markets. This policy, which every political factions (which are all one in that country) supports, will in turn force other trading nations to respond with price cuts in a downward spiral of the world's industry.

What is most remarkable is that Swedish economic spokesmen do not foresee using the temporarily gained profits to invest in industrial growth. They foresee a permanent world depression in which domestic wage cuts are continued while domestic heavy industry in the north and central regions of Sweden is dismantled.

The trade program

This was first explained to me by a Moderate Party member of the Rikstag, the parliament. I mentioned that the day before I had a discussion with an economist at the Swedish employers' confederation who produced a set of disastrous statistics on the Swedish economy. Eighty percent of the work force lives on state or state supported jobs; half the population works directly for state or local government, while another 30 percent are indirectly funded by the state. Industrial output had steadily declined since 1974, when it reached an index figure of 105. By 1981 it was down to 97 and is expected to go lower still in 1982.

Industrial investment reached a high of 114 (1973 = 100) in 1975 and then plummeted to an expected 73 this year. The result is that while OECD countries increased productivity by 30 percent since 1973, Sweden's productivity increased only 16 percent. One-fifth of Sweden's world-market share has vanished since 1973.

I addressed the Rikstagsman, "So, the Swedish economy is in trouble. What are you going to do?"

"Yes, you are absolutely right, the economy is very bad. The Swedes have been living beyond their means too long. Wages will have to be cut. We are all glad that the Social Democrats are in power [Olof Palme won the Sept. 19 elections] so that they can implement the program and we can blame them, if anything goes wrong."

"But what is the program?" I asked.

"We have to increase exports, since more than half of what Sweden produces is exported, and in order to do that we must reduce wages. Then maybe we can build up our strength in our top export fields like machinery, transportation equipment, and wood products.

"Then we must have import substitution especially in consumer goods to recover industries like textiles, which we lost because our wages were too high.

"This will last three or four years if not longer, but I cannot say what will happen after that."

Wage-cutting

Discussions the following day with a top economist at the Riksbank, the Swedish central bank, the international chief of the Gotabank, and the well-known economist at the Handelsbank filled in the details of the Schachtian economic program.

They explained that next year the LO (the trade-union federation) will ask for 2 to 3 percent wage increases nationally. However, the inflation rate, because import prices have been increased by the September devaluation, will be 12-15 percent next year, producing a 10-12 percent drop in real wages.

This will be followed by another 5-6 percent drop in real wages in 1984 and 1985, resulting in at least a 20 percent wage decrease by the end of 1985. Together with possibly another devaluation or two during that time, Swedish exports should become "highly competitive," they said.

One economist claimed that he did not care how much world trade collapsed, as long as Sweden could muscle its way to garnering a larger share of the market. "For example," he insisted, "world pulp markets have gone down 15 percent in the last two years, but our exports have increased. That is all we care about.

"The thing we worry about is the next five or six months when the local unions must ratify the national LO package. Some unions will try to get more because some companies still have profits. But even if they get a few more percent, they will get a substantial loss in real wages, which is what counts."

Somewhat shocked by the size of the projected wage cuts and the openness by which these economists spoke of the plan, I asked the Riksbank economist what the Social Democratic government of Olof Palme thought of this program.

"This is the government's program," he replied. "Call up the Economics of Industry Ministry or any Social Democratic leaders."

Some days later I had an extended discussion with Hans Hagnell, the Social Democratic "Landshoevding" or state-governor of Gavle. He said that Swedish unemployment (officially stated as 3.7 percent) is minimally four times that amount when all the disguised unemployment is counted.

Guest workers to be expelled

What will happen if the government carries out the economic program that the economists had recounted to me? Hagnell responded that unemployment would continue to rise. "The problem, "he said," is that only the west coast of Sweden had been converted to a service economy [with the collapse of the shipbuilding industry] but northern and central Sweden had not yet been de-industrialized. This would cause hardships."

"How would you cure the unemployment?" I asked.

"We wouldn't. There is nothing that can be done."

"But you are the governor of a state; surely you have some program for alleviating unemployment?" I insisted.

"The only thing we could do is to kick the foreign workers out. Just because some Mexican or some Turkish child cries that he wants to go to Sweden, there is no reason to let him in. We will have to get the 800,000 foreigners out gradually, because all the liberals will complain if we do it too fast."

Surprised, I asked him to confirm if he was a Social Democrat. "Yes, I have been a Social Democrat since I was 16. I was trained by the Marshall Plan in the U.S. in 1948, I was the chief economist for the metalworkers for 25 years and head of the shipbuilders branch of the metalworkers for 12 years. I know the textile workers and autoworkers in the U.S. very well; in fact I stay with Victor Reuther in Washington when I go there."

In a subsequent conversation with a Swedish businessman, I remarked on the phenomenon of all political factions from the employers' federation and the Riksbank to the trade unions and the Social Democracy having the same political point of view.

He looked at me with a smile, "So you like our little dictatorship up here.?"

"It's remarkable," I replied.

"Yes," he returned, "we are much more efficient than the Russians."

Price-support deal is a total deregulation of the

by Cynthia Parsons

Although U.S. dairy farmers viewed the fifty-cent reduction in price supports as the best compromise they could get in the current economic crisis, it is actually the first phase of total deregulation of dairy production. Given escalating costs and decreasing consumption, particularly of butter, the total $1 cut in price supports that will be enacted under the Omnibus Reconciliation Act will be disastrous for new farmers. It is nothing but a direct tax on milk production.

Recent increases in output have been due in part to the fact that grain and other farmers have been going into dairy production as the bottom fell out of grain prices. Per capita consumption has decreased due to escalating food prices. The only factor maintaining overall consumption figures, which decreased by some 25 percent from 1960 to 1981, has been free government distribution of some thousand tons of surplus dairy produce since the spring of 1982.

Legislative review

Congress passed the Omnibus Reconciliation Act in August, after the administration requested a $1 deduction in the price paid to farmers for their milk. Dairy price supports cost $2.2 billion for 1981-82, and a two-phase system was set up to reduce that figure. The 1982 payment level of $13.10 per cwt. was to be reduced to $12.60 on Oct. 1, with the intent of forcing reduced production to decrease the overall costs of price supports. A second fifty-cent reduction was set if production did not decline. This second amount was to be returned to the farmer if he proved he had reduced output.

The Oct. 1 deadline was delayed until Dec. 1, because of the November election. If this program does not slow down milk production, Agricultural Secretary John Block will be prepared to make further price reductions if Congress approves.

The dairy lobby, now bitterly regretting its acquiescence to the cuts, went along with the decision under heavy media pressure. A well-run barrage featured headlines such as "We Cannot Afford the Butter Mountain." In fact, the government had bought only 11 percent of last year's production, or some 14 billion pounds. Block cashed in on the media campaign, counting on disunity and confusion in the industry; he also