ECONOMIC AND SOCIAL CONSEQUENCES OF DISARMAMENT
(Replies of the Governments of Ceylon and Sweden)
1. **REPLY OF THE GOVERNMENT OF CEYLON**

So far as Ceylon is concerned, military programmes as they exist, are a very significant part of the general budget expenditures. The armed services as they are constituted in the Island, function mainly for the internal security of the State. This being so, there has never arisen any question of development expenditure being reduced in any significant manner for the purpose of expanding the armed forces.

2. There has been, however, a great deal of thinking on the processes of planning for the development of the country. This thinking culminated in the formulation of the Ten Year Plan in 1960. This Plan which was to cover the period 1959-1968 was more in the nature of a perspective plan which set out the targets of investment desirable for the speedy growth of the economy. It had as its objectives, among other things, the increase in national income, employment and output together with the social objective of a fairer distribution of income between the people. Keeping in view these competing objectives, the plan set out the priorities needed to achieve them.

3. Since the time of drawing up of this plan economic circumstances have changed considerably. External assets have fallen considerably due largely to fall in commodity prices and Budget deficits have steadily increased. In view of these and other circumstances, it became necessary to draw up a short term programme of implementation with a changed emphasis in the approach to programming. Accordingly the Three Year Implementation Programme was presented to Parliament. This Short-term Implementation Programme sets out in detail the projects that are intended to be implemented during the three year period and elaborates policies and organizational measures which are necessary in this period.

4. The change in emphasis is given by a less capital intensive approach in the formulation of the programme adopted. The criteria used to frame the programme and select the projects are:

   (i) the significance of a project for economic development;
   (ii) gestation period or time taken for an investment to come into production;
   (iii) capital output ratio at capacity output;
   (iv) capital investment per head at capacity output;
   (v) ratio of foreign exchange savings to investment;
(vi) profit ratio at capacity output; and
(vii) the social significance of the investment.

In the light of these requirements some items of expenditure have naturally come in for low priority. In order to check inflationary pressures, the programme stresses the importance of developing consumer goods industries in the short-run. For the same reason, the programme emphasizes the importance of utilizing increased capacity before investment is made on new projects. Projects which promote the production of import substitutes at home or increase our exports are given preference over others which tend to use up our foreign exchange resources.

5. The programme aims at achieving a minimum growth rate in per capita income of 2 per cent per annum, while the actual growth rate in per capita income was only 1 per cent during the period 1957-61. However, a growth rate of 2 per cent would appear to be possible taking into consideration the availability of resources. A high rate of growth can be achieved not only by investing a fair proportion of the increase in income but also by increasing the productivity of a given amount of investment. The programme also aims at a 4.8 per cent annual increase of the gross domestic product.

6. It may be noted in conclusion that the programme of action contained in the Three Year Implementation Programme is not being carried out in its entirety owing to the financial difficulties obtaining at the present time. There are for instance many stand-by projects which could be initiated when the financial climate improves and when increased foreign assistance is made available.

7. A copy of the Ten Year Plan is sent herewith. A copy of the Three Year Implementation Programme will be sent as soon as it is published.
2. REPLY OF THE GOVERNMENT OF SWEDEN

Operative paragraph 6 of Economic and Social Council resolution 891 (XXXIV) refers particularly to States which are significantly involved in, or affected by, current military programmes. This is hardly the case as far as Sweden is concerned. Less than 5 per cent of the Swedish gross national product is used for military ends. The task of redistributing labour and financial resources in the event of general disarmament is, therefore, for Sweden not a too complicated one. This is particularly the case in view of the fact that Sweden has a well-established machinery to cope with changes in the economic activity. Furthermore, any redistribution of resources following disarmament is likely to spread over a considerable amount of time.

In spite of the limited scope of this problem in Sweden it might be useful to present a short survey of some relevant aspects of Swedish labour policy with special emphasis on the task of coping with changes in the labour market. True, this policy has not been drawn up with the disarmament situation particularly in mind. But it could very well be applied also to the redistribution of labour and resources following general disarmament.

The process of adaptation to changing situations in the labour market in Sweden takes place mainly through the following three measures:

1. **Employment exchange**: measures are taken to stimulate the migration of labour from enterprises and areas with shortage of work to areas with shortage of labour.

2. **Adult vocational training** in order to give laid-off labour the knowledge and qualifications required for other type of work.

3. **Employment-creating measures** and measures against cyclical fluctuations in case the labour market is unable to provide sufficient work in order to check unemployment.

A survey of the Swedish Labour Market policy along these lines is to be found in the annex to this reply.

