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Economic Developments in Sweden in 1962
and early 1963

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Economic Developments in Sweden in 1962 and early 1963

Summary

The Swedish economy has experienced a generally satisfactory year even though the rate of expansion levelled off in 1962. The 3.5 per cent rise in real GNP was close to the postwar annual average but below the 4 per cent annual target of the Long-Term Planning Committee for the period 1960-65. Foreign demand for Sweden's traditional exports weakened during the year; nevertheless, the country's balance of payments position remained strong and official reserves continued to grow, though at a slower pace than in 1961.

During the course of 1962, the authorities moved relatively early to relax their previous restrictive monetary and fiscal policy. The potentially adverse cyclical effects of the diminished rate of expansion were moderated by special measures: in particular, by a release of blocked investment funds, relaxation of restrictions on building activity, activation of some public works projects, and a shift from surplus to deficit in the Federal budget. Major fiscal reforms introduced in 1960 have made it easier for the authorities to use fiscal policy more flexibly than they could in the period of chronic budget deficits.

Thus far, Sweden appears to have weathered the risk of a cyclical turn-around reasonably well. Although the economic picture is somewhat mixed, elements of continued strength dominate the current scene. The authors of the latest Swedish official forecast, released when the budget was presented to Parliament in January, envisage a continuation in 1963 of the general economic tendencies observable this past year. The forecast, which is based on the assumption of a continuation of present cyclical trends in Western Europe and the U. S., estimates again a 3.5 per cent growth in GNP; and relatively minor changes in the overall balance of

payments with slightly higher levels of exports and imports; a lower level of gross private investment offset by higher investment outlays by central and local government authorities; and a small increase in private consumption.

On balance, the forecast sees no change in business trends either in an expansive inflationary or contractive deflationary direction. The prognosis thus reflects the view that in 1963 Sweden will experience, in the words of a recent periodical comment, a cyclical "in-between" year.

In June 1963, Sweden made a modest contribution to the U.S. balance of payments by prepaying a \$16.2 million Marshall Plan loan not due until 1983. This was the only debt owed by Sweden to the U. S. Government.

Divergent trends in production continue

Weakening tendencies observable since the summer of 1961 in certain sectors of Swedish industry persisted through the third quarter of 1962. The pulp and iron ore branches were the principal sectors affected in the earliest stages of the current cycle, but more recently the pace of expansion in the important engineering branch also has slowed somewhat. Industries serving the consumer goods sectors have been characterized by moderately expansive tendencies, paced by a strong rise in the food processing branches. (See Table 1.) As a result of these divergent tendencies, production increased by 3 per cent in 1962, compared with a rise of 5 per cent in 1961; it is expected to increase again by about 3 per cent in 1963.

Table 1. Sweden: Trends in Industrial Output, 1961-62.

<u>Branch of industry</u>	<u>Jan.-Sept, 1961</u> (percentage)	<u>Jan.-Sept, 1962</u> changes)
Iron ore mining	+13	- 5
Iron and metal works	+11	+ 3
Engineering <u>a/</u>	+ 5	+ 1
Timber	- 1	- 2
Pulp	+ 5	-10
Paper	+ 6	+ 4
Food processing	- 1	+ 7
Textiles <u>b/</u>	+ 3	0
Leather and shoes	- 2	- 2
Total industry	+ 4	+ 2

a/ Excluding shipyards. Based on employment data.

b/ January-June.

Source: Skandinaviska Banken. Monthly Report on Economic Conditions in Sweden, December, 1962.

Unemployment moderated by anticyclical policies

Despite somewhat higher levels of unemployment recorded in 1962, the Swedish labor market last year was characterized by continued high levels of employment. Unemployment has been confined mainly to those branches of industry and those specific areas that were affected by the slowdowns in logging and iron ore mining.

Even though total unemployment and unemployment in industry (as percentages of insured workers) was higher in almost every month through November than in the previous year, the recorded rise in unemployment has been moderate. Unemployment in construction, which typically shows higher levels as well as more extreme monthly fluctuations, was higher through June but since mid-year was moderately lower than in the corresponding months of 1961. (See Table 2.) The pick-up in building activity resulted from the timely release of blocked investment funds and the relaxation of restrictions on construction. During the year, for example, net withdrawals of investment funds held on deposit at the Bank of Sweden amounted to SKr. 331 million, of which SKr 263 million were net withdrawals in December alone; the effects of this concentration of withdrawals toward the end of the year will become visible in coming months. In the current period, too, the authorities partially activated a public works program for which, in Sweden, there exists a planned backlog of projects.

