

The More Things Change the More they Stay the Same? Swedish Social Policy After the Center-Right Electoral Victory in the 2006 elections

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Introduction

After the convincing center-right electoral victory in the 2006 elections, one might expect that social democratic hegemony in the country might be coming to an end and with it the “Swedish model” of generous, universalist welfare policies. Even though the Social Democrats have their poorest electoral performance since universal suffrage, pulling only 34.6% of the vote,¹ one could easily argue that the election signified a victory for social democratic hegemony! In general, Swedish political scientists and political commentators are generally in agreement that the Social Democrats did not lose the elections because the voters turned against traditional social democratic welfare policies, but rather the voters perceived that the Social Democrats had neglected traditional welfare policies like full employment. Instead, the Conservatives (known in Sweden literally as the “Moderate Meeting Party”) moved away from their previous market-liberal policies, repackaged themselves as “New Moderates” and claimed to be the new workers’ party!

Economic and Political Developments Leading to the Center-Right Victory in 2006

During the 1980s the had Moderates became inspired by Thatcher and Reagan and began talking about a systemic shift and when they came to power in 1991 in a center-right coalition, their leader Carl Bildt criticized the previous social democratic slogan of a “third way” and instead claimed there was only “one way,” which was market liberalism. Even the Social Democrats had let themselves be inspired by market liberalism, so they introduce a tax reform, which they had worked out together with the liberal party, the People’s Party. Both parties had claimed that by lowering taxes they would create more jobs, and they did create many more jobs for one profession: employment counsellors at the employment agency! Unemployment rapidly increased from 1.1% to well over 8% which had paved the way for the center-right victory. However, unemployment remained high as did the budget deficit, when had gone from being a budget surplus before the reform to being the second highest deficit in Europe after Greece.²

When the center-right coalition failed to bring the economy in balance, the social democrats easily won the 1994 elections with the support of the Leftist and Environmental parties. By this time market-liberalism had become completely discredited among the social democratic leadership, which instead focused on bringing the economy back into balance by such means as raising indirect taxes, privatizing some portions of state firms, and cutting back on services. As I have argued previously in this journal, these measures did amount to some amount of retrenchment, although the system of social benefits remained basically unchanged and support for family policy actually increased.

The social democratic governments succeeded in bringing the economy back in balance, as the budget has been in surplus every year since 1998 except for 2003

and 2004.³ Meanwhile, inflation has been rather low ranging from -0.2% in 1998 to 2.4% in 2002, and averaging 1.2% for the last 10 years. In fact, when the center-right coalition had come to power in 2006, the inflation rate during the previous 9 years of social democratic had been only slightly above 1.1%.⁴

Not only did the Social Democrats bring inflation and the budget under control, they also presided over rather high growth rates. From 1999-2006 the economy grew by an extremely high average of 3.3%, including an impressive 4.1% during the election year in 2006.⁵

The Achilles heel for the Social Democrats has been unemployment. The traditional Swedish Model gave the highest premium to low unemployment and a high level of employment. At the end of 1990 unemployment was 1.6% and over 80% of the population from 16-64 was employed.⁶ By 1997 the percentage of the adult population in employment had dropped to 70.7%, and although it went up to 75.3% in 2001, it declined again to 73.4% by 2004. Concerning unemployment, after reaching a high of 8.2% in 1993, it went down to 4% by 2002 before increasing again to 5.5% in 2004. Unemployment continued to rise and by July, 2006, two months before the elections, unemployment was at 6%.⁷ Even though the trends were starting to turn and unemployment had started to decline, 6% unemployment was an unacceptably high level for most of the population and the high level allowed the center-right parties to steal the unemployment issue from the leftwing parties.

So despite the lingering problems of unemployment, which varied between 4-6% during recent years, successive social democratic governments had succeeded in bringing the economy in balance, which took the steam out of market-liberalism in the country and the “only way” policy of the Moderate Party became increasingly less enticing for voters. The last straw for the Moderates came in the 2002 electoral debacle, when their votes plummeted to 15.3%, compared to their height of 21.9% in the 1991 elections. Shortly after the elections, the party leader resigned and a new generation of young, pragmatic centrists assumed control over the party, similar to the manner in which a new pragmatic generation of Labourites took control over the Labour Party in the UK. Modelling themselves after Blair’s conception of New Labour, they baptized the party to “the New Moderates.” Just as the Blairites concluded that they had to give up socialism and the idea of state-owned industry in order to win elections, the New Moderates concluded they had to give up the idea of a “system shift” and admit that after decades of social democratic dominance and hegemony, they could never convince the electorate to give up the welfare state.⁸

Thus, the New Moderates gave up their opposition to some of the main pillars of the Swedish labor market model. They announced that they no longer want to close down the National Labor Council, which is responsible for implementing the active labor market policy (for example, job re-training projects and running the public employment agencies). In addition, they decided to no longer try to loosen up the rules on job security (LAS), which regulate such issues as a demand that those, who have worked the longest at a firm, must be laid off last, etc.⁹ Rather than promoting radical tax breaks that could not be easily financed, the party claimed to be a new workers’ party and therefore wanted to limit the tax breaks to low-income workers.¹⁰

