

Tage Erlander and Olof Palme: Social Democracy in the Affluent Society

SWEDEN'S economy emerged from the Second World War with its productive capacity intact and well structured to provide the capital goods essential to the reconstruction of Europe. The Social Democratic party emerged from the war committed to the realization of its post-war programme—full employment, social welfare reforms, and economic growth through planning. In the ensuing quarter-century the Swedish standard of living more than doubled and the massive expansion of the welfare state incorporated Swedish labour into the mainstream of Swedish life, blurring—though not erasing—the traditional distinctions between the working and the middle classes. The national health service, supplementary pensions, child benefits, the unified school system, sickness insurance, active labour market policy, massive housing programmes—in short the universal provision of high-quality public services as a right of citizenship—impressed a distinctive character on Swedish society. As in the 1930s foreign admirers lavished praise on the 'Swedish model' and urged its policies on their readers (for example, Fleisher, 1967).

In retrospect, both in folk memory and in scholarship, the halcyon days of the welfare state, the 1950s and 1960s, have come to appear as predetermined phenomena, shaped by the expansion of international trade, the rational adjustment of industrial society to novel social problems, and the waning of ideological fervour in politics. Without wishing to minimize the importance of changes in economic and social structures in explaining the welfare state's success, one must emphasize (as Olof Ruin has done in his recent biography of Erlander (Ruin, 1986)) that at the time non-inflationary growth seemed problematic, social reforms like the supplementary pension scheme aroused great controversy and passion, and periods of political quiescence alternated with conflicts that were anything but bland.

The third generation of Swedish Social Democracy faced the practical problem of how to construct the welfare state in conformity with socialist values. They faced the theoretical challenge of delineating socialism's objectives and rationale in an affluent society. Finally, they faced the political problem of securing a working majority for their programme in a society where industrial workers were declining as a percentage of the work-force and ceased to constitute a majority (Esping-Andersen, 1985: 52). They required an ideological renewal that addressed these issues and created coherence among them. The task fell largely to Tage Erlander (1901–85) and Olof Palme (1927–86).

The choice of Tage Erlander to succeed Per Albin Hansson in 1946 came as a surprise to many who had anticipated the selection of Gustav Möller. It reflected both uneasiness about Möller's suitability for the job and a conscious decision to introduce a new generation of leadership (see Ruin, 1986: 352; Wigforss, 1980: ix. 326–30; Jonasson, 1976; Andersson, 1980; Myrdal, 1982: 204–23; Möller, 1971: 103–92). Born in 1901 to liberal middle-class parents, Erlander converted to Social Democracy during his university days in Lund, influenced by his reading of radical and socialist texts and by the brutality with which Skåne landlords evicted their striking tenant workers. In 1930 Erlander was elected to the Lund municipal council, in 1932 to the Riksdag. He focused on social and economic issues and his successful handling of them gained him rapid promotion to the ministry of social affairs where in 1939 he became under-secretary to Gustav Möller. In 1944 Erlander achieved what he termed his 'political breakthrough'; he became a member of both the party executive and of the government (as a minister without portfolio) (Erlander, 1973: 198). When the Social Democratic government replaced the wartime coalition in 1945, Erlander became the minister of Education and Ecclesiastical Affairs, the position he held until his selection as prime minister and party chairman. He served in these capacities until his retirement in 1968, retaining and wielding power more successfully than Social Democratic leaders in any other country during this period.

Olof Palme, who replaced Erlander in 1968, had originally joined Erlander in 1953 as his personal secretary. Born in 1926, Palme came from an upper-class family, a fact his detractors never hesitated to mention. As a student and student politician, Palme

travelled abroad widely; the great inequalities he encountered in the United States, the poverty of southern and south-eastern Asia, and the repression in Communist Czechoslovakia following the 1948 coup shaped his political concerns and pushed him towards Social Democracy. At the time of his hiring as Erlander's aide, Palme was much better known as a student politician than as a Social Democrat, but he soon became indispensable to Erlander. 'Palme's greatest importance for Erlander', Ruin writes,

lay in the fact that he developed into an especially valuable sparring partner in constant conversations about politics. The man who was originally hired to be an efficient secretary very rapidly became a virtual partner in the solution of various political problems. Tage Erlander and Olof Palme became inseparable. They bloomed in each other's company. (Ruin, 1986: 63)

Consequently, their political thinking interwove and developed together with that of the labour movement at large. The intellectual relationship between Palme and Erlander remains undocumented, but Gunnar Fredriksson credits Palme for much of the creation of Social Democratic ideology in the late 1950s and 1960s (Fredriksson, 1986). Whatever the precise nature of the intellectual debts between the two men, the central fact remains that Palme and Erlander shaped a very similar set of ideological principles. This consideration makes it appropriate to consider them together, for the approach that guided Erlander also guided Palme in office from 1968 to 1976, then in opposition, and finally in office again from 1982 until his assassination in 1986. Together they defined Swedish Social Democracy's role in an increasingly affluent society. Because Palme tended to follow Erlander's line in domestic affairs, his own creativity focusing on international politics, this account will concentrate on the earlier formulation of their views as propounded primarily by Erlander.

SOCIAL DEMOCRACY AS NEGATIVE UTILITARIANISM

In his memoirs Erlander writes, 'A conservative (*sambällsbevarande*) politician scarcely needs an ideology. A social reformer (*sambälls-omvandlare*) must have one in order to give purpose to his work' (Erlander, 1972: 119). If one believes that society requires a thoroughgoing reconstruction, then he needs an analysis of the

causes of its ills and of the possible means of eliminating them. Both the reform-minded politician and the Social Democratic party ought to be guided by what Ernst Wigforss called a provisional utopia, a concrete vision of a desirable future society that could be revised in the light of further experience (see Chapter 3). When the party lacked clear ideological guidance and displayed confusion or indecisiveness about its objectives, as in the 1920s and the early 1950s, it encountered difficulties, Erlander believed; effective politics and policy demanded ideological clarity (cf. Palme, 1987: 17).

These considerations point to the centrality of ideology, but in an interview in 1982, when Erlander was asked if he operated in accordance with a provisional utopia, he gave an answer couched much more in negative utilitarian terms. Neither state socialism nor any other particular vision of socialism stood out as the remedy for the ills of capitalism. Instead his approach was to focus on the specific flaws both of capitalist society and of liberal ideology. He accented the immediate problems of unemployment, poverty, ill health, insecurity, blighted housing, and unequal educational opportunity. He stressed the tensions between the prerogatives of individual capitalists to make decisions without public consultation and responsibility and the broad social impact of these decisions upon individuals' life chances (personal interview; cf. Erlander, 1982: 301).

Erlander's conception of Social Democracy grew from a critique of liberal capitalism and its failure to achieve not only the freedom and efficiency it promised, but also the equality, solidarity, security, and democracy which Social Democrats desired. Like Karleby, his critique of capitalism concentrated less on questions of formal ownership than on the use of the rights of ownership.

The property rights of private capital are often considered the cause of social misery. The state therefore ought to take over property rights. [I] believe that people who take that view are often victims of natural rights conceptions of property rights . . . the essential point is *how property rights are exercised*, not whether society or private individuals *own* the means of production. (Erlander, 1972: 133)

Judgements about the use of ownership rights eventually rested on a utilitarian calculus. In an early speech (1930) Erlander had argued that 'the goal of politics should be the greatest possible happiness for the greatest possible number' (Erlander, 1972: 133). Adam

Smith had recommended liberal capitalism as the best possible means to this end, but to Erlander capitalism's obvious failures mandated strong Social Democratic efforts to limit the prerogatives of private capital and to employ government to remedy capitalism's flaws. No utopian vision guided Erlander; his impetus came from the urgency of concrete ills interpreted in the light of Social Democratic values.

Erlander maintained that development had gone in the direction of a gradual restriction of private ownership rights to the means of production (Erlander, 1972: 133), but he never placed his faith in a predetermined socialist evolution of society. Instead Erlander believed that the development of society posed problems and opportunities; it created needs rather than automatic solutions. The affluent society produced circumstances which required more collective activity. The responsibility to foresee, to anticipate, and to shape the future bore more heavily upon government and as Erlander moved to expand public support of research and education, he was compelled to think more concretely about the shape of a desirable future society. He tended to concentrate, however, upon individual issues like atomic energy rather than building a coherent vision.

The Social Democratic values rather than a specific 'provisional utopia' orientated Erlander's conduct in the spheres where stern political necessity did not reign. Among these values security occupied an unusually prominent place. In his first Riksdag debate as prime minister Erlander emphasized that 'security (*trygghet*) is still the most important' and stressed employment policy and social insurance as the two key elements of security (cited Ruin, 1986: 226). Gradually, and in connection with the emergence of an affluent society, Erlander's conception of social security changed from being the provision of a minimum standard to the insuring, at least in large measure, of an achieved standard of living.

Similarly solidarity and co-operation stood at the core of Erlander's socialism. In his important brochure, *Människor i samverkan* (*People in Co-operation*), Erlander contended that the ever more specialized division of labour in modern society made co-operation 'all the more a necessity' (Erlander, 1954: 11). He rejected the 'co-operation' enforced by dictatorships and regarded the notion of co-ordination by an 'invisible hand' as a spurious portrayal of the struggle of all against all.

Instead Social Democracy strives for the co-operation of free and equal human beings. That does not mean that there won't be room for competition in society, but on the other hand the spirit of competition must not stifle people's natural need for solidarity and co-operation. (Erlander, 1954: 11)

Liberalism erred by thinking that an individual's interest could best be secured in a society built on egoism and self-interest. That sort of society ran counter to people's sense of justice and to their natural need for solidarity. 'Social Democrats insist more strongly than others that the individual can best safeguard his interest through co-operation' (Erlander, 1954: 16). Only through collective action can people achieve some of their central objectives and free themselves from unemployment, insecurity, and other social ills.

As Olof Ruin has nicely observed, Erlander

was concerned to emphasize that [the Social Democratic values] hung together, that they conditioned each other. Social security was a precondition for freedom; security and freedom were promoted by a will towards co-operation/solidarity in society; co-operation/solidarity in their turn were both facilitated by and in turn promoted equality, etc. (Ruin, 1986: 232)

A socialist optimist, Erlander believed that on the whole good things were not only compatible, but mutually reinforcing, and did not trouble himself greatly about potential incompatibilities among his values.

Erlander's mature philosophy embodied a synthesis of diverse radical and Social Democratic thinkers. From Wicksell and Myrdal he drew a critique of liberal economics; from Karleby, the central notion of property as a bundle of rights; and from Wigforss the emphasis upon human agency, particularly as manifested in the counter-cyclical 'crisis programme' of the early 1930s. By investigating the evolution of Erlander's thinking, one can trace the development of the central strand of modern Swedish Social Democratic theory.

In his memoirs Erlander records his intellectual history. By 1930, he maintains, his basic outlook had formed. He cites an extensive newspaper report of a speech he gave on 12 December 1930, and which he regarded as a good summary of his position. The speech is a curious amalgam of utilitarianism, revisionist Marxism, and critical economics. Erlander cited Branting's famous rationale for

being a socialist, but with a utilitarian twist; he spoke of a sense of justice violated by the sufferings of a majority of the population. The goal of politics ought to be the greatest happiness of the greatest number, but capitalism, as the depression demonstrated, manifestly could not provide this satisfaction.

Erlander rejected orthodox Marxism. The theory of surplus value he did not accept; however, he endorsed its central notion that workers were underpaid and the Marxist historical view that although their poverty might once have been necessary, it could now be alleviated. Similarly Erlander rejected the traditional nostrum of nationalization in favour of a gradual circumscribing and narrowing of the rights of private property. The state should undertake this assignment and the general task of satisfying labour's just demands, but the state must operate on the basis of democratic principles. Liberty and democracy were the essence of Social Democracy (Erlander, 1972: 131-3).

The sources of this outlook are diverse. First, Erlander credits Wicksell and, at a somewhat later point in his development, Gunnar Myrdal for their critique of liberal economic theory. From them Erlander learned that actually existing markets with their unequal actors were far from the picture of perfect competition in liberal texts; that workers could increase wages by making inroads on 'rent'; that public enterprise had a role in activities where increasing marginal productivity prevailed (like communications or theatre); and that while market-steered *production* was more efficient, the state could usefully intervene in *distribution* through such measures as the inheritance tax. He valued Myrdal's exposure of the ideological elements in the defence of private property, the existing distribution of income, and *laissez-faire* in *The Political Element in the Development of Economic Theory*. Erlander's critique of capitalism rested on the principle that the liberal market economy is steered by purchasing power rather than by need. Inequalities in ownership he found less troubling.

Second, Erlander credits Nils Karleby with making the notion of politics as a bundle of rights central to the Social Democratic view of politics. If property rights were indivisible, then one had to deal with them as a whole by nationalizing them or transferring them to some other type of social organization. If, on the other hand, property rights were divisible, they could be altered piecemeal. The issue of formal ownership dwindled in importance and the gradual

reformism that characterized Social Democratic practice received a theoretical justification. Socialization no longer constituted the dominant element in socialist theory; instead it became a practical issue to be decided on a case-by-case basis. 'This', Erlander writes, 'was no question of the dissolution of socialism, but of sharpening it to correspond more fully to reality' (Erlander, 1972: 126).

Erlander's reading of Karleby fits nicely with the theory of 'functional socialism' developed by Gunnar Adler-Karlsson (1970). The core of Adler-Karlsson's argument is that

Ownership is usually viewed as an indivisible concept, something which has strongly contributed to the unclarity of the debate on socialization. Ownership should instead be viewed as a divisible concept which covers a number of functions which an owner potentially may exert over an owned object . . . We have maintained the goals of socialism, but chosen the means to realize them in a more sophisticated way than by socializing all the means of production. (Emphasis in original. Adler-Karlsson, 1970: 37, 12)

Adler-Karlsson is ambiguous about which property rights he wishes to socialize. On the one hand, he argues that functional socialism retains the dynamism of capitalism by leaving the investment function in private hands and that it allows a balance of power among different owners of rights. On the other, he concludes by urging that Swedes 'strip and divest our present capitalists of one after another of their ownership functions' until they retain only symbolic powers (Adler-Karlsson, 1970: 96).

Erlander is less ambivalent about the relative merits of the welfare state and a socialist society; he prefers the former. His borrowing from Karleby illustrates his preferences well. Karleby, as demonstrated above, was a market socialist who lacked enthusiasm for the massive government that Erlander would call the 'strong society'. He remained concerned about the distribution of wealth and ownership of the means of production. Only in the late 1960s did Erlander endorse a stronger egalitarian thrust. There can be no doubt about Karleby's importance for Erlander's thinking, but Erlander borrowed from him selectively and in the process some of the more egalitarian and socialist themes in Karleby's writing became muted.

The third major source of inspiration for Erlander was Ernst Wigforss. Wigforss's greatness lay on two levels according to

Erlander. First, Wigforss stressed the importance of human action. He categorically rejected any thoroughgoing determinism; every generation had the responsibility of coping with its problems. Second, Wigforss indicated how human action might ameliorate the effects of the great depression. Wigforss's programme to alleviate the economic crisis called for government intervention in the economy to create employment. It demonstrated that gradual reforms could create a better society through democratic means and thus it reconciled the conflict Social Democrats perceived between their long-term goals and their immediate practical politics.

Again the selectivity of Erlander's borrowing is fascinating. Industrial democracy, Wigforss's great theme in the immediate aftermath of the First World War goes unmentioned; Erlander, the champion of the strong welfare state, shows little interest in Wigforss's syndicalist tendencies. Nor does he defend Wigforss's inheritance tax proposals strongly; like most Social Democrats after the 1928 elections, he considered them an electoral liability. Impulses towards socialized ownership of the means of production seldom appear in Erlander's doctrine.

As prime minister and party leader, Erlander exercised enormous influence over the development of the party's ideology during—and after—his term of office. Thus his summary of his mature position, encapsulated in his interpretation of the party's 1944 programme, carries great weight: 'The demand for socialization had been pushed into the background. Let private industry under society's control take care of what it can. Society should not intervene unless it is necessary' (Erlander, 1973: 281). Erlander's ambitions in policy for full employment and social welfare had greatly expanded during the Second World War, but the issues of the distribution of wealth and ownership of the means of production receded.

