Sweden and the United States

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Chairman Board of Directors

THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK
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An Address by

WINTHROP W. ALDRICH
Chairman Board of Directors

THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK

at a Banquet tendered to

THEIR ROYAL HIGHNESSES
THE CROWN PRINCE AND THE CROWN PRINCESS
OF SWEDEN

under the auspices of the

NEW SWEDEN TERCENTENARY COMMITTEE
OF NEW YORK CITY

at the Waldorf-Astoria Hotel

on Wednesday, July 6th, 1938
Sweden and the United States

Your Royal Highnesses, your Excellency Governor Lehman, your Honor the Mayor, other distinguished guests, Mr. Chairman, Ladies and Gentlemen:

Since the "Kungsholm" entered the Delaware, on June 27th, we have followed with great interest the newspaper accounts of the many festivities which have taken place in connection with the celebration of the New Sweden Tercentenary. It is a source of very great pleasure to everyone that His Royal Highness, the Crown Prince, has recovered from his recent illness and is able to be present tonight. If I may say so, our admiration has gone out to His Royal Highness, Prince Bertil, for the able and very charming manner in which he has represented his country during the absence of his illustrious father.

It is indeed a most happy occasion when two great democratic nations join together to celebrate the anniversary of an event of such profound significance in the development of an entire continent.

Although the small Swedish colony founded on the shores of the Delaware, in 1638, maintained its independence for only seventeen years, the influence of Sweden in this country has been increasingly important for three hundred years.

Sweden herself, although technically neutral during the War of 1776, was decidedly friendly to our cause, and a number of brilliant young Swedish officers participated in the campaigns of the Revolutionary Army.
Sweden was the first of the neutral countries to recognize the independence of the United States, and was the first nation to conclude a commercial treaty with this country. As early as 1783 Benjamin Franklin negotiated a treaty of “peace, amity and commerce” with Sweden, and this treaty, which contains our first statement of “the most favored nation” principle, became a model for subsequent commercial accords.

The colony of New Sweden was formed by a trading company whose primary purpose was to secure for Sweden a share of the West Indian trade. The original colonists came to seek their fortunes in the new world. During the early years, trading between Sweden and the American colonies was difficult and not particularly profitable, but even after the capture of New Sweden by the Dutch, and the subsequent domination of both by the English, trade continued to increase and the struggling colonies received substantial supplies of much needed raw materials from Sweden during the War for Independence.

Swedish Immigrants in America

After the Revolution, immigration to this country from Sweden was practically negligible until about the year 1840. At that time the tide of immigration began to flow more strongly, and it has continued in substantial volume until very recent years. These new immigrants, like their predecessors, came to America for the purpose of creating new homes and achieving a better economic status for themselves and their families. Almost all of them were farmers. They did not remain along the Atlantic seaboard, but moved westward to the rich farmlands of Illinois, Kansas, Wisconsin, Minnesota and the northwest. Many of them worked on the railroads and roads which were at that time being constructed for the purpose of making possible the development of the territory where they wished to live. Some became lumbermen and others went into skilled crafts, such as furniture making and construction, but the great majority continued to be farmers. Minnesota was especially adapted to development by these active and industrious men. It was not unlike Sweden itself in climate and resources, and large numbers of immigrants settled there.

According to the last census there were over one and one-half million first and second generation Swedes in America in 1930. More than half of these lived in the north central states; namely, Illinois, Minnesota, Michigan and Nebraska. Today Chicago, with its suburbs, is the third largest Swedish city in the world, having two hundred thousand Swedes.

It is not surprising, in view of our intimate relations, that American interest in Swedish institutions and the Swedish way of life has always been keen. In recent years this interest has been greatly stimulated by Sweden's rapid and almost spectacular economic recovery from the world-wide depression of 1929.

It has often been said that Sweden is the outstanding example of a socialistic country; of a “controlled capitalism”; of a “planned economy” that works. The question is often asked, if Sweden can “manage” her economy so successfully, why can't the rest of the world do likewise? It is a challenging thought. Volumes have been written on the subject in recent years and these volumes have been avidly read by the American people.

