Concentration and Structural Adjustment in Swedish Industry during the Postwar Period

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With a consciously provocative accentuation of recent tendencies, it could be asserted that the Swedish society has been seized by "structure psychosis". Structural rationalization in industry is more intensive than it has been for a very long time; and in the administration, particularly the Ministry of Finance, the old belief in the need for an active structural policy has been resuscitated and signs of a concrete programme of action have been in evidence. In view of this great, almost newly awakened interest in structural questions shown by business enterprises, organisations, authorities, politicians and, not least of all, by the mass media, one could almost get the impression that this was a new element in the development of the economy. This is by no means the case, but the term "structure psychosis" naturally has a factual basis and can serve as a reasonably adequate description of the present state of mind of large groups of our society.

It is not easy to say how much of this interest in structural questions is based on fact and how much can be ascribed to the exaggerated attention paid to these problems by the mass media. But it is difficult to get away from the impression that the press, radio and television have contributed to a sometimes rather indiscriminate stressing of the detrimental aspects of the structural recasting process. We should naturally not make light of these vital questions, but it is at the same time important not to exaggerate the negative effects.

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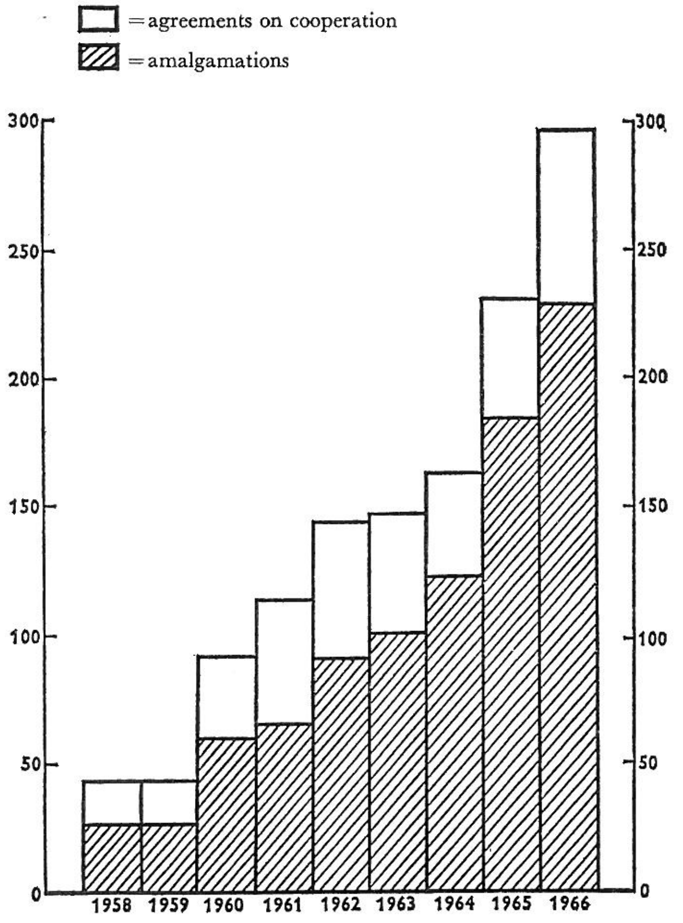
Industry has of late frequently emphasized that, in principle, structural rationalization is nothing new, being a continuous process that has always been present in the development of the economy. It is easy to concur with this assertion so long as the discussion is kept on the theoretical plane. In a market economy based on free competition between producers for customers and factors of production, a continuous restructuring process is quite a natural feature, simply because the conditions for the companies' operations are continuously changing.

When we leave the theoretical discussion and instead examine what is actually happening in industry today, it is more difficult to view the current structural rationalization solely as an extension of a wholly normal process that has always existed. There seem to be signs indicating that something partly new is happening, not only in Swedish industry but also in large parts of the whole of the industrialized world. These new elements are, in particular, the accelerating rate of the restructuring process and the new attitude towards the need for rapid and radical adjustment, which in Sweden has been reflected in, e.g., the proposal for a government investment bank and abroad in similar institutional arrangements with the government as initiator.