A STRONG PUBLIC SECTOR FOR THE AFFLUENT SOCIETY

Erlander not only synthesized diverse strands of the Swedish Social Democratic tradition; he imparted a distinctive impulse of his own. In the 1950s and 1960s the Swedish party faced the general issue confronting European Social Democracy: What was the task of a social democratic party once the basic structures of the welfare state were in place and the economy had achieved unprecedented

levels of general prosperity? Conservative parties argued that affluence eliminated the need for further public initiatives; that they could administer the welfare state more efficiently; and that 'a property-owning democracy' with citizens capable of providing for their needs themselves offered the most attractive model for the future. Government, in their views, was both less necessary and less desirable. Along with this ideological challenge came a political one—how to retain a majority of votes in the face of this challenge and the gradual decline of industrial employment in relation to the economy as a whole. Erlander responded by arguing that increased affluence did less to enable people better to help themselves than it did to make government even more necessary. Affluence created its own problems and these programmes required public solutions, solutions that could appeal to white-collar voters as well as industrial workers.

Tage Erlander, together with Olof Palme or perhaps even substantially under the direction of Palme, worked out this position in parliamentary speeches and in a series of documents (*Människor i samverkan* (People in Co-operation, 1954), *Framstegens politik* (The Politics of Progress, 1956), and *Valfrihetens samhälle* (A Society of Free Choice), 1962). Two central themes dominate this material. The ideological theme is that *state action* (of the proper sort—to expand educational opportunities, improve health care, increase job choices, and the like) *expands individual freedom*. (This argument, cast as 'the socialist concept of freedom', became the guiding notion of Lewin's *Planhushållnings debatten* (1967), but while it works well as the basic theme of Swedish Social Democracy in the 1950s and 1960s, it works less well for both earlier and later periods when Erlander was not prime minister.) The sociological theme is that *greater prosperity increases the demands on society* for such things as education, research, highways, and health care; prosperity creates difficulties that are too great for the individual alone to solve.

The link between these two themes and their political appeal lies in *de stora förväntningarnas missnöje*, the discontent of rising expectations. In 1956 Erlander and Palme delivered speeches on this theme in the two chambers of the Riksdag. Erlander pointed to popular dissatisfaction, impatience, and demands as a powerful force in social transformation. With the development of full employment and social security the nature of people's discontent

underwent a qualitative change. People no longer needed to concentrate on their immediate material needs, but could extend their perspectives and consider longer-term goals. Many of these, Erlander argued, required public activity:

If one has a secure position it is natural that one will want to give one's children a decent education; it is natural that one will want to acquire better housing; one may even want to acquire a car . . . But this focus on the longer term is not just for the individual; it requires society to focus on the longer-term as well: cars require roads; the demand for a good education for children requires investments in research and schools, and the demand for housing requires investments in the housing sector, to consider only a few examples. (Erlander, 1956: 23)

Erlander grounded Social Democratic policy firmly in popular wishes and, like Per Albin, explicitly criticized his opponents for trying to set an artificial ideological prohibition for the public sector. If people wanted better roads, schools, hospitals, and housing, then it was unrealistic to say that 25 per cent of incomes might be employed for public purposes, but no more. It was more reasonable and more realistic, Erlander argued, to satisfy the wishes that citizens expressed (Erlander, 1956: 24).

Erlander's and Palme's argument bears a close resemblance to the concept of 'social balance' that Galbraith elaborated in *The Affluent Society* (1958). Indeed Erlander later cited Galbraith with enthusiasm and noted that Galbraith became 'a strong support for our argumentation for the expansion of the public sector' (Erlander, 1976: 109). Erlander, Palme, and Galbraith shared the conviction that, left to itself, the private sector produced 'private affluence and public squalor'. They agreed that

A growing public sector was not a hindrance for progress, but on the contrary a precondition for it. Galbraith definitively dispatched the idea that an improving standard of living reduces citizens' interest in co-operation and common effort. (Erlander, 1976: 109)

None the less Erlander and Palme developed their argument independent of and prior to Galbraith. Their speeches pre-dated *The Affluent Society* by two years; Olof Ruin has shown that Erlander possessed the germs of this position as early as 1952 (Ruin, 1986: 234).

Satisfying the 'discontent of rising expectations' and securing 'social balance' required the 'strong society' (*starka samhället*). The

term and the concept of the strong society are Erlander's most distinctive and original contributions to Swedish Social Democratic ideology. The concept of the strong society is not merely a case for the expansion of the public sector; it is a mystical merging and identification of state and society. Erlander does not speak of the strong *state* (*stat*) as is customary in discussions of the public sector; instead he fuses society and the public sector. Thus, to oppose the public sector is not merely to object to government activity, but to question the choices of society itself. The uses of this formulation in political persuasion are obvious.

The state had changed its character, Erlander maintained. No longer authoritarian, it was now liberal and democratic. It was a service state oriented to the satisfaction of its citizen's wants. One thought of it more appropriately as a rational expression of democratic sentiments than as a coercive agency.

Society, too, had changed its character. Like Durkheim, Spencer, and Parsons, Erlander pointed to the increasing differentiation and specialization of modern society. This specialization compelled more co-operation and solidarity if society was to cohere and individuals to realize their potentials. Individuals could not build health care systems, roads, and educational systems; they had to combine their efforts. Society's efforts in these areas, far from restricting individual possibilities, multiplied them. Erlander repeatedly cited the historical record, arguing that Social Democratic expansion of state authority to secure full employment, extend social welfare, promote greater equality of living conditions, and broaden cultural opportunities had enhanced individual opportunities and individual control over economic and social circumstances. He cited the experience of the 'popular movements' (*folkrörelser*) like the temperance movements, the unions, and the Social Democratic party itself:

The individual person needed support and sought community. He could find community and get protection against the pressure of external circumstances by banding together with other people and working together for a common goal. The liberation that individualism could not give him he found in solidarity with others . . . The oppressed learned that by joining together they could influence development. (Erlander, 1954: 15)

Erlander summarized Social Democratic aspirations by stating that they 'wanted to create social conditions and political institutions that give the individual the possibility of freely developing his

distinctive character'—but this aim could be achieved only by people working in co-operation.

The state, both in its national and local manifestations, was an eminently suitable instrument for this co-operative activity. The activities of the welfare state did not infringe on freedom; they enhanced it. It was a mistake, Erlander claimed, to believe that it was a hindrance to people if they collectively accomplished tasks that they would find it more difficult to accomplish individually.

A society where the individual is compelled to devote all his time and strength simply to gain his livelihood does not stimulate him to assume responsibility and to take new initiatives. For the great majority co-operation through society's institutions that aims to satisfy basic security needs means expanded scope for individual achievements. (Erlander, 1954: 16–17)

Organization, even state organization, was not incompatible with freedom, but a precondition for it.

It followed for Erlander that the state must be strong and effective. A veteran of the feeble Swedish democracy of the 1920s and the Fascist threat of the 1930s, Erlander retained a concern that democracy demonstrate its capacities. Olof Ruin has nicely shown Erlander's commitment to strong government, strong in the sense of possessing a firm parliamentary majority and acting on the basis of common values (Ruin, 1986: 72–3). Only such a regime could satisfy people's wishes, for people wanted not only the sort of goods that could be purchased on a market, but services that ought to be publicly provided.

Public provision increases individual's choices, Erlander argued in *A Society of Free Choice* (1962). There he provided an extraordinarily concise summary of his positions and of themes under consideration here. The view that society's growing influence constitutes a threat to individual liberty Erlander termed dogmatic and unreasonable.

We do not consider the democratic society as the enemy of the individual, but as an instrument for individual persons' co-operation in defence of their security and in support of their personal development. We have continually emphasized the fact that in modern society there are strong forces that push in the direction of co-operation and solidarity and that indicate the need for mutual respect and community. There are many tasks that are too large for the individual to accomplish on his own but that can be solved if we do them together. Individuals build organizations in order

to assert their interests on the basis of co-operation; they require the support of a strong and effective society to protect their security and to expand their freedom. (Erlander, 1962: 82–3)

Society through the instrument of government responded to people's wishes, first by removing the scourges of unemployment, insecurity, squalor, ignorance, and other fundamental ills, and then increasingly by not merely eliminating sources of misery, but by consciously constructing the future society through research and development, education, direction of investment, and planned development. Both the removal of the most glaring social flaws and the evolution of people's wishes pushed Erlander's views away from their negative utilitarian roots towards a penchant for planning the framework within which society would develop.

THE WELFARE STATE AND CORPORATISM

The Erlander years (1946–68) encompassed sweeping reforms in education, health care, housing, pensions, and taxation, to cite only the most prominent examples. In all of these spheres the Social Democrats manifested their commitment to expanding individual welfare and freedom through collective action. (For good comprehensive treatments of social welfare provisions, see Wilson, 1979; Olsson, 1987.)

The School System

The *school system* Social Democrats inherited divided students at an early age into those pursuing university education and those pursuing vocational education. The *gymnasium* catered to a narrow upper-class élite; the *realskola* to the vast majority. The 1946 School Commission, which issued its final report in 1948, laid out the plans for a unitary, comprehensive school system. In 1950 the nation launched a ten-year experiment with nine years of compulsory schooling. In 1962 the Riksdag took the final decision to introduce a nine-year comprehensive school for all children aged 7–16. In the mid-1960s the *gymnasium* and the *realskola* were merged into an integrated high school. Along with the effort to break down class barriers within the school system, the government

greatly expanded spending on education. The average number of years of schooling rose from seven in the late 1950s to eleven in the early 1970s.

Health Insurance

Sweden introduced compulsory *health insurance* in 1955 after a lengthy period of discussion and debate. Care was provided in county-run hospitals. The goal of universal access, always important, was further underlined in 1969 with the passage of the 'seven-crown reform', the establishment of a low, uniform fee for out-patient care. In 1974 dental insurance, previously limited to young children and new and expectant mothers, was expanded to cover the entire population. The 1955 reform also established a compulsory sickness insurance scheme, replacing the previous voluntary system administered by local friendly societies. In 1963 payments became earnings-related rather than flat-rate. After improvements in 1967 and 1974, benefits covered 90 per cent of earnings, starting with the first day of illness. The costs of the health care system rose rapidly, but access by the poor, life expectancy, and infant mortality statistics all improved as well (Erikson and Åberg, 1984: chap. 5; Olsson, 1987: 20-1, 45-8).

Housing

Housing has been one of the more controversial areas of Swedish welfare policy. For years Sweden suffered from a severe housing shortage despite one of the highest rates of construction in the world. The Social Democrats attributed their defeat in the 1966 local elections to dissatisfaction with the housing situation and promptly embarked on a programme to build a million dwelling units (most in the form of massive apartment complexes) over the following decade—an extraordinary undertaking for a nation of eight million. Since 1948 state-subsidized long-term and low-interest loans have been a major instrument for promoting housing construction, albeit one of decreasing importance. In addition, the government subsidizes housing costs through interest subsidies, tax credits for owner-occupiers, and housing allowances for low-

income households. Social Democratic governments have supported public planning of land use, the provision of collective amenities, and relatively classless residential patterns, but in the 1980s there has been a growing sense of policy failure. Middle- and upper-income owner-occupiers now benefit disproportionately and stronger class-related differences in accommodations are threatening to emerge.

Pensions

Pensions in Sweden as elsewhere constitute one of the pillars of the welfare state. In 1948 the government tripled the value of the previous national pension. It maintained the principle of universalism; all citizens, not merely employees, would be eligible. Means-tested elements were eliminated, although income-tested housing allowances for pensioners were introduced in 1954. The great change in pension provision came in 1959 with the beginnings of the supplementary pension system (ATP), a compulsory, earnings-related addition to the basic national pension. ATP was controversial. It sought to extend to blue-collar workers the same kind of pension protection that white-collar workers enjoyed. It rested on a funded system that amassed great quantities of capital in public hands. In an effort to lure white-collar supporters to SAP, ATP treated them generously in the calculation of benefits (Molin, 1965).

Services to pensioners have become increasingly important. The government provides geriatric homes, pensioners' apartment blocks, and home help services. Most elderly Swedes live in ordinary housing. Home help services (cooking, cleaning, etc.) assist over a quarter of the aged living at home. The objective is to allow pensioners to live in their accustomed fashion rather than warehouse them in nursing homes.

The proliferation of social policy programmes and the expansion of existing ones naturally entailed an enormous increase in public expenditure. The increased costs of public policy required regular tax increases in addition to the growth in public receipts produced by the rapid economic advances of the 1950s and 1960s. The income tax became an inadequate source and leading Social Democrats faced up to the need for new sources of revenue. They

determined that programmes with broad benefits would require broad financing. They decided on a turnover tax (*oms*, later a value added tax, *moms*) and on employer contributions rather than taxes on corporate earnings. The new taxes were roughly proportional and on top of them the progressive income tax (at least in theory) rested. These changes had the effect of charging the bulk of taxpayers with the costs of the welfare state and to some extent reducing the 'visibility' of taxation by including it in the price of goods.

If one attempts to summarize social policy developments in the Erlander-Palme era, five tendencies stand out. First, universal services of a high standard as a basic right (and unrelated to social class) remained the norm, in education, health care, pensions, child benefit; indeed the norm found more consistent application than ever before. Second, poor relief declined sharply as a constitutive element of welfare policy; increasingly it came to be seen as an indicator of failures in the insurance schemes rather than the first line of defence. Third, the system moved away from the provision of a minimum standard to an effort to secure existing standards of living. The *inkomstbortfallprincip* in pensions and sickness insurance sought to guarantee against a decline in living standards. From one perspective this approach simply perpetuated existing inequalities; from a more charitable view it limited the range of inequality, which in itself had been narrowed substantially by economic growth and solidaristic wage policy. Fourth, the system increasingly became an integrated whole. Fifth, the system enjoyed wide public acceptance. Benefits were visible and substantial; they seemed a reasonable return on an unusually high rate of taxation.

The expansion of state activity in the spheres of education, health care, housing, pensions, and taxation focused Swedish political debate on the legitimacy of the welfare state. The use of the state as an instrument of popular purposes raised three central and persisting questions, questions which the Erlander-Palme argumentation only partially answers. First, how democratic is the state—does it in fact represent the wishes of its citizens? Second, is there any way to delineate the proper bounds of the public and the private spheres? Third (a related but distinct issue), what is the optimal mix of 'politics' and 'markets'?

For Erlander and for Palme, as for the vast majority of the Social Democratic party, it was axiomatic that the state (including local

government operating according to national standards) was the prime instrument of popular purposes. Unlike Wigforss, they showed little enthusiasm for the syndicalist and localist currents within the socialist tradition. Central government action or regulation avoided the regional variations and inequities that might result from more decentralized control—this was the operative assumption of Swedish Social Democracy well into the 1970s. The state, having been democratized at the close of the First World War, could serve as the transmission belt of popular wishes, by which they increasingly meant the wishes of the population at large rather than the working class or even the Social Democratic movement alone. Essentially untroubled by concerns about the quality of representation, 'government failure', or the difficulty of policy 'implementation' (Pressman and Wildavsky, 1973), they wielded the state as the fundamental democratic tool.

None the less the extension of the public sphere raised anew the questions of democratic control. Increasingly the catch-all rubric of 'corporatism' appeared in the discussion. Disturbingly negative in its connotations because of its previous application to Fascist structures and breathtakingly vague in its empirical denotation, the term did little to clarify debate, but it did draw attention to genuine problems of democratic governance. In the new welfare statist dispensation interest organizations increasingly penetrated and exercised public authority. (Discussions of corporatism often neglect the fact that in earlier periods capitalists exercised the very same authority *privately* with *no* accountability to the citizenry.) This new role for organizations posed two fundamental issues: could these organizations represent society at large and did the leadership of these organizations accurately reflect the wishes or interests of their members?

