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A New Quest for Efficiency: The Postwar Program of the Federation of Swedish Wholesalers

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In the mid-1950s the activities of the Federation of Swedish Wholesalers (*Sveriges Grossistförbund*/SGF) were considered by the Organization for European Economic Cooperation to be among the forerunners in the rationalization of European wholesaling. From the 1940s the SGF developed more systematic policies and activities to promote the rationalization of Swedish wholesaling. One important effort was the formation of the Wholesale Research Institute in 1943. Another was the production and circulation of publications, some aimed at the public, others for internal use, in which measures to promote and implement means to create more efficient and profitable wholesale businesses were discussed. The focus of this essay is an analysis of these publications, which I have labeled "the postwar program" of the SGF. The postwar program will be put into a wider context through a discussion of the general debate on rationalization of the distribution sector and also of the important postwar program of the Swedish Labor Movement, which stressed the need for rationalization of the economy, including arguments for increased government intervention or nationalization in the case of market failures.

The rebuilding of Europe and the restructuring of the international economy in the aftermath of World War II could, using the concept employed by Harm Schröter, be labeled the second wave of "Americanization" of the European economy. This wave includes an increased belief in market solutions, free enterprise and competition, the

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mechanization and automatization of production, and the continuous striving for innovation.[1]

It is slightly ironic that this ”Americanization” came about under the aegis of international and national institutions such as the Organization for European Economic Cooperation (OEEC), the European Coal and Steel Union, and the Bretton Woods institutions—the irony of course being that the shift toward a focus on market solutions and continuous rationalization was very much dependent on the activities of non-market organizations or even cartels. While institutions such as the OEEC, the International Monetary Fund, and the European Economic Community have a central place in post–World War II economic history, national organizations such as trade associations, trade unions, and employers' organizations have seldom been highlighted when the dynamics of this period are discussed. Although it is well known that these organizations contributed directly and indirectly to economic change, not least by being active in creating the infrastructure of business, they have seldom been the focal point for discussions about rationalization and innovation in the postwar economy.

One sector of the European economy that underwent rapid change from the 1950s was the commercial sector—that is, retailing and wholesaling. In retailing the main innovation was of course the introduction of self-service that took off in the 1950s.[2] In wholesaling the main developments were, for instance, a more efficient construction of warehouses together with improved handling of stock both by machines and through organizational measures. Another development was the increase of economies of scale, not the least due to vertical integration between retail and wholesale.[3] In the mid-1950s the OEEC published a report on the state of wholesaling in Western Europe. Here Swedish wholesaling and the trade association the Federation of Swedish Wholesalers (*Sveriges Grossistförbund*/SGF) were considered to be in the forefront of the rationalization of wholesaling, together with countries

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[1] Harm G. Schröter, *Americanization of the European Economy: A Compact Survey of American Economic Influence in Europe since the 1880s* (Dordrecht, 2005). The research presented in this essay was financed by a grant from Jan Wallanders och Tom Hedelius Stiftelse samt Tore Browaldhs Stiftelse (Handelsbanken, Sweden).

[2] See Schröter, *Americanization of the European Economy*, 79-86; Gareth Shaw, Louise Curth, and Andrew Alexander, “Selling Self-Service and the Supermarket: The Americanisation of Food Retailing in Britain, 1945-60,” *Business History* 46 (Oct. 2004): 568-82; Fredrik Sandgren, “From ‘Peculiar Stores’ to ‘a New Way of Thinking’: Discussions on Self-Service in Swedish Trade Journals, 1935-1955,” *Business History* 51, no. 5 (2009): 734-53.

[3] See OEEC, *Productivity in the Wholesale Trade*, Project No. 153 (Paris, 1956); Jim Quinn and John A. Murray, “The Drivers of Channel Evolution: A Wholesaling Perspective,” *International Review of Retail, Distribution and Consumer Research* 15, no. 1 (2005): 3-25.

such as the Netherlands, Switzerland, and Belgium.[4] These countries got credit for thorough studies of the functions of wholesaling. Benchmark examples from some of them were also included in the report.

While the real technological and organizational rationalization took off in the 1950s, there had been interesting developments in the discussions on rationalization and efficiency within the SGF from the mid-1940s, which constitute the focus of this essay. Although limited in time and scope, this discussion is interesting to follow because organizations such as the SGF had an important role to play in the Swedish economy and because the actions of the SGF were highlighted by the OEEC. The discussion, which I have labeled ”the postwar program of the Federation of Swedish Wholesalers,” will also be put into a wider national context by discussing the general debate on the rationalization of the distribution sector, as well as the postwar program of the Swedish Labor Movement, a program that argued for rationalization and efficiency, but also for increased government intervention and possibly nationalization.[5] The postwar program of the Swedish Labor Movement was a keystone in the development of Swedish postwar politics, not only because the Social Democrats would dominate Swedish politics until the 1970s, but also because the program would result in immense criticism from conservatives and liberals and from the business sector. A hypothesis is that the postwar program of the Federation of Swedish Wholesalers was formulated to prove that wholesaling had both the will and the means to rationalize on its own accord, thus not requiring direct government intervention.

The main sources used in this study are five reports/brochures that were published by the SGF in the years 1944-1946. To a certain extent I will also use the journal *Svenskt Affärsliv/Svensk Handel* [Swedish Commerce] that was published by Federation of Swedish Wholesalers.

The Role of Trade Associations

Trade associations, organizations working for the benefit of business in specific sectors, are in general absent when it comes to general concepts and discussions within mainstream economic theory. One reason is probably that mainstream economic theory in the last century in many ways has been modeled on the American economy, where interfirm collaboration in general has been associated with negative consequences, such as cartels. Without downgrading Oliver E. Williamson’s tremendous improvement of our understanding of the organization of firms and markets, it is indicative that trade associations are not explicitly discussed

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[4] OEEC, *Productivity in the Wholesale Trade*, 19-20.