An examination of the facts, however, makes it clear that Sweden's economic life is not nearly so “controlled” nor so “planned” as most of the protagonists of economic management would have us believe. Perhaps after all they have mistaken the shadow for the substance.
Liberty and Individualism in Sweden

The Swede is essentially an individualist, with great vitality and ability to work. He has a highly developed sense of personal rights, a strong respect for law and order, and an innate love of freedom. The Swedes have been a free people for more than two thousand years. Liberty is a necessity for them; they could never be satisfied with anything else.

Gustavus Adolphus, in laying the plans for the founding of New Sweden declared that the colony should be an asylum for the oppressed of all nations; a free state where all should have equal rights and enjoy to the fullest extent possible the fruits of their own labor.

I have mentioned this traditional love of freedom on the part of all Swedish people, because it is a trait which Americans and Swedes have in common. I have also mentioned it because in view of this national characteristic it is almost impossible to believe that the Swedish people would elect to live in a regimented economy where individual effort and thought are thwarted at every turn by authoritarian decrees and governmental “red tape.” A careful analysis of Sweden’s so-called “recovery program” corroborates this view. The high level of industrial activity attained by Sweden in recent years has not been due to governmental economic “management,” but rather it has been due to dynamic economic forces inherent in an expanding industrial economy. It came as the result of favorable world price movements, of expanding foreign trade, of a rising trend of industrial expansion, and above all, of increasing productivity of labor and capital.

Sweden’s Monetary Policy

A fallacy that has wide currency in the United States is the belief that Sweden’s enviable prosperity during the last few years is attributable to her monetary policy. The notion is advanced that Sweden deliberately “went off gold” in order to halt the deflation; that she has successfully stabilized prices; and that as a result the depression has been routed and prosperity recreated. All of these claims are unjustified in the light of actual facts.

In the first place, Sweden did not voluntarily abandon the gold standard; she was forced to suspend gold payments because England did. Swedish bankers tried to secure a stabilization loan in New York just before the krona was severed from its gold base. The loan could not be secured at the time because of the general pressure on the world’s money markets.

In the second place, prices were not “stabilized” by these monetary measures. After Sweden abandoned gold, prices of domestic goods, and goods destined for export, continued to fall. The only prices that rose were those of goods imported from gold-standard countries. The apparent stability of the Riksbank’s index of consumption during this period was due to the rise in the prices of imported goods which offset the fall in domestic prices. It can hardly be claimed that this was an advantage to the Swedish people, as they had to pay more for the goods they bought while they received less for the goods they sold.

Recovery did not become evident until the middle of 1933, when Swedish exports began to increase. The recovery stimulus thus came not from internal monetary management, but from world demand.

Pump-priming and Balanced Budgets

Another misconception prevalent in the United States is that our Government, in recent years, has followed a budgetary policy similar to that of Sweden’s. Swedish
fiscal policy has been cited as proof that government pump-priming is an effective yet innocuous sure-cure for depressions.

As a matter of fact very few Swedish economists make the claim that the budgetary deficits were responsible for turning the business tide. It is generally conceded that extraordinary governmental expenditures for public works did not get under way until 1934; but by that time business recovery had already been initiated by the increased foreign demand for Swedish goods and was forging ahead at a rapid pace.

What is even more significant, however, is that the fiscal philosophy that budgetary deficits are good in themselves was never subscribed to in Sweden. The policy of restricting governmental borrowing to the financing of productive enterprises has been a firmly established tradition. As a result, the Swedish nation has never been burdened with a large public debt incurred for non-productive purposes. When the decision was made, therefore, to allow a budgetary deficit for a few years in order to provide the necessary funds for the alleviation of unemployment, it was only with the determined understanding that the budget would be balanced during the ensuing years of prosperity. The loans were short-term loans. It was provided that the government obligations floated in 1933 and 1934 should be repaid within the next seven years.