In the late 1930s Wigforss had proposed regular co-operation and consultation between government and industry, but the war quashed this scheme, although it simultaneously stimulated the formation of commissions with representation from government and major interest groups. The great debate over economic planning in the late 1940s delayed corporatist development, but in the 1950s there arose the co-operation among business, labour, and government that for a time gave Sweden the reputation of a harmonious society where consultation, compromise, and tranquillity prevailed. Following the 1948 election Erlander helped organize

the so-called 'Thursday Club' in which representatives of the major economic interest organizations (including agriculture and both blue- and white-collar unions) discussed political and economic issues. These fortnightly meetings died out in the mid-1950s to be replaced from 1955 to 1964 by a series of conferences at Harpsund, the country estate of the Swedish prime minister. Erlander insisted that these meetings represented a form of 'consultative democracy' in which extensive discussion but no decision-making took place. Nevertheless, these assemblies provoked criticism from both right and left. In the early 1960s Bertil Ohlin, the leader of the Liberal party and Erlander's chief rival, coined the term 'Harpsund democracy' and sharply criticized the government for bypassing the parliament and ignoring the duly-elected opposition:

Is it possible that we shall gradually get a new corporatist chamber that meets at Harpsund? For liberalism it is urgent to work to prevent the mixing together of democratic popular representation and the activity of large organizations. (Cited Ruin, 1986: 273)

Shortly thereafter the emerging Swedish 'new left' assailed the Harpsund gatherings as a capitulation by Social Democrats to the power of finance and the central bureaucracy. These criticisms certainly contributed to the demise of the Harpsund consultations in 1964, but the issue they raised remains. In the economic planning council (from 1962) and an increasing variety of other settings the influence of interest organizations ramified within the state apparatus (see, for example, Ruin, 1974).

As organizations' power expanded, the question as to how well their leaders reflected the wishes of their members grew in importance and prominence. A useful debate, centring on the classic issues raised by Michels (Michels, 1959) and G. D. H. Cole (Cole, 1921) arose. In an investigation of the legitimacy of LO's leadership, Leif Lewin pointed to substantial congruence between the views of the rank-and-file and the leaders (Lewin, 1977). The direction in which influence flowed remained less certain; LO complemented its enormous educational efforts with attempts to gauge members' views through consultative circles (*rådslag*). The new left's celebration of participatory democracy also made an impact on the Swedish discussion. In a series of newspaper articles Sten Johansson, a prominent Social Democratic sociologist, contended that consonance between public opinion and public policy

was an inadequate criterion for democratic governance. Such agreement could be forced rather than autonomously generated. An adequate theory of democracy must stipulate popular participation in the formation of opinion and policy. The level of living surveys in the late 1960s suggested that such participation was far from universal. Finally, the Centre party's critique of the 'concrete society', urban, bureaucratic, and anomic, and their celebration of rural and small town local communities called centralization into question. The Centre and the Liberals pushed experiments with greater autonomy for local governments and gradually the Social Democrats, too, undertook initiatives with more local self-government in towns like Örebro.

The course of Social Democratic reform raised another puzzling issue, which can best be illustrated by an example. In the debate over supplementary pensions prior to the programme's passage the Social Democrats lacked a majority in public opinion polls and in the national referendum. In the 1960 election, however, when the Conservatives strongly opposed the programme, they suffered a severe defeat and the Social Democrats did well. This series of events complicates questions about the legitimacy of social reform. Must a majority approve reforms before passage or is subsequent ratification adequate? The later debates over wage-earner funds proved that this issue is not purely academic; the Social Democrats persisted with their plan in the face of quite substantial opposition, modifying it extensively, but have yet to obtain a majority for it in public opinion polls. Whether this opposition will fade in the light of experience remains to be seen, but once again the conflict between plebescitarian and parliamentary interpretations of democracy surfaces and the tenuousness of the concept of 'representation' appears.

If issues of democracy and representation pose the first test for Erlander's and Palme's views, the question of where to draw the bounds of the public and private spheres is the second. Critics of the Swedish welfare state like Roland Huntford (Huntford, 1972) who proceed from classic liberal assumptions deplore what they regard as the over-extension and intrusion of the public sphere into what they consider ought to be an inviolable private realm. Erlander himself was explicitly vague, terming the issue a practical one rather than one of principle, at least in a democratic society:

Isn't there then a boundary for society's efforts that ought not be overstepped? Certainly in each particular stage of development there is a point which represents the best possible balance between private and public activities. The essential point, however, is not to allow this limit to be determined by theoretical discussions about static chalklines [*kritstreck*] (where, for example, one seeks to bind the public sector to a certain percentage of the national income) or by a starting-point within a dogmatic social conception of a bourgeois sort. It can only be determined by practical experience under the guidance of people's wishes in a rapidly changing society and by the method we choose to solve the new problems that will meet us in the future which we have such difficulty foreseeing. (Erlander, 1962: 83)

In short, Erlander minimized the problem. A supporter of civil liberties, he simply did not see difficulties with extending public authority so long as it was democratically grounded. He rejected rigid limits on the scope of the public sector and otherwise simply refused to become obsessed with this classical problem of liberal political theory. The issue was the democratic character of the public sector, not the proper limits of that sector; these two issues fused—a result that seems less naïve if one reflects upon historical changes in the concepts of the 'public' and the 'private'.

When the public sector expands, society still must decide how to organize it—and that is the third question one must put to the Erlander-Palme scheme. This question received relatively little attention between 1946 and 1976. The Social Democrats left the greater part of the economy to operate according to market principles; education, health care, social insurance, social assistance, and day care they organized, with trivial exceptions, as public monopolies. Indeed there was a concerted effort to reduce the role of philanthropy, volunteerism, and private provisions as demeaning and erratic in their impact. In areas like agriculture and housing the Social Democrats came closest to their more ambitious conceptions of economic planning and steered the market, particularly on the supply side. These hybrids indicate clearly that 'politics' and 'markets' are not the only two choices, *pace* Lindblom (1977), as does the general use of 'framework' legislation and economic policy. As indicated in Chapter 9, the real genius of Swedish Social Democracy lies not merely in using 'politics against markets' (Esping-Andersen, 1985), but also in using politics to make markets work 'better'; that is, more to the advantage of the less well off.

The emergent neo-liberal critique of public provision and especially of public monopoly made little headway in the Sweden of the 1950s and 1960s. Economic growth provided the financing for expanding social insurance and social service programmes. Housing policy, though controversial because of the difficulty in fully meeting demand, recorded substantial successes in providing high-quality housing through equitable financing. Day care, not yet so firmly regarded as a social right, expanded rapidly from an international perspective, even if lower-income recipients seem to have had greater difficulty in obtaining scarce places. Opposition complaints centred on the incapacity of Social Democrats to eliminate the 'queue society'; they seldom attacked the basic principles of the welfare state. In the 1970s and early 1980s the increasing difficulties of financing high-quality public services and the rapid burgeoning of public debt provoked a reaction. At the same time inflation was skewing the impact of public housing assistance radically in favour of the well-to-do. The clamour for day care places and for more rapid treatment for 'elective surgery' (cataracts, for example) stimulated modest and controversial initiatives in private health care and day care. Inept public relations (as when the head of the municipal worker's union suggested that day care workers knew better than parents themselves how to care for their children) fanned the flames. The possibility of increasing use of market mechanisms within the public sector and of tolerating or even encouraging private not-for-profit agencies had remained a heretical notion well into the 1970s. One might cite the relatively high efficiency of the Swedish civil service or the supposedly less complex social problems of the 1950s and 1960s in addition to the factors already cited as explanations for the lack of discussion of public sector organization. The fact remains, however, that while Social Democrats had accepted the value of the market in the private sector and had endorsed the mixed economy, the idea of markets or competition in the public sector remained a foreign notion until the 1980s.

Erlander and Palme steered the construction of the welfare state and celebrated its achievements as Social Democratic triumphs. They argued for the expansion of the public sector as a democratic means of eliminating misery, breaking down class barriers, and meeting 'the discontent of rising expectations' that came with growing affluence. Erlander, at least, was able to structure reforms,

particularly the supplementary pension reform, to attract growing numbers of white-collar voters, a necessity if the party were not to decline as the percentage of industrial workers in the work-force declined. Both political conditions and their own understanding of Social Democracy led Erlander and Palme to play down notions of public ownership or redistribution of the national wealth and to base their practical policies on an expanding public sector and their theoretical arguments on the notion of property as a bundle of rights. This approach engendered debates on the nature of democracy, the proper balance of public and private spheres, and the relative roles of politics and markets. Even before 1968 a reaction to this conception of Social Democracy was brewing, one that would eventually reassert the traditional socialist themes of industrial democracy and socialization (see Chapter 10).

9

LO, Gösta Rehn, and Rudolf Meidner: The Trade Unions' Ideological Contributions

ANDREW MARTIN concludes his superb study of trade unions in Sweden by stressing the importance of LO's ideas in securing the power of the labour movement.

Finally there is again the importance of LO's economic ideas. They have provided the language with which economic developments have been analyzed from a trade union perspective, offering the principal alternative to the increasingly conservative thrust of the academic economics that lends itself more readily to the articulation of business interests. *Thus, the dominating position LO occupies in Sweden's political economy would seem to rest in significant measure on the power of its economic ideas, which may indeed have been essential to the effective utilization of the power it derives from its numbers and organizational structure.* (My emphasis. Martin, 1984: 342)

It is not enough, then, simply to grasp the organizational uniqueness of the Swedish blue-collar trade union movement (which has organized 90 per cent of the industrial work-force); one must also recognize the uniqueness of its goals; that is, its class-based pursuit of full employment, technical progress, solidaristic wages, active labour market policy, and collective capital formation.

External observers have heard much about the 'historical compromise' involved in the Saltsjöbaden accords of 1938, the 'spirit of Saltsjöbaden', and the long period of relatively uninterrupted industrial peace that followed. The trade union movement and the business community entered negotiations two years earlier in an effort to reduce the economic losses that resulted from work stoppages and to avoid governmental intrusions into the labour market. They developed rules for future negotiations, for the settlement of grievances, and for the avoidance of conflict that endangered essential public functions or affected third parties. They worked out arrangements for dismissals and lay-offs. Unions gained recognition as an equal partner in industrial relations, but

had to concede management's rights to organize and direct production as it saw fit. Saltsjöbaden confirmed the notion that business and labour would resolve wage questions and industrial relations issues independently of government interference (Hedborg and Meidner, 1984: 18). This opposition to state corporatism, though increasingly violated in practice, remains an important legitimating principle; it places great weight upon business and labour accepting their larger social responsibility for the functioning of the economy.

THE TRADE UNION MOVEMENT AND INDUSTRY, 1941

LO's adherence to the Basic Agreement at Saltsjöbaden reflected a more general reorientation of its strategy that resulted from the Social Democrats' new political ascendancy. At the 1936 LO conference the Metalworkers' Union, then the largest and most influential of its affiliates, stated in a major motion that 'the trade union movement had now won such broad support that it could not act without considering the legitimate interest of other social groups' (LO's 15-mannakommitté, 1941: 4). The language of the Saltsjöbaden agreement reflected LO's recognition that both its interests and its increasing power required its more active participation in improving the performance of the economy.

The central organizations within the Swedish labour market fully perceive the importance of their resolving their conflicts of interests as far as possible without open conflicts. The avoidance of work stoppage is of primary interest for those who earn their livings within industry: losses because of open conflicts afflict essentially them. Their own organizations therefore must naturally see it as their task to seek to exploit all means to resolve disputes in a peaceful manner; both sides have discovered that the results of an open conflict often do not bear a reasonable relation to the costs and sacrifices of the struggle. (Cited in LO's 15-mannakommitté, 1941: 158)

Increasingly LO was coming to accept the consequences of the labour movement's long commitment to economic growth; it was assuming responsibility for promoting that growth.

More importantly, it was playing down the importance of specific group interests and adopting a constructive policy in the interests of workers in general. In 1936 the Metalworkers

contended at the LO conference that 'the union movement must work for the strengthening and sound development of industry, for only on the basis of a strong industry can the working class hope to acquire better economic and social conditions' (LO's 15-mannakommitté, 1941: 4). The conference established a fifteen-man committee to work out the movement's position on technological progress, solidaristic wage policy, its relation to the state, and its own constitutional reorganization. The committee's report, *Fackföreningsrörelsen och näringslivet* (*The Trade Union Movement and Industry*), approved by the 1941 LO conference, expounds LO's changing conception of its role in modern Swedish society. It endorses a more centralized structure that gave LO greater powers to set common policy, especially in the area of wages where an emphasis on increasing the pay of the least well off was adopted. The report acknowledges the democratic state's right to regulate the activities of unions, but recommends a sparing use of that right.

The most striking feature of the Committee of Fifteen's report is its spirited approval of rationalization and technical progress. To anyone who equates unionism with feather-bedding, outmoded work practices, and rigid resistance to new technology, the message of *The Trade Union Movement and Industry* must appear shocking and foreign. The report argues at length that technological advances do not produce unemployment, particularly in the long run; they do 'increase people's chances of living a richer, freer, and better life'.

Rationalization must be considered a natural, continuing effort to improve the results of production and to enhance the development of human culture. The trade union movement cannot turn itself against these efforts. (LO's 15-mannakommitté, 1941: 144)

Instead labour must support these efforts if it is to maximize its chances of raising its standard of living. LO was not capitulating to rationalization on capital's terms. It committed itself to cooperating in the exploitation of improved technology and procedures, but at the same time pledged itself to seek a more just economic distribution, increased influence over the organization of work and the management of industry, and greater security of employment.

The Committee of Fifteen particularly emphasized the need to

improve the situation of the least well paid. This objective required both state social welfare measures and a *solidaristic wage policy*. The prominent early exponents of solidaristic wages were the Metalworkers' Union, in motion 224 to the 1936 LO conference; Albin Lind, for twenty-five years the editor of *Fackföreningsrörelsen* (*The Trade Union Movement*), the LO magazine; and August Lindberg, chairman of LO from 1936 to 1946. In a 1938 brochure Lind argued that an equalization of living standards required that LO concentrate its resources on the organization of its poorest members. Union solidarity must give way to class solidarity and to pursue this broader objective, individual unions must yield a portion of their sovereignty to a more powerful central confederation (Zander, 1981: 97-104).¹ The Committee of Fifteen accepted Lind's arguments and in addition it maintained that class cohesion would be hard to maintain without solidaristic wage policy:

The trade union movement must regard it as a danger for its own coherence if more marked differences in wages and social benefits appear within the working class itself. The LO therefore ought to direct its attention to these phenomena and take measures in time to counter such a development. The weaker groups ought to be supported in their organizing efforts and in their attempts to gain a better economic position. (LO's 15-mannakommitté, 1941: 213)

Not only the labour movement's traditional ethic of solidarity, then, but also its prudential interest in organizational unity spoke for making solidaristic wages official union policy.

Even by the standards of the 1980s *The Trade Union Movement and Industry* is a remarkable document. The Swedish trade union movement there adopted a new relation to Swedish society, one that staked out an independent democratic path unlike Fascist corporatism, but which also recognized that its pursuit of its interests must not violate essential social interests. As the Committee stated,

In a democratic state the working class cannot separate its fate from the nation's. The working class is a significant part of contemporary society. The workers must accept their responsibility, but with suitable economic and political means they must also strongly emphasize and powerfully assert their demands and their rights. (LO's 15-mannakommitté, 1941: 189)

¹ Lind, too, believed it was time for unions to co-operate in the development of industry. 'The essential thing in all socialism is a more efficient organization and a better exploitation of the productive forces.'

The trade union movement was prepared to support economic progress, but not to yield its essential interests. 'The trade union movement has a positive interest in the stability and competitiveness of industry', the report stated, but it 'is to an equally high degree interested in a distribution of income that can contribute to creating a better standard of living even for the worst-placed groups of workers' (LO's 15-mannakommitté, 1941: 188). It spoke of industry as a common inheritance, one the labour movement was prepared to cultivate in exchange for redistribution and the democratization of industry. To pursue these gains effectively it expanded the powers of LO, the central confederation over its member unions, thereby enhancing class solidarity over individual union interests.

The importance of the Committee of Fifteen's report and LO's adoption of it and its recommendations can hardly be exaggerated. The report's support for technological progress, the fruits of which were to be garnered by a stronger and more centralized LO through the mechanisms of industrial democracy and solidaristic wage policy, underlies LO policy statements right down to the present. It accounts for what seems anomalous to many foreign observers—the combination of rapid technological progress and industrial innovation with an extremely powerful union movement. It also accounts for the continuing radical thrusts of LO policy.

