

GOTHENBURG STUDIES IN ECONOMIC HISTORY 1

Aspiring to a Higher Rank

Swedish Factor Prices and Productivity
in International Perspective 1860–1950

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AKADEMISK AVHANDLING

som med vederbörligt tillstånd av Handelshögskolans fakultetsnämnd
vid Göteborgs universitet för vinnande av filosofie doktorsexamen i
ekonomisk historia framläggs till offentlig granskning
fredagen den 31 oktober 2008, kl. 10,
i hörsalen Sapphören, Sprängkullsgatan 25, Göteborg

Göteborg 2008

ABSTRACT

Aspiring to a Higher Rank: Swedish Factor Prices and Productivity in International Perspective, 1860–1950.

Gothenburg Studies in Economic History 1 (2008)

ISBN 978-91-86217-00-6

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Distribution: The Department of Economic History, School of Business, Economics and Law, University of Gothenburg, Box 720, SE-405 30 Göteborg, Sweden.

This dissertation consists of four chapters which expand on the Swedish economic development in an international perspective between 1860 and 1950. The overarching theme is how the Swedish rise, from backwardness to prosperity, is best understood. Chapter 1 identifies two types of recent convergence literature which venture into explorations of the causes of convergence at disaggregated levels of GDP per capita. The first has measured convergence in terms of movements of land prices and real wages for unskilled workers, and stressed the significance of external forces, such as trade, mass migration and capital flows. The other has established comparative levels of labour productivity for different sectors of the economy, and shown that these levels in the manufacturing sector have remained stable in the long-run.

The introductory chapter is followed by two chapters which examine factor prices, while chapters 4 and 5 focus on productivity.

Chapter 2 shows that previous accounts of factor price convergence have overestimated the Swedish catch up because of their reliance on a flawed real wages series for unskilled workers. When a more representative wage series is used and compared to similar real wage series for the UK and the US, much of the alleged catch up slips away. Convergence did take place but at a slower pace than was previously claimed. The third chapter tempers the claim by the recent convergence literature that the Swedish wage-rental ratio increased steeply before World War I. By using a more representative series of land prices it is shown that the Swedish wage-rental ratio moved in a manner similar to other protectionist countries' wage-rental ratios, which fits well with the protectionist turn in Swedish trade policy in 1888. The chapter concludes that domestic growth forces overwhelm the importance of external factors and trade policy in understanding the evolution of the wage-rental ratio.

The fourth chapter establishes comparative levels of Swedish labour productivity in the manufacturing industry vis-à-vis the UK and the US and shows that Swedish convergence was manifest around the turn of the century and in the 1930s and 1940s. Thus, there is no sign of stability in the long-run evolution of relative productivity levels. As a follow up to this finding, the last chapter penetrates deeper into productivity patterns in the Swedish manufacturing industry. It shows that whereas the magnitudes of real cost reductions among industries were quite unevenly distributed until the turn of the century, a more uniform pattern began to assert itself in the decade preceding World War I. That invites efforts to search for common underlying stimuli, what economists and economic historians refer to as a general purpose technology (GPT). One that may have exercised an impact on productivity is electricity.

KEYWORDS: convergence, comparative productivity, TFP, factor prices, real wages, employment, land prices, industrialisation, GPT, GDP, economic growth, Swedish historical national accounts, manufacturing, labour productivity