New elements in the structural rationalization process

The primary factor underlying these new elements in the restructuring process is the ambition to increase the scale of operations. The need to conduct economic activity in more rational forms, which frequently — but of course not always — implies larger units, has increased, partly as a result of intensified international competition in a good many industries. Some of the reasons for this fiercer competition are — the efforts to liberalize international com-

Diagram 1. Mergers and other forms of cooperation in Swedish industry, 1958—66



Sources: Press data and table 1.

modity trade; the growing capacity surpluses in many areas of production that are of vital importance for the traditional Swedish export industries; declining freights and transport costs; and the gradual levelling-out of technical and industrial know-how among the industrialized nations of the world, to the detriment of those countries which had earlier been in the lead — Sweden, for instance.

But it is not only a question of a need to expand the scale of operations. There has also been an improvement in the prerequisites for such an expansion — materially due to increased technical and organizational know-how, commercially due to the creation of larger and integrated markets. There are thus both greater risks and greater opportunities — a twofold incentive for industry to utilize available technology and to develop it further or renew it. In combination with other factors, this stimulus has in recent years represented a powerful impulse for a redistribution and concentration of economic resources both in Sweden and in a number of other countries, especially in Europe. Judging from the steeply increasing concentration tendencies in recent years, the driving forces seem to be gathering momentum very rapidly as regards both their strength and their scope. One sign of this is that various forms of cooperation between companies, as well as the closure of production units in multi-unit companies and in concerns, are much more common today than they were just a few years ago. One after the other, announcements are made regarding amalgamations, agreements on cooperation, and other forms of business concentration.

Greater concentration of business

It is not easy to produce conclusive and quantifiable data on the extent, strength and pattern of business concentration or, indeed, of the restructuring process. But a study of primarily the daily and trade press, supplemented by a number of other sources, indicates that business concentration in the form of mergers and other long-term agreements on cooperation has shown a strong increase over the past ten years. As can be seen in Table 1, the number of known acquisitions, amalgamations and other forms of cooperation in industry has increased sevenfold over the past seven years. In the years 1958 and 1959 agreements were concluded in respect of around 40 mergers and other forms of long-term cooperation regarding, e.g., specialization and change of product, joint manufacturing and/or marketing, research, development work, training, etc. In 1960 the figure leapt up to close on 100, and 1962 witnessed a jump up to about 150. After a further three years, i.e., in 1965, there was another very steep upswing — to 230 — which continued through 1966, when the record figure of almost 300 was notched.

Amalgamations[1]

It is primarily mergers — acquisitions and consolidations — that have increased rapidly. They now annually account for 80 per cent of the material, compared with between one-half and two-thirds a few years ago. It must, however, be emphasized that the method used for collecting the data can entail wide margins of error. The mergers have probably been covered satisfactorily, with the possible exception of the very smallest companies. But there has most likely been a systematic underestimation of the number of agreements on cooperation. It is probable that such agreements are in fact more common than mergers, but that for various reasons they are not announced publicly or do not come to the attention of the press.

In the analysis of the data, the mergers have been broken down into four groups. The biggest refers to acquisitions and consolidations of Swedish companies through the pur-

[1] The term amalgamation is here used in the economical sense to denote total and partial mergers and consolidations. This definition must not be mistaken for the company-legal meaning.

Table 1. Mergers and other forms of cooperation in Swedish industry, 1958—66
(No. of amalgamations and agreements on cooperation)

Type of measure	1958	1959	1960	1961	1962	1963	1964	1965	1966
Acquisitions and mergers of companies in Sweden	22	17	49	55	58	73	86	147	162
Purchase of parts of companies in Sweden	4	1	7	2	18	20	21	15	39
Agreements on cooperation in Sweden	11	9	16	21	23	21	18	25	48
Swedish acquisitions of foreign companies	1	6	2	4	5	4	10	12	14
Foreign acquisitions of Swedish companies	—	3	2	4	10	4	5	10	14
Agreements on cooperation over the borders	4	6	16	27	30	25	23	21	19
Total	42	42	92	113	144	147	163	230	296

Source: Press data.

chase of generally at least half the share capital. Of a total of about 850 amalgamations during the 1958—66 period, 670 (80 per cent) belong to this category. The second group consists of partial mergers, where a company acquires only a part of another company or a segment of its business, such as plant, machinery with appurtenant stores, or a distributive chain. The number of such acquisitions has shown a strong increase from just a few each year up to 1962, to about 20 a year in 1962—65, and then about 40 last year, too, can be interpreted as a growth in product change and specialization in industry. The Riksdag has, moreover, recently enacted a law which, under certain circumstances, exempts such transactions from capital gains tax.