Although full employment comes in for little discussion in *The Trade Union Movement and Industry*, the success in battling unemployment in the 1930s and the prospect of further advances facilitated the acceptance of economic innovation and rationalization. The wartime experience of full employment raised the confidence and the ambition of the labour movement; the unemployment of the 1930s must not be repeated, despite the prospect of a post-war depression. The movement's *Post-war Programme* (1944) made full employment a central objective and the Myrdal Commission elaborated plans for its achievement.

THE REHN-MEIDNER MODEL

The ease with which full employment was achieved after the Second World War surprised the labour movement. Instead of the recession that had been widely anticipated and predicted within labour

circles, an inflationary boom developed. The excessive demand occasioned by the release of pent-up wartime purchasing power, the removal of controls, and stimulative monetary and fiscal policies produced an unexpected dilemma for unions:

The situation on the labour market strengthens the tactical position of the trade union movement against the employers, while at the same time society requires trade union co-operation which takes the form of abstaining from possible increases in wages. (Meidner in Lundberg *et al.*, 1952: 17)

The trade union movement found itself squeezed between conflicting commitments. The Social Democratic government urged it to exercise wage restraint and indeed induced it to practise forbearance in 1948 and to accept a total wage freeze in 1949. Union members, on the other hand, wanted to exploit the bargaining power full employment provided in order to achieve unprecedented wage increases. A public 'incomes policy' threatened to undermine the labour movement by stripping it of its central traditional function, striving for increases in monetary wages where circumstances appeared to make such increases possible.

By this time LO had new intellectual resources to call upon for assistance. From 1939 LO had employed Gösta Rehn and Rudolf Meidner for economic research. Shortly thereafter LO hired Rickard Sterner, Gunnar Myrdal's research assistant, to head a research department; Rehn and Meidner were employed on a permanent basis. From his new post Sterner pushed hard to fix Beveridge's gospel of full employment in the public consciousness and to enshrine it in the *Post-war Programme*. After he left in 1945 to become Myrdal's under-secretary in the Ministry of Trade, Rehn and Meidner became the dominant figures at LO's research branch. Gradually the department expanded as Nils Kellgren, Arne Henriksson, Tord Ekström, Per Holmberg, Claes-Erik Odhner, Erik Petterson, and others joined in the 1940s and 1950s. Collectively they provided LO with intellectual expertise and investigative capacity that any trade union movement might envy.

LO, and the labour movement in general, entered the post-war period enamoured with 'planning'. During the Second World War an extensive system of wage, price, investment, and consumption controls had been established. The strategy was to employ these controls to correct any untoward effects of excessively high levels of demand produced by expansive fiscal and monetary policies,

sizeable public investments, subsidies to housing construction, child benefit, and increased pensions. Both inflationary tendencies and unduly large profits could be checked by these controls, by taxes, and by manipulation of foreign trade. These policies, a combination of the expansionary counter-cyclical policies of the 1930s and the wartime controls of the 1940s, would produce a nicely planned, full employment economy; that, at any rate, was the underlying economic conception of the post-war programme (Rehn, 1977: 202-3).

An explosively inflationary economy—the result of expansionary policies designed for a recession, but applied in an already robust economy—and a concerted business campaign against the idea of a planned economy compelled a re-examination of policy. In the autumn of 1946 Rehn and Meidner urged a reduction of demand by means of indirect taxes together with some employment creation and mobility measures, a programme that contained a modest foreshadowing of the eventual Rehn–Meidner model. Frustrated in their efforts, Rehn and Meidner withdrew, regrouped, promoted their views within their self-styled *kverulantgång* (treated by Erlander in his memoirs under the heading 'Creative Complaining'), and in 1948 launched the first published version of their views in articles in *Tiden*: Rehn's 'Economic Policy under Full Employment' and Meidner's 'The Dilemma of Wages Policy under Full Employment' (Rehn, 1958 or 1988: 53-64; Meidner in Lundberg *et al.*, 1952: 16-29 or Meidner, 1984: 25-34). The full-blown version of the model emerges in LO's 1951 report *Trade Unions and Full Employment*, a collective product wherein Rehn and Meidner had exercised the dominant influence.

In a retrospective article Rehn describes the spirit in which the LO economists and the other 'Complainers' had worked:

We were reformist socialists and feared that the negative, bureaucratic, and all too ineffective regulations (wage and others) that had to be applied so long as the inflationary gap had not been eliminated would compromise every kind of socialism and economic planning. (Rehn, 1977: 207-8)

The trick was to devise policies that would allow a dismantling of unduly restrictive regulatory controls, preserve the trade unions' traditional wage-bargaining function, and promote the central labour goal of full employment through positive pressures to promote mobility and eliminate unemployment. At this time the primary economic problem was conceived as one of stabilization,

defined as the attainment of steady growth and full employment without inflation and without compulsion for the individual. The 'Complainers' were also concerned to enhance the overall efficiency of the economy and to foster greater equality of wages.

Rehn and Meidner criticized the notion that stability could be achieved in a free society through incomes policy alone, whether state-imposed or self-administered by the trade unions. Two factors made such a solution impossible. First, the high profits that regularly attended full employment (achieved by general expansion) allow management to bid up the price of labour as it seeks to attract scarce skilled labour from other firms. As Rehn says,

Full employment and the certainty that it will be permanently maintained, must also tend to result in high profits and thereby give rise to fierce competition for the labour with the help of which profits are to be gained. This would lead to rises in wages which increase purchasing power, thus leading to further rises in prices, increasing profits still more, etc. (Rehn in Lundberg *et al.*, 1952: 32-3)

Here it is worth noting that high profits rather than excessive demand are seen as the culprit behind the inflationary cycle. The second problem with incomes policy is that it tries to freeze existing unjust disparities in wages. Full employment, however, improves the bargaining position of the least well paid workers enormously and makes excessive wage differentials untenable.

From this analysis Rehn derives what he terms the 'external' and the 'internal' conditions for stability. The external condition is that profit margins be reduced so that firms cannot compete for labour by bidding up wages. The internal condition is that the wage system be rendered internally consistent and legitimate. Only if the state moderates the overall level of demand can the unions pursue a successful and 'responsible' wages policy; only if the unions establish a wage structure that its members consider fair can it avoid competing claims for compensation and equity that push wage settlements to inflationary levels. To achieve the external condition Rehn recommends restrictive fiscal policies and active labour market policy; to achieve the internal condition he advocates solidaristic wage policy (Rehn in Lundberg, 1952: 30 ff.).

Before examining the elements of the Rehn-Meidner model more closely, it is worth noting the alternatives that were rejected.

Regulatory controls, the first possibility, suffered from two defects; they were ineffective and they distorted production in inefficient directions. Even with controls such deleterious phenomena as excessive work-force turnover, increased absenteeism, a higher rate of accidents, and less occupational training occurred; one might argue about the marginal harmfulness of these developments, but taken as a whole there seemed little doubt that they impaired production. The second serious failing of controls lay in the difficulty of applying them symmetrically over the entire economy. Policing large, efficient, well-organized industry with standardized mass production was distinctly easier than controlling smaller, marginal, less-essential industries. This asymmetry provided incentives for the transfer of capital and labour into shadowy smaller enterprises with the potential for higher private profits but less valuable social output (LO, 1951: 37-49, 83 ff.). Furthermore, Rehn, Meidner, and their colleagues were concerned about the political consequences of the 'negative' nature of the controls needed to counterbalance the inflationary effects of high overall demand. 'Positive' state interventions to mop up local or sectoral underemployment would be more attractive politically.

Rehn and Meidner also refused to countenance inflation as an alternative. 'Hate inflation!' Rehn urged in a widely cited article (Rehn, 1957). Inflation, they maintained, would not necessarily hit wage-earners disproportionately in a state with a trade union movement as powerful as Sweden's. The real harm lay in the decreases in productive efficiency that inflation engendered. The risk that manufacturers would debase their goods, that speculation would become more attractive and savings less attractive all imposed economic costs that workers would have to bear. In short,

If the duties of the trade union movement were merely to endeavour to preserve and increase the wage-earners' share of the total national income, it could very well accept a continuous decrease in the value of money, provided the trade unions were not prevented from pursuing an active wages policy. A decisive argument against a policy based upon, or at least resulting in, a continuous rise in prices, is, however, that it would hamper total productivity, and thus the increase in the standard of living and real wages of the wage-earners. In the long run, a continuous rise in prices would also lead to such complications both within the country and in foreign trade that full employment could no longer be maintained. (LO, 1951: 82)

Workers, then, have an interest in avoiding inflation, whether induced by government policy or by their own pursuit of larger wage increases than productivity increases warrant. In the long run inflationary wage settlements damage the entire labour movement even if they at first seem to benefit the specific trade unions involved.

In order for trade unions to pursue a responsible wage policy government must provide a non-inflationary economic framework. At this point Rehn and Meidner broke with 'the oversimplified form of Keynesianism' that relied exclusively on general measures of aggregate demand to maintain full employment. They endorsed more selective measures to make markets work better (Rehn, 1977: 213). The central tenet of their model is that 'it is impossible to maintain the exact national economic balance required by full employment merely by means of general methods of monetary or fiscal policy' (LO, 1951: 80). If policy-makers try to make demand adequate to obtain full employment everywhere in the economy, demand will be excessive at many points and will stimulate inflation. Under the catastrophic conditions of the 1930s it made sense to apply general expansionary measures, but as society neared full employment, these general measures should be supplemented by more selective and discriminating measures, particularly active labour market policy. To achieve the proper economic balance society should lower the general level of demand through restrictive fiscal policy. (Higher indirect taxes formed an essential element of the model. Rehn and Meidner recognized the unpopularity of regressive indirect taxes in the labour movement, but feared the productive distortions of higher taxes on corporate profits. They recommended high indirect taxes and a progressive redistribution of them. See Rehn, 1958.)

At this level of demand private enterprise might well find it unpalatable to hire all the labour power on the market. Government then must intervene with 'active labour market policy'—employment-creating and mobility-encouraging measures to ensure full employment. Through these techniques society need not accept some 'natural' rate of unemployment, but could seek to reduce it through measures to remove bottle-necks and to accelerate economic adjustment; it need not accept the Phillips curve with its notion of a rigid trade-off between inflation and unemployment, but could seek to move it down and to the left (that is, reduce the rate of

unemployment which is compatible with stable prices) (Hedborg and Meidner, 1984: 78–83).²

If government pursued these policies, then unions could accept their share of the responsibility for stable prices. They would not need to fear that their self-restraint would undermine their members' allegiance, that the state would usurp their functions, or that they would be attempting the impossible task of trying to stabilize wages in an inflationary climate. Indeed union co-operation would become essential, for 'the balancing of the national economy does not constitute any guarantee for continued stability, if the trade unions pursue a wages policy without regard to its effects on the national economy as a whole' (LO, 1951: 90). The government (assumedly Social Democratic, but potentially any government committed to full employment) created the *conditions* for non-inflationary wage settlements, but it could not ensure this outcome by itself.

The unions must plan so that their wage policy 'agrees, in the long run, with the increase in productivity—once the profits' share of the national income has been pressed down as far as is at all compatible with full employment . . .' (LO, 1951: 94). To ensure that its wage claims do not exceed productivity increases, the trade union movement must mute competition among its members. A cessation of inter-union rivalry required a formula for adjudicating rival claims. Two candidates presented themselves—the firm's ability to pay and the solidaristic wages policy. The 'ability to pay' criterion would produce quite unequal increases that could scarcely be justified in relation to workers' efforts or achievements. Even the economic argument that the most efficient firms need to pay higher wages in order to attract labour to the most efficient locations failed because, in fact, even large differentials do not stimulate mobility. Worst of all,

If certain groups of workers attempt to increase their wages considerably more rapidly than the general increase in productivity (and without the justification of being a low-paid group), then it is almost inevitable that the

² Phillips published his famous article 'The Relation between Unemployment and the Rate of Change of Money Wages in the United Kingdom; 1861–1957' in *Economica* in 1958. It implied a rigid choice between inflation or higher unemployment. Ten years before Rehn had been showing how selective measures to increase the efficiency of the labour market might allow fuller employment without inflationary consequences!

other groups, for mere reasons of justice, will feel justified in following suit. (LO, 1951: 96)

The problems of stabilization and distribution are interdependent. *An unjust policy cannot be stable.* To produce a stable economic climate, economic forces and sentiments of justice must work in relative harmony—one observes yet again this central proposition of Swedish Social Democracy.

The 1951 LO report concludes that

in order to prevent a race detrimental to all groups, between different wages, and also between wages and prices, one must aim at some sort of equal pay for equal work principle. Work of a similar nature should, to the greatest possible extent, cost the same for all employers. (LO, 1953: 96)

Three points merit attention here; first, the emphasis of 'solidaristic wage policy' has changed from the 1930s version. The new incarnation stresses 'equal pay for equal work' rather than a concentration on the least well off. It allows workers to claim higher pay on various grounds—skill, hardship, training. Previous wage differentials had been so large that a simple lessening of them was appropriate; by 1950 it could not be taken for granted that all differentials were 'wrong' (Gösta Rehn, personal communication to the author). The new policy was not inconsistent with greater egalitarianism, but neither did it so clearly accept overall equality as the norm. Second, under this formulation, the formidable task of defining 'equal work' arises—and the even more arduous task of assessing how much inequality of pay should follow from inequality of work! Here the 1951 report envisioned a crucial role for a job evaluation approach, a solution Meidner has consistently propagated, but which the unions have been unable to agree on and implement (LO, 1951: 97–8; Meidner, 1984: 25–202, *passim*). This experience suggests that constructing a 'just' distribution of wages is a more challenging and controversial undertaking than the mild language of the report would imply. LO has solved it relatively well within its own ranks, but LO has not often succeeded in obtaining mutually agreed-upon settlements with TCO and SACO/SR that establish 'justice' across confederations (see Martin, 1984).

A third notable aspect of the passage cited is the animus it implies against 'wage dumping'; that is, against employees subsidizing their firm or industry by accepting a lower wage than that paid for similar work elsewhere. Just as public subsidies threaten to sustain

inefficient firms, so labour subsidies through the acceptance of lower wages condone and foster inefficiency. At this point Rehn and Meidner's argument assumes a structural dimension (cf. Öhman, 1974). They explicitly acknowledge the difficulties that marginal firms will incur by being forced to pay going wage rates determined by the productivity of more efficient firms, and they endorse the competitive pressure thus produced because it compels less efficient firms to modernize or go under. Over a period of time solidaristic wage policy reinforces the shift of resources from inefficient to efficient production, not least because the most efficient firms make higher profits than they would under the 'ability to pay' policy (and thus can expand more rapidly). Active labour market policy facilitates the structural impact of solidaristic wage policy by easing the transfer of labour power from declining to expanding industries. These structural shifts help minimize inflationary pressures by driving out high-cost production.³ Solidaristic wage policy and active labour market policy reinforce market pressures for greater efficiency.

Higher indirect taxes to reduce demand and thus indirectly profits, active labour market policy, and solidaristic wage policy pursued by free trade unions in a market system—these were the interrelated and complementary elements of the Rehn–Meidner model. At the risk of pedantic repetition, one can conclude this presentation of the model by citing their own succinct summary of it in *Trade Unions and Full Employment*:

To summarize, we can say that the maintenance of full employment is a necessary condition for the trade union movement's ability to carry through the largest possible wage increase; that, at the same time, the retention of low profit margins is a necessary condition for the rate of wage increase to be sufficiently low and not to cause a steady rise in prices; that this condition should be fulfilled by the community which should maintain full employment by suitable, local action on the labour market and a general purchasing power level compatible with national economic balance

³ Economists will observe that solidaristic wage policy attempts to apply the condition that would obtain in perfectly competitive markets—equal pay for equal work. It then becomes possible to judge not only how efficiently entrepreneurs use material resources but also how efficiently they use labour.