[5] Sveriges socialdemokratiska arbetareparti, *Arbetarrörelsens efterkrigs-program: sammanfattning i 27 punkter* [The Post War Program of the Labor Movement: Summary in 27 Paragraphs] (Stockholm, 1944).

in his seminal works.[6] What does exist is, of course, discussion of the impact and rationality of peer groups. One explicit example used by Williamson is, however, trade unions.[7] It should not be forgotten that Mancur Olson's *The Logic of Collective Action* contains an explicit discussion of business lobbies and trade associations, which shows that the subject has been raised in a seminal work within American mainstream economics.[8]

Within economics, and especially within economic history, it is in general within more empirically inclined studies that trade associations get attention. An obvious American example is Alfred D. Chandler, Jr.'s *The Visible Hand*, where cartels or "federations" in American business in the nineteenth century are discussed in a more positive manner as being rational within the context of that period.[9] Moreover, in Chandler's *Scale and Scope* the comparison between U.S., British, and German business clearly illustrates that the role of trade associations and cartels differs between countries and economic contexts.[10] Since Sweden, as well as Scandinavia in general, had governments and legislation more sympathetic to cartel agreements in the nineteenth and early twentieth century, the existence of different cartels or intrasectoral collaborations has been analyzed in several studies focused on that region.[11]

Finally it should be noted that theoretical (and empirical) discussions on interest groups and trade associations are found within studies of

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[6] See, for example, Oliver E. Williamson, *Markets and Hierarchies: Analysis and Antitrust Implications: A Study in the Economics of Internal Organization* (New York, 1975); Williamson, *The Economic Institutions of Capitalism: Firms, Markets, Relational Contracting* (New York, 1985); Williamson, *Economic Organization: Firms, Markets and Policy Control* (Brighton, England, 1986).

[7] Williamson, *Markets and Hierarchies*, 41f; Williamson, *Economic Institutions of Capitalism*, 240ff.

[8] Mancur Olson, *The Logic of Collective Action: Public Goods and the Theory of Groups* (Cambridge, Mass., 1965), 141-48.

[9] Alfred D. Chandler, Jr., *The Visible Hand: The Managerial Revolution in American Business* (Cambridge, Mass., 1977), 7-8, 316-17.

[10] Alfred D. Chandler, Jr., and Takashi Hikino, *Scale and Scope: The Dynamics of Industrial Capitalism* (Cambridge, Mass., 1994).

[11] Hugo Kylebäck, *Konsumentkooperation och industrikarteller: Kooperativa Förbundets industriföretag före 1939 med särskild hänsyn till margarin-, kvarn-, gummi- och glödlampsbranscherna* [Co-operation and Industrial Cartels] (Stockholm, 1974); Torbjörn Lundqvist, *Den stora ölkartellen: bransch-organisering och kartellbildning i bryggeriindustrin, 1885-1914* [The Swedish Brewing Cartel: Trade Association, Organizational Development and Cartelization, 1885-1914] (Uppsala, 1995); Peter Sandberg, *Kartellen som sprängdes: svensk bryggeriindustri under institutionell och strukturell omvandling, 1945-1975* [The Cartel That Blew Up: The Swedish Brewing Industry during Structural and Organizational Change, 1945-1975] (Göteborg, 2006).

political science and sociology. In the Swedish or Nordic context the role of trade associations in the "corporatist state" is important to acknowledge.[12] An indication of the importance of trade associations can be found in studies by political scientists Jørgen Goul Andersen and Jens Hoff, where it is shown that, in the late 1980s, about 75 percent of the Swedish population was a member of either a trade union (62 percent) or a trade association (12 percent).[13] Using the terminology of Goul Andersen and Hoff, one can classify trade organizations as a primary economic association and, more specifically, as a class organization, within the more general category of interest groups, groups organized around a particular interest, in contrast to promotional groups (political parties, religious groups, and so forth).[14]

Thus, trade associations have been discussed in previous research. There are, however, few, if any, studies concerning the post–World War II economy where the positive impact aspect of trade associations in general or certain trade associations in particular have been the focus, particularly their role in development and rationalization.

In the Swedish context trade associations such as the SGF were involved in the corporatist organization—for example, by taking part in parliamentary committees and government boards and by presenting writs regarding government bills. In this context it is important to be aware that what the SGF said and communicated had a potential impact both on the members of the SGF and on politicians and the general public. Thus, to study the postwar program of the SGF gives an indication of the possibly positive role of a trade association, although the real effects on economic development cannot be measured by such a study.

The Federation of Swedish Wholesalers

Sveriges Grossistförbund (the Federation of Swedish Wholesalers) was formed in late 1922. This was partly a consequence of the formation of *Sveriges Köpmannaförbund* (SKMF—the Federation of Swedish Merchants) in 1918, which in turn was formed by an amalgamation of *Sveriges Allmänna Handelsförening* (SAH—the General Union of Swedish Commerce) and *Sveriges Minuthandlares Riksförbund* (SMR—the National Union of Swedish Retailers). The SAH had been formed in 1883 with both wholesalers and retailers as members. Over time, the interests of wholesalers came to dominate the SAH. In the early twentieth century the actions of the SAH were focused on taxes, foreign trade, and infrastructure, while the main interest of the retailers concerned vocational training and measures to counter "unjust" competition in

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[12] Bo Rothstein, *Den korporativa staten: intresseorganisationer och statsförvaltning i svensk politik* [The Corporatist State] (Stockholm, 1992).

[13] Jørgen Goul Andersen and Jens Hoff, *Democracy and Citizenship in Scandinavia* (Basingstoke, England, 2001), 80-87.

[14] Goul Andersen and Hoff, *Democracy and Citizenship in Scandinavia*, 79.

retailing. Therefore, the retailers formed an organization of their own, creating the SMR in 1908, leading to the formation of the SKMF in 1918. Wholesalers were more or less prevented from joining the SKMF, which created an incentive for them to start an organization of their own. Another major reason for finally forming the SGF was that private wholesalers felt the need to take a stand against co-operatives, voluntary groups within retailing, labor market conflicts, and the negative view of "middlemen" on the part of the public and politicians.[15]

The SGF came to organize private and independent wholesalers. Important commercial organizations that carried out wholesaling functions such as the Co-operative Movement, formed in 1899, and the buying groups within the ICA (*Inköpscentralernas aktiebolag*) sphere, with origins from 1918, were not members of the SGF. Rather, both these spheres were frequently criticized by the SGF in the 1940s. Since the Co-op and the ICA primarily sold and distributed groceries and colonial goods, they did not compete with all types of private wholesalers. Market shares are notoriously difficult to acquire until the 1960s. If we accept the data computed by the SGF itself for 1946, the members of the SGF had a turnover of about 3.8 million SEK, while the wholesaling department of the Co-op had a turnover of 0.3 million SEK and the wholesaling department of the ICA had c. 0.4 million SEK.[16] According to these figures the SGF had a market share within wholesaling of 78 percent, while the ICA had c. 16 percent and the Co-op 6 percent. It should be noted, however, that wholesaling within the Co-op and the ICA was focused on groceries, while the members of the SGF covered all branches of wholesaling. The data show, however, that by the mid-1940s the SGF was the spokesman for a major part of the wholesaling sector, and that the organization pulled some weight.

