

# Press Release

---

29 NOVEMBER NO. 79

## Basic industry – High tech that lasts

Deputy Governor Villy Bergström will hold a speech at Tomasmässan in Falun tomorrow on the development of basic industry over the past 100 years.

“During the latter half of the 1990s, one often heard talk in the debate on the ‘new economy’ that the industrial society had served its purpose and that traditional industry would go the same way as agriculture once did. Basic industry has certainly declined in importance over the past decades, particularly with regard to employment, but it is still essential to the Swedish economy.”, observes Mr Bergström.

“While the rise and fall of the IT and telecommunications sector has dominated the debate, an industrial evolution has long been under way in industry as a whole. It is a well-known fact that productivity can increase in two different ways. The first is that productivity can increase within existing companies. These changes can be due, for instance, to the introduction of new technology or to organisational changes. The second way is for productivity to increase through a process where companies that are less productive are pushed out by new companies that are more productive and that already existing companies with high productivity grow larger - market selection. For instance, the pulp and paper industry had an average increase in productivity of 5.2 per cent during the period 1990-1998. This increase has largely been generated by continuous improvement within the companies in the industry. During the same period the telecommunications industry had an average increase in productivity of 9.2 per cent but here newly-started companies account for approximately two-thirds of the increase, while the internal contribution from existing companies was rather more modest. Thus, in the telecommunications industry, units with low productivity have been rapidly closed down in favour of growth in highly productive units.”, observes Villy Bergström.

“The fact is, that it is within industries outside of the IT sector that a large part of the profits from the new technology have been reaped and will be reaped. The explanation as to why basic industry is still relatively important today and has succeeded in surviving the many and prolonged crises over the course of the years is probably that the owners and management of the industries have ensured that the companies rapidly assimilate new technology and have constantly sought to

SVERIGES RIKSBANK

---

Telefon  
08-787 00 00

Telefax  
08 - 21 05 31

E-post  
registratorn@riksbank.se

Internet  
<http://www.riksbank.se>

refine and niche their operations. They have quickly substituted capital for work.”, says Mr Bergström.

“Access to raw materials, cheap energy, a tax system that partially favours capital-intensive industries, an early internationalisation and, last but not least, an ability to rapidly assimilate and utilise new technology have meant that basic industry still plays an important role in the Swedish economy. Crises come and go and in their wake come structural transformations. I do not believe that the industrial society is worn out, even if basic industry has declined in significance. I see no reason why basic industry could not survive a further 100 years, as long as it remains equally successful in assimilating new technology and increasing productivity as it has been during the past 100 years; the natural conditions have not changed.”, concludes Villy Bergström.