No data are available on the value of public works projects currently in process, but the employment effects can be judged from the comparisons of persons employed on relief work which are shown in Table 3.

Table 2. Sweden: Unemployment in Industry and Construction, 1961-62.

<u>Month</u>	<u>Unemployment as Per Cent of Insured Workers:</u>					
	<u>Total</u>		<u>Industry</u>		<u>Construction</u>	
	<u>1961</u>	<u>1962</u>	<u>1961</u>	<u>1962</u>	<u>1961</u>	<u>1962</u>
January	2.1	2.1	1.2	1.1	8.1	8.5
February	2.0	2.2	1.1	1.0	8.1	9.1
March	1.5	2.0	0.9	1.0	5.4	8.4
April	1.6	1.9	0.8	0.9	5.7	6.8
May	1.1	1.3	0.6	0.7	3.2	3.7
June	0.7	0.8	0.5	0.6	1.7	2.1
July	0.5	0.6	0.5	0.6	1.2	1.0
August	0.7	0.8	0.5	0.7	2.0	1.7
September	0.7	0.9	0.6	0.7	1.9	1.8
October	0.9	1.0	0.7	0.8	2.3	2.0
November	1.2	1.2	0.8	0.9	3.3	2.7

Source: Monthly Digest of Swedish Statistics, January 1963.

Table 3. Sweden: Employment in Relief Work
(thousands)

<u>Period</u>	<u>1961</u>	<u>1962</u>
1st Q	14,630	16,848
2nd Q	8,344	15,887
3rd Q	6,637	9,957
4th Q	8,683	<u>a/</u> 11,017

a/ October-November

Source: Monthly Digest of Swedish Statistics,
January 1963.

Prices, wages and domestic demand

Since the 1960-61 boom receded, Swedish prices have continued to rise moderately but have generally lagged behind the rise in wage costs. Wholesale prices have risen by about 2 per cent over the year. The Swedish cost of living index climbed about 5 per cent between December 1961 and December 1962, but almost half of this rise is attributable to effects of the increase in the turnover tax rate at the beginning of 1962. A large share of the remainder can be accounted for by high food prices, connected partly with a negotiated increase in the first half of the year in prices paid to farmers. Otherwise, the upward price movement reflects the effects of the continued increase in wage costs. (See Table 4.)

The upward price movement is expected to moderate in 1963, in large part because wage costs are expected to rise less rapidly. The current two-year wage agreement, negotiated last March, provides for a reduced rate of wage increase through 1963-64. In addition, the effects of the upward "wage drift" (increases outside of wage contracts because of local labor shortages) should be less pronounced if

Table 4. Sweden: Prices and Wages, 1961-62.

<u>Period</u>	<u>Wholesale Prices</u>	<u>Cost of Living</u>	<u>Industrial Wages</u>	<u>Export Prices</u>
	(1 9 5 8	=	1 0 0)
1961 I	105	106	118	99
II	106	107	122	99
III	105	107	121	99
IV	106	108	123	97
1962 I	106	a/ 110	124	97
II	107	112	129	96
III	107	113	b/ 131	95
October	108	112	n.a.	95
November	108	113	n.a.	95

a/ Increase in retail sales tax, from 4.2 to 6.4 per cent, effective January 1, 1962.

b/ July-August.

Source: Kommersiella Meddelanden, No. 8/9, 1962; export price index from International Financial Statistics, February 1963.

weakening tendencies in some branches of Swedish industry continue into the current year. The current official forecast is that prices will rise by 1-1/2 per cent in the first half of 1963, and by 2-1/2 per cent for the entire year.

On the basis of official estimates, total wages and salaries rose by 10 per cent in 1962 and are expected to increase by about 8 per cent this year. Because of the expected effects of differential tax changes and changes in transfer payments, private consumption this year is expected to increase by 3 per cent, moderately below the estimated rise of 4 per cent in 1962.