The General Discussion of Rationalization

The rationalization of commerce or distribution became a recurring topic in the Swedish trade press and in parliamentary enquiries from the early 1920s. The discussion took off in the early 1920s as an effect of increased competition and falling margins within both retailing and wholesaling.[17]

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[15] Fredrik Sandgren and Pernilla Jonsson, "Den svenska handeln, dess utveckling och organisationer under 125 År" [Swedish Trade, Its Development and Organizations during 125 Years], in *Handelsbilder: 125 År med svensk handel* [Pictures of Trade: 125 Years of Swedish Trade], ed. Edward Blom (Stockholm, 2008), 203-37, 205-10.

[16] Sveriges Grossistförbund, *Verksamheten: Organisationen, 1946-1947* [Activities, Organization, 1946-1947] (1947), 16.

[17] Kenth Hermansson, *I persuadörernas verkstad: marknadsföring i Sverige, 1920-1965: En studie av ord och handling hos marknadens aktörer* [In the Workshop of the Persuaders: Marketing in Sweden, 1920-1965] (Stockholm, 2002), 35-36.

The discussion within the commercial sector was of course only one aspect of more general discussions of rationalization that had been developing from the late nineteenth century.[18] Basic problems raised regarding wholesaling and retailing were high labor costs, low margins, businesses that were too small, too many competitors, and an inefficient organization of the distribution chain that led to high margins among some middlemen.

There were frequent requests from the SKMF and also from the SGF in the 1920s and 1930s to legislate against new types of competitors and "unjust" competition in the Swedish market. Several parliamentary enquiries were launched in relation to these claims, but there was no political support for a more regulated distribution sector.[19]

Rationalization became an important topic for the SGF from the 1930s. In the 1920s the SGF had problems in recruiting members and thus making any true impact on the situation of wholesalers. This led to a "re-organization" in 1934-1935, which basically meant that more members/ sectors within wholesaling were recruited and activated.[20] In the SGF annual report for 1935 it was stated that any type of rationalization was basically the responsibility of each manager and ultimately driven by competition. The SGF had, however, a role to play in transferring experience from "other countries and professions" as well as in creating general guidelines that individual managers could follow. The SGF was also to act as a link between different sectors in Swedish wholesaling. The most practical measure the SGF took to stimulate rationalization, however, was to enter into a collaborative system of establishment controls together with retailers and producers. Establishment controls existed in several sectors: groceries, textiles, paint, and perfumeries, for example. In these sectors joint boards acting in local markets had a final say on the entry or relocation of retail stores. The penalty for not abiding by the board's judgments was most often to suffer cut deliveries.[21] This very "hands-on" influence that the SGF exerted by participating in the organization of

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[18] See, for example, Hans De Geer, *Rationaliseringsrörelsen i Sverige: effektivitetsidéer och socialt ansvar under Mellankrigstiden* [The Rationalization Movment in Sweden] (Stockholm, 1978).

[19] Mellanhandssakkunnige, *Mellanhandssakkunniges betänkande angående olägenheterna vid mellanhandssystemet inom livsmedelshandeln*, *Statens offentliga utredningar, 1922:20* [Enquiry into the Inconvenience of Middlemen], (Stockholm, 1922). Handelsdepartementet, *De svenska enhetsprisföretagen:* utredning, Statens Offentliga Utredningar, 1935:63 [Enquriy into Swedish Unitary Price Companies] (Stockholm, 1935). Sandgren, "Den Svenska Handeln," 212.

[20] Sveriges Grossistförbund, *Förvaltningsberättelse 1935* [Annual Report 1935], (Stockholm, 1936).

[21] 1936 års näringsorganisationssakkunniga and Gunnar Ringborg, *Organiserad samverkan inom svenskt näringsliv: Betänkande*, *Statens Offentliga Utredningar, 1940:35* [Enquiry into the Organized Collaboration in Swedish Business] (Stockholm, 1940), 253-63.

establishment controls was probably one important reason why the SGF was of any direct use for the members.

The annual report of the SGF in 1935 also saw the use of the rhetorical figure "free enterprise." It was, however, used in the sense that the SGF should collaborate with all that were involved in "free enterprise," which implicitly ruled out the Co-operative Movement and also the ICA.[22] The report also included an explicit critique of the then current government plans for monopolies in pharmaceuticals, oil, and coffee.[23]

Thus from its "re-organization" in 1934-1935 the SGF had rationalization as well as competition, free enterprise, and a critique of monopolies as distinct goals for the improvement of the sector. In practice, however, the most important measure to strengthen existing wholesale businesses was the collaboration in the establishment controls.

The importance of the rationalization of the whole economy was increasingly discussed during the Second World War, including a discussion on how to rationalize the commercial sector. A key factor behind the debate was the presentation in 1944 of the postwar program of the Labor Movement. All actors within the distribution sector became increasingly aware of the problems of distribution. Books and articles emanating from people active in the academic journal *Affärsekonomi* [Business Economy] (a vehicle for rationalization) claimed that distribution faced rising relative costs but also that a basic problem was a lack of knowledge about the function and structure of the Swedish distribution sector.[24] There was a consensus that rationalization within the distribution sector had to take place, but different views on the way to do it: by the invisible hand of the market, by government intervention, or by "academic" intervention.[25] It could also be noted that the Union of Commercial Employees (*Handelsanställdas förbund*) and the Swedish Trade Union Confederation (LO) in the mid-1940s demanded a parliamentary enquiry into the function of the distribution sector.[26] The result was that a major enquiry was launched in 1953, and its results were presented in 1955.[27] The two major conclusions were that price should be the main means of competition, which had not been the case due to retail price maintenance, and that businesses and stores in the distribution sector had to grow in order to reap economies of scale. These conclusions,

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[22] Sveriges Grossistförbund, *Förvaltningsberättelse 1935*, 14-16.

