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LÅNTAGARE: (15)Saxonberg, Steven

BESTÄLLNINGSNUMMER: Hdf-080109-0006
SÖKT ARBETE, NR.: 0304-4130

European journal of political research : official journal of the European Consortium for Political Research Amsterdam : Elsevier Scientific Publ., 1973

ARTIKEL/AVSNITT: lewin l the rise and decline of corporatism Y:1994 26-59

MEDDELANDE (Hdf) : Ffbnr 12355
UTLÅNINGSDATUM: ÅTERSÄNT:
LÅNETID: KVITTERAS:
ANTAL BAND/HÄFTEN: KRÄVD:
RESERVERAT:

European Journal of Political Research **26**: 59–79, 1994.
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The rise and decline of corporatism: The case of Sweden

LEIF LEWIN
Uppsala University, Sweden

Abstract. Corporatism is a method to pacify intense minorities by giving them another opportunity to influence politics when they have no chance in parliament. This possibility helps to keep the system together; minorities get an incentive to stick to the system and social integration is promoted. During the 1980s we have, however, witnessed a gradual decline of this neocorporatist model of interest representation. Europe is approaching the American pluralist model instead. Sweden, once the prototype of the Social Democratic Corporatist State, is the best example of this change.

The problem of intensity

From a theoretical point of view corporatism can be understood as a way out of the 'intensity problem' of democracy.

In a democracy the will of the majority prevails regardless of the intensity of the citizens' desires. Their preferences are to be counted, not weighed. As a result, a lukewarm majority can at times hold sway over a strongly committed minority. Groups that are especially affected by an issue then have to accept taking a back seat to a greater multitude despite the fact that those who constitute the latter do not care very much which outcome the question takes. Such a decision-making procedure can naturally put a strain on social integration. Conflicts of various kinds arise: strikes, revolutions, and civil war spring from the frustrations of the dissatisfied. Ultimately a minority that considers itself wronged in relation to its central concern can decide to leave the community. The problem of intensity can pose a threat to the survival of a society.

Is it possible within the framework of democratic theory to modify majority rule so that it becomes easier – to cite a renowned article – 'to preserve good relations among the members of the group' when those in the majority have 'mild' preferences and therefore 'don't much care' which outcome the question takes while the minority has 'strong' preferences and 'cares enormously' which decision is taken (Kendall & Carey 1968: 5)?

Political scientists are at present inclined to answer this question in the negative. The discourse confirms Robert Dahl's well-known conclusion that 'the analysis strongly suggests, although it does not prove, that no solution to the intensity problem through constitutional or procedural rules is attainable' (Dahl 1956: 119).

Interest organizations. Instead a pragmatic solution has emerged: organizational participation is a way to handle the 'intensity problem'. Since the parliamentary channel cannot be formed to satisfy everyone, a second channel has been opened – a corporatist channel. The freedom to organize is as fundamental to democracy as the principle of general and equal franchise. Whenever dictatorships arise, one of the first steps is to crush free organizations. Furthermore, when special interests are concerned, they are given extra influence in the political decision-making process and in the implementation of decisions. Consequently, by offering the intensely committed an extra chance corporatism helps preserve peace in society.

The two-channel system makes the political decision-making process more unpredictable than it would have been if one only had to count votes. This uncertainty is a requisite for keeping the system together: there must be some possibility that one's proposal will be accepted despite one's being in a minority, a possibility that prevents one from immediately giving up. Even though, to take examples from the Swedish case we are going to investigate, neither the die-hards amongst opponents to increased taxes for house-owners nor the strong advocates of a ban on pornography see any chance of convincing a majority in Parliament of the rightness of their view, it may nevertheless be possible for them to succeed by exerting influence through the Swedish Association of House-Owners or the National Campaign against Pornography, respectively. Influence through organizations gives rational individuals reason to stick to the system and to hope for the best, even if they for the moment don't control a parliamentary majority.

Social integration

'Social integration' is in other words what corporatism is supposed to further: it is the dependent variable in our analysis.

The corporative society. As usual, the history of political thought helps us get our bearings. The main thrust of the French Revolution and its complex of democratic ideas was directed against the very notion that there is any value in trying to establish social integration through organizations. The remnants of a corporatist form of government inherited from the Middle Ages were regarded by the radicals as nothing more than an instrument for preserving the privileges of the upper class. 'Peace is a state of suppression' (Machiavelli [1513] 1983). The constitutional principle of the Revolution was to sweep away the whole middle level of organizations and to attach liberties directly to each individual person. Estates, classes, and guilds would no longer be legal subjects. Only the two extremities of society – the state and the citizen – won political recognition. The classic formulation of this anti-corporatist philosophy had been penned by Rousseau himself: 'In order for

the general will to be well expressed, it is therefore important that there be no partial society in the State' (Rousseau [1762] 1978: 61).

The corporations were consequently abolished through a Revolutionary decree. Political equality was to be realized by directing the citizens exclusively to the parliamentary channel, in which all would have the same influence by having an equal vote.

It is against this background that the ideology of corporatism emerges. Tired of the violence of the Revolution people began to turn again to those who promised social harmony. The anti-revolutionary conservatism constituted an attempt to regain lost social integration through corporative arrangements: 'To be attached to the subdivision, to love the little platoon we belong to in society, is the first principle – the germ as it were – of public affections. It is the first link in the series by which we proceed towards a love to our country and to mankind' (Burke [1790] 1969: 135).