Sweden maintains strong external position

Sweden's customary trade deficit declined moderately in the first nine months of the year because of a somewhat larger rise in exports than in imports. This tendency was reversed in October and November, the latest months for which foreign trade data are available. (See Table 5.) Despite weakening foreign demand for Sweden's traditional exports, however, it is estimated that exports rose by about 6 per cent last year, or by about as much as in 1961. Imports, which rose by only 1 per cent in 1961, also increased by about 6 per cent in 1962.

According to preliminary estimates prepared by the Bank of Sweden--shown in Table 6--there have been only moderate changes in the overall balance of payments. Owing mainly to an increase in current account items besides shipping (the surplus on which is relatively unchanged), the small current account surplus of SKr. 67 million for 1961 was replaced by a current account deficit amounting to SKr. 130 million. However, the adjustment item (errors and omissions) was quite large.

The current official balance of payments estimate forecasts increases of 3 per cent for both exports and imports in 1963--smaller than in 1962--with the current account deficit roughly comparable to the estimated 1962 outcome.

Table 5. Sweden: Foreign Trade, 1960-62.

Months or Monthly Averages

<u>Period</u>	<u>Exports</u>	<u>Imports</u> (millions of Swedish kronör)	<u>Trade Deficit (-) or Surplus (+)</u> (mill.\$)	
1960 Year	1,106	1,250	- 144	- 27.8
1961 I	1,090	1,247	- 157	- 30.3
II	1,193	1,225	- 32	- 6.2
III	1,165	1,183	- 18	- 3.5
IV	1,284	1,394	- 110	- 21.2
Year	1,183	1,262	- 79	- 15.2
1962 I	1,178	1,361	- 183	- 35.3
II	1,307	1,266	+ 41	+ 7.9
III	1,177	1,221	- 44	- 8.5
Oct.	1,419	1,589	- 170	- 32.8
Nov.	1,363	1,552	- 189	- 36.5
Compare:				
Jan-Nov 1961	1,172	1,258	- 86	- 16.6
Jan-Nov 1962	1,251	1,335	- 84	- 16.2

Source: Kommersiella Meddelanden, No. 8/9, 1962; data are not seasonally adjusted.

Table 6. Sweden: Balance of Payments, 1961-62

<u>Item</u>	1961		1962 (preliminary)	
	<u>(millions of kronor)</u>	<u>(millions of dollars)</u>	<u>(millions of kronor)</u>	<u>(millions of dollars)</u>
Exports, f.o.b.	14,198	2,738	15,070	2,906
Imports, c.i.f.	-15,151	-2,922	-16,100	-3,105
Trade balance	- 953	- 184	- 1,030	- 199
Shipping, net	1,380	266	1,400	270
Other current items, net	- 360	- 69	- 500	- 96
Current account balance	+ 67	+ 13	- 130	- 25
Capital transactions, net	- 31	- 6	+ 20	+ 4
Adjustment item	+ 866	+ 167	+ 679	+ 131
Change in reserves	+ 902	+ 173	+ 569	+ 110

Source: Riksbankens Förvaltningsberättelse (1962), page 27; dollar amounts may not add to totals owing to rounding in converting from Swedish kronor.

Reserve gain slowed in 1962

As in 1961, the development of "leads and lags" in commercial payments contributed to a large capital inflow, but the increase in gold and foreign exchange reserves slowed down in 1962. Whereas gold and net foreign exchange holdings of the Bank of Sweden and the commercial banks rose by SKr. 902 million in 1961, the increase in 1962 amounted to SKr. 569 million, of which the larger portion--SKr. 385 million--accrued in the first six months. (See Table 7.) The bulk of the remaining 1962 increase--SKr. 184 million--occurred during the third quarter, and virtually the entire reserve gain for the year took the form of dollar holdings. (See Table 8.)

Foreign borrowing declines

The transition from restrictive to easier credit policies, and the correspondingly more ample supply of domestic funds, contributed to a decline in foreign borrowing by Swedish business interests in 1962. According to data reported by the Foreign Exchange Control Office (Valutakontoret), total borrowing approved by the authorities fell from SKr. 755 million in 1961 to SKr. 616 million in 1962, of which 47 per cent (SKr. 289 million) was unutilized at year's end. As in earlier years, the largest shares of approved foreign borrowing were shipbuilding loans (SKr. 249 million) and for financing abroad of Swedish subsidiaries of foreign concerns (SKr. 296 million).