The last two groups are international mergers, in which a Swedish company has either acquired or been acquired by a foreign company. The number of international mergers is naturally small in comparison with the national ones, but these, too, have been rising. Earlier, they only amounted to an average of about 10 a year, split pretty well evenly between the two categories. But since 1963 there has been quite an appreciable upswing, with about 30 international mergers being recorded last year. A large and growing proportion of the acquired Swedish companies have not been industrial enterprises but wholesalers and previous general agents for the foreign purchasing company. This indicates that foreign manufacturers are interested in expanding their activities on the Swedish market. On the other hand, the foreign enterprises acquired by Swedish companies would appear mainly to have been manufacturing companies. The majority of the mergers have been between companies in Sweden and other EFTA countries. Over the period as a whole, such transactions represent about 40 per cent of all the international mergers, equally divided into cases where Swedish companies have purchased and cases where Swedish companies have been purchased. The corresponding share for the EEC countries is also 40 per cent as regards Swedish acquisitions, while only 25 per cent of the foreign buyers have come from an EEC country. Among the foreign buyers, American companies have also been active; they account for one-third of the roughly 50 foreign acquisitions of Swedish companies.

Horizontal and vertical mergers

As previously indicated, mergers can be a method of obtaining the advantages of large-scale operation in particularly production, research, marketing and administration. The fact that more than one-half of the mergers have been horizontal, i.e., between companies with more or less identical production patterns, suggests that the advantages of scale have been an important factor behind the wave of amalgamations. The principal aims of a horizontal merger can be assumed to be, firstly, to attain — through longer production runs — a lower cost per unit produced and, secondly, to have — through a greater market share — better possibilities of influencing the market conditions in the industry concerned. The importance of these factors seems to have grown in recent years since the share of horizontal mergers has risen from one-half to about two-thirds.

The importance of the efforts to attain the advantages of large-scale production by means of fusions could also be measured by identifying the extent to which amalgamated companies have actually utilized the potential economies of scale made possible by the merger. In other words, if in a certain industry there exists a positive relationship between the concentration of companies through amalgamations and the concentration of plant through the closure of production units in companies having several units, then this could be interpreted as a sign of the importance of large-scale production as a factor behind the amalgamations. Such a study has not yet been made, but an examination of the data on mergers and shut-downs over the past few years definitely gives the impression that there is such a relationship. Evidence in favour of this conclusion can also be found in a study published last year by the American economist, Joe S. Bain, whose findings revealed that the Swedish production units were clearly too small when compared with those of a number of other countries.[1]

Since it generally takes at least one year, on average perhaps two to three years, to carry out planned closures after an amalgamation decision, the powerful wave of mergers over the past two years has probably so far only led to a limited number of the shut-downs envisaged. This would suggest that many closures resulting from the internal concentration of production will take place in the next few years, solely as a result of mergers already made or decided. It is not difficult to predict what the consequences will be for the labour market — consequences which should be fully taken into account when planning the future labour market and employment policy.

Besides horizontal mergers, there are also vertical and "diversifying" ones. The share of this category has fallen in recent years in favour of the horizontal mergers. Many mergers admittedly contain a combination of horizontal, vertical and diversifying elements, but if we attempt to isolate the vertical and diversifying amalgamations we find that each now accounts for only about 10 per cent of all mergers. The remaining 15 per cent refer to investment company acquisitions. These have risen sharply in recent years and contain elements of both horizontal integration and diversification. More long range, there is probably reason to expect a greater number of diversifications — partly because the traditional demarcation lines between

[1] Joe S. Bain: "International Differences in Industrial Structure. Eight Nations in the 1950's". New Haven 1966.

industries are gradually being erased, partly because risk-spreading can be expected to become relatively more important when companies have come closer to their optimum size. This is what has happened in the USA, where — largely as a result of a long-established extensive and affluent market — the structure of business and production is probably more optimal than in Sweden and many other countries.

