

PRIME MINISTER
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I have been asked to give a lecture of modern Norway here today, its social and economic structure and its position in world affairs. I suppose that this is not a part of your everyday curriculum and discussions. It is necessary, therefore, to be well aware of the significant differences between a world power as the United States with its 210 million people and a small country of 4 million in the Northern periphery of Europe. Both countries are highly industrialized. Our living standards rank among the highest in the world. In many respects we have a common background in history, culture and way of life. There is quite a large number of people in the United States of Norwegian heritage, perhaps about the same number as the Norwegian population of today. The family bonds between Americans and Norwegians are numerous and strong. Both societies are based on the representative democracy, with free, general elections among different political parties. We cooperate closely in security policy within the North Atlantic Alliance. In economic matters we meet regularly with other Western industrialized countries in the

Organization for Economic Cooperation and Development at its headquarter in Paris. This is a leading organization in the formulation of common policies among its members for the expansion of world trade, economic progress and stability.

But despite all we have in common there are big differences between us. They are reflected in the two countries' approaches to world matters and internal policies. As a world power, you have engagements and special responsibilities in most parts of the world. You almost automatically get involved in disputes and conflicts between other countries, whether for your own sake you prefer to stay outside or not. Peace and security for my country depend primarily on the situation in Europe and on the further detente between the big powers.

In economic matters, you have a vast home market. You are rich on raw materials, only 15 per cent of your total needs of raw materials are imported from abroad, the bulk of which from friendly industrialized countries. In a relatively few years, your energy programme will meet your own energy needs.

Norway, on the other hand, is strongly dependent on world markets and on supplies from abroad of food, raw materials, equipment and capital goods. We have no production of cars and airplanes. Large parts of our industry produce for foreign customers. In total, almost 50 per cent of our total production of goods and services are exported. Half of our total needs are covered by imports. In the case of the United States

trade with abroad amounts to only about 5 per cent of domestic production.

But it may be claimed that Norway is fairly easy to manage and govern with its small and homogeneous population. Direct contact between the authorities and the people can be established more easily in a small society than in a big one. Ordinarily, important decisions by industrial and business leadership are fairly well known. Producers and industrial groups are very small according to American standards. Reactions among people would be strong against attempts of industrial leaders at playing a personal and dominating role in the economic life. Of greater importance in social and political affairs are the positions of the major social organisations, such as the Trade Union and the central organizations for farmers fishermen, employers and industry. Their views are influential on the formulation of economic policies by the Government and the Storting. But very often we find that the management of the Norwegian economy to a large extent means responding to impulses from the world economic and technological development.

Our industrial history is short and dramatic, like that of the United States. Industrial development started on a broad scale at about the turn of the century, when emigration was about to end. Since then, our society has changed from being mainly a population of farmers, fishermen and artisans to a modern industrial nation. At the time of the large scale emigration, every third adult Norwegian had his occupation in agriculture, forestry and fishing. To-day less than 10 per cent of

the labour force are occupied in these sectors.

In fact, there are less than half as many farmers and fishermen today with a population of 4 million than there were a hundred years ago with a population of 1,8 million. In 1900, a little more than 10 per cent were employed in manufacturing industry, which in fact was composed of small handicrafts. To-day industrial employment amounts to almost one quarter of total employment.

Urban activities and the part of the population living in towns and densely populated areas have steadily increased. Poverty has been replaced by a welfare state. A general social security system ensures a decent living for all individuals. Higher education has come within reach for everybody. The educational system has become our most important field of occupation, employing 65.000 teachers, or more than 4 per cent of our labour force. To-day nearly 10 out of 1000 are students. In my youth the figure was 1 to 1000. Hospitals and health services have a staff of highly qualified personnel of an equal number to that in education.

Norway is one of the smallest industrial states in Europe. At the same time, it is one of the most advanced of the world's industrialized nations. Norway's productive capacity per inhabitant equals that of Germany and France. It is substantially higher than that of the United Kingdom, but lower than that of Sweden or the United States.

Extensive economic relations with the outside world, in particular with Western Europe, have formed the basis for the process of industrial development in Norway. These relations have enabled Norway to develop a large foreign trade and apply modern production technology adapted to the great world markets.

The economic and political strategy prepared by Labour governments in the early post-war period in due course found support in the entire political community in Norway. It may be summarized as follows:

Firstly, there has been broad agreement that Norway should participate in economic cooperation at the international level. This was organized partly under the United Nations, partly in the regional organizations of cooperation in Western Europe. We have believed that such cooperation would provide a safe foundation for economic progress and political stability. The absence of such cooperation during the inter-war years had led to unemployment, distress and political disasters. We have wished to make our own contribution towards shaping and managing the system of mutual economic and political inter-dependence between nations.

Secondly, there has been broad agreement in Norway that economic development and the social well-being of the people should be the responsibility of the political authorities: Consequently, the government should have the means of exerting a general influence on economic activities of the nation. The management of the economy by the government through economic planning of the Western European type has therefore been developed.