Table 7. Sweden: Net Reserve Position, 1959-62

<u>End of period</u>	<u>Riksbank</u>		<u>Commercial Banks</u>	<u>Total</u>	<u>Change</u>	
	<u>Gold</u>	<u>Foreign Exchange</u>	<u>Foreign Exchange</u>		<u>Millions of kronor</u>	<u>Millions of dollars</u>
	(in millions of Swedish kronor)					
1959 December	987	1,179	881	3,047		
1960 December	881	1,554	453	2,888	-159	- 31
1961 June	881	2,352	222	3,455	+567	+109
December	934	2,385	472	3,790	+335	+ 65
1962 June	939	2,762	474	4,175	+385	+ 74
December	935	2,934	490p	4,359p	+184p	+ 35 p

p = preliminary

Source: Riksbankens Förvaltningsberättelse (1962), page 25.

Table 8. Sweden: Distribution of Reserve Holdings, 1961-62
(millions of dollars)

	<u>End of year</u>		
	<u>1960</u>	<u>1961</u>	<u>1962</u>
Bank of Sweden:			
Gold	170	180	181
Foreign exchange	<u>320</u>	<u>492</u>	<u>573</u>
Total	490	672	754
Change in holdings	--	+182	+82
Held in U.S. assets	227	406	<u>a/483</u>
Change	--	+179	<u>a/+77</u>

a/ End of November.

Sources: International Financial Statistics, February 1962;
Federal Reserve Bulletin, January 1962.

Bank of Sweden pursues policy of 'active monetary ease'

The tight liquidity policy which the Bank of Sweden imposed on the banking system throughout the 1960-61 upturn was considerably modified in the period under review. The central bank's penalty rate introduced in May 1961, under which loans for amounts exceeding one-half of a commercial bank's capital were charged interest at a rate 4 per cent above the discount rate, was eliminated at the beginning of 1962.

As the 1960-61 boom receded, the monetary authorities moved rather early in 1962 to moderate restrictive credit policies by lowering discount rate, loosening selective credit recommendations to certain financial institutions, and took what has been officially termed a "positive attitude" to support a sizeable increase in commercial bank lending.

In 1962, the Bank of Sweden cut its discount rate twice during the spring and early summer--from 5 to 4-1/2 per cent on April 6 and to 4 per cent on June 3. In June, the Bank also liberalized the requirement that savings banks and insurance companies reserve specified portions of new money for priority borrowers, chiefly building credits and mortgages.

Early in 1963 further easing actions were taken: On January 18, the discount rate of the Bank of Sweden was further reduced to 3-1/2 per cent. At the same time, the remaining recommendation that life insurance companies reserve 50 per cent of new lending for investment in government securities or in mortgages--previously reduced from 75 per cent in June 1962--was rescinded.

The Bank of Sweden has also enabled the banks to maintain a high liquidity ratio in the face of a large increase in bank lending. In October, actual liquidity ratios were estimated, on the average, at 10-15 per cent above the recommended minimum levels.

A recent semi-annual survey of commercial bank lending conducted by the Swedish Bankers Association indicates that the expansion of bank credit between May and November 1962--by 7.8 per cent--was higher than in any other recent six-month period (November-May or May-November). Construction credits and mortgages, related to increased building activity, accounted for about one-third of the recent credit expansion. For the most part, however, the expansion was reflected in advances to the business sector; substantial inventory accumulation in the preceding year reduced business liquidity, and enterprises had less funds available for self-financing as profit margins were reduced by rising costs.

The authorities used a large portion of the government's cash surplus (a seasonal liquidity-reducing element in the first six months) to repay debt held outside the commercial banks; this returned part of the surplus to active circulation and, inter alia, contributed to a large increase in deposits. In addition, about SKr. 300 million in blocked investment accounts at the Bank of Sweden were released at the turn of the year. Finally, the authorities took no steps to offset the rise in liquidity caused by the seasonally unexpected rise in exchange reserves in the first half of the year or the unusually large decline in money in circulation.

On January 10, (1963) the Bank of Sweden reported to the Banking Committee of the Swedish Parliament that it continued to encourage commercial bank lending in the second half of 1962 but acted to immobilize part of excess liquidity arising from the normal seasonal budget deficit and from releases of blocked investment accounts. In agreement with the Bank of Sweden, the National Debt Office issued a series of short-term bonds designed to absorb excess liquidity, and the Bank conducted some open market sales. Commercial banks remained in debt to the central bank almost continuously from August to the end of December.

