

Scandinavian Control of Inflation

by JOSEPH JESPERSEN

MEASURES taken in Norway and Sweden during the last few years in the fight against inflation have been developing favorably and are attracting critical attention. The concept for the present program — a practical course between laissez faire and socialism—was outlined twenty years ago in a popular book about Sweden by Marquis Childs, entitled *The Middle Way*.

Wages in the Scandinavian countries have risen since the war, but somewhat less than in the United States. Price increases generally have been proportionate to wage increases. Because of the shortage of manpower there is a tendency of wages to rise above contractual rates, known as the "wage drift." Both labor and management have central bargaining agencies—both accept the statistics collected by a government agency. The emphasis is on productivity as a yardstick to which wage increases are tied.

Statistics quoted by Max Forester recently in the New York Herald Tribune indicate a yearly gain of about three and one-half percent in both Norway and Sweden. In Norway there are three-way agreements, tying in with government price control. Except for this, there is no government intervention. Distribution of the increases is determined by negotiation within the unions and it is hoped that statistics will eventually be available to permit determination of increases at the local level.

The important factors which are necessary to make the system work may be summarized as follows:

Devotion of labor and business leaders, strongly supported by economists, to the notion that wages must increase as productivity increases.

The high degree of responsibility shown by trade union leaders.

A well-developed system of central bargaining.

Piece work or some incentive plan operating in 90 percent of industry.

Recognition of the rights of the consumer, called the "Third Man's Right."

Mr. Forester, who interviewed Scandinavian business, labor and government leaders, states that "within the framework of the half-statist, half-free, but democratic kind of government that Norway and Sweden have evolved, a proud dedication to integrity exists and flourishes."

Speculating on the applicability of such a system to the United States, it will at once be recognized that complicating problems would arise owing to this country's diverse geographic and economic conditions, and, shall I add, the size of our bureaucracy? But a review of the factors stated above to which Scandinavian leaders attribute the success of their system, indicates that they put overwhelming emphasis on intangible factors. We would surely go a long way toward solving our current problem of inflation, along with other problems, if we as a people recognized productivity as the yardstick of progress and if we could achieve the "proud dedication to integrity" which is working so well for these smaller, more homogeneous nations.