This defense of corporative society is subsequently repeated throughout the conservative nineteenth century. Between the citizen and the state there should be a finely meshed net of organizations whose purpose was to ensure that this idyll continued to be undisturbed by social unrest (Bowen 1947).

Would the mass organizations of the twentieth century play the same role for social integration as the old corporations? This became the great question debated by the most powerful of the new coalitions – the trade unions. The debate led, as is well known, to a split in the workers' movement. The revolutionary group under Lenin wanted to 'crush capitalist society'. The reformists' policy became to start negotiating – on condition that there was 'constant improvement in the condition of the workingmen'. The state took on the role of carrying out and legitimizing this class compromise. In an often cited work, this development is summarized as follows: '[T]he state institutionalizes, coordinates, and enforces compromises reached by a class coalition that encompasses both workers and capitalists' (Przeworski & Wallerstein 1982: 215)

The French Revolution had eliminated corporatism and formal equality had been proclaimed. However, in the liberal market thereby created it was not equality but glaring class contradictions that emerged. The trade-union movement therefore tried to achieve through negotiation the equality that the doctrine favoured but seemed impotent to bring about. The organizations were in turn embraced by the welfare state, and it was through them that the citizens developed their loyalty to the state. The state became dependent upon the organizations for the implementation of its policies. The leaders of the organizations became more and more independent of their members through support and subsidies from the state (Schmitter 1981; Offe & Wiesenthal 1985; Birnbaum 1988; Williamson 1989).

From the history of political thought we thus learn that it was 'social integration' the supporters of corporatism saw as its benefit, not 'growth' which economists often take as an obvious criterion of evaluation (Olson 1982) – even if the two sometimes but not always go together. The econom-

ists' point should however not be forgotten, for in many aspects it is possible to reason about the effect on social integration as they do about the effect on growth. So let us reconsider Olson's argument for a moment. It says, as we know, that organizations within states have an incentive to be free riders. They direct their attention to redistribution instead of economic growth, and there is no limit to how far they are prepared to go when it comes to passing on costs to others, with catastrophic consequences for the economy as a whole.

Olson notes an important qualification, however. If an organization becomes truly 'encompassing', he writes, it changes its attitude towards society and plays the very role vis-à-vis economic growth that the theorists of corporatism have attributed to it with respect to the maintenance of social integration. This addendum explains why Olson finds the Swedish situation with strong organizations and rapid growth 'what our model would predict': since Sweden's – and Norway's – interest organizations are so large, their ambition to further the general interests of society is what he expects.

Olson's claim is far from new. He merely repeats, albeit with unusual brilliance and empirical thoroughness, the experience emphasized by the theoreticians of corporatism, namely that organizations cultivate the social solidarity of the citizens. Olson distinguishes himself from his predecessors only in the definite line he draws between the effects of small and large organizations.

Following Olson, we meet with two hypotheses. According to the first, the effect of the emergence of interest organizations, as long as they are small, is that they work against social integration by attending solely to their separate interests. According to the other hypothesis, once the organizations have become encompassing, their effect will be the direct opposite: they foster social peace, they constitute such a large part of society that they do not judge it possible to roll over their costs to others.

Peace in the labour market in Sweden. Since this article summarizes research on the development of corporatism in Sweden, let us now turn to empirical data to test the relation between organizational participation and social integration. Sweden has been spared both revolutions and civil war but it has suffered widespread conflicts in the labour market. These are described, using an inverted scale, by the unbroken line in Figure 1.

The labour-market statistics include three measures: the number of workers affected by strikes and lock-outs, the number of conflicts, and the number of working-days lost through conflicts. Here the first measure is used but a similar picture of the development in Sweden emerges regardless of which measure is chosen. The frequent strikes of the 1920s and 1930s were also long-lasting; the few strikes of the 1950s, and 1960s were generally short.

Three periods in the development of corporatism in Sweden can be discerned: its rise between 1900 and 1935 with widespread conflicts, its maturity