Along with the previous problem of the Moderates been seen as a dogmatic party that had no ideas other than to cut taxes, the center-right had also suffered from an inability to rule successfully together. When a three-party coalition unseated the Social Democrats in 1976 for the first time since 1932, the coalition was unable to last the entire mandate period, as the prime minister resigned over the issue of nuclear power. Even though the center-right won the next elections in 1979, the coalition

government again collapsed – this time over the issue of taxes. When the electorate finally decided to give the center-right another chance in 1991, the coalition managed to stay together during the entire period, despite the fact that it had increased to four parties, as the Christian Democrats had entered parliament. The price for keeping the coalition together, however, was the decision to allow each party push through some of its main programmatic points, which often led to contradictory policies and prevented the budget deficit from coming under control.

In order to gain voter confidence, the center-right parties decided in 2004 to build an alliance. They put together working groups to work out coherent policies, so that the four parties could stand the elections with a common basic platform.¹¹ Consequently, they gave the voters the impression that they were ready to take responsibility.

Just when the right seemed more united than ever, the left seemed more disunited than ever. Traditionally, the Social Democrats completely dominated the left and although they rarely received their own majority, they usually obtained around 45% of the vote. This allowed them to basically rule as if they had their own majority, as they knew the Communists would not take responsibility for bringing down a “workers” government. As long as the Communists were small and communist, the Social Democrats did not have to take them seriously. Meanwhile, the communists were quite aware that they were always in danger of falling under the 4% minimum required to come into parliament and that many of their votes came from social democratic sympathizers, who only voted for them for tactical reasons: either to keep pressure on the Social Democrats from the left or because they feared that if the Communists received slightly less than 4% and failed to enter parliament, then the rightist parties could form a majority in parliament even if the leftist parties received the majority of votes. Thus, the term “comrade 4%” arose to denote these social democratic supporters. The Communists were well aware that these “comrades” would quickly abandon them if they voted against social democratic proposals in parliament.

In the 1990s the political calculations began to change for the Social Democrats. The Communists changed their official name from the Left Communist Party to the Left Party. Their new leader, Gudrun Schyman quickly proved to be one of the most gifted speakers in the country and clearly the best debater of any party leader. Under her leadership the party succeeded in giving the image of being a modern party of the democratic left, which focused on “post-modern” issues, such as feminism and the environment. She also succeeded in bringing reformers into top leadership posts. Consequently, the party increased its support from its previous average of around 5% to 12% in the 1998 elections.¹² Even though it fell to 8.4% in the 2002 elections, it still was strong enough to force the Social Democratic government to enter serious negotiations with it in order to gain passage of its proposals in parliament.

Not only did the Left Party make a dent in the Social Democrats’ monopoly of the center-left, the party also began to face competition from the Environmental Party, which has made it into parliament during every election since 1988 with the exception of the 1991-1994 period. Consequently, after receiving 45.3% of the votes in the 1994 elections, the Social Democrats plummeted to 36.4% in 1998 and 39.9% in 2002.¹³ As a result, rather than being able to bully a small communist party as in the past, the Social Democrats were now forced to seriously negotiate with two center-left parties in order to maintain power.

The relationship between the three parties grew uneasy. The Social Democrats were not used to sharing power. The Environmental Party accepted its role as a support party from 1998-2002 to show that it is capable of taking responsibility, but during the 2002 electoral campaign it demanded that it receive cabinet seats in return for supporting the government. It could rightfully point out that in neighboring countries, such as in Germany, Finland and France, green parties have ruled together with social democratic or socialist parties, so there was no reason why Sweden should be an exception. A crisis arose after the 2002 elections with the Social Democratic leader, Göran Persson, refused to give the Environmentalist Party cabinet posts, so the Environmentalists began negotiations with the center-right. Once these negotiations broke down, the Environmentalists were forced to support a Social Democratic government, but the results were unsatisfactory for all sides. The Social Democrats seemed arrogant and power-hungry, while the Environmentalists seemed weak for giving in and the Leftist Party seemed even weaker as well as toothless compared to the Environmentalists, as the Leftist Party did not even demand any cabinet seats.

Even though Persson succeeded in forming a pure Social Democratic government, he seemed to realize that in the future he would need to include the Environmentalists in his government. In fact, despite his original bitterness that the Environmentalists had negotiated with the center-right, he appeared to like the new green leadership duo, which had become more pragmatic and result oriented than previous green leaders.

However, two problems remained. First, the Leftist Party suddenly became much less palatable as its leader, Gudran Schyman stepped down amidst personal scandals. Her replacement, Lars Ohly, not only lacked her charisma and communicative skills, he also reversed the party's modernizing image, calling himself a "communist." The party congress purged the reform wing from the leadership as more orthodox cadres came to the fore. Even though the more orthodox leadership probably more truly represented the membership base than the Schyman leadership, it made the party definitely less popular among the voters and less acceptable to the social democratic leadership. Persson was weary about offering cabinet posts to the radicalized party. Yet, even though Ohly often proclaims that influencing policies is more important for him than receiving cabinet posts, it would have been difficult for Persson to offer ministries to the Environmental Party while simultaneously excluding the Leftist Party.