It is also clear that what workers in the most efficient firms yield in potential wages these firms accrue as extra profits. Why should workers in highly profitable firms accept this outcome? Why indeed! The recognition of this problem provided a major impetus to the wage-earner funds proposal. See chapter 10.

without inflationary pressure and restrictive controls. A further condition for the necessary stability in wage developments is that trade union activities be, at least to some extent, co-ordinated under the following motto: Wages policy of solidarity, taking into account the different nature of work in different industries and trades. (LO, 1953: 99)

Together these elements comprised a distinctive Social Democratic alternative to Soviet central planning, fascist corporatism, or the general Keynesianism of liberal capitalism. They placed little emphasis on socializing production,⁴ but did require that government shape market forces and control more of the flow of national income. The appeal for budgetary surpluses and thus public capital accumulation provided a material basis for further socialism. Altogether the Rehn–Meidner model offered a sketch of the framework of a possible socialist market economy.

A history of the debate over the Rehn–Meidner model that exhausted the subject would most likely exhaust the reader as well and would certainly stretch well beyond the boundaries of this book. None the less, it may be helpful to indicate the model's more vulnerable points. First, it is at least arguable that the level of general demand, not the level of profits, is the crucial inflationary variable, but since Rehn and Meidner propose to reduce both, it is not clear how forceful this objection is unless the link between demand and profits is far from direct. Second, raising indirect taxes to reduce demand also raises price levels; while it may reduce a Keynesian inflationary gap, it does raise price levels, a distinction that may be difficult to explicate politically. It follows that the *political* difficulty of restricting demand may be excessive and that particularly in boom periods, politicians will defer essential constraints (cf. Sköld, 1956). Third, the notion that solidaristic wage policy will drive inefficient firms to modernize or die holds only if markets are competitive; if they are not, and there is some evidence that a substantial portion of the domestic Swedish market

⁴ *Trade Unions and Full Employment*, consistent with a policy Wigforss and Myrdal had espoused in the 1930s and 1940s endorsed socialization in cases where private industry failed to operate in the public interest: 'Private enterprise may occasionally hamper effective rationalization: private owners being as a rule more concerned about the interests of their firms than about the national economy. Should this lead to a non-rational distribution of work between various enterprises within an industry, to a waste of means of production or to unemployment, the transfer of privately-owned firms to State ownership or the starting of competitive State-owned enterprises may then be considered as a means of increasing the efficiency of the industry' (LO, 1951: 25).

is sheltered, then these firms may simply pass along their increased wage bills in the form of higher prices. This argument weighs more heavily against general trade policy than it does against the model.

The most cogent objection turns on the impact of decreased profits upon the willingness to invest (Martin, 1984: *passim*). Profit margins suffer a double squeeze in the Rehn–Meidner model. The high wages unions extract under full employment combine with the effects of limited demand to curtail profits. *Trade Unions and Full Employment* spelled out the dilemma this situation produced:

to maintain full employment, profit prospects must be sufficiently good to incite industry to engage all available manpower; to maintain stability, these high profits must be reduced, but then they do not any longer automatically ensure full employment. (LO, 1951: 92)

The early Rehn–Meidner model proposed to solve this problem by running a surplus in the public budget and financing active labour market policy. In many ways the measures suggested—public works, subsidies to individual firms, the placing of state orders in firms and areas with potential unemployment problems, and mobility allowances—reflected the experience of the 1930s.

An alternative was to use *collective capital formation* to supplement or replace private investment. This option receives little discussion in the earliest formulations of the model. Rehn did argue that

The membership of trade unions cannot be expected to accept private capitalists as the owners of all new capital . . . Thus, if we wish to avoid inflationary wage increases the increase of the national wealth must be, to a rather large extent, the result of collective saving done by the masses on the basis of high wages and high taxes. (Rehn in Lundberg, 1952: 53–4)

Rehn has since argued that collective capital formation was an essential element in the *kverulantgäng's* thinking (Rehn, 1977: 1985). He himself argued in 1950 that the proposed supplementary pension system ought to incorporate a fund that could be used to finance housing and to promote economic growth. The evidence in the early documents suggests, however, that collective capital formation emerged as an important theme *after* the publication of LO's 1951 report and that the discussion concerning it blossomed with the debate over ATP and over Per Edvin Sköld's proposal for worker participation in decisions on the investment of firm's internally generated savings (Sköld, 1956).

THE REHN-MEIDNER MODEL IN PRACTICE

If Rehn and Meidner were so smart, the reader may be wondering, why did Sweden's inflation rate over the period of 1953 to 1973 lie slightly above the OECD average? Three responses are pertinent. First, Sweden's rate of inflation, though above average, can be interpreted as a substantial success because the country pushed unemployment rates distinctly lower and work-force participation rates distinctly higher than in most other OECD countries. Had these countries attempted an equally bold employment policy, their inflation rates might well have soared above Sweden's. This counter-factual hypothesis, however tempting, must remain speculative. Second, Social Democratic governments and LO itself were slow to endorse all the elements of the Rehn-Meidner scheme. Third, even after Social Democratic politicians and LO leaders accepted the intellectual persuasiveness of the model, they applied its tenets slowly and in the case of economic policy, unevenly. Except for the 1960 boom the government delayed too long in applying the brakes in expansionary periods.

'That the SAP leadership was ever completely won over to the Rehn model is doubtful', Andrew Martin writes (Martin, 1984: 212). None the less, thanks not least to Martin himself, it is possible to observe the spread of Rehn and Meidner's ideas within the party and LO and their gradual, albeit incomplete implementation. The process of intellectual persuasion proceeded slowly. Finance Minister Sköld never accepted the model as practical policy; and Erlander underwent a long slow conversion before he could announce at LO's 1961 Congress that ten years previously he had not accepted LO's ideas but now they were being applied as policy. In some cases institutional arrangements had to be created. Bertil Olsson had to reorganize the Labour Market Board in the late 1950s in order for active labour market policy to function effectively. Centralized bargaining was a prerequisite for effective solidaristic wage policy. In four areas, however: general economic policy, indirect taxation, solidaristic wage policy, and active labour market policy one can trace the impact of the new ideas.

Ideas do not operate in a vacuum independent of political pressures. It took three substantial failures in 1948, 1951, and 1955 to shake the Social Democrats' faith in the efficacy of appealing to

trade union moderation as the key to obtaining anti-inflationary wage settlements. January 1955 marked a turning-point. Alex Strand, then chairman of LO, flatly rejected Sköld's appeals for restraint in a celebrated parliamentary clash. 'To demand in the interests of socio-economic balance that the leadership of the trade union movement should direct an appeal to the workers for restraint is unreasonable', the ordinarily temperate Strand said, this time mincing no words.

Equilibrium on the labour market cannot be sustained by constantly calling for restraint [of wages]. Restraint in the present situation would in any case result in substantial wage drift for certain groups, increased wage tensions, and eventually an untenable situation in the future. The trade union movement cannot contribute to a development with such prospects. (Cited Meidner, 1984: 155)

Strand's speech clearly reproduced the logic of the Rehn-Meidner argument for tighter fiscal policy and made an impact on the party's thinking. From 1957-8 active labour market policy expanded rapidly, but it proved easier to implement this portion of the model than to restrict demand in inflationary periods, a failure Rehn found disappointing. 'Unfortunately', he wrote in 1985, 'the Rehn-Meidner model's principle of dampening inflationary booms in order to permit still more effective action against unemployment in other situations came to be applied too little or too late in all recent inflationary booms' (Rehn, 1985). Only the government's actions in 1960-1 comported more closely with its official doctrine (Rehn, 1977: 221, 223).

The lengthy campaign for increased indirect taxes, on the other hand, produced unambiguously successful results. As early as 1946 Rehn had argued in the union press against the elimination of the wartime purchase tax. In the 1949 investigatory commission on taxation he had produced a strong recommendation for more indirect taxation. In the early 1950s Åkerström, an SAP member of the Riksdag and champion of low-wage workers, took up the cudgels, arguing the Rehn-Meidner line that indirect taxes could not easily be avoided and that they would provide additional resources for financing social benefits and capital formation. Together with Sven Anderson and Gunnar Sträng, Rehn and Meidner persuaded Sköld to set up the Henriksson committee on indirect taxation, of which Meidner was to be a member. It

reported positively in 1957 and after a lively internal debate in LO and enormously effective propaganda by the new Finance Minister Gunnar Sträng, 'oms' became law in 1960, in time to be used against the 1960-1 boom. Since then it has been increased substantially.

Solidaristic wage policy likewise came slowly to fruition. Although the 1951 LO Congress devoted lengthy discussion to the subject, there was little disagreement on the general appropriateness of solidaristic wage policy. Differences arose on the matter of how to co-ordinate bargaining so as to benefit the low paid. The conference approved the formation of a wage policy council, which was established in June 1952, but which came to have little practical importance. As Arne Geijer later observed, the council did not play the co-ordinating role anticipated, but its function had been assumed directly by LO's leadership itself. The 1951 conference also recommended simultaneous negotiations on wages, but LO demurred on the centralization of bargaining. The first centralized negotiations took place in 1952 at the behest of business. LO chairman Strand declined a repetition, arguing that the trade union movement was not ready for such arrangements. Not until 1956 did centralized national wage-bargaining become a regular feature of wage negotiations, a structure that offered LO improved opportunities to support the claims of poorly paid workers, but which LO accepted with reluctance.

Co-ordinating wage claims proved complicated: should percentage increases, cash increases, or some combination be sought? How should the special problems of specific unions be handled? The efforts to improve the position of the least well paid dissolved in the face of wage drift. Finally, in 1960 LO negotiated a contract of lasting importance for solidaristic wage policy, an agreement to abolish major sexual discrimination in wages over a five-year period. In 1963 a special LO working group under Kurt Nordgren worked out a system for advancing the claims of the poorest, but gained only part of its goal. By the mid- to late 1960s the unions had worked out the procedures of solidaristic wage policy, negotiating similar cash increases for all wage groups, making fewer exceptions for particular unions, and incorporating concentration on low wage earners as an integral element of bargaining. The route to the objective had been odd. Centralized bargaining resulted from business and societal pressure, not LO choice. Nor

had LO worked out a 'rational' wage structure based on job evaluation, but that failure had not prevented a growing egalitarian emphasis in its negotiations (Meidner, 1984: 154-75). From 1959 the spread of wages within LO narrowed substantially.

Closing differentials between LO and the other union confederations (TCO, SACO/SR) has been more difficult, as has been dealing with the problem of 'extra profits' in the most profitable firms. On the whole, however, solidaristic wage policy has been a great success story well into the mid-1980s, at which time the system ran into business resistance and sabotage. By imposing labour's vision of a more equitable wage structure, solidaristic wages have steered the operation of the market in the interests of greater equality. Equalizing pre-tax incomes helps reduce the burden upon social welfare policy to act as an instrument of equality (cf. LeGrand, 1982). By squeezing out less-efficient firms and easing the way for more-efficient ones, it has promoted structural rationalization. Whether LO will be able to pursue this policy as wage gaps narrow and economic growth slows remains to be seen.

Active labour market policy, too, has come to be a major success; it is another area where Swedish social policy attracts foreign attention and emulation. Its origins lie in the establishment of the Labour Market Commission in 1940 as the successor to the controversial Unemployment Commission. The new body was charged with the mobilization and deployment of labour power during wartime. After the war it was concluded that the employment service should be nationalized and a permanent labour market board (AMS) instituted. In 1948 the board was established with broad political support, but the Farmer's party soon began criticizing it as an unnecessary expenditure in an era of full employment and in 1951 its budget was cut. During the time LO was considering *Trade Unions and Full Employment*, 'the advocates of a more active manpower policy were on the defensive' (Öhman, 1974: 19; cf. Rehn, 1977: 218).

The breakthrough for active labour market policy came in 1957-8. Gunnar Sträng, who had replaced Sköld as Finance Minister, and Bertil Olsson, the new director of AMS, were both exponents of the Rehn-Meidner theory. They used the recession of 1957-8 to expand employment and mobility measures to an unprecedented degree; between 1957 and 1960 the AMS budget quadrupled. As the economy expanded, the budget for labour market policy

remained high; the government was now committed to encouraging mobility and expanding choice of employment. The objectives of the programme broadened once again—from its original modest emphasis upon alleviating unemployment, to preventing unemployment and promoting mobility, the goal was now shifting to increasing participation rates and placing people in the most suitable employment. From 1960 to 1983 the percentage of the work-force participating annually in labour market policy programmes rose from 0.4 per cent to 3.7 per cent (Rehn, 1985b: 70).

Modern Swedish labour market policy aims to organize the market and to improve its functioning. The national employment service aims to reduce the information costs of providing knowledge about job openings and job seekers and finding appropriate matches. The programmes for promoting mobility seek to reduce the costs of labour relocation, financial and psychological, both for employees and employers. In these ways the government intervenes to promote two of the background conditions for perfectly functioning markets, perfect and costless information and little or no transportation costs. This sort of intervention demonstrates the misrepresentation involved in such over-simple dichotomies as politics or markets, or state planning versus private initiative. These Swedish measures consciously employ government action to make markets work better. In Meidner's words

labour market policy was to be used as a means to remove hindrances for a market economy of the type that the classical economic theorists dreamed of. The element of planning in this quasi-liberal ideology was reduced to the method for eliminating these hindrances: when the economy was freed from them it was thought that it could function according to the rules of the market and do so even better than in a consistently non-interventionist society. (Meidner, 1984: 275)

None the less, the greater the scope of labour market policy, the greater the effort to *steer* the operation of markets. The unregulated operation of the market steadily raises the demands made on labour and excludes a growing percentage of the population from employment. Society must intervene with training, with public work for both the able-bodied and the handicapped, with employment subsidies, and with preventive consultation and planning with industry to reintegrate workers on the fringe of unemployability. Thus, even though labour market policy works to improve markets,

its logical consequence is a growth of public intervention and public command over resources.

The emphasis of labour market policy is to employ or to train people rather than to pay them unemployment compensation. These measures maintain the worker's self-esteem and skills and contribute to overall production. The Swedish proportion of gross national product devoted to labour market policy significantly exceeds that of comparable nations, as does the portion of people in employment or training programmes relative to recipients of unemployment compensation (Rehn, 1985b; Meidner, 1984: 359). Logically, however, active labour market policy is conceived as a *supplement* to a generally well-functioning economy and it is reasonable to suppose that it reaches its effective limit at about 5 per cent of the work-force (Meidner, 1984: 368).

THEORETICAL DEVELOPMENTS IN THE 1960S

While *The Trade Union Movement and Industry* (1941) and *Trade Unions and Full Employment* (1951) laid down the foundations of LO policy, they did not provide final solutions to the problems of modern industrial society. New problems arose, the application of LO doctrine in itself created new puzzles, and LO thinking evolved further. The continuing development of trade union positions can be traced in the 1961 conference report *Samordnad näringspolitik* (*Co-ordinated Industrial Policy*, although the official English translation is entitled *Economic Expansion and Structural Change*), the 1966 report *Trade Unions and Technological Change*, and the turn to industrial policy.

Co-ordinated Industrial Policy proceeds from the premiss that the pace of structural change in the economy, already rapid, will accelerate. The development of new technology, further liberalization of world trade, the industrialization of the developing world, and changing consumption habits will all require speedy adaptation of the Swedish economy. Simply to respond to these changes as they occur will not suffice: Swedish society must anticipate developments and adjust. The old Social Democratic idea of inevitable development is firmly rejected:

An economy and a society do not develop in accordance with any inviolable natural laws. On the contrary, they are a result of human action,

and this is conditioned by the ambitions and value judgements of the individual. These in turn are moulded by social, economic and political influences in a complex process of interaction. In so far as the values are common to large groups of people, it is possible to co-ordinate their aspirations in the interests of efficiency and change can then be influenced in a systematic manner. (LO, 1961: 29)

'Framework planning' (*rambushållning*), the construction of an appropriate economic environment on the basis of Social Democratic values, will allow the labour movement to shape developments favourably.