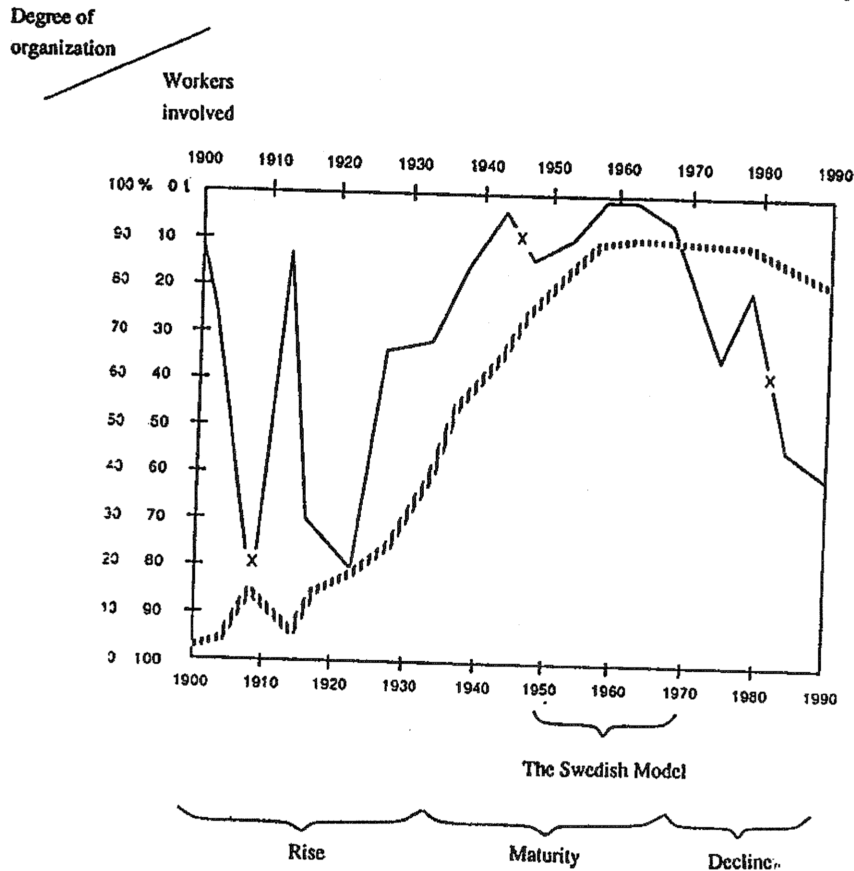

Fig. 1. Labour market peace and degree of organization in Sweden 1900–90. ——— Number of workers involved in strikes and lockouts (thousands); |||||| Degree of organization, LO (percent). *Sources:* Swedish Official Statistics; Swedish Organizational Statistics.

in the period 1935–70 with steady improvement in relations between labour-market parties, and its decline in 1970–90, when conflicts again increase.

At the beginning of the first period the unbroken curve plunges steeply. Industrial peace was precarious and strikes increased as industrialization proceeded. The disturbances culminated in the general strike of 1909 when about 300 thousand workers were involved in conflicts. Conditions remained poor throughout the 1920s, and early 1930s with between 70 and 80 thousand workers involved in conflicts each year.

A noticeable improvement in industrial relations occurred in the mid-1930s, which marks the beginning of the mature period. The number of workers affected by labour-market conflicts each year declined to 30 thousand and continued to fall to 14 thousand. The low figures for the following years – with about five thousand strikers per year – is partly an artefact since they

reflect the agreements on stabilization policy reached during the war years. The strike of 1945 was something of a reaction to this 'voluntary' moderation in wage demands. The decades that immediately follow, 1950–1970, are quite remarkable. In some years only a few hundred workers went on strike; the average figure for the two five-year periods 1956–60 and 1961–65 is 15 hundred workers in conflict. It is during these years that the legendary 'Swedish model' for peaceful settlement of labour-market conflicts gains international attention (Elvander 1988; Schiller 1988).

This trend was broken around 1970. During the period 1970–90 the number of workers drawn into strikes and lock-outs increased again to 20, 30, or 40 thousand a year. The nadir was reached in 1980 when the Swedish Trade Union Confederation (LO) put 100 thousand members on strike and the Swedish Employers' Confederation (SAF) countered by locking out 745 thousand workers, the most far-reaching labour-market conflict in Swedish history.

In order to understand the importance of organizations for the level of conflict in the labour market, the data on strikes are set off against data on organizations (the broken line in Figure 1). Only figures for LO are available for the whole period and can be used here; white-collar workers did not become organized until later (Kjellberg 1983).

The decline in peace in the labour market during the first period coincides with a fourfold increase in LO's membership during the first decade of the century to about 185 thousand trade union members in 1907 or about 15 percent of the work force. After defeat in the general strike of 1909, LO lost half its members, and the decade after this was marked, as noted above, by considerably fewer conflicts in the labour market. In consequence, the two curves in Figure 1 are mirror-reflections of each other. The data elegantly support the first hypothesis: when organizations emerge they impede good relations and when they are weakened, relations become more peaceful again.

The period of maturity, during which peaceful relations between the parties were reached, was characterized by a tremendous increase in the size of the trade-union movement. The share of organized workers passed 35 percent in the early 1930s, reached 70 percent by the end of World War Two, and approached 90 percent in the heyday of the Swedish model. In absolute figures this corresponds to about 600 thousand, one million, and one and a half million members respectively. This supports the second hypothesis: when organization was strong, relations were good in Sweden.

Finally, what does the relation look like during the period of decline, 1970–90? Peaceful conditions deteriorated again but the share of organized workers remained high. *This* is not something that could be predicted with the help of the theories of collective action. For the time being we must therefore leave the increase in conflicts in Sweden after 1970 unexplained.

How does Sweden compare with other industrialized countries in this regard? The answer is that the Swedish development is rather unique. It

might first be noted how long Sweden was spared more widespread labour conflicts. The reason is of course that industrialization came to Sweden quite late. The Sweden of a hundred years ago was a backward agricultural country with a comparatively idyllic labour market. Secondly, once industrialism finally arrived in Sweden and conflicts began to break out in the labour market, the level of conflict generally tended to persist – apart from the decade after the general strike – while in other countries it declined. Even as late as the mid-1930s, Sweden had a *higher* number of strikes than any other western country except Norway. Thirdly, the number of strikes and lock-outs declined drastically after this and was in the post-war period *lower* than in any comparable country (Ross & Hartman 1960; Shorter & Tilly 1974; Kendall 1975; Crouch & Pizzorno 1978; Korpi 1983: chap. 8).

Some time around 1970 peaceful conditions in the labour market of industrialized countries began generally to deteriorate (Hibbs 1978). The greatest change occurred in Sweden. Sweden could no longer exhibit more peaceable relations than other countries and arrived at a middle position with about 100 workers per ten thousand involved in labour-market conflicts. Similar figures for the best countries (Switzerland, Austria, Japan, France, and the USA) were in the tens, and for the countries with higher levels (Great Britain, Australia, and Finland) were around one thousand, with Italy having the highest level of all with 4.6 thousand (Swedish Institute for Social Research 1991).