The second problem is that even if the Environmentalists could rightly argue that green parties were sitting in government coalitions in Finland, France and Germany, in these countries the greens do not oppose the EU. In fact, in Germany, the Green Party leader and Foreign Minister, Joschka Fischer, even suggested that the EU become more powerful and evolve into a federation – which was heresy for the Eurosceptic Swedish Environmental Party. Persson often turned to the center and rightist parties for support on issues concerning the EU and the military and he feared that it would be difficult to govern with two anti-EU parties with a pacifistic orientation in the government.

Consequently, Persson refused to say what kind of government he would try to form if the center-left won the elections. He wanted to keep all options open, including a coalition with center-right parties, although he knew that they would refuse. The roles were now definitely reversed. Whereas voters had traditionally chosen between a strong social democratic government and an unstable, divided center-right opposition, now they had to choose between a united center-right and an uncertain, divided left.

Perhaps because it was becoming more difficult to govern in a period in which the Social Democrats needed to actively cultivate the support of two other parties, Persson appeared to grow tired of ruling and seemed to be looking for a way to retreat from politics. Rumors spread that he wanted to retire and hand over the reins to Foreign Minister Anna Lindh. Such a move would have probably rejuvenated the party, since she was widely perceived as the most talented politician of the younger generation of politicians. She was extremely intelligent and articulated and used her skills as a lawyer to give well-balanced explanations. Even the center-right politicians openly showed their great respect for her as a foreign minister that was well acquainted with international law. Tragically, she was murdered in the fall of 2003 and Persson no longer had a given leader, to whom he could pass the baton.¹⁴

This worn out leader, who felt forced to stay on and campaign without being able to explain to the electorate what parties he wanted to rule with, faced yet another problem: the populace was greatly dissatisfied with the manner in which the government dealt with the Tsunami, which had killed many Swedes in Thailand on December 26, 2004. Not only did he and his fellow ministers appear arrogant in refusing to take responsibility for their inaction during the first days of the disaster, the Social Democrats also lost their argument that they were the most capable party for managing the state.

Thus, many political factors contributed to the Social Democrats electoral loss. They faced a united opposition, while the left remained divided. The Moderate Party gave up its market liberalism and embraced the welfare state, claiming to be a new worker's party and arguing that by giving highest priority to fighting unemployment, they were taking over traditional social democratic policy priorities, which Persson had abandoned. Meanwhile, Persson had grown tired of ruling and his heir apparent had been murdered, which had prevented him from stepping down. Finally, the government had lost the confidence of many voters by the way it handled the Tsunami catastrophe. What is important for our present analysis is that *none* of the main reasons for the defeat of the Social Democrats indicate that support for the country's generous welfare policies were declining. In fact, a recent survey shows that 80% of the population thinks the municipal and regional governments should increase the quality of childcare, while only 15% think that taxes should be lowered instead. Furthermore, 93% believe that the local governments should increase care for the elderly, while only 5% favor lowering taxes. Similarly, 91% prefer increasing the quality of healthcare rather than lowering taxes.¹⁵ Given this situation, it is not so surprising that shortly after coming to power, support for the center-right parties almost immediately crashed. By January, 2007, four months after the elections, a Synovate survey showed the left block led by 7.4% and its latest survey from April, 2008, shows the left block leading by over 16%, which would be a record high victory.¹⁶

What can a new center-right coalition do when it wins the election without a mandate to make any basic changes? As already shown, the alliance did not win because the voters want lower taxes and cutbacks in the public sector. On the contrary, they prefer greater investment in public services rather than tax cuts and they voted for the alliance, because they took over the traditional social democratic focus on job creation. Their electoral victory opened the doors to some adjustments but not radical changes. Below, I will discuss these adjustments in the fields of labor market and tax policies, healthcare, pensions and family policies.

Labor and Tax Policies

As already noted, the largest non-socialist party, the Moderates, won the elections partially by claiming to be a new worker's party and made fighting unemployment a high priority. Thus, the Moderate Party Finance Minister, Anders Borg, promptly introduced some measures which he hoped would increase employment. This included a modest tax cut, which he hoped would encourage low-income people to work. The degree of tax-cut ranged from 1,241 and 3,066 Swedish crowns per month depending on one's monthly earned income. In practice, this amounts to a cut of 6.5% for those earning under 100,000 Swedish crowns a year and 2.9% for those earning 500,000 crowns a year.¹⁷ In October 2007, the government proposed increasing the tax cut another 550 -1,200 crowns per month¹⁸ (approximately 190-420 zloty per month). In reality, households gained little from these tax cuts as other measures lowered their incomes. This included increasing the fee for unemployment insurance and taking away the possibility of writing off this fee from one's income taxes. A report from the association of municipalities showed that in a "normal" municipal household, where the man works as a machinist and the woman as an assistant nurse, the couple together would only save 484 crowns per month¹⁹ (about 170 Zloty).