Only the impacts on the labour market are dealt with, because this aspect of the problem seems to be the most important one for Sweden. However, it is also recognized that there will be consequences in other fields too, although probably of a more limited scale.
Certain industries, for instance, devote a smaller or large proportion of their activities to the production of materials for military use. A change in their production will obviously be necessary. This is the case particularly for the industries that produce arms and army vehicles as well as for the ship-building industry. Both of these categories of industries, however, will be able to switch over the military lines of production to other fields. The vital question seems to be not the capacity of the enterprises concerned to change their type of products, but the possibility of finding a market for the new products. An interesting question in this context is to what extent the rising standard of living in the developing countries will create a greater demand for some of these products, for instance automobiles, ships, agricultural machinery etc. Such a development should be accelerated through the resources made available for non-military purposes being used for the benefit of the developing countries.
Annex: Some aspects of Swedish Labour Policy

The most important condition for a successful labour market policy is an effective public employment service. This is true both during widespread unemployment as well as when there is full employment, as the activities of the service must be adapted to changes in economic trends. In recent years labour exchanges in Sweden have had the following volume of business each year: approximately 700,000 employment applications, 1,100,000 vacancies and 900,000 filled vacancies (of which 70,000 were at national level, i.e. through cooperation between two regional offices). During the last few years the Employment Exchange Service has got increasing possibilities of utilizing the available labour resources. Such measures as increased vocational training, retraining and transfer assistance grants now enable the exchange to assist in applying more long-term solutions, to the benefit of the individual and the community as a whole.

In order to carry out an effective labour market policy in every specific case, it is of the greatest importance that the labour market authorities receive advance notice of the dramatic events in the labour market, i.e. discharges and layoffs. In Sweden the Labour Market Board has reached agreements with the largest employer's associations that managements shall report expected discharges and layoffs to the labour market authorities.

The resources of the labour exchange must continually be adjusted to fluctuations in demand for and supply of labour. Labour exchange itself must be movable and ready to engage itself wherever changes occur which require the assistance of the employment service. The permanent organisation of the labour exchange is based on long-term estimates on the staff required. Short-term reinforcements have to be arranged by temporary transfer of employment exchange officers. This transfer, dependent on fluctuations on the labour market, forms a normal integral part of the organisation of the labour exchange. The reinforcement by temporary transfer of officers from areas with a shortage of labour is, in fact, rather common. One advantage accruing from such transfer is that the officers placed in surplus areas have a thorough knowledge of the labour market in the areas with demand for labour.

Geographical mobility has long been facilitated by travel and transfer grants. During and immediately after the Second World War, such travel and transfer grants were all part of the efforts made by the community to acquire labour for sectors of the
labour market of particular importance to the export programme. The same machinery was then used to bring about a transfer of unemployed persons from districts where unemployment was rife - at first in only very few districts, but as unemployment rose in the latter part of 1957, this was gradually extended to the greater part of the country.

By decisions of Parliament and Government, the means for facilitating mobility were gradually increased and improved during the 1950’s. In 1957 the National Labour Market Board published new regulations for removal allowances, which improved the allowances for travel, furniture transportation, and the maintaining of two households during an intermediary period. Further improvements were made in 1960. In 1958 it became possible to extend family allowances to unemployed persons who move from districts where there is unemployment but who cannot immediately find accommodation for their families in the new district. In 1959 the National Board was authorized, in the interest of mobility, to grant starting help (§100) to employees who take up work in another district. In 1962 special installation allowances (maximum §400) were instituted for employees moving from districts with exceptionally high unemployment. These means of facilitating mobility are also important during periods of high economic activity, as access to such means is also needed to meet changes in structure.

In Sweden, as in most industrialized countries, there is a shortage of housing in the areas of the country with expanding industry and a demand for labour. This housing shortage has complicated the levelling between areas with a labour shortage and those with a surplus. Different measures have been tried to overcome this obstacle for the mobility of labour. More than 90 per cent of total housing production in Sweden is supported by Government loans.

Adult training occupies a central place in attempts to create a balanced labour market. A large proportion of those now active on the labour market have not been able to acquire the requisite basic professional skill, owing to the scanty resources of the vocational training schools.

At the same time, the type of labour in demand is continually changing. New specialized occupations arise, and there is a trend towards more technician-type duties, which enhances the difficulty of switching from one job to another without previous training. The problem is by no means new, but has been too much neglected heretofore. With rapid structural and technical changes likely in the future, the question of adult training will probably become increasingly important.
About 29,600 persons took part in courses for adult training in 1962. Further increases are envisaged and the National Labour Market Board had declared as a target for the near future, the figure of 35,600 persons (which would mean some 20,600 places), or 1 per cent of the labour force. But the planning must be carried out in order to make it possible to increase the volume of training facilities in a down trend period.