With respect to the degree of unionization, Sweden remained at the top of the list, however, with 86 percent of the work force belonging to a union. This was followed by the other Scandinavian countries, Belgium, and Austria while Japan (28 percent), the USA (18 percent), and France (15 percent) came at the bottom. A statistical analysis of the relation between the degree of unionization and the absence of labour-market conflicts with 16 countries as units of observation demonstrates that the traditional corporatist experience no longer holds; nowadays a high degree of unionization does not yield peace in the labour market (Table 2.3, in Lewin 1992: 47).

This analysis of the level of peace in the labour market in Sweden points out two problems. The first is how the group egoism characteristic of small organizations is actually transformed into a concern for the broader interests of society that marks encompassing organizations. The second problem is to account for the sudden deterioration in the peacefulness of the labour market in the period of decline 1970–90. Neither the first nor the second hypothesis can explain this. Why was a situation that basically benefited all parties suddenly abandoned?

Organizational participation

Before proceeding to the analysis of Swedish corporatism, let us consider a conceptual problem concerning the independent variable.

The definition of corporatism. The most important contribution has been made by Philippe Schmitter, who got modern research on corporatism started and made an illuminating distinction between corporatism and pluralism: 'Corporatism can be defined as a system of interest representation in which the constituent units are organized into a limited number of singular, compulsory, non-competitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports' (1974).

It is not surprising that such a pedantic definition has in turn inspired a formidable wave of exegetic comment; many of Schmitter's followers have run into considerable difficulties in trying to find their way out of this labyrinthine definition (Lewin 1992: 49–57). My conlusion is that it is vital to distinguish between *intentions*, *institutional arrangements*, and *outcomes* and let the definition of corporatism apply solely to the second of these three phenomena. The intent with which some such arrangement is set up should be left open to empirical investigation. Otherwise one might well ask whether such collaboration between the state and organizations should not be called corporatist because it was not begun deliberately but rather arose through a random process uncontrolled by any particular actor as, it is often maintained, has occurred in the welfare state. Similarly, one might wonder whether such collaboration is not to be called corporatist simply because it does not result in the stipulated outcomes ('in exchange for') either regarding the structure of the organizations or the implementation of welfare policy. What the consequences of the collaboration might be is a matter to be left open for hypotheses and not postulated by definition.

Inspired by Schmitter, I propose the following definition and hypotheses:

Definition: By 'corporatism' is meant the officially sanctioned participation of organizations in decisions governing the affairs of the state or in their administration, or similar actions carried out by organizations on behalf of the state.

Hypothesis 1: The more corporatist the decision-making process, the more monopolistic and hierarchically structured organizations will be and the more centralized will be negotiations.

Hypothesis 2: The more corporatist the decision-making process, the more successful welfare policy will be in the sense that outcome corresponds with intent.

Institutional arrangements. A large amount of data has been collected for various indicators of corporatism as well as for the two hypoheses and will

be introduced briefly here; a complete presentation is to be found in Lewin 1992.

One form of organizational participation is *committee representation*. Traditionally ministries have remained small in Sweden and executive functions have been carried out by separate agencies that do not take orders from the government. Ad hoc committees are set up to prepare major reforms. Earlier those recruited to sit on such committees were almonst exclusively public officials, later politicians (Hesslén 1927). From the 1930s, the representatives of organizations entered and increased the share up to one third of all members in the 1950s and early 1960s. Then followed a deep decline to between 10 and 15 percent (Meijer 1969; Bengtsson 1975; Johansson 1992). This rise and subsequent decline also corresponded to a shift in the nature of the work carried out by the committees. While welfare policy was expanding, committees were large and worked over a long span of time in secrecy with the aim of reaching compromises satisfactory to all parties involved. In the end they presented a thick report with costly proposals. Later, when the government began to make cuts in the civil service, the committees became smaller, they were more closely tied to the government, they worked more quickly, and they stimulated debate with discussion papers. Once again they were made up predominantly of public officials; the representatives of organizations had to step back.

Another form of participation is the organizations' *consideration of reports*. When a committee has concluded its work, its report is sent out to various bodies. Originally only state authorities had the right to be thus consulted. Beginning in the 1930s it also became common to ask for the opinion of the large organizations. This form of participation has declined in importance today with the changing nature of the work carried out by such committees (Swahn 1980).

A third form is *representation on the boards of state agencies*. Interest organizations participate not only at the decision-making stage of public affairs but also in their administration. During the period of maturity, organizations gained the right to be represented on the boards of governmental agencies. Between the 1940s and 1970s, the proportion of agencies with organizational representation increased from 28 percent to 74 percent (Molin, Månsson & Strömberg 1975: 47). During the 1970s, one third of all the members on agency boards were representatives of organizations (Hadenius 1978: 24–28; Westerståhl & Persson 1975: 60–80). After this peak a dramatic change occurred. Perhaps the clearest indication of decorporativization in Sweden today is the fact that the interest organizations, headed by SAF, began to leave the boards of governmental agencies; the reasons for this change will be discussed below.