The thrust of the programme is still to facilitate the mobility of the factors of production—'to reduce to a minimum the *sluggishness in adaptability* which is inherent in every economic system' (LO, 1961: 41). Adaptability (along with 'framework planning' the key concept of the report) must be encouraged by enlisting competition, central control and planning, and bargaining among countervailing powers to promote greater flexibility in the economy. The report explicitly plumps for a mixed economy rather than relying exclusively on competition or planning. Sceptical of either of these systems in pure form, the authors of the report, chaired by Meidner (Rehn left LO in 1959 to become head of the economics bureau in the Ministry of Finance), advocated planning to make markets work more efficiently.

If we want the economy to develop along somewhat different lines from those that would result if it were completely uncontrolled and dominated by advertising and profit, this can be achieved by regulating and co-ordinating the major lines of advance at the centre, while leaving the price mechanism and competition to take care of the details. (LO, 1963: 52)

The 'co-ordinated economy' embodied an ambivalent attitude towards the market, as Berndt Öhman has pointed out (Öhman, 1974: 41-2). Perfectly competitive markets operated efficiently, but they did not exist in practice. The 'free play of market forces' that actually operated made pretensions to operate in this way, but failed all too often. Given that existing market forces produced unsatisfactory results, government must intervene not only to plan the public sector, but to structure the operation of markets in the private sector.

The government should not aim to push the economy in a predetermined direction—such a policy would be rash in view of

Sweden's great dependence on changeable world markets—but to create the environment for an efficient, flexible economy with the capacity for rapid adaptation. Government should liberalize international trade policy and, within limits, credit policy; it should restructure the tax system to avoid inefficiency and irritation of taxpayers, partly by shifting more of the burden to employer contributions; it should promote competition, police price cartels, and educate consumers; it should pursue a more ambitious labour market policy and an industrial location policy that accepts urban concentration. Government provides the framework for economic efficiency, within which private (or public) economic agents pursue their objectives.

The 1961 report regards new direct government participation in production as an exceptional measure, but it proposes a system of *industry rationalization funds*, the forerunner of the 1975 wage-earner funds proposal. The funds are designed to meet the need for increased capital formation without further concentrating capital among a few private owners. They would be constructed through normal collective bargaining, appealing to the employers' interest in obtaining needed capital. They would be organized along the lines of Wigforss's 'social enterprises without owners', but would focus on socializing the *increase* in capital formation rather than the firm's existing capital (as the movement had socialized increases in income rather than all existing income flows). The private sector, consequently, 'should become successively less important as the foundation of economic progress' (LO, 1961: 161).

The report concluded by recommending a variety of institutional changes to implement its new *industrial policy*. The National Pension funds should be free to place their capital in the same way as insurance companies or banks and not be confined to bonds and support for housing. A state holding company for public enterprises should be established. There should be a new Department of Industry charged with overseeing, facilitating, and co-ordinating structural evolution. An advisory investment council with public and private representatives should be formed. (Although the original response to the call for industrial policy was cool, within a decade all of these concluding recommendations had been implemented.)

Mobility of the factors of production was the central focus of the 1961 report and both it and government policy (particularly active

labour market policy) sought to increase mobility. As the decade wore on, the costs of technological progress and geographical mobility for the worker created growing resistance. Swedes in the northern reaches of the country quipped that AMS, the Swedish abbreviation for the Labour Market Board, stood for 'All Must [Go] South' ('Alla Måste Söderut'). The 1966 LO report, *Trade Unions and Technological Change*, retreated from what was widely regarded as excessive emphasis upon facilitating mobility (cf. Rehn, 1977: 224). Its authors (again a group chaired by Meidner) formulated their problem as being 'to investigate how changing technology affects employment and to explore the ways in which the search for increased efficiency could be cushioned from the adverse consequences of change in the modern industrial society' (LO, 1966: 238).

The 1966 report operated with a broader conception of human welfare than previous LO studies (or virtually all party programmes and statements). The traditional Social Democratic values still formed the core; the traditional emphasis upon higher living standards and a more equitable distribution of consumption remained in place, but vastly greater emphasis fell on the employee's work situation. The report stressed the individual worker's needs for 'security, social contact and exchange and [to] realize personal potentialities' (LO, 1967: 28). It rejected the instrumental view that work should be regarded solely as a source of income. The employee wanted a sense of independence and control, stimulation, and social intercourse; if the job failed to provide these satisfactions, the resulting feelings of powerlessness would produce frustration, dissatisfaction, and—alienation, a word remarkably rare in the Swedish Social Democratic tradition (LO, 1967: 150–1, 31). The labour movement must fight for these elements of their members' welfare in addition to the traditional objectives.

This broader conception of welfare underlay the relatively few novel features of the report. The notion of full employment should contain a qualitative as well as a quantitative dimension: 'In every firm and at every job, full use must be made of the skill and potentialities of individual members of the work-force' (LO, 1967: 26). Management's 'organizational ideology' with its credo of hierarchy, authoritarian leadership, job simplification, incentive wage systems, and coercion came in for criticism as unsuited to

modern production and destructive of workers' welfare. Above all, the authors stressed the need for richer job content and for greater job security. They cited the benefits of consultation and of employee participation in management, but these themes awaited full development in the 1971 report on *Industrial Democracy* (see Chapter 10).

The 1966 report displays a certain new ambivalence about the impact of technological progress. Its potential detrimental effects receive extensive treatment, but the report repudiates any technological determinism, insisting upon the openness of technology to human shaping and humane applications. Unfortunately business accounting often excludes these considerations. The costs of psychological and physiological deterioration on the job, the disruption of social bonds, and of the stifling of human initiative by monotonous labour do not appear in the profit and loss statements of firms, nor are they easily calculated. If business wants workers to remain receptive to technological change, it will have to harness it to improve not only incomes, but the nature of employment. Workers will accept change, but only if they are protected against the costs of economic growth. To that end the 1966 LO Congress adopted a ten-point programme, much of it an expansion and improvement of active labour market policy forecasting, placement, and training, but also recommendations for greater job security, better job content, and more industrial democracy that would come to fruition in the 1970s. The LO congress accepted the argument of *Trade Unions and Technological Change*: If society wants workers to accept technological progress, it must shield them from its costs as well as extend its benefits. Missing throughout is any considered discussion of industry's impact on the natural environment.

This sketch carries the account of LO's theoretical development into the late 1960s: as the following chapters will indicate, it scarcely exhausts LO's contribution. It should suffice, however, to expose the central principle behind LO's thinking, encapsulated in the title of a recent publication, 'productive justice' (LO, 1984). LO maintains—contrary to various streams of neo-conservative and neo-liberal economic analysis—that it is possible to combine efficient production with just distribution. Its commitment to efficiency, however, goes with an insistence upon a more democratic organization of production, security for the employee (preferably through a job, if not always the job held hitherto),

and an equitable distribution of economic output. The Swedish union movement demonstrates a unique commitment to rationalization and efficiency, one that derives from the Social Democratic goal of material abundance, not from an acceptance of capitalist imperatives.

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Towards Equality? The 1960s and After

In Sweden, as elsewhere, the late 1960s brought a revival of radicalism and an upsurge of egalitarian and participatory democratic sentiments. Sweden, like America, rediscovered poverty. Walter Korpi (Korpi, 1972) and the Inghe (Inghe and Inghe, 1968) demonstrated that the vaunted apparatus of the welfare state still contained gaps and flaws that allowed severe poverty and misery to persist. The government established a Low Income Commission under the leadership of Per Holmberg to investigate conditions and to make recommendations. The somewhat embarrassing findings of the commission led to its demise. In its place came one of the most impressive social science research projects of the past two decades, the 'level of living surveys', a comprehensive social report of the employment, income, health, housing, leisure conditions, education, and 'political resources' of the Swedish citizenry (Johansson, 1970; Erikson and Åberg, 1984). This research, the product of committed Social Democrats, also produced discomfiting results for party members who took pride in the movement's achievements, for it showed the persistence of a group of systemically underprivileged citizens, marginally employed, often in poor health, living on minimal incomes, and incapable of asserting themselves politically.

Swedish politics in the late 1960s and early 1970s largely lacked the tumult and upheaval of May 1968 in France or the American urban riots and campus demonstrations. Protesters saved the elms in Stockholm's Royal Garden from being destroyed to build an underground railway station; students lodged relatively modest complaints; and large gatherings, sometimes headed by prime minister Palme himself, demonstrated against American intervention in Indo-China, but compared to foreign happenings, these engagements seemed to be marked by Swedish restraint and common sense. One event, however, dramatically seized the attention of the public and the labour movement. In December 1969, in state-owned iron-mines in Kiruna, above the Arctic Circle, workers walked out in a wildcat strike. The strike spread rapidly, a

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What is Distinctive about Swedish Social Democratic Ideology?

THIS volume has had two central objectives, first to delineate the distinctive features of Swedish Social Democratic ideology and second to establish that these elements form an essential part of any adequate explanation of Sweden's characteristic social and economic policies. In the first section of this concluding chapter I want to examine the three major depictions of the movement's ideology, in the process briefly indicating their shortcomings. Then I shall offer my own interpretation in the form of a synthesis of these views. I argue that at the core of Swedish Social Democratic ideology there lie five themes that have embodied the enduring value premisses of the movement. (I do not claim that these themes are the only unique features of Swedish Social Democracy or that comparable themes do not exist in other Social Democratic movements. My claim is that these themes are the most significant distinguishing elements and that together they constitute a distinctive whole.) The application of these themes in changing economic and political circumstances has resulted in an evolution of the movement's critique of liberal capitalist society, a critique that has become both more subtle and more constrained. Portions of the ideology may be pertinent to other nations' situations, even if specific Swedish institutions may not transfer well. Finally I demonstrate how ideology has shaped a distinctively Swedish model of economic and social policy.

INTERPRETATIONS OF SWEDISH DEMOCRATIC IDEOLOGY

There are three dominant interpretations of Swedish Social Democratic ideology. The first and most famous is Herbert Tingsten's classic work *Den svenska socialdemokratins idéutveckling* (*The Ideological Development of the Swedish Social Democrats*), originally published in 1941 just as Tingsten was completing his conversion from Social Democracy to liberalism. Tingsten emphas-

izes the *change* in the party's ideology from Marxist socialism to welfare statism (Tingsten, 1941). Tingsten's thesis, perhaps the first contribution to the 'end of ideology' literature, is disputed by Leif Lewin in *Planhushållnings debatten* (*The Debate over Economic Planning*) (Lewin, 1967). Lewin emphasizes as the consistent underpinning of the party's ethos, the *continuity* of the 'socialist conception of freedom', a conception which contrasted with the liberal conception of freedom and which marked the continuing ideological cleavage between liberalism and Social Democracy. A third portrayal denies the importance of ideology in the party's activity, stressing instead its 'pragmatism'; among the varied proponents of this view Gunnar Adler-Karlsson (Adler-Karlsson, 1967), Richard Tomasson (Tomasson, 1969), and Hugh Heclö and Henrik Madsen (Heclö and Madsen, 1987) stand out for the explicitness of their position. None of these interpretations is particularly new and, while each conveys valuable insights, none, I hope to demonstrate, is adequate by itself. These interpretations have dominated popular and scholarly understanding, however, and thus deserve more detailed attention and criticism. The argumentation that follows depends upon the interpretations and evidence in previous chapters; that cumulative account provides the warrant for my new assessment of Swedish Social Democratic ideology, an assessment which incorporates elements of the three standard interpretations in a new synthesis.

In his remarkable autobiography Tingsten describes how working on his book became 'a gradual and half unconsciously operating way of distancing myself from Social Democracy'. 'My research', he says, 'shaped itself into an account of an ideology's dissolution and collapse.'

In an ironic imitation of Hegel's and Marx's three-stage dialectic I divided the process of ideological decay in different areas—socialism, defence, religion, etc.—into three phases; the conclusion on every point was that the original ideas were extinguished, at the same time the honoured words were preserved in hazy, shifting meanings. Meanwhile the party's bearing came to be determined by immediate realistic points of view and rapidly entailed, on the whole, an application of the conservative Burke's words about 'reforming in order to preserve'. I recognize that I—as a couple of reviewers indicated—in my enthusiasm over my line of thought drove it rather far and that I myself to a certain extent fell prey to that desire to simplify and to fabricate (*konstruera*) for which I so aggressively criticized the movement's early ideologues. (Tingsten, 1962: 344)

Tingsten's candour allows one to recognize the truth in his brilliant argument—Social Democracy's muting of republican and anti-religious propaganda, its increasing commitment to national defence, and its appeals to small property-holders in its quest to become a party of the people (*folkparti*)—while at the same time remaining sceptical of his claims about a dissolution of socialist ideology.

Tingsten's central argument maintains that the Swedes took over from the German Social Democrats a largely Marxist doctrine which contained an inherent tension between what he calls Marx's large and small perspectives. Confronted by the reality of parliamentary politics, which they increasingly endorsed, and Sweden's tardy capitalist development, the large perspective (which Tingsten equates with genuine Marxism) gradually withered away leaving the party with a watered-down ideology endorsing gradual reforms in the general interest. The central turning-point came in 1932 when the party conference, faced with a choice of resolutions, one advocating socialization, the other a more modest counter-cyclical public works programme as a solution to the capitalist depression, adopted the less ambitious policy.

Tingsten's depiction of Marx's 'large perspective' is the central theoretical construct underlying his argument and accordingly merits close inspection. In Tingsten's jaundiced view Marx's large perspective envisions a sharpening class struggle between an increasingly concentrated capitalist class and a rapidly expanding and ever-poorer proletariat, swollen by the failed remnants of the petty bourgeoisie. By extracting surplus value from the labour of the workers, the capitalists obtain the wherewithal to continue improving the means of production in order to survive the murderous economic competition. In agriculture the same process of concentration proceeds until, riven by internal contradiction, the entire system experiences a massive economic catastrophe. At this point the workers seize power, expropriate the expropriators, socialize the means of production, and abolish the state, which hitherto had served only as the means of capitalist oppression. Class conflict disappears and the expansion of economic production resolves all problems of distribution (Tingsten, 1956; 1967).

The small perspective spotlights the day-to-day struggle of the labour movement to improve its lot through social reforms, but,

Tingsten argues, there was between the two perspectives 'a certain tendency to contradiction'.

If the working class's situation was notably improved through successive reforms, and if the Social Democratic party in working for these reforms co-operated with bourgeois elements, the dividing line between classes could not attain the clarity, nor class struggle the sharpness, that was envisioned in the large socialist perspective. (Tingsten, 1956: 304)

Since its supporters were unwilling simply to wait for the millenium, and since the large perspective's predictions of concentration, immiseration, increasing conflict, and climactic upheaval proved untenable, the labour movement pursued reforms, enmeshed themselves in the day-to-day workings of parliamentary democracy, and abandoned their larger socialist aspirations.

The plausibility of this sweeping historical portrait, invigorated by Tingsten's lively prose, soon gained it a place as the orthodox account of Swedish Social Democracy's development. Nevertheless, it contains flaws so serious that it can no longer be accepted as a definitive account. Without attempting an exhaustive critique, one can still discover four substantial difficulties in Tingsten's treatment—his concept of Marxism, his use of evidence, his portrayal of the party's ideological starting-point, and his exaggerated claim of the party's ideological dissolution.

Tingsten's portrait of Marxism suffers from a lack of clarity. He attributes to it both a large and a small perspective, but then regards the transition from the large to the small perspective as a dissolution of Marxism! While this peculiar logic exposes the fact that Tingsten conceives of Marxism primarily as a grand determinist view of history, that realization does not help matters much. Modern interpretations of Marx give much more emphasis to the role of human agency in Marx's philosophy than Tingsten's Kautskyist interpretation allows. Furthermore, Tingsten makes serious factual errors in his characterization of Marxism. He argues that the party's ideological starting-point was little more than a reflection of the German Social Democratic party's 'Marxism', but the party's first programme was strongly influenced by the Gotha programme which Marx criticized in one of his most famous works (Nyström, 1983: 216). What is more, in the 1890s the party largely purged itself of such notions as the 'iron law of wages', the bourgeoisie as a 'single reactionary mass', and 'labour as the source

of all wealth', all ideas Marx criticized, and yet Tingsten regards these changes as a dissolution of Marxism! (see Winberg, 1980: esp. 104, 113.) As Chapter 2 demonstrated, Hjalmar Branting formulated a socialist doctrine that accorded great scope to a Marxism truer to the spirit of its founders than the Kautskyan view Tingsten adopts.