[23] Ibid., 13.

[24] Hans Kjellberg, *Organising Distribution: Hakonbolaget and the Efforts to Rationalise Food Distribution, 1940-1960* (Stockholm, 2001), 109-11.

[25] Kjellberg, *Organising Distribution*, 127-28.

[26] Jonny Hjelm, *Hundra år med Handels* [A Century with Handels] (Stockholm, 2006), 128-29.

[27] Varudistributionsutredningen, *Pris och prestation i handeln: Varudistributionsutredningens betänkande, Statens Offentliga Utredningar, 1955:16* [Enquiry into Prices and Efficiency in Trade] (Stockholm, 1955).

together with a new competition law, meant that existing price and establishment cartels had to be dismantled.[28]

The Postwar Program of the Labor Movement and the Debate on a Planned Economy

The postwar program of the Federation of Swedish Wholesalers was directly linked to a wider debate that took off from 1944 in Sweden, the debate on a planned economy. The impetus for this debate was the publication of the Labor Movement's postwar program, including 27 paragraphs organized under the three overriding goals of full employment, fair distribution, and increased standard of living and better efficiency and more democracy in business and industry.[29]

The main issue in the discussion between the Social Democrats on the one hand and the liberals and conservatives on the other was of course to what extent the government should influence and regulate business. The general discussion was not new to Swedish politics. It had gained in importance during the 1920s, when universal suffrage and the development of a strong reformist social democracy made possible the prospect of socialists coming into power. Generally, liberals and most conservatives argued for free enterprise and very little government intervention, while Social Democrats argued for socialization or at least more public influence over industry and business.[30]

The economic crises of the 1930s changed the situation profoundly. In Swedish politics, government intervention became acceptable both in theory and practice: in theory by John Maynard Keynes and the Stockholm School, in practice through the influence of the "New Deal" in the United States and the crisis policy in Sweden. The latter, which was established by an agreement between the Social Democrats and the Agrarian Party in 1932-1933, began the long hegemony of the Social Democratic party in Sweden.

The new policies and economic theories, including contra-cyclical policies and increased government spending, were also met with increasing acceptance by liberals and conservatives.[31] The question in the 1940s would become to what extent the government should intervene.

The postwar program of the Labor Movement had its roots in discussions starting in 1942 about the need to prepare for organizing the

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[28] Jan Jörnmark, *Innovationer och institutionell omvandling: distributionssektorn som en del av den svenska nodellen efter 1930* [Innovations and Institutional Change: The Distriubution Sector as a Part of the Swedish Model after 1930] (Stockholm, 1998).

[29] Sveriges socialdemokratiska arbetareparti, *Arbetarrörelsens efterkrigsprogram*, 5.

[30] Leif Lewin, *Planhushållningsdebatten* [The Debate on a Planned Economy] (Stockholm, 1967).

[31] Lewin, *Planhushållningsdebatten*.

postwar economy. The Beveridge Report was a benchmark for the discussion. A committee for postwar planning was organized within the Labor Movement in 1943. The chairman was Ernst Wigforss, Social Democratic minister of finance in the coalition government during World War II. Another prominent member was Gunnar Myrdal. The discussion and the subsequent program were to a large extent characterized by pessimism regarding the economic conditions expected to arise in the postwar period. There was a fear of coming mass unemployment; Gunnar Myrdal was a leading proponent of this view.

Thus, a key argument in the postwar program was more government intervention and increased planning. There is no question that this guided both discussions and suggestions in the program. It should be stressed, however, that the "27 paragraphs" and the general discussion did not entirely encompass "socialization" and a planned economy.[32] For instance, only some of the 27 paragraphs argued explicitly that government control was the only solution. The general principle was instead that the government should intervene only to prevent monopolies and market failures, with the explicit exception that the insurance sector should be socialized and that the government should create a new commercial bank.[33] As argued by Swedish economic historian Örjan Appelqvist, little of the rhetoric about "socialization" in the postwar program would be translated into real policies in the postwar period.[34]

However, the mere threat of "socialization," in combination with political positioning and the dissolution of the broad coalition government in the summer of 1945, paved the way for a debate on a planned economy that started in 1944 and reached a zenith during the election campaign of 1948.[35]

Thus the liberals and conservatives joined with private enterprise and the trade associations to launch a major campaign, the so-called planned economy resistance, against the Labor Movement.[36] However, as historian Niklas Stenlås has shown, this was only one part of a general strategy developed in the early 1940s on the part of private enterprise in order to further their interests by supporting the liberal and conservative press,

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[32] Örjan Appelqvist, *Bruten brygga: Gunnar Myrdal och Sveriges ekonomiska efterkrigspolitik, 1943-1947* [Destroyed Bridge: Gunnar Myrdal and the Post War Politics in Sweden, 1943-1947] (Stockholm, 2000), 212.

[33] Sveriges socialdemokratiska arbetareparti, *Arbetarrörelsens Efterkrigs-program*, 22 [paragraph 18]; Lewin, *Planhushållningsdebatten*, 222.

[34] Appelqvist, *Bruten brygga*.

[35] Lewin, *Planhushållningsdebatten*, 263; Peter Esaiasson, *Svenska valk-ampanjer, 1866-1988* [Swedish Election Campaigns, 1866-1988] (Stockholm, 1990), 182 ff.

[36] The term was coined by Per-Albin Hansson, the prime minister and chairman of the Social Democratic Party, in 1945. Lewin, *Planhushållningsdebatten*, 321.

funding think tanks, and so forth.[37] It is in this context, together with the continuous discussion on rationalization, that the publications from the SGF in the mid-1940s should be seen.

The Postwar Program of the Federation of Wholesalers

Until the mid-1940s the SGF had no program for rationalization. This is why the increase in publications on rationalization in 1944-1946 is interesting to discuss.

The archive of the SGF, today found in the archives of *Svensk Handel* [The Swedish Trade Federation] and stored at the *Centrum för Näringslivshistoria*, is still not properly registered.[38] Thus I may have missed important documents from the period. Moreover, I have not been able to study the internal discussions on policies of rationalization during these years.

Five important printed documents were used for this essay, some public and some for internal use only.