In former times there was often direct contact between citizens and politicians in the local community and on this level the corporatist channel was hardly developed. In the 1930s, however, a new form of *organizational participation in local government* was introduced: Sweden switched to the so-

called Ghent system of administration for unemployment insurance. In the place of a state agency the trade unions now took charge of unemployment insurance funds on municipality level and trade-union representatives were given the right to decide which jobs an unemployed worker could refuse without losing relief. This became an effective way for the unions to recruit new members; in countries where the Ghent system is used, the degree to which workers are unionized is comparatively high (Rothstein 1992). When the crisis of the 1930s was followed by the economic regulations of the war years, the same path was followed at the local level; war-time regulations took on a highly corporative aspect. This is a tendency that has *not* been reversed during the period of decline from 1970 to 1990. Organizational participation is still large in local government (Söderlind & Petersson 1988: 95–96, 105; Strömberg & Westerståhl 1983: 298; Gustafsson 1988: 275–277; Gidlund et al. 1982: 13, 134).

Finally, organizations participate through *agreements*. During the Great Depression of the 1930s and the regulations of the Second World War, the government began to make agreements with various branches to assure the success of its economic policy: agriculture, the building industry, the automobile industry, the rental field, price regulation, temporary wage-freezes, etc. (Lewin 1967; Elvander 1969). With the return in recent decades to a freer economy these regulations and agreements expired (Elvander 1988).

This is briefly the picture of the rise and fall of organizational participation in Swedish politics in this century. These changes, we assumed in the two hypotheses, have also had an impact on the structure of the organizations and on the implementation of welfare policy.

Unions have gained and lost their *monopoly*. Between 1930 and 1970 there was such an increase in the membership of three unions the Swedish Trade Union Confederation (LO), the Central Organization of Salaried Employees (TCO), the Swedish Confederation of Professional Associations (SACO) and their counterparts the Swedish Employers' Confederation (SAF) and the Federation of Swedish Farmers (LRF), that these organizations predominated in their respective areas. Their monopolistic position has subsequently been challenged with the emergence of a number of new organizations, a development that has led to extensive organizational disputes concerning which union has the right to organize employees within some particular area. The simple opposition between two main parties – LO and SAF – has been transformed into an organizational structure of exceeding complexity with the consequence that wage negotiations have become considerably more complicated (Elvander 1988: 253).

The organizations have taken on a *hierarchic* structure. During the period of maturity the number of trade unions decreased through amalgamation (the number of unions that were members of LO declined from 43 to 21 while TCO's membership similarly went from 43 to 21 and SACO's from 91 to 25); the number of locals was reduced to a few 'big locals'. The practice

of putting agreements before trade-union members for a direct vote ceased. The number of people employed in the offices of the peak organizations in Stockholm greatly increased.

Centralized negotiations have been established and abandoned. During the economic boom of the 1950s, wage negotiations tended to degenerate into free-for-alls; the later the trade unions reached an agreement, the more they got. SAF therefore proposed centralized negotiations in which it would be possible to hold back increases in costs. LO agreed to this after some hesitation. The first centralized negotiations were held in 1956 and, despite general expectations, continued to be held for a quarter century. The actual negotiations between LO and SAF were conducted by small delegations consisting of only three people from each side. The agreement reached between LO and SAF then served as a norm for the rest of the labour market. However, in 1983 the employers' organization withdrew from central negotiations, an event that aroused international attention. When those who do not make any clear distinction between institutional arrangements and outcomes talk of the decline of the famous Swedish corporative system, they cite as evidence the collapse of centralized wage negotiations (Lash & Urry 1987: 232–233, 236).

In order to evaluate the implementation of welfare policy according to hypothesis 2, one should really go through every political decision and its implementation, a task that is in principle possible but in practice of course quite unfeasible. I have chosen instead to analyse the way in which the principal goals of economic policy have been pursued; relevant data are continually reported in official Swedish statistics, which, together with OECD statistics, constitute the basis of the following presentation. The five goals set out in the government's financial plan are usually considered to be prerequisites for welfare policy as a whole.

The most successful aspect of Swedish economic policy has been in achieving the goal of *full employment*. Sweden was a pioneer in adopting Keynesian policies as early as the 1930s. These were supplemented after the war with active labour-market policies, which amongst other things stimulated the movement of labour. The high levels of unemployment of the 1930s, with figures up to 23 percent, were eliminated and Sweden was without equal in holding unemployment under two percent during the 1950s, '60s, and '70s. Towards the end of the 1980s, however, this figure began to rise rapidly.

To some extent Sweden has paid for high levels of employment by losing a *steady price level*. Compared with the other OECD countries, the rate of inflation in Sweden during the first post-war decade was about average. In the 1980s, by contrast, inflation in Sweden was each year higher than the average in western Europe.

The *balance of payments* has fluctuated. After Sweden was obliged to abandon the gold standard during the 1930s, considerable uncertainty prevailed about what would be a reasonable exchange rate. When the pound was devalued by 30 percent against the dollar in 1949, Sweden followed suit,

as did many other western European countries. This started a long period of economic expansion without any serious problems in the external balance. The oil crises of the 1970s did create new problems but through repeated devaluations the government attempted to improve Sweden's competitive position. The high rate of inflation and increases in production costs had eaten up this advantage by the beginning of the 1990s, however, and new devaluations were made.