The extent of amalgamations

The extent and momentum of the wave of mergers can naturally be measured in a number of different ways. One method is to relate the production of the merged companies to the total output figures for industry as a whole or for the specific branch. During the 1958—62 period the sales of the merged companies represented one-third of the total value of production in industry. Solely during the years 1963 and 1964 the corresponding figure was 40 per cent. No estimate is yet available for the last two years,[1] but the steep increase in the number of mergers, and the conspicuous participation of major companies in this wave, suggests that the share is not less than 50 per cent. Even if we correct for double-counting and other sources of error, this would mean that something like three-quarters of the value of total Swedish industrial output has been influenced by amalgamations over the past ten years.

Another method is to relate the frequency of mergers to the total number of industrial companies in the country. In this case, the results is less impressive or — for the concentration critics in, e.g., the small companies — more encouraging. Disregarding the purely one-man businesses,

[1] These figures will probably appear in a book on structural development in 1965—66, to be published in 1967 by the Industrial Council for Social and Economic Studies *(SNS)*.

according to the Register of Companies. This means that there are about 37,000 industrial enterprises in Sweden the roughly 2,000 companies that have participated in various forms of amalgamation since 1958 represent only 5 per cent of all industrial companies in our country. The approximately 700 companies which have been purchased over the same period do not even constitute 2 per cent of the total. If we eliminate companies employing fewer than five persons, which many consider as belonging to the crafts rather than the industrial sector, the figures are still low. The corresponding shares are then 12 and 4 per cent, respectively, of a total of 17,000 companies. These figures give a different picture of the extent of business concentration from that which has perhaps been portrayed by the recent general debate, as well as by previously reported figures on the number of concentration measures and their coverage of production in various industries. But the figures also reveal that a great number of small companies have not yet participated in the concentration process, which can be interpreted as meaning that industrial concentration is as yet only in the initial stages of what is probably going to be an intensive development.

The impact of mergers on the structure of individual industries

The structural changes brought about by amalgamations are essentially of a spasmodic nature, i.e., virtually without exception, the mergers involve only two companies at a time. The purely practical problems associated with fusions seem to be so great that more comprehensive amalgamation or sector rationalization projects are generally doomed to failure. But this does not prevent many mergers apparently having had a considerable impact on the structure of various industries. In a number of industries recent years have witnessed amalgamations and other forms of cooperation which have had, or can soon be expected to have, radical effects on the structural pattern and competitive conditions of the industry. The changes have frequently come about by stages and on the initiative of one of the major companies in the industry.

The following can be mentioned as examples of sectors of industry which have experienced radical changes over the past year: the manufacture of bus and lorry bodies, boilers, adding machines, equipment for internal and external transports, batteries, tubes, shopping bags, woollen goods, wallpaper, LPG equipment, glass, glue and stone products. In all these branches the concentration measures taken only very recently can be estimated to have covered at least half of their total output.

These, and similar examples that could be quoted from earlier years, show that the spontaneous and market-steered initiatives have been sufficiently strong to produce important structural changes, no doubt accompanied by improvements in productivity, in large parts of Swedish industry. It is hardly possible, on the basis of this conclusion, to estimate the need for further concentration and restructuring in the individual branches. Table 2, however, showing concentration activity by the major industrial segments, can give some — albeit very weak — guidelines for such an appraisal.

The majority of mergers have taken place in the metalworking, machinery and engineering industry, with the merged companies accounting for a substantial proportion of the total output of this important industrial sector. On the other hand, the number of mergers (which on the whole is synonymous with the number of purchased companies) has not been particularly large if it is related to the total number of companies in the industry. The 6 per cent noted by the engineering mergers is, however, higher than the aver-

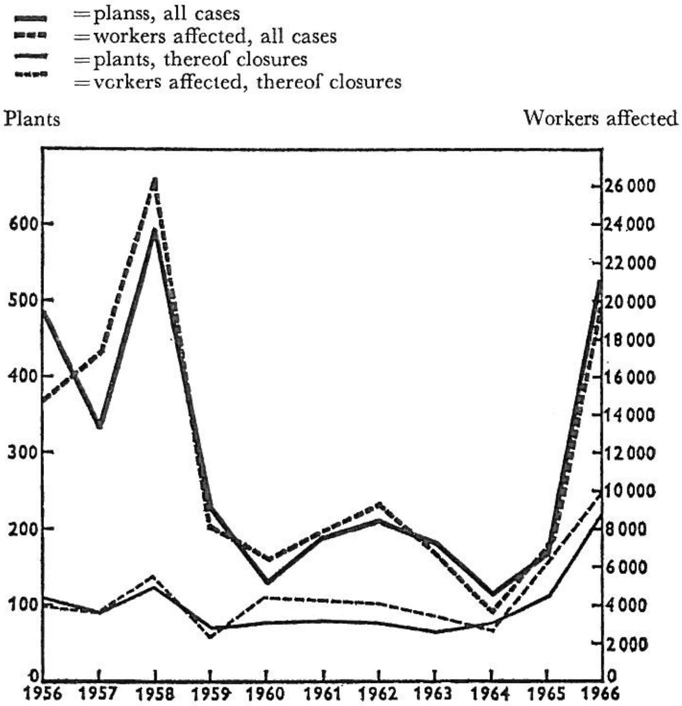
Table 2. Mergers and agreements on cooperation in Swedish industry, 1958—66, by industrial group