1) A public report on "postwar planning," 1944.[39]
2) An internal report on rationalization and propaganda, 1945.[40]
3) A public pamphlet called *Why Free Enterprise?* by Marcus Wallenberg, 1945.[41]
4) An internal report from a discussion meeting on the rationalization of wholesaling, 1945.[42]
5) An internal brochure called *What Should I Do? Some Advice to Managers in Wholesaling*, 1946.[43]

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[37] Niklas Stenlås, *Den inre kretsen: den svenska ekonomiska elitens inflytande över partipolitik och opinionsbildning, 1940-1949* [The Inner Circle: The Influence of the Swedish Economic Elite over Party Politics and Opinion Making, 1940-1949] (Lund, 1998).

[38] *Svensk Handel* is the current trade association within Swedish commerce, organizing both wholesalers and retailers. *Svensk Handel* was formed in 1997 as an amalgamation of the SGF and the SMKF. Sandgren, "Den Svenska Handeln," 230-31. The *Centrum för Näringslivshistoria* is an organization and archive for corporate history, including archives from, for example, Ericsson.

[39] Sveriges Grossistförbund, *Sveriges Grossistförbund om efterkrigsplaneringen* [The Federation of Swedish Wholesalers on Post War Planning] (Stockholm, 1944).

[40] Sveriges Grossistförbund, *Rationaliserings- och upplysningsverksamhet* [Rationalization and Propaganda] (Stockholm, 1945).

[41] Marcus Wallenberg, *Varför fritt näringsliv?* [Why Free Enterprise?] (Stockholm, 1945).

[42] Sveriges Grossistförbund, *Diskussionsmöte den 10 sept. 1945 om grosshandelns rationalisering* [Discussion Meeting, Sept. 10, 1945, on the Rationalization of Wholesaling] (Stockholm, 1945).

[43] Sveriges Grossistförbund, *Vad skall jag göra? Några råd till företagschefer inom grosshandeln* [What Should I Do? Some Advice to Managers in Wholesaling] (Stockholm, 1946).

It is important to relate these publications not only to the development of the general discussion, but also to some new practices concerning rationalization and innovation. One important development in practice was that the SGF formed the Wholesale Research Institute (*Grosshandelns utredningsinstitut*) in 1943. The role model was the Research Institute of Industry (*Industriens utredningsinstitut*) that had been formed in 1939 by the Confederation of Industry (*Industriförbundet*) and the Confederation of Swedish Employers (SAF). The increased focus on rationalization and efficiency within the SGF also led to the formation of new sections for information and organization within the central secretariat in 1945 and 1946.

Moreover, a continuous discussion of rationalization can be found in the SGF journal *Svenskt Affärsliv/Svensk Handel* during these years, a discussion that I am not able to elaborate on in this essay. It should be noted, however, that there were no direct comments on the postwar program of the Labor Movement in the journal. What can be found is rather an indirect critique—an appreciative review of the book *Program och verklighet*, a critical examination of the postwar program of the Labor Movement by Berthold Josephy, published in the journal in 1945, although the reviewer noted the book's crude rhetoric.[44] The crude rhetoric was also noticed by political scientist Leif Lewin, who held the book to be a poor version of Hayek's *Road to Serfdom*.[45]

The SGF on Postwar Planning

On November 10, 1944, the SGF published a report called "the SGF on postwar planning." The report presented the views of the SGF on subjects such as monetary and trade policies, the labor market, rationing, rationalization, and so forth.[46] It is evident that this report was a reaction to the Labor Movement's postwar program, if not a direct comment upon it.[47] The general point of view in the report was that "regarding trade, government intervention has been imposed on a hitherto unknown level."[48]

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[44] "Kritisk analys av de 27 punkterna" [Critical Analysis of the 27 Paragraphs], *Svensk Handel*, no. 15 (1945), 365.

[45] Lewin, *Planhushållningsdebatten*, 267.

[46] Sveriges Grossistförbund, *Sveriges Grossistförbund om efterkrigsplaneringen*.

[47] The report was produced primarily because the SGF had formed *Grossistförbundets Fredsplaneringskommitté* [The Peace Planning Committee of the SGF] in May 1944, which in turn was a reaction to the Labor program and the forming of a Royal Commission on Economic Post War Planning during the spring of 1944.

[48] Sveriges Grossistförbund, *Sveriges Grossistförbund om efterkrigsplaneringen*, 5.

The SGF was relatively optimistic about the postwar development in the wholesaling sector and did not believe that even the worst case scenario, sketched by the Royal Commission on Economic Post-War Planning, would lead to a major increase in unemployment in the wholesaling sector.[49] This differed from the more dismal view held by the Social Democrats, particularly Gunnar Myrdal, but was in line with the view held by business in general.[50]

The SGF felt that the wholesale sector had done a lot to rationalize in the last decades. They also believed that the Wholesale Research Institute would play an important role in the future. Collaboration among producers, wholesalers, and retailers would be important. The SGF stressed, however, that a satisfactory rationalization of distribution demanded as little government coercion as possible and that "only if commerce is ruled by the natural laws of economic life, will it have a healthy and useful development"; the present restrictions should be removed so that free competition, "which is the incentive for all economic development," could prevail.[51]

This tribute to free competition became somewhat distorted, however, when it came to the discussion of co-operatives, monopolies, and cartels. The SGF felt that the government gave tacit support to the co-operatives and regarded this as a preferential treatment of certain types of businesses at the expense of others. The SGF also held the view that the growth of the co-operatives had led to such economies of scale that they were a threat to free competition and the "elasticity" of the Swedish economy. The SGF did not support the existence of monopolies and cartels, but stated at the same time that "collaboration between different companies in different ways could be of great importance to development" when this led to positive effects for the customers.

To sum up, the first reaction from the SGF to the postwar economy took a firm stand for rationalization and free competition. It did so without any major onslaught on the Social Democrats and the Labor Movement. The SGF did not call up the specter of socialization or a planned economy. Rather, several formulations suggested an understanding of the need for regulations and government control. Free competition was, however, a tricky subject in reality, as the SGF indirectly argued that certain collaborations—that is, those between private firms—should be allowed for the sake of competition, while other collaborations—represented by co-operatives—were detrimental for the economy. These contradictory views on competition would haunt the SGF for several years.

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[49] Sveriges Grossistförbund, *Sveriges Grossistförbund om efterkrigsplaneringen*, 20-21.