Since recovery proceeded faster than had been anticipated, the loans were actually repaid within four years. By 1935 the budget was in balance, and by July 1, 1937, final liquidation of the short-term loans was completed. The total budgetary deficits incurred during the four depression years (the fiscal years ending June 30, 1932 to 1935) amounted to 330 million kronor (or $84,150,000). More than a third of this amount was covered by surpluses that had accumulated during the two preceding years of prosperity. The remainder has been made up out of Treasury surpluses amassed during the three fiscal years 1936 to 1938, inclusive(1). Apparently, the ideal of a balanced budget is still in vogue in Sweden.

Swedish pump-priming has differed in yet another respect from ours. Sweden has a healthy fear of inflation—well remembering the devastating effects of post-war experience with a depreciating currency on her close neighbor, Germany. As a result, Sweden has avoided the dangers of bank credit inflation, which come about when bank credit is created in large quantities for the purchase of long-term government obligations.

Wages, Hours, Prices and Tariffs

In addition, Sweden's public works program was so planned that it did not compete with private industry for skilled labor, nor prevent the lowering of those wage rates which were found to be too high. Wages on public projects were kept slightly below the levels prevailing in the same locality for the same kind of work.

While speaking of wage rates and labor policy, it is significant that in Sweden the advance in wage rates did not outrun the advance in prices. An index of real wages compiled by the International Labor Office, which relates changes in wage rates to changes in the cost of living, indicates that in 1936 (the latest year for which comparable data are available) real wages per hour in Sweden were 7 per cent above their 1929 level. In the same year, in the United States they were 23 per cent above their

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1929 level\(^{(2)}\). May not this disparity have some bearing on the fact that by December of 1937 the index of industrial production in the United States had fallen to a point 30 per cent below its 1929 level, while in Sweden industrial production was 53 per cent above its 1929 average? The relation between these two sets of facts may not be one of cause and effect—but it is hard to believe that the sequence of events was purely coincidental.

It is also of interest to note that in Sweden the prevailing work-week is one of 48 hours. There have been no demands for a 30-hour week, nor even a 40-hour week there. According to one of Sweden's outstanding economists, "the working people understand that a reduction of the working time would seriously reduce the volume of output and hence the capacity of industries to pay high wages."\(^{(3)}\)

Another vitally important factor that has contributed materially to Sweden's recent recovery has been her very moderate tariff system. Since Sweden's exports were in demand and at the same time her imports were varied and obtainable in many places, Sweden could have erected high tariff barriers in order to fortify her industries against the threat of foreign competition without fear of any serious reprisals. But Sweden did not resort to any such short-sighted policy. Realizing that a country must buy in order to sell, Sweden refused to try to palliate her temporary difficulties by trade strangulation.

Partly due to Sweden's devotion to the principles of international exchange, Swedish prices have been much more flexible than they otherwise might have been. Monopoly prices cannot well be maintained in the face of international competition. The co-operative movement has also been an important factor in breaking up cartels and trusts which maintained prices at unjustifiably high levels. And here again we run into another popular American illusion. It is usually thought in this country that the co-operatives in Sweden dominate industry and trade, whereas the truth of the matter is that only approximately 10 per cent of all manufacturing and 20 per cent of retail and wholesale trade are carried on through co-operatives\(^{(4)}\). Furthermore, the co-operatives are not subsidized by the State, but function on a business basis, paying dividends to their shareholder patrons. This marginal competition from the co-operatives serves to keep prices of goods as low as possible, thus passing along to the consumer the benefits of improved technology and managerial efficiency.

**Sound Basis of Swedish Prosperity**

Time does not permit further amplification of this analysis of the probable causes of Sweden's recent outstanding recovery record. Enough has been said, I believe, to substantiate the conclusion that the principles of economic liberalism are still very much alive in Sweden today. Fundamental economic truths have not been disregarded by either labor, or capital, or the Government.

Sweden, in fashioning her recovery program, did not embrace such panaceas as economic nationalism, inflation or curtailment of production—panaceas which history and experience have proven to be but cruel delusions. The basis of Sweden's prosperity has been international trade and ever-increasing national productivity. That is the real lesson in economics taught by the Swedish "experiment."