As mentioned above, industrialism came to Sweden fairly late, but once it got started, *economic growth* was more rapid and more constant than in other countries. Japan alone has had a higher rate of economic growth than Sweden over the past century: 32 percent per decade for Japan, 29 percent for Sweden, 15–20 percent for other OECD countries (Kuznets 1971: 11–14). This is probably the single most important factor that accounts for Swedish welfare. The fact that this situation changed fundamentally in the 1970s and that the national economy has in the past few years shown no growth at all or even a decline pose a serious threat to the future development of welfare in Sweden.

In a country like Sweden with high taxes and many people employed in the public sector, the government has the ability to make a considerable impact on the structure of wages. *Levelling of incomes* is the official guideline. For many years the government was successful in this aim. Swedes could see how in the wage-pyramid depicted in official statistics they came closer and closer to the apex as the wage differential was reduced year after year. This trend was broken towards the end of the 1970s when adjustment to market conditions and individual abilities again came to be accepted as norms for determining incomes in Sweden.

To sum up, organizations were drawn into public affairs beginning in the 1930s; in the past decade or two their activities have been reduced in many fields. Cooperation with the state has led to internal structural changes in the participating organizations towards monopoly, hierarchy, and centralization. The success governments have had in reaching their economic goals has varied. Generally speaking, the period of maturity 1935–70 was extremely successful: the spectre of mass unemployment was banished and Sweden became a welfare state with a high and comparatively evenly spread standard of living. The contribution made by the 'encompassing' organizations to this development can perhaps be said to have amounted to help in reaching general support for the goals of economic policy and their realization. Since 1970 the Swedish economy has performed less well. Conditions have been characterized by stagnation and difficulties in achieving internal and external balance.

The guiding hand 1935–70. How can we explain this rise and decline of Swedish corporatism? What considerations, to begin with, persuaded the central actors to cooperate in setting up corporatism in Sweden in the mid-1930s?

This question focuses our interest on the talks held between the director of SAF and the chairman of LO in the winter of 1936 concerning the turbulent situation then prevailing in the Swedish labour market with widespread strikes and lock-outs. To these men these conflicts constituted an extremely serious social problem. In the public debate it was being asked how it could be that a country with such a favorable economic development could be plagued by labour-market conflicts to a greater extent than other similar countries.

The government had made some attempt to promote peace but the organizations took over with direct contacts and an agreement between SAF and LO was signed in 1938 at Saltsjöbaden (outside Stockholm) that created a set of rules for solving conflicts peacefully with a minimum of interference from the government. Responsibility for maintaining peaceful relations was assumed by the peak organizations; this feature is often pointed to as the agreement's 'centralist tendency'. In the following years several further agreements were signed by which relations between the two parties were regulated in one area after another (Westerståhl 1945: 189–209; Hadenius 1976: 47–49; Söderpalm 1980; Johansson 1989).

The remarkable thing about this agreement is that it was the direct opposite of what was originally intended. The motive for it was to keep out the government and to protect 'the freedom of the labour market' but the result was to draw the organizations into the political process and to give them responsibility for a vital area of public affairs. The intention may have been 'pluralist'. The effect was to expand the role played by organizations in public policy to such an extent that it deserves the name 'corporatism'.

As we have seen, this role did nothing but increase over the next few decades. Political scientists have established that by the end of the 1960s Sweden was one of the most corporative societies in the world. After Schmitter published his pioneering article, researchers began to collect comparative data and compile indices of corporatism. These indices seldom meet the methodological criteria I have specified above. Intentions, institutional arrangements, and outcomes with respect to organizational structure and welfare policy are systematically mixed together. Wilensky takes the degree of centralization in the trade-union movement as a measure of corporatism (Wilensky 1976). Schmidt includes in his definition both the declared intentions of the parties and outcomes in terms of strikes and incomes policy (Schmidt 1982). Lehmbruch adds the internal structure of the organizations (Lehmbruch 1982). In his empirical studies, Schmitter himself discusses something he calls the 'governability' of the various countries, a concept of particular interest here because of its resemblance to what I have called 'social integration'. Surprisingly enough, however, in developing his index of corporatism he does not make use of any measure of the degree to which organizations actively participate in the political process but instead relies exclusively on data about the organizations' internal structure (Schmitter 1981). Finally, when Lijphart and Crepaz published a survey article about

research on corporatism in 1991, they did not set down any explicit criteria at all but simply threw all previous lists into one summary index! Despite this absence of rigour the results are remarkably congruent. It seems that the participation of organized interests in politics is such a robust phenomenon that it survives even the roughest treatment. The various elements seem to hang together so intimately that whichever one chooses to select for examination, one manages to capture the whole complex of corporatism. For the most part, the countries that come at the top, in the middle, and at the bottom of the lists are the same. Around 1970, Sweden appeared to be one of the most corporatist countries in the world, along with Austria and Norway.

Union representatives had realized that the unseen hand of liberal ideology was not sufficient to protect their interests. What was needed was also a guiding hand of corporatism which could give the workers what they could not get through parliamentary means, since they would never achieve a majority of their own. By the guiding hand of corporatism industrial workers won especial influence in the construction of the welfare state and became transformed from a dissatisfied group into society's leading bearer of the state's interests.

The grip slips 1970–90. How can, finally, the decline of corporatism be explained? How did it subsequently come about that this state of affairs, which was to everyone's basic advantage, was abandoned? Despite all the praise that has been sung about the benefits of 'the Swedish model', the domestic actors were quite fed up with it by the end of the 1960s. They had entered into the board rooms of various governmental bodies as interest representatives but had instead, to use George Stigler's phrase, become captured by the state (Stigler 1971). SAF felt locked in as a hostage for social-democratic policies it disliked on ideological grounds. LO felt trapped into accepting a market economy, which set narrow limits on what the trade unions could hope to achieve in the future.