[50] Appelqvist, *Bruten brygga*; Lewin, *Planhushållningsdebatten*.

[51] Sveriges Grossistförbund, *Sveriges Grossistförbund om efterkrigsplaneringen*, 26.

The discussion of rationalization and information

In May 1945 the SGF published, for internal use, a report on rationalization and information. For this purpose the SGF had appointed a Rationalizing Committee. The report comprised four short texts: on rationalization, on information (and propaganda), on the function and task of wholesaling in society, and finally a text on the importance of free enterprise.

The text on rationalization was introduced by a clear statement on the importance of free competition

> As long as competition prevails in commerce and free competition takes place between companies, these have to constantly strive to make their operations more efficient in order to survive competition. He who cannot keep up with the development has by nature to sooner or later see his turnover diminished, whereby the existence of the company will be jeopardized.[52]

This text was in general more confrontational than previous discussions. Here government interventions regarding commerce were labeled "threats" and "unfounded attacks." It was also noted that

> No economic operation is so perfect that it cannot be improved. If private wholesaling and retailing is to avoid unfortunate interference from the government, to the detriment of the Swedish economy, commerce has to work efficiently and rationally. It is important that possible bad conditions should be removed, or else they easily could justify government intervention and give increased support to the ideas of a planned economy.[53]

Thus both the Labor postwar program and the work of the Commission on Economic Post War Planning were singled out as threats.

The responsibility to rationalize lay, according to the SGF, with the companies themselves. While the SGF back in the 1930s had stressed that rationalization was the responsibility of each manager or wholesaler, the concept of "individual initiative" would figure much more frequently from now on. Individual initiatives did not rule out collaboration among businesses. Collaborations concerning terms of payment and credit, ways to organize salesmen's contacts with retailers, advertising, the division of geographical markets, transports, and vacation benefits could be important for rationalization. The division of markets was of course a delicate question: it could increase rationalization—that is, the growth and stability of single companies—since "planless" competition would lead to an unnecessarily large distribution sector. "Pure" cartels had to be avoided, however, because the Social Democrats were critical of monopolies and cartels.[54]

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[52] Sveriges Grossistförbund, *Rationaliserings- och upplysningsverksamhet*, 1.

[53] Ibid., 1-2.

[54] Ibid., 3-5.

One way of preventing "attacks" on private wholesaling was to increase knowledge about the sector through improved information or "propaganda," which was the term used. Basic strategies and recipients were highlighted: informing the general public, inter-company information, information within business and social networks (Rotary, for example), within local wholesaling organizations (particularly by cultivating contacts with the local press), within branch organizations in wholesaling, and finally by public meetings.

The third text presented the functions of wholesaling. This type of text, describing the importance of the wholesaling sector and arguing that wholesalers ultimately catered to the needs of consumers, would appear in several guises in the coming years.

The fourth text was a very vocal defense, by an anonymous author, of a liberal non-socialist view on enterprise. The starting point for the argument was that the author did not believe that the Swedish electorate, who in the elections of 1944 had given the left—Social Democrats and Communists—the majority of the votes, agreed with the leftist policies of "socialization" and even "revolution."[55] According the author it was common sense that Swedish economic growth since the nineteenth century had been built on a "liberal" economic system and that economic crises were no reason to change the whole system. The Social Democrats and the trade unions should acknowledge that social and humanitarian development had taken place within a liberal economy characterized by free enterprise and competition. If the socialists abolished this type of society they would probably come to realize that at the same time they had abolished the prospects of economic development such as had taken place over the last decades.

There are also some interesting lines of reasoning in the fourth text that would not be the focus in future publications but that still suggest the discontent and fear that many within Swedish business felt toward the Social Democrats, but seldom voiced publicly. The author used the rhetorical trick of linking the Social Democratic focus on public interest, rather than on individual gain, to similar arguments used by the Nazis. This line of reasoning was very likely inspired by Friedrich Hayek's *Road to Serfdom*, which had played a key role as inspiration for the "planned economy resistance."[56] Another interesting argument was that business always had the public interest in mind, because it always had to cater to the demands of the consumers. Thus, economic profit had to be an incentive for the development of the economy; a reasonable alternative did not exist. The author also argued that business and business leaders were not a privileged group with disproportional power over the economy. Rather, the "people" were in power through their role as customers, as

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[55] Until the summer of 1945—that is, after this report was published—Sweden was ruled by a broad coalition that did not include the Communist party.

[56] Lewin, *Planhushållningsdebatten*, 267ff.

members in the trade unions, and as voters and supporters of the Social Democrats. The conclusion of the anonymous author was that through this "compact concentration of power, the leaders of business in different positions hardly had any power at all."[57]

To sum up, when the SGF published its internal report in 1945, more openly critical and sometimes even hostile arguments against the Social Democratic policies were raised. These types of arguments and sentiments echoed how private business argued in private. The importance of individual incentives as the main way to make the wholesaling sector more efficient took center stage. Moreover, it is interesting to note the awareness of the importance of improved information or "propaganda" within the SGF.

Why Free Enterprise?

The publication *Why Free Enterprise?* was originally a speech held at the SGF annual meeting on May 16, 1945, by banker and industrialist Marcus Wallenberg, Jr.[58] The motto of the annual meeting was "Living commerce—a flourishing economy." It is not explicitly stated why Wallenberg's speech was published separately, but an educated guess is that it summarized the view of the SGF in particular and of private business in general on the role of free enterprise. This view was given additional weight when delivered by a well-known Swedish businessman, who would soon become the leader of the Wallenberg "group." Its holdings included the commercial bank Stockholms Enskilda Bank and the investment companies Investor and Providentia, which in this period owned or had major interests in companies such as Allmänna Svenska Elektriska Aktiebolaget (ASEA), Atlas, Separator, Svenska Kullager-fabriken (SKF), L. M. Ericsson, Scania-Vabis, and Svenska Aeroplan AB (SAAB).[59]

Wallenberg's argument for free enterprise was less confrontational toward the Social Democrats than the text on free enterprise that had been printed in the report on rationalization and information. Wallenberg did not directly mention Social Democrats, socialization, or a planned economy. The message was, however, quite clear: "government should be responsible for politics, businessmen for business," and "humans are not constituted for a centralized socialized society." The main ideas of the argument are well captured in one of the several, illustrations to the text. What is shown in Figure 1 is the "ball and chain" of the regulatory