Industrial group	No. of mergers in Sweden (complete and partial)	Mergers as a percentage of the no. of companies, 1962	Merged companies' turnover as a percentage of the total value of output in the group		No. of agreements on cooperation in Sweden	No. of mergers and agreements on cooperation over the borders
			1958—62	1963—64		
Metal-working, machinery and engineering	320	6.0	33	48	86	137
Non-metalliferous quarrying	50	5.3	23	45	14	3
Timber	48	2.0	4	4	16	0
Pulp and paper	63	25.8	30	33	14	27
Printing and allied industry	17	1.8	5	33	1	4
Foodstuffs	71	3.3	46	27	10	18
Beverages	19	11.6	75	95	4	7
Textiles and clothing	60	3.6	15	19	15	32
Leather, furs and rubber	18	4.3	17	15	1	9
Chemicals and chemical products	86	34.1	31	54	15	41
Electricity, gas and water	8	4.1	—	—	12	1
Building	15	0.5	—	—	4	6
Total industry	796	4.5	31	40	192	279

Sources: Table 1, Register of Companies and industrial statistics.

age of about 5 per cent for industry as a whole. The highest figure is registered by the chemical industry, with more than one-third. The chemical amalgamations have also had a large share of the total production value of that industry, i.e., more than 50 per cent just for the years 1962—64. The corresponding figure for the beverages industry is at an extremely high level, this being a result of the merger of the two biggest breweries a few years ago. In the pulp and paper industry the amalgamated companies represent a substantial share of all companies in the industry, 25 per cent, but their share of the total value of output is only

Diagram 2. Stoppages in industry, 1956—66



Source: Labour Market Board.

Table 3. Stoppages in industry, 1956—66

	All cases		Thereof closures	
	Plants	Workers affected	Plants	Workers affected
1956	488	14 815	110	4 037
1957	337	17 483	91	3 611
1958	595	26 524	129	5 445
1959	225	8 182	72	2 480
1960	128	6 317	78	4 513
1961	187	7 836	80	4 250
1962	210	9 155	75	4 049
1963	181	6 656	65	3 493
1964	114	3 753	73	2 852
1965	164	7 407	110	6 004
1966	529	19 653	220	9 983

Source: Labour Market Board.

moderate; after the recent forest industry mergers, however, this latter figure would be much higher if we had included 1965 and 1966. The amalgamations of the timber industry, on the other hand, have covered a very small proportion of the industry.

The most striking element of late in the industrial restructuring process relates to the number of shut-downs. Since the end of 1965 the number of closures has shown a very sharp upswing; it is outside the scope of this article to go into the reasons for this development, but very briefly they can be summarized as combined price, credit and wage pressures in association with both a letup in economic activity and special difficulties on the building market. The development over the 1956—66 period is shown in Table 3, covering both shut-downs and partial stoppages. As with the mergers, the closures can in large measure be interpreted as a sign of structural weaknesses in Swedish industry. These weaknesses have now been revealed very abruptly in consequence of, primarily, the above-mentioned combination of forces.