It was LO that made the first move.

In the early 1970s LO launched an offensive that broadened the ambitions beyond their traditionally accepted task. The decision of the Social Democrats to yield to LO's position and introduce wage earners' funds was the most spectacular. On this issue LO had abandoned the reformist policy it had held since the 1930s and gone back to an earlier marxist position that ownership was decisive for social change. Part of the profit incurred by businesses would be placed in large funds owned by the trade unions. These funds were presented as an instrument by which the old capitalists would be deprived of their power and the trade unions made the most important owners of industry.

LO also broke an old compromise by which the right of employers to be solely responsible for organizing work and assigning tasks was recognized in

exchange for recognition on the part of the employers of the workers' right to organize; it forced through the law of co-determination, which guarantees employees a say in the way businesses are run. State enterprise increased markedly both through outright nationalization and through the establishment of new state-owned firms. The position of the trade unions vis-à-vis employers was thus strengthened in various ways.

LO seems to have been completely unprepared for SAF's countermove. Opposition was certainly expected and LO was prepared to meet it at every point – both with legislation through the Social Democratic government and through negotiations. However, SAF chose instead to bid farewell to the whole corporative set-up; it broke the social contract from the 1930s, one might say. It broke off contacts with LO at the central level. It abandoned the central negotiations for wage agreements. It said 'no' to giving continued priority to low-wage groups. SAF marched out of the board rooms of the central government agencies (Lewin 1988; Henning 1980; Hadenius 1983; De Geer 1989).

SAF's countermove was well in keeping with social developments in other countries. There are at present no quantitative estimates of the extent of corporatism on which to base such a judgement. It seems that the numerous methodological problems have deterred scholars from making further attempts at such measurement despite the fact that these problems are actually rather trivial and could in principle be solved through more careful operationalizations. Evidence is gleaned instead from more penetrating case studies (Baglioni & Crouch 1990; Brunetta & Dell'Aringa 1990; Cox & O'Sullivan 1988; Mény 1990; Schmitter 1989; Therborn 1987; Wilensky & Turner 1987; Williamson 1989; Wilson 1990).

These scholars claim that the dissolution of corporatism since 1970 ultimately depends on the fact that it no longer succeeded in fulfilling its most important task – to pacify intense minorities and promote social integration. Instead it produced a new class society. The disadvantaged minorities were no longer compensated through corporatist arrangements and those favoured by the system were not won over to social solidarity. 'The important point in the present context is that corporatism did not last. It may have been the distant effect of the application of Keynes, but it led at the end of the day to the protest of Schumpeter's people, of the entrepreneur, or at any rate of its 'yuppie' version, the casino capitalist' (Dahrendorf 1989: 136).

As a political and moral force, corporatism is therefore considered to have expended its power. The more direct causes of its dissolution are however to be sought in material conditions. The prototype of the worker of the 1990s is no longer the factory-worker, who could be replaced by thousands of his comrades as long as they had the same physical powers, but rather the highly trained specialist, whose contribution to production in 'disorganized capitalism' is unique (Lash & Urry 1987).

The state, like capitalism, is the object of the same tendencies towards dissolution. Macroeconomic programmes no longer work. Decentralization

and regionalization are the hall-marks of welfare policy whereas corporatism flourished at the national level.

The trade unions themselves are in many western European countries faced with the threat of becoming weaker. It is more difficult to recruit the new specialist-worker to mass organizations. Flexibility is asked for but unions have often been unable to muster more than sterile opposition.

The internationalization of business has accelerated the pace at which corporatism has disintegrated in the West. It was long thought that small European democracies managed better thanks to their corporatist structures. Being far too dependent on their international trade to risk protectionist experiments, these states opened their industry to tough international competition and thereby retained their efficiency; in their domestic policies they later compensated various groups through corporatist agreements (Katzenstein 1985). It now turns out that this astute analysis was an epitaph rather than a programme for the future. With the internationalization of capital, enterprises make investments solely on the basis of profitability, without regard to national considerations, and national corporatism has thereby lost its compensatory role.

The tendency towards dissolution has been given strong impetus by ongoing European integration. Industry has been the main actor in this process, whereas the trade unions, often in conjunction with Social Democratic governments, have been the supporters of corporatism. This does not mean that people cease to further their interests via organizations, but the mode of participation becomes pluralist instead of corporative. Perhaps the future for unions' influence in Sweden will be on the local level, where organizational participation has *not* disminished. A wave of small organizations representing special interests has swept over Brussels; American lobbying through informal contacts intermixes with the complex bureaucracy of the EC. Besides, national corporatism was most successful in countries that are not members of the EC: Austria, Sweden, and Norway.

Thus, in the study of corporatism, an intercontinental switch between methodological and substantive findings has occurred. When European scholars began the systematic study of interest organizations, they copied the pluralist model and saw the world with American eyes. However, reality was *not* comprised of a system of independent, competitive pressure groups but rather of integrated, cooperative, hierarchically ordered organizations and state authorities. Once European scholars had finally seen the object of analysis in its proper light, however, they discovered that the system had begun to change – towards greater pluralism! Brussels is now as much a home for pressure-group politics as Washington is. Sweden, once the prototype of the Social Democratic Corporative State, is the best example of this fundamental change.