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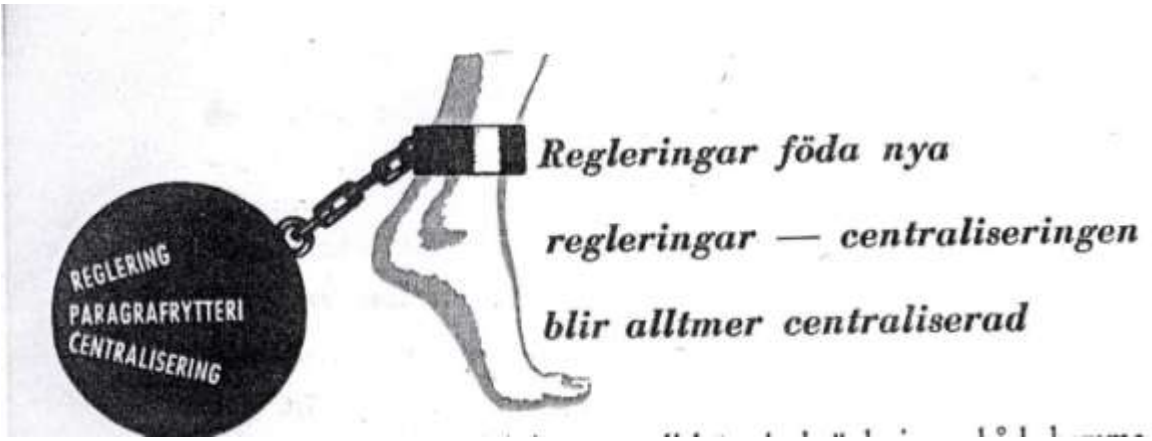
[57] Sveriges Grossistförbund, *Rationaliserings- och upplysningsverksamhet*, IV:7.

[58] A summary of the speech was also printed in *Svensk Handel*, no. 10, in 1945, together with another speech from the meeting by Per Jacobsson on the subject "The role of free commerce."

[59] Lars Magnusson, *An Economic History of Sweden* (London, 2000), 217.

economy. In order to prove these conclusions, business and industry had to act as good examples and show the vitality of private business.[60]

Figure 1
The Ball and Chain of Regulations



Note: The words on the ball read "regulation," "bureaucracy," and "centralization." The sentence to the right reads: "Regulations breed new regulations–centralization will become even more centralized."

Source: Marcus Wallenberg, *Varför fritt näringsliv?* [Why Free Enterprise?] (Stockholm, 1945).

Wallenberg argued further that it was common sense that free initiative was a life-giving and stimulating factor and that creative people should be given room to cultivate their talents. He stressed, however, that it was difficult to teach creativity and the competence to solve practical problems. He also noticed the tendency for academics within both science and politics to demand freedom of thought and deeds in science, while simultaneously arguing for constraints on "practical industry," when, according to Wallenberg, it was evident that free enterprise spawned the best and most distinctive talents. Wallenberg also feared that only conformist and well-behaved persons would occupy important positions in a "centralized" society. Wallenberg believed that the postwar economy would be characterized by increased competition and that, using the parable of many small Swedish ships, instead of one large ship, sailing on the sea of uncertainty, free competition and diversity would lead to rationalization.

[60] Wallenberg, *Varför Fritt Näringsliv?*

Discussion meeting on the rationalization of wholesaling
In the autumn of 1945 the results of more hands-on discussions, held within the "Rationalizing Committee" of the SGF, were published. According to the SGF's managing director Einar Kördel, rationalization was a necessity because an inefficient distribution sector would not be tolerated by the government. To counter too much government or legal intervention in commerce, the sector itself must strive for rationalization and increased efficiency. Kördel argued that this quest must include all businesses, efficient and inefficient alike, because the threat of socialization was directed toward the whole sector, particularly because wholesalers were criticized by both producers and retailers as being inefficient. Thus, the time was ripe for action and for making it clear to everyone that wholesalers strived for rationalization.[61]

The remainder of this publication was devoted to rather detailed discussions of different aspects of rationalization. In an account from a company that had built a new warehouse and office, a company representative stressed that they had located the building close to a railway freight station. Other speakers commented that it was difficult to get local government to accommodate the need of wholesalers to acquire locations close to communication nodes. Here the SGF could try to influence the authorities. Another account discussed how to improve purchasing, and the importance of regular studies of the market through national and international journals was highlighted. Finally, there were also accounts that discussed sales costs, sales conditions (discounts, payment terms), piece rate wages, developments in packaging, and how to organize an office.[62]

What Should I Do?
In August 1946 the SGF published a brochure called *What Should I Do?* directed toward managers and directors in wholesaling firms. The final paragraph stated that a manager who did not follow these recommendations lacked important managerial qualities. Among the advice and recommendations, rationalization was given a section of its own. One aspect included in the brochure that had not been discussed in previous publications was "industrial democracy." The will to implement increased "industrial democracy" in the workplace was included in the postwar program of the Labor Movement.[63] This led, in turn, to a debate on

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[61] Sveriges Grossistförbund, *Diskussionsmöte den 10 sept. 1945 om grosshandelns rationalisering*.

[62] Ibid.

[63] Sveriges socialdemokratiska arbetareparti, *Arbetarrörelsens efterkrigsprogram*, paragraph 27. The Swedish debate on industrial democracy had, however, been ongoing since the 1910s. See, for example, Christer Lundh, *Den svenska debatten om industriell demokrati, 1919-1924, vol. 1, Debatten i Sverige* [The Swedish Debate on Industrial Democracy, 1919-1924] (Lund, 1987), and also Jonny Hjelm, *Begåvningsreserven inom industrin: förslagsverksamhet i*

industrial democracy between the LO (the Swedish Trade Union Confederation) and the SAF (the Confederation of Swedish Employers), which ultimately led to an agreement in August 1946 on the introduction of workers' influence through company collaboration boards in larger companies.[64]

What Should I Do? took a more modern and rational approach than previous texts and pamphlets published by the SGF. The text made direct requests that the manager should take an interest in economic policies and focus his own attention toward renewal, strategic planning, and coordination of the business, while delegating other tasks as much as possible. It was argued that increased delegation would lead to more interested and loyal employees, but also to less strain for the manager himself.