A second difficulty with Tingsten's book is his problematic use of evidence. He relies excessively on verbal and written expressions of theory to the virtual exclusion of its application in practice. This focus leads him into error, as, for example when he speaks of the party's radicalization as expressed in its 1920 programme revision, but fails to observe that the party followed a classical liberal economic policy in the 1920s (Winberg, 1980: 111). This same programme shows how Tingsten imputes different characteristics to the same document to suit his purpose. The 1920 programme is on the one hand a radicalization of the party's programme, on the other hand an alteration of the Marxist schema (Tingsten, 1956: 312, 313). A further problem is Tingsten's careless use of sources; as Christer Winberg has shown, the quotations Tingsten deploys to substantiate his view of various periods do not always date from the periods in question (Winberg, 1980).

Specifically, Tingsten fails to show that Swedish Social Democracy ever adhered so strongly to Marx's large perspective as he claims. Swedish Social Democracy drew inspiration from a variety of sources in the 1880s and 1890s, not merely German, but Danish; not merely the Erfurt programme, but the Gotha programme as well; nor merely Marx, but Lassalle, the German *Kathedersozialisten*, and to a modest degree anarchist and pre-industrial Swedish socialist writers. Given that Marxism failed to penetrate the German party very deeply before the 1890s, Tingsten's claim that Swedish Social Democracy was strongly Marxist in the 1880s as a result of its German inspiration lacks plausibility. The period from 1880 to 1900 is better classified as a period of selection and elaboration of a Marxist-inspired reformism attuned to Swedish conditions rather than as an era of abandonment of firm Marxist principle.

Finally, Tingsten's argument grossly exaggerates the dissolution of SAP's Social Democratic principles. Tingsten regarded the Social Democrats as having struck industrial democracy and socialization from their agenda in the 1920s and 1930s (Tingsten, 1956: 321-2).

On this line of analysis the Social Democrats' Post-war Programme, the industrial democracy legislation of the 1970s, and the Meidner wage-earner funds proposal become inexplicable; the predictions Tingsten's theory yields are falsified by the labour movement's actions to realize its Social Democratic vision. Indeed, one might argue that Tingsten's view is contradicted by his own conduct. From 1946, as editor of the liberal newspaper, *Dagens nyheter*, Tingsten polemicized against Social Democratic radicalism with all the zeal of the newly converted liberal. In his memoirs Tingsten concedes that he was guilty of some exaggeration in his criticism and that he came to see his opponents as criminals (*brottslingar*) (Tingsten, 1963: 128, 138). Surely a pallid reformist party would be insufficient stimulus for such aggressive behaviour!

Although Leif Lewin praises Tingsten's work, his work repudiates Tingsten's claims. Lewin gives minimal attention to the political thrust of Tingsten's volume—that socialism, particularly Marxism, is unrealistic and unachievable—and concentrates on Tingsten's larger claims about the general decline of ideology and the more specific dissolution of Swedish Social Democratic ideology. He treats not merely the labour movement, but its bourgeois opposition as well; with superb detail he covers the dialectical evolution of the political economic debate from 1920 until the mid-1960s. Throughout the period, Lewin contends, the Social Democratic and liberal conceptions of freedom clashed in ideological debate. Whereas liberals regarded the state as the potential enemy of freedom, Social Democrats regarded it as an instrument that might be used to expand freedom 'from the domination of capital, economic poverty, and the effects of inevitable underproduction' (Lewin, 1967: 527). Liberals thought that equality infringed upon freedom and retarded economic growth, but Social Democrats regarded them as compatible.

Lewin's thesis is powerful and well-documented; rather than contest his general argument or evidence, I want to extend his description of Swedish Social Democracy's objectives. One cannot adequately describe them under the heading of freedom alone, even if one includes within the conception of freedom the ideas of equality and democracy. First, liberty is not the central Social Democratic value which colours all the others; for liberals it is, but for Social Democrats equality and solidarity possess at least equal importance. Social Democracy operates with a broad and complex

conception of human welfare that embraces equality, solidarity, democracy, freedom, security, and economic efficiency (see especially Chapter 3). To limit Social Democratic aspirations to freedom, however broadly defined, gives a pale and distorted image of the goal.

Social Democrats believe that, on the whole, their values are not only compatible, but reinforce one another. The title of a recent LO publication, *Den produktiva rättvisan* (*Productive Justice*), illustrates the idea that justice (conceived in terms of equality) and economic efficiency complement each other. The book argues that the greater the employees' right to participate in determining the firm's policies, and the greater the security of income they enjoy, the more smoothly and efficiently the economy will operate. Similar themes about the complementarity of social objectives echo through the Swedish labour movement's tradition, with the Myrdals' book on the population question perhaps the most remarkable statement of the position (see Chapter 7 and Myrdal, 1935). Neither Tingsten's nor Lewin's formulations of the Social Democratic ideal fully capture these syncretic dimensions.

The third major portrayal of Social Democracy neglects or denies its ideological motivation and characterizes it as pragmatic. In his popular book *Functional Socialism* (1967) Gunnar Adler-Karlsson argues that pragmatism is the touchstone of labour movement policy. So pragmatic is Social Democracy that Adler-Karlsson offers two contrasting views of its aims, one a society in which labour, capital, and government check each other in a balance of countervailing power, the other a society in which labour gradually strips capital of its property rights until it becomes as functionless as a modern European monarch! Richard Tomasson, extending Tingsten's argument, similarly treats SAP as an eminently pragmatic party, largely incapable of contributing to socialist theory. He puzzles over Landauer's description of the Swedes' loyalty to the socialist tradition as if it were impossible to be both pragmatic and ideological (Tomasson, 1969: 773, 776).

Here lies the vital assumption and the critical flaw in the pragmatist case. 'Pragmatic' is the opposite of 'unrealistic', not of 'ideological'; ideology and pragmatism are perfectly compatible so long as one does not invest ideology with overtones of irrationality and perverse inattention to practical concerns. Pragmatism is a

'parasitic' concept that always presumes some objective, generally one that is so widely shared as to be closed to question. One can appreciate this point more readily by considering that while dumping industrial wastes into nearby streams seemed eminently 'pragmatic' to the industrialist of the early twentieth century, the modern environmentalist rightly deems it dangerously impractical —because he has a radically different objective in view. Nothing, however, prevents him from being pragmatic in seeking to reach his ideological goal of a healthy environment. In this same way, as Rudolf Meidner has argued, Swedish Social Democracy owes its success precisely to combining ideology and pragmatism (Meidner, 1980). In short, one can readily (and rightly) grant the pragmatic character of the Swedish labour movement, but that does not rule out its being ideological as well; on the contrary, political pragmatism unavoidably assumes some ideological end.

The most spirited defence of the pragmatist position occurs in Heclo and Madsen's bright and irreverent *Policy and Politics in Sweden: Principled Pragmatism* (1987). As the title implies, Heclo and Madsen acknowledge the force of Swedish Social Democratic ideology; indeed they say that the structures of Social Democratic power are 'intellectual as well as electoral and administrative'. They note that 'without a principled basis for justifying what they did, labor's leaders would have had less chance of sustaining their actions against challenges.' They concede that 'our evidence suggests [that] much in Swedish postwar policy indeed seems comprehensible in terms of easily grasped notions of an advancing labour movement united solidly behind a Social Democratic policy agenda' (Heclo and Madsen, 1987: 314, 324, 319). And yet Heclo and Madsen are at pains to rebut the notion that Social Democratic policy rests on a 'a preconceived strategy' of 'planned progress' (Heclo and Madsen, 1987: 320, 321).

What Heclo and Madsen are attacking is not the independent force of ideology, but its use as an exclusive explanation. Their counter-thesis is not always consistently formulated. The weaker version holds that 'paradoxes, unanticipated consequences, internal contradictions, and *ad hoc* rationalizations after the fact' shape and alter the application of Social Democratic principle (Heclo and Madsen, 1987: 314). This claim is plausible, indeed compelling, and Heclo and Madsen provide abundant evidence for it. It does

not deny the independent force of ideology as *part* of an explanation. The stronger version of the thesis negates the role of ideology in devising policy:

The Social Democratic vision is not some theoretical blueprint for the future. In fact, it is the nurturing of a common understanding of the past that shapes the Social Democratic self-conception. Policy improvisations, incremental steps taken to cope with unanticipated events, and occasional sheer luck have become interwoven with key Social Democratic accomplishments to yield an impression of strategic foresight and unilinear progress . . . Retrospective rationalizations of critical choices in different policy areas frequently transform instances of muddling through into part of a grand design for Swedish social solidarity . . . our principal purpose is to show how short-term expedients, partial successes, and gross miscalculations could be appended convincingly to a proven legacy of policy mastery. (Heclø and Madsen, 1987: 44-5)

This thesis, with its emphasis upon sheer improvisation, expediency, luck, and the retrospective application of ideology will not do.

Before examining this argument's flaws, one does well to acknowledge that Heclø and Madsen have skilfully exposed an important use of ideology—gilding past policy with an aura of historical correctness. There can be no doubt that Social Democrats have engaged in this activity with great success, the most notable instance being the attributing of Sweden's recovery from the depression of the 1930s to Wigforss's modest counter-cyclical policies rather than to the somewhat accidental devaluing of the Swedish crown. The Social Democratic party, like other political parties, has engaged in historical reinterpretation that does not always bear close scrutiny. This depiction of history links Social Democracy with the nation's evolution in a way that helps cement Social Democratic hegemony, as Heclø and Madsen astutely observe. Admitting the point that ideology is *sometimes* backward-looking, however, does not entail that it *always* is.

Heclø and Madsen are selective in their use of evidence in disputing the notion of planned progress. Despite the fact that the industrial democracy legislation of the 1970s comprised one of the major Social Democratic reforms of the post-war period, Heclø and Madsen virtually ignore it. Had they considered it in detail, they would have been compelled to observe (as noted in Chapter 10) that LO had developed a virtual blueprint for the eventual legislation, the ideological inspiration of which could be traced

back to Wigforss's work in the 1920s. Similarly, when they contend that in the area of social welfare, 'there was no conscious grand plan to expand the government' (Heclø and Madsen, 1987: 158-9), they ignore the writings of Möller, the evolving work of numerous government commissions, and the Post-war Programme of 1944. Reform initiatives do not always follow blueprints, and they seldom follow them exactly, but they sometimes (and, in the Swedish case, often) result from coherent, ideologically conscious visions.

Heclø and Madsen misconceive the nature of ideology. It does not take the form of a detailed plan or blueprint. Rather it consists of a core of values that serve as a basis for a decent society (or a critique of an unworthy society). It may rise to the level of a 'provisional utopia', but even then it is not regarded, in Swedish practice at least, as a definitive portrait of the good society, but rather as a guide that can be adjusted as conditions change. Politics regularly requires improvisation and muddling through, but far from obviating the importance of ideology, such episodes allow one to see which values and predispositions shape the new policy. As Heclø and Madsen's account repeatedly illustrates, Social Democratic values regularly impart a distinctive cast to Swedish-style muddling through. It is time to characterize these values and to see how they have shaped the evolving Swedish Social Democratic critique of capitalism.

FIVE CENTRAL THEMES

The first central notion of Swedish Social Democracy may be termed *integrative democracy*. Swedish Social Democrats rapidly recognized democratic decision-making as the ultimate standard of legitimacy, superior to 'imperatives' of materialist development or anarchist activity. This choice ruled out both proletarian dictatorship and terrorism. It focused the party's efforts on the attainment of political democracy as its first overriding objective. The party never seriously entertained the Leninist idea of an élitist revolutionary cadre. Political democracy, however, was not enough. From its origins Swedish Social Democracy has been committed to creating a society where first industrial workers and then employees in general participated on equal terms in the organization and governance of society. The democratic ideal ought to infuse not only political life,

but social and economic organization as well. Thus from Per Albin Hansson through Tage Erlander and Olof Palme to the present, party leaders have spoken of a three-stage development through political democracy to social and economic democracy as well.

The content of this slogan can be gleaned from the writings of Nils Karleby who emphasized participation as the central element of Social Democratic transformation. Karleby saw 'the working class's full participation in society' as 'the goal of Social Democratic efforts'; this goal would be achieved when labour was 'an equal partner in the development of the methods, form, and content of social life and no area of social life was excepted from being considered and ordered from the viewpoint of social utility (*ändamålsenligheten*)' (Karleby, 1976: 87). It was the task of Social Democracy to complete the prematurely halted work of the liberal bourgeoisie in extending human freedom.

The most compelling formulation of this ideal, however, appears in a little-known essay, 'Some Viewpoints on the Socialization Question', that Gustaf Steffen wrote for the Socialization Committee in 1920 (Steffen, 1920). Steffen, a Professor of Sociology whom Branting had persuaded to accept a seat in parliament, regarded 'deproletarianization' as the central objective of Social Democracy. For Marx, he argued, the concept of the proletariat was fundamental. The concepts of surplus value, capital and exploitation were secondary; accumulation, concentration, crisis, and catastrophe, tertiary. Marx's overriding concern was to humanize the worker. The worker lacked political power, economic resources, and material security. These disadvantages rendered him passive and inactive. A raw material used by others, the proletariat lacked property and the opportunity to direct his work. Capitalism foreclosed for him not only income from capital, but also participation in and responsibility for the organization of economic activity. For Steffen the absence of freedom, participation, and responsibility comprised the central problem of proletarianization: if the worker grew prosperous, but lacked political and economic power, he remained a proletarian.

The solution lay in schooling and organizing workers to assume political and economic power. Steffen envisaged socialization less as a transfer of property rights than as a 'summarization of the methods for his [the worker's] liberation from the economic and social immaturity of the proletarian condition' (Steffen, 1920: 6).

The point of socialization was to integrate workers into the economic life of society. Labour could achieve this integration only by casting aside its passivity and schooling itself to assume positions of responsibility within the process of production. Political democracy, Steffen argued, created a political situation that allowed this transition to proceed along non-revolutionary lines.

Steffen's conception, like those of the major Social Democratic spokesmen, envisions democracy not as class rule by the poor or by workers, but as the rule of all. A strong preference for consensual democracy underlies the actions of Social Democratic leaders. Branting sought a broad alliance with the Liberals in order to introduce universal suffrage. Then in the tumult of 1918 he confined his programme to gains which reflected a broad consensus. Per Albin sought broad agreement not just during the national coalition government of the war years, but before and after it. Erlander and Palme regularly sought coalitions with one or more of the non-socialist parties. Even Wigforss, arguably the most controversial of Social Democratic spokesmen, urged cross-class cooperation in his Bourse Society speech of 1938 (see Chapter 3).

This emphasis upon integration, full participation, and consensus leads naturally to a second central notion, the *folkhemmet*, the conception of *society and state as the 'people's home'*. Per Albin's classic formulation of this ideal merits repetition:

The basis of the home is togetherness and common feeling. The good home does not consider anyone as either privileged or unappreciated; it knows no special favourites and no stepchildren. There no one looks down upon anyone else, there no one tries to gain advantage at another's expense, and the stronger do not suppress and plunder the weaker. In the good home equality, consideration, co-operation, and helpfulness prevail. Applied to the great people's and citizens' home this would mean the breaking down of all the social and economic barriers that now divide citizens into the privileged and the unfortunate, into rulers and subjects, into rich and poor, the gluttoned and the destitute, the plunderers and the plundered. (Hansson in Berkling, 1982: 227)

Solidarity and equality of consideration characterize the good home; there consensus is the objective and democratic persuasion the method of governance.

The force of this ideal lies not only in its intrinsic appeal, but also in its contrast to the patriarchal ideals of the traditional Swedish

mill towns (*bruk*). In many of the small rural settlements where much of the nation's industrial development originated, a kind of pre-democratic welfare state emerged. In Gustavsberg, for example, the owner's expensive estate stood prominently above the neat houses of the white-collar personnel and the ordered ranks of the workers' company-built dwellings. The owner provided health care and a variety of other welfare benefits—until the workers had the temerity to organize a union, at which point the firm terminated benefits. In contrast to this patriarchal, class-stratified social provision, the ideal of the people's home postulated a community where members could claim equal rights to universally provided services and where social provision derived not from aristocratic largesse but from democratic decisions.