This practice of giving with one hand and taking with the other is even clearer on the issue of property taxes. This tax is among the favorite for economists and most hated among voters. Economists like property taxes because it is almost impossible to move property out of the country when taxes are raised, while it is relatively easy for enterprises to move their headquarters to a new country and investors to sell Swedish stocks and exchange them for foreign stocks, or for wealthy individuals to leave the country if the government raises income taxes. Meanwhile, voters often consider property taxes to be intuitively unfair, since they feel don't understand why they should be "punished" for owning something. To make matters worse, horror stories abound in the popular media of retired couples who must sell their house because they cannot afford to pay the property tax. Thus, the vow to eliminate property taxes could have potentially made the government very popular in a country in which the majority of the population owns their own home or apartment.

However, the government lost its great opportunity, because it simply turned the tax into a municipal tax; and while it did lower the percentage rate of the tax, it also removed the popular profit deferment. Previously, when one sold one's own living quarters (a house or apartment), one did not have to pay any tax on the profit if one bought a new living quarter. Theoretically, one might not ever have to pay the profit tax if one dies in a place that one owns. One only had to pay the profit tax when one eventually sold one's living quarters and moved to a rented accommodation. The alliance government decided eventually to leave the deferment, but it also levied a 0.5% interest on this profit amount, which could add up to a lot of money over the years. In addition, after first lowering the property tax, the government has raised the value assessment of about 11% of all homes for the upcoming year. Finally, it actually increased the profit tax from 20% to 22%, although he backed down from its original intentions of increasing the tax to 25-30%.²⁰ Consequently, a recent survey shows that only 26.1% of the population thinks that the property tax has changed for the better.²¹

Another measure that the alliance coalition has undertaken is to lower the unemployment benefits to put more pressure on unemployed persons to find jobs. Now one cannot receive benefits for more than 450 days if one has children under 18 or 3000 days for everyone else. In addition although the benefit level remains 80% for the first 200 days, it declines to 70%. When the period of benefits ends, a new

program called “job guarantee” goes into effect, in which one receives 65% of one’s income. Even though these changes imply worsened conditions, unemployment benefit levels are still very generous by international standards. The greatest change is not really in the percentage level of payments, but rather in the income ceiling. The maximum level one can receive has decreased now from over 900 crowns to 680 crowns. The main economist of the blue-collar union LO, notes that only those who earn up to 16,000 crowns a month will receive the full 80% of their salary. He calculates further that soon only one in ten employees will receive 80% of their salary if they become unemployed, since everyone else will earn more than the ceiling.²² By lowering the ceiling, middle-class support for the welfare state might potentially decrease, as the middle-class no longer believes it benefits from the country’s social policies.

Even if this lower ceiling can cause problems for a large portion of the population, the advantage of lowering the ceiling rather than lowering the percentage of income compensation is that it is generally easier to raise the ceiling than the percentage of compensation. Thus, we can be rather certain that a new left-leaning government would raise the ceiling once again.

While the change in unemployment compensation is relatively problematic for supporters of universal welfare policies, because it threatens to decrease support for the welfare state among middle-class employees, other measures to increase employment could have easily come from a center-left government. For example, the alliance has proposed a law that allows employees, who have been sick for more than three months to go on leave for up to nine months to look for another job, which would suit them better given their needs to rehabilitate their bodies.²³

Another new program is a job and development guaranty for those, who have either received unemployment benefits for more than 300 days or those who have not received unemployment benefits and have been without a job for 18 months in a row. In the first phase, the counselors at the employment agency pay special attention to the particular case and investigate the candidate’s conditions in more detail and work out a plan. Before 150 days have gone by the counselors must have arranged an internship or job-training course for the candidate.²⁴ Although it is too early to evaluate this reform, a recent report shows that so far 10,200 people have received jobs since participating in this program.²⁵

The alliance has also proposed lower social insurance fees for employers of youth under 25 as well as tax deductions for purchasing household services.²⁶ This last measure is controversial within the Swedish context, because the leftist parties (Social Democrats and Left Party) claim that such measures will increase class differences, as middle class families hire uneducated women to clean their homes rather than clean their homes themselves and rather than train these women so that they could get more qualified jobs. Despite the symbolic problems that many left-leaning Swedes have with the issue, one could just as well argue from a leftist position that it is better if, for example, illiterate immigrants from “third-world” country, who are already in their fifties are unlikely to suddenly be able to become educated for highly qualified jobs and for them it is much better to come into the labor market as cleaning ladies than to stay at home and receive welfare benefits.

It is difficult to judge how well these new policies have worked so far. Besides the fact that too little time has passed to be able to evaluate the effects of these changes, another problem is that the government has changed the manner in which it calculates unemployment and the percentage of the population in employment. It now follows EU guidelines in also defining students, who are looking for jobs as

unemployment, which has increased the official unemployment level. In addition, by cutting down the number of job-retraining places, the number of openly unemployed increased without necessarily increasing the percentage of those without jobs. Finally, although it appears that the situation on the job market has improved, it was already improving several months before the alliance won the election, so it is likely the situation would have continued to improve even if the Social Democrats had won the election.