Sweden's flexible use of monetary policy in the period under review has called forth the following judgment by the National Institute of Economic Research:

"Compared with the recession of 1958, monetary policy in 1962 reacted at a relatively early stage, i.e. even to fairly faint indications of a decline in business levels. This reaction also seems to have been unusually strong. Both this switch in credit policy and that effected during the last upswing shows that the Bank of Sweden is capable of producing more radical changes in the credit market situation in a short time than was believed in many quarters, without necessarily resorting to particularly drastic measures. That we have such slight knowledge of how rapidly and with what strength measures of monetary policy affect the real economy is, of course, another problem." 1/

Each of the three discount rate reductions during the past nine months was followed by equivalent downward adjustments in most loan and deposit rates of the Swedish commercial banks and other lending institutions, and in security yields. By January of this year, the reversal of the high interest rate structure characteristic of the 1960-61 boom period had brought the general Swedish interest rate level more than a full percentage point below the level of about one year ago. (See Table 9).

The Swedish capital market has been tested by two issues, one governmental and one industrial bond flotation, since the last discount rate reduction. On January 26, subscription lists were closed on a 4-1/2 per cent 18-year Government bond for SKr. 200 million. Subscriptions within the first two days amounted to SKr. 242 million, so that allotments had to be scaled down. The new issue is callable after 12 years and is the first experience with a conversion-free period of more than 10 years.

The first industrial flotation since the discount rate reduction was a

1/ National Institute of Economic Research. The Swedish Economy, October 1962, pp. 47-48.

Table 9. Sweden: Interest Rate Movements, 1961-62

Period	Discount Rate	Gov't. Bond Yield	Bank Interest Rates			
			Deposit rate b/	Loan rates		Loan rates Savings Banks d/
				Commercial Banks c/	Savings Banks	
1961	March	5.00	4.75	6.75	6.25	
	June	5.00	4.75	6.75	6.25	
	September	5.00	4.75	6.75	6.25	
	December	5.00	4.75	6.75	6.25	
1962	March	5.00	4.75	6.75	6.25	
	June	a/ 4.00	3.75	5.75	5.25	
	September	4.00	3.75	5.75	5.25	
	December	4.00	3.75	5.75	5.25	
1963	January	3.50	3.50	5.25	n.a.	

a/ Reflects two discount rate reductions (April 6 and June 8, 1962).

b/ Rate on time deposits (six months' notice) at commercial and savings banks.

c/ Rate on three month loans secured by other collateral than bonds and mortgages on agricultural and housing property.

d/ Mortgage loan rates.

Sources: Monthly Digest of Swedish Statistics, January 1963; International Financial Statistics, March 1963; Svenska Dagbladet, January 24, 1963.

25 million kroner 4-3/4 per cent bond, on which previous comparable issues carried interest at 5-1/4 per cent. The reduction in interest rates on industrial loans has, therefore, matched the reduction of the discount rate of the Bank of Sweden.

Countercyclical fiscal measures take hold

The transition in 1962 from restrictive to easier monetary policies was accompanied by fiscal policy measures designed to moderate the unemployment effects of a possible recession. The release of blocked investment funds, the relaxation of restrictions on building activity, and the activation of public works projects, together with a shift from an overall budget surplus position of the last two years to a moderate deficit were the main measures taken.

Swedish sources seem to consider that fiscal policy changes have recently been more successful than they were in 1958, the last time when investment funds were used for countercyclical purposes. In particular, the Swedish Labor Market Board moved early in 1962 to approve the release of blocked investment accounts in order to counteract an expected recession; by contrast, this step came in 1958 at a much later stage of the recession and had the unintended result of shifting additional investment into the period of the next upswing. Secondly, in 1958 the Swedish budget still had large deficit but, with the recent tax reforms, the budget was tending to exert a contractionary effect on activity in 1962.

After two years of surpluses on the combined current and capital budgets, a deficit of somewhat less than SKr. 400 million is estimated for the fiscal year ending June 30, 1963 and the preliminary draft budget for fiscal 1964, recently presented to the Swedish Parliament, provides for a deficit of approximately SKr. 1,000 million, which is to be covered by borrowing. Budget surpluses, amounting to SKr. 258 million in fiscal 1961 and SKr. 596 million in fiscal 1962, were used almost entirely to reduce outstanding long-term debt.