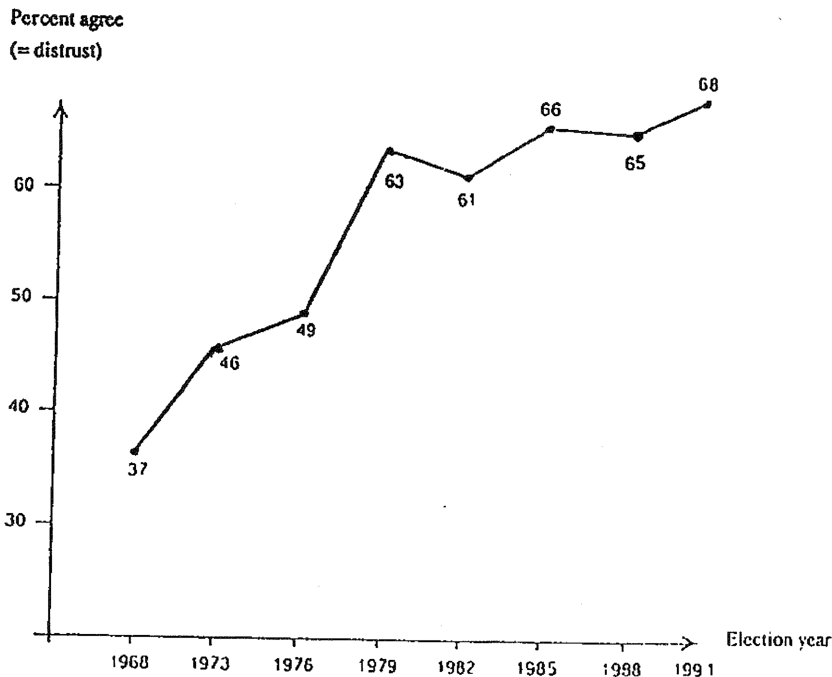

Fig. 2. Distrust of parties and politicians 1968–91. 'The parties are just interested in people's votes, not in their opinions.' *Sources:* Gilljam and Holmberg, 1990; Department of Political Science, University of Gothenburg. Data 1957–1991.

Trust and disappointment

Corporatism is fading away; as a result, social integration is deteriorating. Intensely involved separate interests again challenge the trust in the Swedish political system. Contempt for politicians, as it is usually called in the mass media, has greatly increased since measurements were first made in election studies in 1968. The share of respondents who agree with the statement that the political parties are only interested in people's votes, not in their opinions, has increased from 37 percent in 1968 to 68 percent in 1991 (see Figure 2).

This collapse in confidence has been just about as great in all social groups – among young and old, white-collar and blue-collar workers, in cities and rural areas. All of the parties have suffered from the distrust, but the Social Democratic Party, closely related to the corporatist state, has experienced the most spectacular change; it was put out of office in 1991. This distrust of politicians is not equally pronounced in all comparable countries. Sweden is one of the countries in which the lack of faith has been greatest and most regular (Gilljam & Holmberg 1990: 113–122, 307–308).

The Swedish people distrust interest organizations the most. Of eleven

social institutions studied, none is less trusted than the trade unions; it is worth noting that the government and parliament come only one or two notches higher. The institutions citizens have most faith in are hospitals and the police. Over time, the collapse has been especially great for the political institutions (Elliot 1991).

According to the first hypothesis of this study, it is to be expected that when small organizations spring up and articulate their particular interests, social conflict will be the net effect. According to the second hypothesis, the results of encompassing organizations will be the direct opposite: they are so large that they have an interest in the totality and contribute to social integration. Both of these hypotheses are confirmed by the material examined. Developments during the period of decline, when the organizations remained large but the level of conflict rose once again, were left unexplained, however. My conclusion is that in the seventies the organizations became *overloaded*. By that I mean that organizations were not only large (like encompassing organizations during the period of maturity) but also considerably more ambitious far beyond their traditional tasks and made, as we have seen, a number of promises to their members that they were later unable to keep. Disappointment followed after the offensive in industrial policy:

Organizations	*Period*	*Social effects*
Small	Rise	Conflicts
Encompassing	Maturity	Good relations
Overloaded	Decline	Conflicts

Unionism has thus become an impossible business (Micheletti 1990). Inflation and high taxes create demands for high wages. On the other hand lack of growth forces the government to cut the budget. Cooperation with the state then implies a restrictive wage policy – at the same time capital gains if the policy is successful!

This crisis for Swedish corporatism was brought to a climax in February 1990 when the leadership of LO went so far down the anti-union path as to be persuaded to support the government's proposal to forbid strikes, a decision that led to a storm of outraged protest. This event shows with extreme clarity how an overloaded organization had become played out in its traditional role of delivering loyalty and trust in the political system in exchange for constant improvements for its members. During the period of decline both improvements and trust have disappeared.

Acknowledgements

This paper summarizes a research project 'Organized Interests and the Public Good' at the Department of Government, Uppsala University. It has been translated by Donald Lavery. The project was sponsored by The Bank of Sweden Tercentenary Fund. I am grateful to comments from my associates in the project Christina Bergquist, Jörgen Hermansson, Bo Rothstein, Anders Westholm and PerOla Öberg.

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Address for correspondence: Leif Lewin, Department of Government, Skytteanum, Uppsala University, P.O. Box 514, S-751 20 Uppsala, Sweden
Phone: +46 18 183 412; Fax +46 18 183 409