Healthcare Reform

The main initiative concerning healthcare is that the center-right government has opened the opportunities for the county governments to pay private doctors and hospitals to carry out tasks for them. Moreover, it took away a law that forbids healthcare organizations to make a profit. Their rationale is that a private hospital or healthcare unit might not get enough orders from the state, so it would work at undercapacity.²⁷ This reform does raise the possibility that wealthy individuals will be able to get immediate treatment by paying full costs, while others must wait. In such a case a risk rises that the upper income groups will no longer be willing to pay taxes for healthcare, since they are paying for private care anyway, while at the same time, the less well off will become resentful that they are given lower priority.

Consequently, a risk exists that the solidarity around the system will decline. Nevertheless, all citizens will still have the right to high quality, publicly financed healthcare, whether or not the care is carried out at publicly or privately run clinics.

Another governmental initiative concerns a four-step plan to lower lines for receiving care.²⁸ The first step was to demand that all health centers report on how long the waiting line is for various illnesses. The next step was to strengthen the healthcare guarantee for the Stockholm area, so that everyone is guaranteed that they never have to wait more than 5 days to see their doctor or 30 days to meet a specialist. Moreover, the government extended this guarantee to include psychiatric help. Third, the government increased support for healthcare in Stockholm's county by 250 million crowns (about 87.5 million Zloty) in order to pay for extra staff members so that the lines can decrease. Finally, in the year 2009 patients for some kinds of operations, such as hip, knee and cataract, will be able to freely choose any clinic in the country. If they choose a clinic outside of their county, then the state support for their treatment will follow them and the county government will lose the money they would have received for that patient. The alliance hopes this will give county governments an economic incentive to eliminate lines. Whereas the decision to allow county governments to use private clinics puts greater pressure on the "Swedish" universalist model, the steps to eliminate waiting time for treatment would only strengthen the Swedish model if they succeed in decreasing waiting times.

Pension Reform

In the area of pensions, the center-right parties together with the Social Democrats carried out a reform in the early 1990s. In the previous system, everyone knew what their pensions would be, as it was 65% of their previous income, with their 10 best years (adjusted for inflation) being the base. Under that system, one only had to work 30 years to receive the entire pension. With some modifications, the reform kept the basic "people's pension" which guarantees a lump sum to everyone regardless of income, but it radically changed the second tier as it is now dependent on total earned income of one's entire life. In addition, the calculations for this part of the pension are much more complicated, as it is based on a formula that includes a modified wage

index that includes inflation rates. Furthermore, an additional 2.5% of one's pension-carrying income goes to an individual investment account. Individuals choose among competing private pension funds, but if they do not choose any private fund, then the money automatically goes into the state-administered fund. Economists claimed the new system would be more efficient and self-financing and politicians denied that pensions would decrease. Outside observers often believed this and did not classify the reform as retrenchment.²⁹ However, it was clear that the real purpose of the reform was to save money and the previous Swedish Social Democratic Prime Minister later admitted that the politicians knew that the reform would cause average pensions to decline.

An interesting development in this pension reform is that few Swedes seem to be enthusiastic about the liberal economists' talks of "freedom of choice." Originally, only around half of all Swedish adults actively chose private pension funds and since then only around one in ten new adults have chosen private funds.³⁰ Thus, it is likely that the private pension funds will run into economic problems in the future, as the state funds crowd them out. Interestingly, so far the state funds seem to be a better investment than the private funds, not the least because they take much lower administrative fees, which are as little as 1/13 as much as private funds.³¹

The governing alliance has also worsened the conditions for early retirement by reducing the pension for early retirees, in order to encourage people to work longer. If somebody today between 55-60 goes into retirement, they can lose 500 crowns a month (about 175 zloty), while younger people who will eventually choose early retirement stand to lose as much as 2000 crowns a month (about 700 zloty) from the reform.³²

As a result of these pension reforms, a recent study shows that two out of five Swedes are worried about their future pensions,³³ which shows that the market reform took away the sense of security that Swedes once had, which in turn makes them more pessimistic about their future.

Family Policies

The cornerstone of Swedish family policy is what Sainsbury calls the "individual earner-carer" model in which both parents are expected to care for their children and to be economically independent of their spouses.³⁴ In the Swedish discourse all parties have basically agreed that it is extremely important to encourage fathers to share more equally in raising their children. Not only do such measures enable women to compete more equally with men, which makes the economy work more efficiently, politicians from all parties agree that the children benefit from spending more time with their fathers. Even though Sweden has one of the highest rates of parental leaves taken by men (around 20% in 2005), this is still well below 50%. Consequently, the current center-right government has proposed to give special tax cuts to families that share the parental leave rather equally. A recent government report argues that "an increase in equality can contribute to more secure family relations for children as well as creating more equal opportunities for women and men to have careers."³⁵

A recent scientific study seems to confer these assumptions.³⁶ This longitudinal study of Swedish families based on the national statistical data base, which includes all people legally living in Sweden, shows that couples are more likely to stay together if fathers share in the child leaves, while they are more likely to break-up (if living together) or divorce (if married) when the fathers do not take any parental leave.