In *What Should I Do?* it was also argued that the manager should make an effort to be active within the SGF. An important task for the manager, when dealing with the surrounding environment or market, was to strive for increased competition. It was stressed that wholesalers were "the servants of consumption" [*sic*, not the consumer] and should not submit to a "guild mentality." In relation to this argument members of the SGF were urged to share their experiences and knowledge with others (members, presumably).

In a section on relations with employees, where the subject of industrial democracy was included, it was stated that employers should create good company policies for vacations, sick benefits ,and pensions, as well as encourage the employees to take up recreational leisure activities (for example, sports, book circles). It was stressed that the manager should look to the individual capabilities of each employee and make sure that those could be utilized, encouraged, and developed within the company so that competent employees were not recruited by another firm. To keep and develop the employees' competence within the business, it was also recommended that the manager strive to stimulate team spirit and education, not least encouraging input from the staff concerning rationalization and improvement. There was a direct recommendation that the company should set up a "body of collaboration" where the manager and the employees met. It was also suggested that the company should be more transparent, both toward its own staff and toward the general public, by, for example, producing information brochures about the company. This information should focus on the efforts to rationalize.

There was also a special section on rationalization in the brochure. Figure 2 illustrates the two possible paths to the goal of rationalization,

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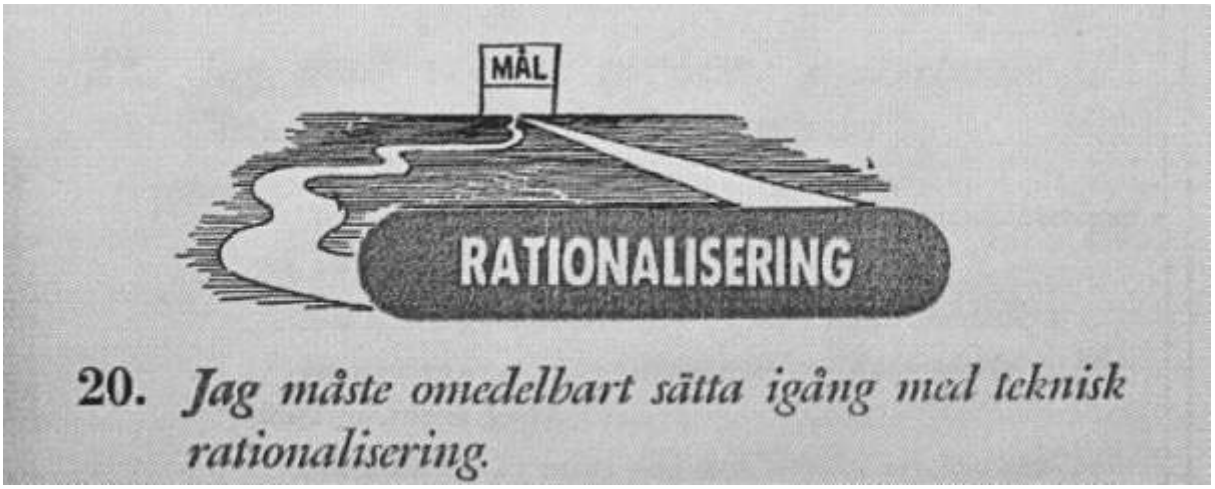
Sverige under 1900-talet [The Reserve of Talent within Industry: Employee Suggestions in Sweden during the 20th Century] (Lund, 1999).

64 Anders L. Johansson, *Tillväxt och klassamarbete: en studie av den svenska modellens uppkomst* [Growth and Class Collaboration: A Study of the Birth of the Swedish Model] (Stockholm, 1989), 306-9.

and it is likely that the SGF promoted the straight one. It was stressed that both "technical" and "structural" rationalization should be the focus of each manager. The implications were not stated explicitly in the brochure, but given discussions in earlier texts and also what was discussed in the journal of the SGF *Svenskt Affärsliv/Svensk Handel*, the technical aspects concerned the construction of new warehouses and offices, the handling of stock within the warehouse, while structural rationalization included finding new markets, new goods, and new ways of distribution, and not relying on cartels or regulations that prevented free competition.

Figure 2
The Straight Path toward Rationalization in *What Should I Do?*



This is the illustration to paragraph 20 in the brochure *What Should I Do?* The text reads: "I must at once start technical rationalization."

Source: Sveriges Grossistförbund, *Vad skall jag göra?*

What Should I Do? can certainly be seen as a keystone in the creation of a new and quite modern view in the development and rationalization of the SGF. With this brochure the SGF created the image of the modern wholesaler, a manager with a focus on development and rationalization, on strategic rather than mundane decisions, on "human relations" (without using this concept) for the purpose of developing the company, and on accepting that the postwar economy would be built on free competition. The individual wholesaler was, however, not alone in this process. Using the resources of the SGF, and the possible collaboration with other members, a manager aware of the demands of the new society would have a good chance of a bright future.

Final Remarks

It is evident that the postwar discussion about rationalization within the SGF came as a reaction to the postwar program of the Labor Movement.

Although the latter was seldom mentioned explicitly in the discussions, it is obvious that the threat of increased government intervention was the main fear. The discussion was also guided by the view that to be proactive, to strive for more efficiency and increased rationalization was the way to meet the threat. Thus, the overriding idea of the Social Democrats concerning the structure and function of business was very much accepted by the SGF.

It can be noted that the SGF did not emphasize the fact that a positive attitude toward rationalization had characterized the organization since the early 1930s. However, had this argument been put forward, it might have backfired since the "old" rationalization program in practice consisted of establishment controls.

One can also note how fast the SGF acted. They were not alone in this, because the whole business sector had to take precautions against the threat of socialization. The progressive program described in the brochure *What Should I Do?* should not, however, be interpreted as cosmetic. There was a true interest in the rationalization and modernization of business on the part of the SGF and other actors, although the swift development of the discussion probably was driven by the actions of the Labor Movement.

Thus the positive assessment of the role and actions of the SGF that was put forward in publications from the OEEC in the 1950s stemmed, at least in part, from the discussion that had started in the mid-1940s. The focus on rationalization, free enterprise, and competition was in that sense a part of the second wave of Americanization, paving the way for the development of modern wholesaling and retailing in Sweden.