Increase in average size of production units

In combination with the amalgamations and the internal company expansion which naturally always takes place alongside of other forms of structural change, the shutdowns have already had a significant impact on the average size of industrial enterprises. According to estimates made by the author on the basis of the annual industrial statistics, there has been a continuous increase in the average size of production units over the whole of the postwar period. The number of employees per work-place has risen from 47 in 1952 to 66 in 1964, i.e., by 40 per cent in 12 years. Over the same period value added in current prices has shown an even faster increase, from Kr. 0.7 million in 1952 to Kr. 2.1 million in 1964, i.e., the figure has been tripled. A correction of these figures for the deterioration in the value of money would not significantly affect the final result since wholesale prices for industrial products rose by only 14 per cent over the period, with half of this increase occurring in the last two years of the period. It should be added that the base figures in the industrial statistics have been adjusted so as to make the data for the various years comparable. Since close on 2,000 already existing plants were included in the statistics for the first time in 1964, and since the overwhelming majority of these were small, the actual average sizes of production units are somewhat smaller than indicated here. Table 4 gives a more detailed picture of the development in the various branches of industry.

The other side of the coin is, of course, that the smaller units have decreased, both absolutely and relatively. As can be seen in Table 5, the number of units with at least 5 employees showed a total decline of about 3,700 between 1950 and 1964; the decline is about 5,200 if we include the group of units with less than 5 workers. In the former case the decrease represents 12 per cent, and in the latter case as much as 20 per cent, of the number of production units in 1950.

Table 4. Number of employed and value added per plantin the major sectors of Swedish industry, 1952—64

Sector of industry	No. of employed per plant					Value added per plant Kr. m.				
	1952	1956	1960	1964		1952	1956	1960	1964	
				Excl. new plants[1]	Incl. new plants[1]				Excl. new plants[1]	Incl. new plants[1]
Mining	120	155	167	155	155	7.1	9.3	10.4	12.9	12.9
Metal-working, machinery and engineering	62	69	77	85	75	0.9	1.3	1.8	2.6	2.3
Non-metalliferous ores, quarrying and manufacturing	32	33	36	45	36	0.4	0.6	0.9	1.5	1.2
Timber	21	23	25	30	27	0.2	0.3	0.5	0.8	0.7
Pulp and paper	157	179	194	209	202	3.4	4.7	5.8	7.9	7.6
Printing and allied industries	42	48	50	52	47	0.6	0.9	1.2	1.7	1.6
Foodstuffs	24	27	30	38	34	0.3	0.6	0.9	1.5	1.4
Beverages	28	35	38	44	43	0.7	0.9	1.2	2.0	2.0
Textiles and clothing	65	68	72	70	64	0.6	0.8	1.1	1.5	1.4
Leather, furs and rubber	42	48	54	59	53	0.5	0.7	1.0	1.5	1.3
Chemicals	62	67	70	76	70	1.2	1.8	2.4	3.4	3.1
Total	47	52	58	66	58	0.7	1.0	1.4	2.1	1.9

Source: Industrial statistics.

[1] "New plants" refer to 323 work-places which have less than 5 employees in the stone, dairy and beverage industries and which have been included in the industrial statistics as from 1962, as well as 1,958 work-places which were discovered by means of the Register of Companies and which have been included in the industrial statistics as from 1964.

Table 5. Size of production units in Swedish industry, 1950 and 1964

Plants with following no. of workers	1950 No.	1950 %	1964 No.	1964 %	Change 1950—64 No.	Change 1950—64 %
— 4[1]	23 817	56.6	22 290	60.6	−1 527	− 6.4
5— 10	9 119	21.7	5 441	14.8	−3 678	−40.3
11— 50	6 807	16.2	6 531	17.7	− 276	− 4.1
51— 100	1 087	2.6	1 243	3.4	+ 156	+14.4
101— 200	619	1.5	696	1.9	+ 77	+12.5
201— 500	406	1.0	423	1.1	+ 17	+ 4.2
506—1 000	126	0.3	125	0.3	− 1	− 0.8
1 001—	55	0.1	62	0.2	+ 7	+12.7
Total	42 036	100.0	36 811	100.0	−5 225	−12.4

[1] No. of employees in 1951 and 1962 excl. one-man businesses (in 1951 there were 31,503 companies with no employees or 1 employee).

NB: So as to make the figures comparable, the data from the industrial statistics for 1950 have been adjusted upwards by a total of 2,049 work-places, of which 500 have been included in the group with 11—50 workers and the rest in the 5—10 group. The 1964 figures have been adjusted downwards for the same reason. Electricity, gas and water works are not included in the table.

Sources: Industrial statistics for 1950 and 1964, the 1951 business census, the Register of Companies (1962).