Swedish capital market achieves relative balance

After a long period of extreme shortage of capital and strict capital issues control by the central bank, the Swedish capital market has gradually approached a condition of relative balance between demand and supply. Recent fiscal measures contributed in large measure to this transformation: the transition from direct to indirect taxation, the budgetary surpluses in the past two years and, more basically, the growth in the compulsory General Pension Fund which began operations in 1960, have produced a substantial increase in savings in the public sector. The authorities have drawn on these funds on a large scale to provide capital to the private sector without direct Government borrowing. For example, these moves have been used to fund short-term building credits, which in earlier years had tended to become "frozen" in commercial banks because of the shortage of long-term capital; these can now be converted into mortgages in a normal manner. As a result, it is no longer necessary for the central bank to require the savings banks and insurance companies to put aside portions of new funds to buy Government securities or to make housing loans.

While formal capital issues control is still in effect, the waiting list of applicants for new flotation has apparently been eliminated.

The amount of new issue flotations in 1962 has been impressive. The Government has not resorted to borrowing in the last two years, except for some short-term bonds sold to mop up commercial bank liquidity. The outstanding long-term Government debt has in fact been reduced in this period of budgetary surpluses. Long-term borrowing by mortgage institutions and by local public authorities, and a very large increase in long-term flotations by Swedish industry took place in 1962. (See Table 10.)

The growth of the General Pension Fund (to finance social security pensions) is expected to continue and further facilitate the achievement of balance in the long-term capital market but it is not certain whether capital issues control can be eliminated.

Table 10. Sweden: Flotations of Bonds and Debentures, 1961-62.
(in millions of Swedish kronor)

<u>Borrower</u>	<u>1961</u>	<u>1962</u>
Central government, total	370	1,050
Short-term	200	1,000
Long-term	-	-
Premium (lottery) bonds	100	50
Savings bonds	70	-
Mortgage institutions	1,416	2,216
Other borrowers, total	479	1,586
Industry	316	1,068
Local authorities	110	410
Banks	18	98
Foreign	35	10
	<hr/>	<hr/>
Total long-term borrowing	2,265	4,852

Source: Riksbankens Förvaltningsberättelse (1962), page 21.

At the moment, the growth in private capital investment may taper off in 1963, although long-term borrowing by local authorities and for housing purposes is expected to increase. But some Swedish sources expect that in later years industrial requirements for long-term capital investment will increase while self-financing possibilities of industry will be reduced. Such a development would make it less easy to do away with capital issues control.

Swedish government establishes long-term planning body

In mid-November, the final decision was taken to establish a new official long-term economic planning body. The new permanent organization is an outgrowth of previous temporary long-range planning and forecasting projects: the first, which was elaborated in 1947 in connection with the Marshall Plan, was followed by more elaborate reports prepared by committees of experts for the five-year periods, 1951-55, 1956-60 and 1961-65. The new planning group includes the Ministers of Finance, Trade and Home Affairs. General economic policy questions are under the Minister of Finance; supervision of market policy and some industrial questions are under the Minister of Trade; and housing policy is handled by the Minister of Home Affairs. The agency will serve as a center for consultation between the government, business and industry, labor organizations, and centers of economic research. Its aim is to chart trends and to recommend measures to facilitate a rapid and balanced expansion of the Swedish economy. Professor Ingvar Svennilson, who has been chairman of three of the four previous planning committees, will serve as adviser to the Minister of Finance on planning matters and will be in charge of special inquiries.

Establishment of the new permanent planning body has been welcomed by Swedish press comment representing all major political groups. Among them, comment by the Stockholm daily Dagens Nyheter (Liberal)--with which Professor Bertil Ohlin, the Liberal Party leader, is associated--is perhaps worth citing.

"We have every reason to wish the planning council the greatest possible success. As the public sector has increased its share of the national economy, the lack of continuous long-range planning within this sector has become more and more unfortunate. The risk of an excessive strain on total resources has grown, and planning within private business and industry has become more difficult. The fact that the build-up now begun will be effected under co-operation between government and business is gratifying and significant."

It is, perhaps, also significant that the same newspaper felt moved to close its comment on the new planning body by noting: "The more comprehensive and consistent planning that the council is to further has nothing essential in common with a planned economy of the socialistic type."