BALANCED REGIONAL AND SECTORAL GROWTH

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1. GOALS OF INTERREGIONAL ALLOCATION POLICY

The ideal economic policy model should simultaneously contain four basic dimensions: time, space, inputs, and outputs, with their respective sub-divisions in years, regions, intermediate and primary factors, and end products. As soon as research is focused on some individual aspect, which for some reason seems interesting, it will be necessary to simplify the approach. Much of the regional economic research in Sweden during the last ten years has the common characteristic that it lays too great an emphasis upon one or two of these four dimensions, and in certain instances even upon only minor parts of two dimensions in the analysis of regional problems from a particular economic and political point of view.

Before a more formal economic and political analysis can be made certain characteristics of Sweden's economic and political problems must be described. Sweden had a late start as an industrialized country. By the end of the 19th century, the industrialization had merely begun, and at that time only with any vigor in the forest-based industries. Although the country was never evenly populated, there was a very modest urbanization at that time with most of the population working in peasant farming, small-scale forestry and in forest-oriented industry which was to a surprisingly large degree located in the northern areas. Economic growth was very rapid after the end of the 19th century and with the industrialization (with a growing importance first in the metal industry and then in different mechanical and electronic industries), urbanization became a dominant force in the Swedish economy. Although the country has always been sparsely populated, in 1967 it had 19 inhabitants per square kilometer, urbanization was never looked upon as a political problem until about 1965. In fact, the early labor market economists advocated governmental support for increased intersectoral, intereducational and interregional mobility in the labor-force. In accordance with economic theory, increased mobility was believed to decrease inequalities in income and to increase the economic growth.

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† The metropolitan areas had 157 inhabitants per square kilometer while the forest counties had 6 inhabitants per square kilometer.
In the middle of the 1960's, the accelerated urbanization seems to have induced a general political discussion about the need for a systematic interregional allocation policy with regard to both capital and labor. Due to the centralized wage-increase negotiations with minimum increases stipulated, and some brakes on the wage increases in certain sectors of the economy, the labor market has been at the center of discussions on allocation policy. With wage rigidities present, there have been problems with "wage drift," regional and sectoral unemployment, and lasting excess demand for labor in the three largest metropolitan areas. It has not been possible to stifle the excess demand for labor through increases in the price level of the housing market because there has been a regulated market for apartments since 1941 with control of both prices and investments. For other types of housing, there has been no rent or price regulation, but the quantitative regulation of investments has been as tight as that for apartment houses. As a consequence of this housing policy, the in-migration to the three largest metropolitan areas has been actively restricted, determined by an allocation of housing investment based on the interregional distribution of the population rather than on the interregional distribution of demand, which is almost proportional to the interregional distribution of income. In the construction of models for allocation policy, this connection between investment in housing, migration flows, and the long-run pattern of regional economic growth has to be duly considered.

There is one point more that has to be made. The rigidities of the housing market have also had interregional effects in the metropolitan areas. People have been assigned to apartments at their marriage (or later) and it is often not possible for the household to move to some other apartment when the choices of location of jobs, location of schools, service centers, etc. are changed. Large scale commuting becomes more or less a binding necessity for all the households as long as the housing market is substituted by a quantitative assignment system of the Swedish-Norwegian type. With the strong interregional connections between the housing market, the labor market, and the transport system, the definition of a politically and economically relevant region is possible. A region should be an area in which any employed person can always change jobs within the borders of the area without changing the location of his dwelling and vice versa. The majority of A-regions used as planning regions by the A.M.S. (Labor Market Board) are commuting regions in this sense.

In national economic policy there has evolved a number of goals of a rather common type: a) full employment without a too rapid rise in the price level; b) fast and steady growth of the national product; c) reasonable development of the balance of payments situation; and d) equality in the standard of living. With development of the debate on regional economic policy, goal-formulation has naturally tended to become a regionalization of the full-employment and equality goals, in particular. The definition of full employment has by no means turned out to be easy in a regional context. The conventional reports on unemployment always tend to give wrong estimates of structural unemployment. In underdeveloped areas, potentially employable people do not report to the labor exchanges because