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\(^{(2)}\) *International Labor Review*, April, 1938, p. 526.
A Homogeneous Population

But there is also an important political lesson. The Swedish Government is free from many of the political difficulties which handicap our Federal Government when it undertakes to deal in an intimate way with the economic life of the people. Sweden is a small country, with a homogeneous population. Sweden has an area (173,000 square miles) a great deal smaller than that of Texas (266,000 square miles) and a little larger than that of California (158,000 square miles). She has a population of 6,200,000, which is just a little larger than that of California (5,825,000 in our 1930 census). With the exception of about 40,000 people, all the inhabitants of Sweden belong to the same race. The people are almost all of one religion. This racial and religious homogeneity means that many of the conflicts which enter American political life do not exist in Sweden. Where the whole population has so much in common, political differences are much more likely to be upon an intellectual rather than upon an emotional level.

Further, half of the people of Sweden are on farms. There are only three cities with a population of more than 100,000, and the largest of these (Stockholm) has only a few more than half a million. The ancestors of the present population of Sweden for generations have lived together, and have shared a common political and social tradition. It is, therefore, possible to have wiser political planning in connection with economic life in Sweden than would be possible in a country less homogeneous.

Moreover, a small state can work out political control of economic life far better than a vast country can. The Swedish Government and the Swedish Riksdag are as intimately acquainted with the problems of the whole country as the Governor and Legislature of an American State would be with the State problems, and very much more intimately acquainted with detailed local needs than the ablest Congress and the ablest Federal Administration could possibly be in the United States.

The three small Scandinavian countries, each sovereign and independent, co-operate for certain purposes. During the Great War, it was understood that they worked in concert to protect their neutrality and their neutral rights. But they represent a superb demonstration of the ability of small states to handle the intimate affairs of their own economic life far better than a great central government can do. I would say that one of the most important lessons which we can draw from Swedish experience is that we must protect the powers of our States, and preserve the limitations on the powers of the Federal Government as provided in our Constitution.

Swedish Contributions to America

But this consideration of the influence of Sweden as a nation upon our current economic and political thought does not help us to evaluate the tremendous contribution which has been made since the founding of New Sweden by men and women of Swedish origin and descent, to the intellectual, spiritual and material development of this nation. To appreciate fully what they have accomplished through the years in moulding the character and upbuilding the prosperity of important sections of our country, would require an intimate knowledge of the lives of hundreds of thousands of hard-working but inconspicuous individuals, which no one could hope to achieve. To obtain some degree of understanding, however, of the importance of the influence of Sweden in the past upon our culture, one may perhaps be permitted to refer to a few outstanding individuals as typical of the rest. It will
hardly be necessary for me to do more than mention the names of these men and women for you to see why this influence has been so disproportionately great in comparison to the small number of Swedes who have come to our shores.

As one looks backward over the intervening years, what an extraordinarily romantic group one finds to choose from! One hardly knows how to select from such a remarkable assemblage. Tonight I think that I will first remind you of that afternoon in 1850, when Jenny Lind, already known to the music lovers of the world as the "Swedish Nightingale," drove from her steamer to the Irving House, while "handkerchiefs waved from balconies and windows, and flowers rained down on her carriage." Even now our imagination can picture that evening a few days later when, at Castle Garden, she received a tremendous ovation and was acclaimed the greatest artist of her time. One would have thought that never again could such an event be repeated, but it was only a few years later that another great Swedish singer, Christina Nilson, received a similar ovation in old Steinway Hall. The impression which these two beautiful and gifted women made upon our public, not only because of their genius, but by reason of their charm, sweetness and generosity, has lasted undiminished to this day. These great artists were simply the beginning of a long series of singers, musicians and actors and actresses of the stage and screen which Sweden has bestowed upon us to the enrichment of our artistic culture.

To illustrate what Swedish-Americans have accomplished in the field of engineering, I would like to say a few words about one of the most dramatic scenes in our history. Our nation was at war, and a great crisis in the war had arrived. It was in the morning of the ninth of March, 1862. One of the most powerful squadrons of ships of war this country had ever assembled was lying in Hampton Roads. Unfortunately these ships of war were built of wood and carried the light and somewhat primitive ordnance which had been in use in all the navies of the world up to that time. The day before, the Confederate ironclad "Virginia," reconstructed from the hull of the old United States frigate "Merrimac" and generally known by the latter name, had come out from Norfolk, and impervious to every attack which could be made upon her had sunk or captured two of our finest ships. The only thing which had saved the remainder of the Federal squadron was the coming of night.