Nevertheless, the Christian Democrats have pushed through one of their key demands for having a childcaring benefit for children between the ages of 1-3. Parents who do not send their children to publicly financed childcare receive 3,000 Swedish crowns per month (around 1055 zloty) tax free. They can use the money either to stay at home themselves or to hire somebody privately to take care of the children.³⁷ The municipal governments will pay the benefits and administer the program.³⁸ So far only around one-fifth of the municipalities have agreed to introduce this benefit, which will begin July 1, 2008.³⁹ Thus, not many families will be able to utilize this benefit. In addition, the level of payment is so low that not many families are likely to utilize it and those who will, will probably only utilize it for a few months. Moreover, the Social Democrats claim that the Christian Democrats introduced this measure to try to encourage women to become housewives.⁴⁰ Thus, they have vowed that they will promptly cancel the program, just as they did after winning the 1994 elections. Thus, unless the alliance government radically increases its support among the electorate, this benefit will probably cease to exist by the end of the year 2010.

In order to appease the liberal People's Party, the government had to counterbalance the childcaring benefit by providing an "equality bonus." The parent who has stayed at home receiving parental leave payments for the most days during a given year receives a 100 crown per day bonus for every day in which the other parent stays at home. The two months that are reserved for each parent are excluded from these calculations. Thus, the more equal the two parents share the parental leave time, the higher will be their bonus. The highest bonus is paid for the cases in which the leave time is shared exactly equally (in which case technically the bonus is paid to the youngest parent).⁴¹ In contrast to the childcaring bonus, the Social Democrats are likely to keep the equality bonus, since it goes in the same general direction of their policies to encourage increased gender equality.⁴²

Another reform that the Social Democrats are likely to keep is the more to increase the emphasis on pedagogy for pre-school children. The governing alliance has proposed to reinstate the special educational training for pre-school teachers that disappeared in 2001 and to increase the emphasis on early-child pedagogy.⁴³ Actually, this also goes in line with recent trends to emphasize more pedagogy for pre-school children. The previous Social Democratic governments had already moved pre-schools from the Ministry of Social Affairs to the Ministry of Education. In 1997 they had also began to require preschools to submit curriculums to the ministry. They also changed the official name of this institution from "daycare centers" (*daghem*) to "pre-schools" (*förskolor*) and allowed grammar schools to offer the last year of pre-school at the regular grammar school for children from grades 1-5.

Learning from the Sweden

The Swedish case shows that as long as finances are in order, one can combine high taxes and a generous welfare state with high growth rates. Countries following such policies tend to bring high living standards to their citizens. For example, according to the latest Human Development Index, Sweden is ranked 6th, ahead of such market-liberal countries as Switzerland, the USA and the UK and ahead of such conservative countries as France, the Netherlands, Germany. The two highest rated countries were Iceland and Norway, which means that 3 of the top 6 countries were Nordic, social democratic welfare states.⁴⁴

Universalist policies remain popular among the population, as most people think that they benefit from the welfare state. As the literature on welfare regime types notes, when all citizens feel they have the right to benefits, then these benefits

become popular, but when benefits are means tested, those not receiving benefits resent paying taxes to support other people.⁴⁵ The literature on welfare attitudes also show that even within social democratic countries or more market liberal countries, universalist policies are always more popular than means-tested.⁴⁶ Now, around one decade after the most popular literature on retrenchment appeared, Sweden still basically supports the common conclusion of this debate that retrenchment is difficult to implement in countries with universalist policies, as support for the welfare state is so strong that it is political suicide to tamper to much with it.⁴⁷

Market liberals might be correct in noting that Swedes have become more demanding in their expectations from services. Today the population is much more diversified as nearly 20% of the population are first or second generation immigrants and regardless of background, in advanced “post-materialist” societies as in Sweden, citizens tend to want more individualized care that takes into account their specific needs. Nevertheless, the desire for less standardized solutions does *not* necessarily mean that the population demands greater freedom of choice in terms of who delivers the services. As the pension reform shows, most people do not want to spend the necessary time to carefully look over the details of competitors for every choice that they make in life. Information also has a cost and few people want to spend all their free time analyzing stock markets, funds, and competing prices for everything from electricity companies, to heating, to train lines, etc.

Partially because of the problem of obtaining reliable information, deregulation and privatization has not functioned especially well in Sweden. For example, one study shows that in five of six areas (electricity, postal services, aviation, railways and taxis) deregulation has led to substantial price increases. The one area in which deregulation seems to have worked well is in telecommunications, as telephone prices have risen more slowly than inflation, even if they too have risen in nominal terms.⁴⁸ Just as few people choose private pension funds over the state-administered one, so have few chosen to change electrical suppliers, as only around 10% of consumers have actually changed their suppliers.⁴⁹ The common feeling among the populace is that deregulation has brought about higher prices and worse services. An example is the railways. Once the government had competitive bidding for rail-lines, many time slots have disappeared and it becomes more difficult to travel as one often must change companies when one has to transfer to another train. For example, where I live when the state train goes directly to the Uppsala-Stockholm area the ticket costs about half as much as when no direct train goes and I must take a different company’s train to Borlänge and then change trains. In addition, even when one changes trains, if both routes are driven by the same company, then the connecting train usually waits at least 15 minutes if the train is late. However, when I take the non-state train to Borlänge and it is 10 minutes late, then the state train from Borlänge never waits for it, so once I nearly missed my flight from Stockholm and had to take a taxi which cost much more than the flight ticket!