The allowances for trainees are meant to give sufficient support for the trainee himself and dependent family members. The amount of the allowances depends on the civil status, size of the family and the costs for the dwelling. The allowances are as a rule lower than the average wages for unskilled labour.

The rather favourable allowances have stimulated interest in adult training.

The participation of women in adult training has increased considerably during the past few years. The measures taken and to be taken in order to give married women (previously housebound) training opportunities aim at helping a homeworking woman to overcome her hesitation when re-entering the labour market but also at facilitating her possibilities to obtain work she is interested in and feels capable of combining with her other tasks.

The training supported by the National Labour Market Board is mainly intended for unemployed people but is also open for people on the job, who, according to the labour exchange's opinion, would otherwise be redundant in the near future.

Experience over many years in Sweden has shown that it is difficult to improvise measures against unemployment. This implies above all to measures in the investment sector, but also to the fields of training and retraining. Regardless of whether these measures are short or long term, i.e. whether they are related to seasonal or business fluctuations, they must be prepared for well in advance.

The time aspect is sometimes of decided importance. If unemployment grows deeper and deeper in relocated areas or among obsolete skills and trades and becomes hard-core unemployment, the efforts to solve such employment problems must go on for decades at very high costs both in money and human suffering.

To improvise a new labour market administration and labour market policy on each depression or recession is not possible. The modern society must accept and understand that an effective administration, on local, State, and nationwide levels, solely occupied with labour market questions, is the cheapest and in reality the only productive way to solve the problems.
Employment-creating measures are needed to meet both the general needs during depressions and recessions, and the specific needs relating to persons with handicaps under normal business circumstances.

The Swedish Labour Market policy is in the position to exercise a general influence on the demand for labour. This is done by public works, works financed by investment reserves or central Government orders to the industry. Then the two last mentioned measures are used to any extent probably the Labour Market authorities have proposed to the Government further steps to increase the activity, for instance, extending the scope of public works or housing, or using economic stimuli of general nature.

Public works are used to meet both the needs in a community in connection with severe layoffs or as an anti-seasonal weapon (when, for instance, building, construction, forest or farm workers in some areas get too few jobs) and the needs to employ handicapped persons.

The Labour Market authorities decide when and where public works have to start, discuss and decide with the communities the conditions (how much financial support for various projects) the number of unemployed at the works, etc.

The extent of this activity is best shown by some figures:
1960 400 million kroner or 80 million dollars
1961 254 million kroner or 50 million dollars
1962 356 million kroner or 70 million dollars

In relation, for instance, to the population of the United States (25 times that of Sweden) this would mean:
1960 2000 million dollars
1961 1250 million dollars
1962 1700 million dollars

Regardless of the general economic usefulness of spending funds for public works, the great advantage is that the labour market administration can bring help at once if it is needed and a community will not have too many of the laid-off or seasonally unemployed who remain without jobs.

Previously, public works were predominantly the building and construction sector (roads, ways, highways) and the majority of the works are still in this sector; however, during recent years, great efforts have been made to increase the number of smaller and simpler projects that require a large proportion of manual labour. Such projects are to be found in forest cultivation, construction of forest roads, park work, conservation, cleaning up sea-shores, roadbanks etc.
The National Labour Market Board presents proposals each year to the Government for a Public Investment Reserve covering both central government and state-supported projects that can be started at short notices to combat unemployment. Appropriations for these projects are voted in a General Emergency Budget. Financial powers are delegated annually by the Riksdag so that this budget can be drawn upon in part, if necessary, without further reference to the Riksdag.

Wider measures for creating employment are desirable, both in situations where a more general stimulus is needed and where localized efforts are required. During the recession of 1958-59 certain experiments were made with central government orders to Swedish industry. Experience has shown that central Government orders could prove to be a valuable complement to other measures for creating employment. In situations calling for the labour supply to be increased, the National Labour Market Board has to decide independently within the framework of the budget on the starting of building and construction projects, or extra government orders for industry, or it must apply to the Government for delegation of power to do so. The Board is authorized to operate emergency works.

Emergency works are started when unemployment cannot be combatted by other means, e.g. migration or retraining. The extent and the scope of the emergency works is dependent upon the general economic and labour market situation and on the type of unemployment. The County Labour Boards estimate the current need for emergency works. The board also make a preliminary forecast in May about the demand for the next fiscal year in order to make preparations in time.