It seemed at the time that nothing could prevent the destruction then and there of the sea power of the North. But you all know the story. When the "Merrimac" left her anchorage that morning and approached the Federal ships, there advanced to meet her, from behind the wooden men-of-war, that diminutive "cheesebox on a raft" which had arrived from New York the night before, the Federal ironclad "Monitor." There ensued that encounter which was destined to save control of the seas for the United States Navy, and to change the entire course of naval history. The design of that ship, the revolving turret which carried her guns, the raft-like structure which bore it, and the screw propeller which drove her, were the creations of the genius of a Swedish engineer, John Ericsson, and the new type of heavy guns she carried, which so shattered the armor of the "Merrimac" that she was obliged to withdraw, was designed by another great engineer of Swedish descent, Admiral John Dahlgren of the United States Navy. Other engineers and inventors of Swedish descent have made great contributions to the economic and industrial development of this country. For example, DeLaval and the brothers...
Ljungström, of the steam turbine, and Dalen of the automatic beacon, but I do not think it is too much to say that the work of Ericsson and Dahlgren, that morning on the calm waters of Hampton Roads, saved the Union.

Another of the great contributions which have been made to us by the Swedes is in connection with the development of our merchant marine. All of us, especially those who have engaged in the sport of yacht racing, know what splendid sailors the Swedes are, but there is one man who, to my mind, exemplifies better than anyone else these fine qualities of seamanship. In the fall of 1926 the British freighter “Antinoe” was lying disabled in one of the worst gales the North Atlantic has seen in a generation. Her SOS was answered by the “President Roosevelt” of the United States Lines. On her bridge stood an American seaman of Swedish descent, named Captain George Fried. For three days and nights the “President Roosevelt” stood by the “Antinoe,” while her captain used every device known to seamanship to rescue the crew of the freighter. Again and again the “Antinoe” was lost sight of in the mountainous seas and driving rain, and in the darkness of night, and again and again Captain Fried, with inexhaustible skill and tenacity, picked her up. At last the gale abated sufficiently for a boat to be launched and the crew of twenty-five was taken off the sinking vessel.

Captain Fried was given command of a larger ship, the “America,” and only three months later he was again the hero of perhaps the most brilliant rescue ever made at sea. In the midst of a full gale the “America” answered the SOS of the Italian freighter “Florida.” When the “America” arrived on the scene the “Florida” was in a sinking condition and darkness was about to fall, but through his skill in maneuvering his ship Captain Fried was able to get a boat away which reached the “Florida” and brought back her entire crew of thirty-two before the “Florida” went down. You will remember that on his arrival in New York Captain Fried was presented with a gold medal by the Mayor at City Hall.

I will mention only one other great American of Swedish descent. He is in himself the embodiment of all the virtues which the Swedes have brought to us. The scientific and inventive mind, that indefinable quality which has been referred to as “imaginative realism,” the technical and practical skill, the courage, fortitude and tenacity, and the modesty which is characteristic of the race, are all found in him. I refer, of course, to Colonel Charles A. Lindbergh, whose career, I believe, has kindled the imagination of the American people more than that of any other man of our time.

I could speak to you of other soldiers, sailors, doctors, lawyers, writers and educators almost without number, but there come to my mind the words of the Apostle Paul, in the eleventh chapter of the Epistle to the Hebrews, and with these words I will bring to a close an address which has already become too long. After enumerating the fruits of faith in the old time the Apostle says:

“And what shall I more say? for the time would fail me to tell of Gedeon, and of Barak, and of Samson, and of Jephthae; of David also, and Samuel, and of the prophets:

“Who through faith subdued kingdoms, wrought righteousness, obtained promises, stopped the mouths of lions,

“Quenched the violence of fire, escaped the edge of the sword, out of weakness were made strong, waxed valiant in fight, turned to flight the armies of the aliens.”