Thirdly, in Norway political conditions were ripe for creating more equality between the citizens both of opportunity as well as in terms of human dignity in the social, economic and political spheres. These ideals were in due course transformed into practical policies in a national welfare system.

In certain fields Norway possesses very limited resources capable of satisfying the needs of the population. These refer particularly to food, clothing and textiles, means of transportation and production equipment. In other fields we are, relatively speaking, rich in resources. These refer to hydro-electric power, forestry, certain mineral ores and fisheries, and more recently, the oil and gas found on our continental shelf in the North Sea.

The small population and the limited supply of resources in some fields are the factors which have formed the basis for the Norwegian economy becoming tied to the world economy through trade. Norway has an outward orientated and open economy. People can choose whether they want to buy industrial goods of Norwegian or foreign manufacture. They can spend their vacations abroad or in Norway. As a result of Western European co-operation, Norwegian and other European industrial goods, with few exceptions, have equal access to the markets in this area of the world. We are interested in establishing non-discriminatory treatment on the world markets of goods from all countries. To this end, we are actively engaged in the work within the United Nations and Western European organizations to dismantle trade barriers. We are furthermore as a

leading shipping nation interested in equal opportunity for ships of all nations to carry cargo in international trade.

During the last 25 years, economic integration has proceeded to a depth and to an extent unequalled previously. Today, many industrial branches sell more than half and even up to 100 per cent of their production abroad. This applies to the aluminium, iron and other metallurgical smelting industries, to the pulp and paper industry, fisheries, to the production of fertilizers and some chemical processing plants. At a recent stage in our industrial development, branches which had previously been regarded as traditional domestic industries, have seen a further growth on the basis of export trade. This refers in particular to engineering, to articles of furniture and to textile goods. Almost our entire merchant fleet has traditionally been engaged in carrying foreign produced goods between foreign ports. The fleet now occupies fourth place among the world's shipping nations with a tonnage of about 45 million tons dead weight. It is also regarded to be among the most modern of all national merchant fleets.

Norway's exports of goods and services now amount to almost 50 per cent of the country's total production. About 80 per cent of this foreign trade goes to Western Europe; 2 - 3 per cent to Eastern Europe, 8 - 10 per cent to North America and 8 - 10 per cent to the developing countries.

The establishment of foreign industrial enterprises in Norway played an important role in Norway's industrial development at the beginning of this

century. These concerns are actively engaged in several industrial sectors, such as the metallurgical smelting industry, the electro-technical industry, the pulp and paper industry, oil processing and chemical industry. The work force employed in these partly or wholly foreign owned enterprises amounts to about 8 - 10 per cent of the total manpower employed in industry. These enterprises are integrated into the Norwegian community. They have been established according to special legislation. In recent times they have not played any political role in internal Norwegian matters.

In view of Norway's strong ties with the world economy, it is necessary for us to cooperate with other nations in permanent and well-organized forms in order to solve the problems they have in common. In view of our close ties with Western Europe it has naturally been important for Norway to participate actively in the Western European organizations. Through these organizations we have endeavoured to broaden the relationships between Western Europe and other parts of the world.

Trade questions have been the most important field of co-operation. However, equally important is cyclical policy for the purpose of securing full employment and avoiding economic crises. In this field the Organization of Economic Cooperation and Development with its headquarter in Paris has done pioneer work. All industrial nations of the Western World are members. Member states submit relatively detailed reports on economic policies and prospective developments. The organization

draws up common guidelines on economic policies and may give recommendations to individual countries. This central coordination is essential to enable national economies to work together within the framework of a system based on competition and a market economy. A similar coordination of policies seems increasingly necessary with regard to questions relating to technological development, utilization of resources, problems of pollution and regional imbalances in living standards and industrial development.

The economic system in Norway consists of a mixture of Government economic planning and a decentralized market economy with privately owned enterprises. The activities of Central Government and the self-governing municipalities have steadily increased in scope as more and more community activities come in under public budgets. The public budgets now amount to approximately 25 per cent of the Gross National Product, about evenly divided between Central and Local Government. In addition there are the transfers of income via the social welfare budget allocated to old age pensions, sickness benefits, disability benefits etc. to an amount corresponding to about 15 per cent of the Gross National Product. Total direct and indirect taxation on persons and corporations amount to about 45 per cent of the Gross National Product. This about corresponds to the situation in the other Scandinavian countries, but is somewhat higher than those in the large European industrial states.

Industrial enterprises wholly owned by the State, or where the State has a majority shareholders' interest, are kept separate from the official budgets. They are operated as independent units and employ 15 per cent of the total manpower employed in industry.