Of course, market-liberals could always criticize Sweden from a purely ideological viewpoint, claiming that universalism and publicly supplied goods decrease our freedom. However, at least in modern, democratic societies the population tends to be more pragmatic than ideological unless great crises emerge. Consequently, the vast majority of Swedes are happy that they pay half as much for healthcare as Americans and receive better healthcare on the average, even if it means that they lose their “freedom” to choose insurance companies. In addition, since many jobs in the USA include health insurance in their salary contracts, many Americans cannot even choose their health insurance companies, and as is well known, in the

USA many people either cannot afford health insurance at all, or they cannot receive health insurance because companies refuse to insure them for health reasons. Thus, the situation arises in which about 40 million Americans are without any health insurance, which is about 5 times the entire Swedish population! Swedes, as people from most societies, would prefer a system that operates reasonably efficiently, which gives good service to a low price over a system that performs poor on efficiency but high on market liberal ideology.

Finally, in writing a relatively positive article on Sweden, I do not want to deny that some important problems exist. The largest problem is the extreme racism against immigrants on the labor market. The center-right is reluctant to blame the private sector and instead focuses on giving immigrants greater incentives to quickly enter the labor market rather than to give companies incentives to hire more immigrants. The Social Democrats have tended to emphasize more job and language training for the immigrants. Thus, both sides tend to focus on the side of the immigrants rather than the discriminating enterprises. However, the problems of discrimination on the labor market are so complicated that it would require an article in itself to review it.

Since Poland has become a rather homogenous country, then this issue has little bearing on its future policies. What Poland can learn from Sweden is that it is a myth to claim that one cannot raise taxes and provide a generous welfare state without hurting economic growth. On the contrary, public investments that keep the population healthy, well-educated and working are likely to increase growth, as human capital greatly improves. Moreover, stability seems to be more important than general tax levels. When Sweden carried out market-liberal reforms including a tax reform, which led to the collapse of the economy, investments also fled. But once Sweden regained balance in its finances and inflation, then capital came back, as it was more concerned about the ability of well-educated labor, good infrastructure and economic stability than tax levels.

Endnotes

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- ² For a discussion, see Steven Saxonberg, "Model szwedzki ma sie dobrze - wbrew neoliberalnym atakom," *Problemy Polityki Spolecznej* vol. 7, 2004.
- ³ Ibid, for the years 1998-2003, and Regeringkansliet, "Årsredovisning för staten 2006," <http://www.finans.regeringen.se/sb/d/8969> for the years 2004-2007 and Statistiska centralbyrån, "Offentliga sektorns sparande och bruttoskuld enligt EU:s konvergenskriterier" http://www.scb.se/statistik/NR/NR0108/2008A03A/EDP_April2008_Tables_finalfilledrev.xls.
- ⁴ My calculations based on Statistiska centralbyrån, "Inflation i Sverige 1831-2007," http://www.scb.se/Statistik/PR/PR0101/2007M12/PR0101_2007M12_DI_06-07_SV.xls#Data!A1
- ⁵ Statistiska centralbyrån, "BNP årlig förändring i procent (1951-)," http://www.scb.se/Statistik/NR/NR0103/2007K04A/NR0103_2007K04A_DI_01_SV_BNP1950.xls#Data!A1
- ⁶ Statistiska centralbyrån, "Chyba! Pouze hlavní dokument.Sysselsättning och arbetslöshet 1976–2004," 11 November, 2005, http://www.scb.se/statistik/AM/AM0401/Sysselsattning_och_arbetsloshet_1976-2004.pdf, p. 15, 7.
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- ⁸ For a similar analysis, see Bo Rothstein, "Valet en triumf för socialdemokraterna" *Dagensnyheter*, 20 September 2006.
- ⁹ Gunnar Jonsson, "Moderatstrid om arbetsrätten," *Dagensnyheter*, 26 August 2005.
- ¹⁰ For discussions of the tax issue, see, for example, Ander Lindblom, "The Swedish Conservative Party and Welfare State: Institutional Change and Adopting Preferences," Arbetsrapport, Institute för framtidsstudier, 2006:12; Anders Widfeldt, "The Swedish Parliamentary Election of 2006," *Electoral Studies*, 26 (2007), pp. 797-837; and Nicholas Ayott and Niklas Bolin, "Towards a Two-Party System? The Swedish Parliamentary Election of September 2006," *West European Politics*, vol. 30, No. 3. 2007, pp. 621-633.
- ¹¹ See, for example, Kari Molin, "Gemensam budget från alliansen," *Dagensnyheter*, 2 May 2006.
- ¹² The statistics come from, Statistiska centralbyrån, "Historisk statistik över valåren 1910 – 2006," *ibid*.
- ¹³ *Ibid*.
- ¹⁴ For discussions of this, see, for example, Barbro Hedvall, "Vakansen efter Anna Lindh," *Dagensnyheter*, 29 November 2003; Göran Persson, *Min väg, mina val*, (Stockholm: Bonniers, 2007); Anders Widfeldt, "The Swedish Parliamentary Election of 2006," *Electoral Studies*, 26 (2007), pp. 797-837.
- ¹⁵ The survey was conducted by the public opinion firm Synovate and ordered by the Association of Swedish Municipal and Regional Governments (SKL) S-114952 Svenska folket om finansiering av välfärden (4-7/2 2008), downloaded from: <http://www.skl.se/artikeldokument.asp?C=361&A=51982&FileID=200919&NAME=Finansiering+av+v%E4lf%C4rden+tabeller.pdf>
- ¹⁶ My calculations based on Synovate, "Väljarbarometer," http://www.synovate.se/Templates/Page___195.aspx.
- ¹⁷ Finansdepartementet, "Exempel på jobbskatteavdragets storlek" <http://www.regeringen.se/sb/d/8648/a/90779>.
- ¹⁸ Finansdepartementet, "Ytterligare sänkt jobbskatt gör det lönsammare att arbeta," press release, 24 October, 2007.
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- ²² Dan Andersson, "Arbetslöshetsförsäkring omvandlas till socialbidrag," *Dagensnyheter*, 17 November 2006.
- ²³ Arbetsmarknadsdepartementet, "Ny lag för att underlätta för sjukskrivna att återgå i arbete," press release from 29 April 2008, <http://www.regeringen.se/sb/d/10495/a/104160>.