It is particularly the smaller units in the group with 5—10 workers that have disappeared. According to these estimates, the decline has been no less than 40 per cent. Smaller decreases have been noted in the groups with less than 5 workers and with between 11 and 50 workers, while the other groups have shown increases, particularly units with 51—200 and more than 1,000 workers. If we disregard the very smallest units, one-half of all work-places in industry employed 5—10 workers in 1950. Today, the share is clearly less than 40 per cent.

Alongside of the structural changes discussed above, there have naturally been a number of other changes of importance for the structural remolding process in industry.

New products have emerged, old ones have been weeded out. New factories and new companies have been started up. New production and organization methods have completely changed the character of some companies and branches. There have been shifts in the location pattern. All these changes can together be assumed to have had a significant impact on the structure of the individual company and industry. Unfortunately, however, it is not possible to estimate the extent of these changes, their relative importance and their effects, due to lack of data. It is a strong wish that the industrial statistics in the future will be given such a shape so that it will become possible to follow from year to year such important structural changes as the emergence of new factories and companies as well as shut-downs. As the statistics are now constructed one is unfortunately forced to grope in the dark even when it concerns the most elementary basic data. Furthermore, there is a time-lag of two years before the existing information is published.

Concluding reflections

The fundamental forces behind the accelerating adjustment process in industry are, first and foremost, the demands and the opportunities arising from the emergence of new technology and fresh knowledge, together with the increased international division of labour resulting from greater integration of markets and growing world trade. The spread of innovations is nowadays rapid even between countries, which means that the lead that Swedish industry can be assumed to have held earlier has now disappeared, or is being whittled down at a fast rate. There is not much to do other than accept and try to adjust Swedish industry to these new conditions for industrial activity that are being created by the other industrialized countries. Moreover, it is probable that such a policy — and not one of resistance — is both desirable and necessary if Sweden is to continue to enhance productivity and economic growth, and thereby the pre-requisites for a continued increase in income standards.

But at the same time it is quite obvious that several factors of an internal nature, which Sweden ought to be able to influence at least to some degree, have helped to accelerate the pace of the restructuring process. A factor of great importance in this context is the very steep rise in wage costs over recent years, particularly in relation to Sweden's competitor countries. Other "home-made" forces that have speeded up the structural changes are the very austere credit policy of recent years, certain parts of the taxation policy, and higher social costs — particularly the National Pensions Fund and the shortening of working hours (including longer holidays) — that have been incurred by companies as a result of Riksdag decisions. In combination with the earlier-mentioned external circumstances, having the effect of sharpening competition, these forces have resulted in declining profitability and self-financing capacity in large parts of industry. It is, of course, impossible to say whether this development has been positive or negative, based on some sort of cost calculation for the total economy; it has thus helped to speed up a restructuring process which, according to all reasonable assumptions, must on the whole have the effect of stepping up productivity and strengthening the international competitiveness.

The spontaneous forces that are driving on the structural adjustment process currently seem to be stronger than ever. There are no signs that the rate of adjustment will, at least in the short run, fall off or come to a halt — indeed, the indications suggest just the reverse.

In addition, there have in recent times been abundant and eloquent examples of the grand political ambitions in this area. There is thus every reason to expect continued rapid structural change in industry during the years immediately ahead, although it is hardly likely that the rate of increase for, e.g., shut-downs and amalgamations will be as high as in the past two years.

Interest should therefore be primarily focussed on the effects of these changes. From the standpoint both of the economy and of the individual, it is essential that the labour made redundant by the readjustment process should as far as possible be redeployed in a way that is meaningful from both human and economic aspects. This is not the right forum for a discussion of the labour market and social policy issues or conclusions arising in this context. It does, however, seem to be clear that greatly increased resources are going to be needed in this area. Another important requirement is that the relevant planning activities be organized on a long-term, systematic and coordinated basis under the auspices of the government authorities.

Finally, it is desirable that our knowledge in this important area, which today is virtually non-existent, rapidly be improved through directing a greater research effort (using available or fresh resources) to finding out what is really concealed behind the catch phrase "structural rationalization". One step would be to adjust the industrial statistics after the conditions that have been prevailing in the Swedish industry during the sixties; another would be if the National Labour Market Board or the Institute for Research on Labour Market Questions could investigate from different points of view what happens with the labour force after a shut-down. It is very unsatisfactory that decisions and considerations in essential economic-political and social questions are founded on such a rudimentary knowledge as the one we have today.