Activities in the private sector are governed mainly by fiscal and monetary measures, and by special legislation concerning important sectors of the economy, in particular agriculture and fisheries. The channelling of capital resources is regulated partly by State banks for housing, industry, agriculture, fisheries and a few other state financial institutions. However, the bulk of total lending to the society takes place through private savings and commercial banks. As is the case in other industrial nations, the establishment and operation of private enterprise are regulated by statutes. Within the framework of this general legislation, the privately owned enterprises are independent units, deciding for themselves questions relating to production, investments, sales and prices. General agreements between the Central Trade Union and the Employers' Association ordinarily set the pattern for individual wage agreements and for income settlements for the large groups of wage earners.

As regards agriculture and fisheries special acts of legislation are designed to protect the self-owning farmers' and fishermen's access to the Norwegian market. Various pricing and incomes arrangements are introduced by regular agreements with the Government, with the view to fulfilling the accepted principle of equality of income with industrial workers.

Ever since the latter half of the 1940s Norway has enjoyed an uninterrupted period of stable growth in the volume of production of about 4 - 5 per cent annually. Even in the present world depression there is a relatively satisfactory growth. The growth in foreign trade has been almost twice as fast, except for a setback in exports this year. By and large Norway has followed the growth and development pattern as experienced by the rest of Western Europe.

Economic progress has been accompanied by major structural changes in industry and a transformation of social conditions. Employment in the primary industries (agriculture, forestry and fisheries), today 10 per cent of the total labour force, is less than half of what it was 25 years ago. Manufacturing industry has been responsible for some growth in employment, notably those branches which require highly trained labour and costly technology. However, it is the city-based business enterprises and other service activities connected to industry - such as commerce, communications, education, the health sector - which have provided the greatest number of job opportunities. For this reason a greater proportion of the population has concentrated in the cities. The northern and western regions of the country have shown a net population outflow to the south-eastern parts. This trend may be counteracted by the expanding oil production on the west coast.

Following the primary school, a secondary level youth school has been introduced for the entire population covering altogether 9 years of compulsory education. The number of students in the upper level schools have been doubled in 25 years, while the number

of university students have increased 4 - 5 times. Public expenditure in the educational sector amounts to 6 per cent of the Gross National Product (1970), which is somewhat higher than in the United States and in most of the European industrial nations.

The social welfare system is based on the General National Insurance Scheme established by law and financed by taxation. Together with a number of social welfare measures this is designed to enable all individuals to enjoy a reasonable standard of living, when reaching retirement age or during sickness, unemployment, in cases of disability and in other difficult situations.

Norwegian society faces rich possibilities for its future development. However, the development of these possibilities is conditional upon the preservation of economic and political stability in Europe and a continuation of the policy of detente in this area. On these premises Norway has good prospects of further industrial and social progress. Four issues are of paramount importance in national politics:

The most burning issue concerns the question of getting inflation under better control and ensuring a stable and sustainable improvement in real incomes for the broad groups of wage earners and old persons. This is a problem Norway shares with other industrial countries. The development of an incomes policy is a major task for most governments. The development of prices for raw materials and the shortage of natural resources form parts of the problem of inflation. The success of finding a solution to it depends on

international cooperation.

An issue of long-term nature refers to the exploitation of the petroleum resources off the Norwegian coast. This will require extensive efforts with regard to capital, research and manpower. After some time, during which Norwegian private industry and the state owned oil corporation - Statoil - have gained sufficient experience and operational capacity, all phases of the oil activities may be operated primarily under Norwegian auspices. The extraction and processing of these oil resources give great opportunities for a better material and social well-being of the population. The development of the social sector, health services and educational facilities will be hastened. There will be changes in our industrial pattern and in the composition of employment as between branches. Our balance of payments will show substantial surpluses, justifying increasing capital transfers to developing countries.

A third main issue, which is also related to petroleum activities, concerns the question of the economic development of regions with a weak economic base. The oil resources will be utilized to create a better balance between the various regions of the country. The pivot of industrial development will to a certain degree now shift from the eastern regions to the western and northern regions of the country. A government report submitted to the Storting (Parliament) concerning the development of Northern Norway contains proposals for a number of measures designed to strengthen industry and other economic sectors, develop a proper basis for future petroleum activities in the North,

improve communications and extend the educational, health and social services.

A fourth issue, given high priority on a Labour government's programme, refers to the question of improving the functioning of our democracy. There should be more equality of opportunity and human dignity between people as they take part in different social activities. In industrial enterprises corporate assemblies have been established where the employees are strongly represented. They are intended to play a prominent role in major decisions by the enterprise. The system of corporate assemblies will in due course be extended to comprise all the major economic sectors. In the private banking sector, the Government will study various forms for strengthening a publicly appointed representation on the executive councils of the banks. In the educational system arrangements have been introduced providing students with a greater influence in the decisionmaking process. A new statute has been adopted prohibiting any discriminatory treatment of women in working life and in the community at large. Greater independence will be given to local administrative and political bodies.

All these individual measures must be seen as part of a comprehensive and continuing process aiming at providing the individual with greater and more real opportunities for making her or his own future.