- ²⁴ Bosse Andersson, "Ny Ams-garanti med tuffare krav," *Dagensnyheter*, 19 June 2007.
- ²⁵ TT wire services, "10.000 arbetar efter jobbgaranti," *Dagensnyheter*, 29 April 2008.
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- ²⁷ **Chyba! Pouze hlavní dokument.** Regeringens proposition 2006/07:52, discussed in **Chyba! Pouze hlavní dokument.** Socialdepartementet, *Faktablad*, No. 7 February 2007.
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- ²⁹ See, for example, Bonoli Giuliano, Vic George, Peter Taylor-Gooby, *European Welfare Futures: Towards a Theory of Retrenchment* (Blackwell Publishers, 2000).
- ³⁰ Anna Björe, "PPM slår inkomstpensionen," *Dagensnyheter*, 1 December 2006.
- ³¹ Peter Wolodarski, "Stötande sparande," *Dagensnyheter*, 8 november 2007 notes that while the state fund charges 0.15% for administration, the private funds usually charge between 1 to 2%.
- ³² Kari Molin, "Overläggningar om pensioner har brutit samman," *Dagensnyheter*, 29 May 2007.
- ³³ Gabriel Wermstedt, "Unga kvinnor mest oroliga för pensionspengarna," *Dagensnyheter*, 16 July 2007.
- ³⁴ Sainsbury, Diane, "Gender and Social-Democratic Welfare States," pp. 75-117 in Diane Sainsbury ed., *Gender and Welfare State Regimes* (Oxford: Oxford University Press 1999).
- ³⁵ Swedish Ministry of Social Affairs, *Jämställdhetsbonus: Familjepolitisk reform*, DS 2007:50, p. 7. More precisely: when the parent who has been at home the longest period of time, he or she will get a tax cut when he or she returns to work so that the other parent can stay at home.
- ³⁶ Karina Nilsson and Mattias Strandh, "A longitudinal study of separation and stability among Swedish new parents - The impact of role balance and specialization" Paper presented at the ESA-conference, Glasgow 2007, RN Sociology of Families and Intimate Lives, Session 7, September 5.
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- ³⁹ Lena Hennel, "Var femte kommun inför vårdradsbidrag," *Svenska dagbladet* 7 May 2008.
- ⁴⁰ See, for example, Editorial, "Ta ledningen, Mona Sahlin," *Aftonbladet* 5 October 2007, and Veronica Palm and Gunn Karin Gjul "Ett bidrag som stänger ute människor," *Aftonbladet* 18 March 2008.
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- ⁴² Thus, when the childcaring benefit and equality benefit was first proposed, some Social Democrats said they could support the equality benefit even if there were some problems in the way it was formulated, but on the condition that the childcaring benefit was cancelled. See, for example, Susanna Vidlund, "Införandet av ett hemmafru-bidrag är patetiskt" *Aftonbladet* 4 September 2007.
- ⁴³ Fredrik Reinfeldt, Maud Olofsson, Jan Björklund och Göran Hägglund, "Ny lag gör att förskolan blir mer som en vanlig skola," *Dagensnyheter*, 18 April 2008.
- ⁴⁴ **Chyba! Pouze hlavní dokument.** *Human Development Report 2007/2008: Fighting climate change: Human solidarity in a divided world*, (Houndmills, UK: Palgrave Macmillan, 2007), p. 209
- ⁴⁵ The most famous book on this topic is Gøsta Esping-Andersen, *The Three Worlds of Welfare Capitalism*, (Cambridge: Polity Press, 1990). For some more recent articles on the topic, see, for example, Walter Korpi and Joakim Palme, "The Paradox of Redistribution and Strategies of Equality: Welfare State Institutions, Inequality, and Poverty in the Western Countries," *American Sociological Review* vol. 653, October, (1998), pp. 661-687.
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