The greater equalization produced by universal social policy, progressive taxation, solidaristic wage policy, and movement towards sexual equality need not constitute an impediment to efficient production, Swedish Social Democrats have consistently argued. Indeed the third great theme of the movement's ideology is the *compatibility, even complementarity, of socio-economic equality and economic efficiency*. The distinctiveness of this position can be seen by contrasting the title and themes of two books. The late Arthur Okun subtitled his book *Equality and Efficiency*, 'The Big Trade-off', and contended that efforts to establish a highly egalitarian society must result in significant losses of productive efficiency (Okun, 1975). On the other hand, the authors of *Den produktiva rättvisan* (*Productive Justice*) (LO, 1984) argued powerfully for the greater efficiency of an egalitarian, full-employment society. Since social science has done little to resolve this issue, one must adopt the more modest objective of understanding how Swedish Social Democrats have argued their case.

Preventive social policy, Gunnar and Alva Myrdal maintained, requires equality and promotes efficiency. If children are to be desired, born, and reared to be productive adults, society must invest in their welfare and that of their families. Expenditures on their education and health should be seen not as burdens upon production, but as investments in human capital. Society's greatest asset is its human resources, which must not be squandered or allowed to atrophy. This appreciation of the role of social policy in the production of the work-force can sound callous, mechanical, and calculated, but it represents a commitment to realizing the

potential of each individual. Similarly the Myrdals' progressive emphasis upon the rights of women cites the economic benefits of enlisting the talents of women in all spheres of society. This stress upon maximizing the use of society's human resources has penetrated deeply into Swedish society: leading Swedish executives (still largely male) promote their own Swedish model of doing business based on the full development of the skills of employees (Ekman *et al.*, 1985).

LO, as early as its 1941 report on the *Trade Union Movement and Industry*, presented the first of a series of arguments for the benefits of equality in promoting longer-term growth and efficiency (LO, 1941). Increased productivity and the rationalization of production were essential if Sweden was to enjoy higher standards of living, the LO committee agreed, but if the benefits of economic progress flowed disproportionately to capital, workers would resist modernization, disrupt production through strikes, and reduce efficiency because of lower morale and effort. Using an approach that more American and especially British businesses might well have heeded, LO stressed that the restructuring of the economy, far from being simply a matter of financial calculation, required an essentially political compact with labour—labour's co-operation in modernization in exchange for full employment, more egalitarian distribution, and a larger share in management decisions.

LO has also couched its case for solidaristic wage policy in terms of efficiency as well as equity. Over time, Rehn and Meidner demonstrated, the operation of a more egalitarian wage structure would pressure the economy's least-efficient firms to improve productivity or go under. Meanwhile, the most efficient firms, by paying somewhat lower wages than they could afford, would accumulate 'extra profits' for reinvestment in their enterprises. The system thus created a bias towards enhanced productivity. Under such a system of equal pay for equal work, profits more nearly approximated a measure of a firm's efficiency rather than a measure of its bargaining power *vis-à-vis* workers.

During the late 1970s and the 1980s some interesting shifts in the Social Democratic commitment to equality and efficiency have occurred. On the right Kjell-Olof Feldt, Klas Eklund, and others have criticized the progressivity of the Swedish tax system as debilitating in its effects and have instituted measures to reduce marginal rates of taxation to 50 per cent, an action which of

course reduces the progressivity of the tax system and its impact upon upper income recipients. Feldt and his advisers have also emphasized the need to restore the profitability of Swedish firms and to limit wage increases. Neither of these measures, it need hardly be said, has proved popular with LO.

On the left Per-Olof Edin and Anna Hedborg have argued for a re-evaluation of efficiency, one which places less emphasis upon profits as a measure of efficiency and more upon employee welfare, particularly the welfare that comes from increasing control over and satisfaction in one's work (Edin and Hedborg, 1980). While maintaining that 'there is no decisive contradiction between the democratization of working life and the renewal and greater efficiency of the economy' (Edin and Hedborg, 1980: 55), Edin and Hedborg clearly regard growth and the pursuit of maximal productive efficiency as less dominant objectives than hitherto. They speak of the decreasing marginal utility of growth and emphasize employee welfare, treating the achievement of profit as a constraint rather than as the fundamental objective. In making their case for an economy based on wage-earner funds, they set up 'the new assignment—to establish an organization of labour that can give scope for much greater portions of human capacity and well-roundedness (*allsidighet*)' (Edin and Hedborg, 1980: 54). The goal of efficiency as they reinterpret it focuses inward on the satisfactions and capacities of employees rather than outward on the production of goods and services.

The stark poverty that characterized Sweden well into the twentieth century compelled Swedish Social Democrats to consider how to increase production and not merely how to distribute the results. For decades many believed—in so far as they thought about the specific structures of a socialist society—that socializing the means of production, by which they customarily understood nationalizing industry, transportation, and finance, was the remedy to all the problems of capitalist production. Gradually, however, the sobering impact of political difficulties and economic examples forced a revision. The movement came to a position favouring a *socially controlled market economy* rather than nationalization of productive enterprise. In this view (the fourth central theme of Swedish Social Democracy), social control of the economy takes precedence over questions of formal ownership. Nationalization becomes a *possible* instrument for Social Democratic purposes, but

not a necessary or even a preferred one. Periodically, as in the immediate post-Second World War period or during the wage-earner debate of the 1970s and 1980s, the socialist aspiration for public ownership revives, but increasingly proposals envision public ownership in the form of independent corporations, co-operatives, or employee-owned businesses rather than state corporations. Why did this transition to a more diffuse notion of socializing the economy by subjecting it to public control occur and what is its content?

The origins of this transition lie in the party's early shift on agricultural issues. In Germany Kautsky's *Die Agrarfrage* (1895) had asserted the necessity of agrarian concentration, the proletarianization of small farmers, and an eventual large-scale public agriculture. Consequently, Social Democracy had little to offer small farmers and largely restricted its appeal to working-class voters. This approach remained the dominant outlook within German Social Democracy until 1927. In Sweden, however, the party adopted a new agricultural programme in 1911 (much like that recommended by German revisionists like Eduard David). It envisioned the continued viability of small farming. As early as 1907 Branting had written that Marx's predictions of an inevitable concentration of agricultural units had proven invalid. Co-operatives, he argued, could provide the advantages of large-scale production while keeping the worker united with his means of production (Branting, *Tal och skrifter*, 1926: ii. 323). The 1911 programme encapsulated two crucial decisions for Swedish Social Democracy: first, the party would not limit its appeal to the industrial working class, but would seek the support of 'little people' and workers in general. Second, socialism did not necessarily mean government ownership of the means of production; producer co-operatives composed of small-scale owner-operators could be an acceptable form of economic organization. (On the 1911 programme and its importance, see Simonson, 1985, whom I follow closely.)

Because the party treated agriculture and industry as distinctly separate categories, the 1911 programme made little immediate impact on thinking about the organization of industry. It was primarily the impact of the electoral defeats in 1920 and 1928 and secondarily the influence of liberal economic theory and of problems in obtaining union support for socialization of industry that spurred a rethinking of the movement's views on industrial

organization. Under the influence of Karleby and Sandler, the party tacitly shifted to a conception of a socialized market economy, where markets functioned under socially controlled conditions.

This social control had four facets. First, as Karleby emphasized, the labour movement had to move to equalize the background conditions under which markets operated. Markets responded to demand and supply; the distribution of income and property shaped the nature of demand and supply. If incomes were highly skewed in their distribution, markets for luxury goods might displace the provision of more essential items. By shifting the distribution of incomes and property in a more egalitarian direction through solidaristic wage policy, progressive taxation, and social welfare policy, Social Democrats could enlist markets to fulfil essential human needs. This strategy focused not on abolishing or on heavily regulating markets, but on restructuring the background conditions which determined what resources people brought to the market.

A second strategy, '*framework legislation*', aimed at a more fundamental reorganization of markets themselves. For the economy as a whole there were policies to make some of the critical assumptions underlying the liberal model of perfect competition—perfect information and no transportation costs, for example—more nearly true. Government undertook to supply thorough information about job vacancies and job-seekers and to subsidize the costs of labour mobility so that they fell upon society as a whole rather than upon the individual worker. For specific industries like housing and agriculture the government established standards of production, subsidized loans, and various special incentives to encourage production and the reorganization of industry.

In its most ambitious form this sort of framework planning verged into economic planning. The Swedish word *planhushållning*, like the English term planning, is extraordinarily ambiguous. It can mean—and has meant—anything from the application of monetary and fiscal policy to the reorganization of specific industries to the co-ordination of the economy as a whole. 'Planning' entered the Swedish Social Democratic debate in a serious way in the 1920s in the work of the socialization committee and then in the writings and speeches of Ernst Wigforss. The party's general scepticism about governmental capacity following the experience of rationing during the First World War and then the force of the Soviet

example produced a general disillusionment with any sort of detailed economic planning. When Wigforss recommended '*planhushållning*' in 1930 and the years immediately following, he was advocating the equivalent of Keynesian counter-cyclical policy with governmental pressure for more efficient organization of production and more equitable distribution.

With the revival of the economy, seemingly because of Wigforss's policies, 'planning' gained popularity and the Social Democrats began to entertain more ambitious hopes. As Wigforss reports in his memoirs, there was little clarity about precisely how to proceed, but he spoke of the possibility of 'planning of both public and private investments' and of the planned nationalization and concentration of certain industries (Wigforss, 1980: ix. 121). The Social Democrats proposed negotiations with industry to explore a co-operative execution of this programme. This initiative Wigforss characterized as a 'reformist utopia'. 'Society would transform itself, assume more and more socialist traits with the willing co-operation of the capitalist entrepreneurs themselves!' (Wigforss, 1980: ix. 122). These discussions terminated with the outbreak of the Second World War, but the increasing and often successful public penetration of the economy during the war years revived Social Democratic aspirations at war's end. The new thrust for a bolder implementation of 'planning' found embodiment in *The Postwar Programme of Swedish Labour* and in Commerce Minister Gunnar Myrdal's call for a radical restructuring of various industries under governmental direction.

The great debate over economic planning leading up to the 1948 election, together with the economic difficulties of the immediate post-war years, quashed Social Democratic zeal. Under the new slogan of 'industrial policy' similar aspirations reappeared in the late 1960s only to sag again after the Social Democrats regained office in 1982. The general conclusion must be that the idea of thoroughgoing economic planning has led a precarious and suspect existence within Swedish Social Democracy—with the exception of two areas, agriculture and housing, where it has thrived in a somewhat looser form that recognizes consumers and producers as independent economic agents and regulates the framework within which they act. Neither market nor plan *per se*, but planned markets—that is the Swedish third way in economic planning. The classic formulation of a publicly structured framework for market

activities still belongs to Per Albin Hansson. In discussing the dividing line between Social Democracy and its non-socialist opponents, he stressed bourgeois blindness to the possibility of a socialized market economy: 'In this confinement by the dogma of the saving grace of free enterprise alone the bourgeois parties dare not conceive a combination where freedom for private initiative is framed or curbed by social control' (Hansson, 1935: 205).

The fourth form of social control proceeds from the notion of property as a bundle of rights. In its classic formulations by Nils Karleby and Gunnar Adler-Karlsson this concept emphasizes the divisibility of property rights. Property does not consist of an indivisible amalgam of rights, a 'natural' right, which must be held either publicly or privately (and thus transferred *en bloc* from private to public hands in a single dramatic action). Rather property involves a multiplicity of rights which can be divided up and placed in a variety of different hands, public, private, or mixed. Under this way of conceiving property, socialization can be a gradual process, a paring away of capitalist prerogatives until they are fully absorbed by 'the public' or fully subjected to social control.

Under this approach, dubbed 'functional socialism' by Adler-Karlsson, private enterprise is slowly hedged about and infiltrated with a series of measures that steer its operations towards public objectives. The range of such measures is broad and varied—the eight-hour day, industrial accident legislation, zoning laws, environmental restrictions, collective-bargaining legislation, and a host of other measures. In Sweden, unlike the United States, one seldom hears the complaint that business captures regulatory agencies for its own objectives. (Such criticisms are not non-existent, however: in 1987 critics accused the government of abetting Bofors in its illegal weapons' exports and of permitting industry to pollute the environment with an enormous number of dangerous chemicals.) The more customary criticism is that the strategy of gradually socializing property rights reaches an eventual impasse when the incursions of society touch the fundamental core of property rights (usually undefined). On this view property is not an onion to be peeled away completely, but an artichoke where once the peeling is done, a firm, resistant centre remains (Abrahamson and Broström, 1979). Only a successful thorough erosion of property rights could resolve this issue definitively, but in the mean time one can observe

that the gradualist strategy has the substantial merit of leaving future possibilities open and not foreclosing further advances.

Swedish Social Democracy has recognized the value of markets. The precise conditions under which these markets are to operate, and in particular the role of private enterprise in the economy, have been highly ambiguous and prone to fluctuation with the political climate. In 1938 Wigforss said that it was incorrect to think of 'a specific form of economic organization as the one proper or suitable form under all conditions', an observation that cut against public as well as private enterprise (Wigforss, 1980: iii. 310). In the same speech he stated that the government 'must recognize the need to maintain favourable conditions for private enterprise in all those areas where it is not immediately ready to replace this private enterprise with some form of public activity' (Wigforss, 1980: iii. 297). Similarly Tage Erlander in appraising the party's post-war programme stressed its lack of dogmatism:

The demand for socialization had been pushed into the background. Now the slogan was: let private industry under social control take care of what it can take care of. Society will not intervene other than when it is found to be necessary. (Erlander, 1973: 281)

Just what Social Democrats might interpret 'society' regarding as 'necessary', however, could and has fluctuated widely. It is precisely the ambiguity of these formulations that makes it wrong for Tingsten to have concluded that Swedish Social Democracy had abandoned its socialist heritage. Patently, both the Post-war Programme and the wage-earner funds proposals envisioned a substantial socialization of private industry. It is more nearly correct to conclude that the variety and ambiguity of the Swedish Social Democratic tradition on the issue of property ownership and social control allow it to shift its position with changes in the political climate. In more radical periods demands for some form of public ownership resurface; in conservative eras the party becomes the steward of a socially controlled private market economy. The secular trend, slow as it may be, is clearly towards an increase of the power of labour relative to capital. (For a somewhat different interpretation, cf. Steinmo, 1988.)

Clearly the conception of a socially controlled market economy rejects the idea that the growth of the public sector necessarily imperils individual liberties. On the contrary, Swedish Social

Democracy—this is the fifth major theme of its ideology—has steadily concided that a *proper expansion of the public sector extends freedom of choice*. Tage Erlander, the most consistent and self-conscious advocate of this position, insisted that 'it is a mistake to believe that people's freedom is diminished because they decide to carry out collectively what they are incapable of doing individually' (Erlander, 1954: 21). Erlander never tired of citing the increased security and freedom that modern social policy created for common people. Health insurance freed them from the high costs of medical care and their attendant anxieties; pensions, from the risk of an impoverished old age; housing policy, from the squalor and potential illness of slum conditions; full employment policy, from the risk of unemployment. Gösta Rehn similarly stressed Social Democracy's role as a movement for freedom. The labour market policies associated with his name expand job opportunities for individual workers. His arguments for greater choice in the use of pension rights rest on the same principle that the public sector can increase individuals' freedom and opportunities.

This fifth principle rests on two further convictions. The first is that the government effectively represents society's wishes—that government is democratic. The presumption here is that rulers act on behalf of citizens' interests, not (as in some narrow versions of public choice theory) strictly on their own interests. The second conviction is that taxes do not abuse citizens' freedom, but allow them to pay for public services. Taxation in this view represents less an act of coercion than paying a price for public services. Gunnar Sträng, the legendary Minister of Finance under Erlander and Palme, is widely credited with having persuaded the public of the need for higher taxes, particularly the turnover tax.

The Social Democratic regime in office after 1982 has retreated somewhat from this position. It has de-regulated portions of the financial world and dealings in foreign currencies. It has effectively privatized certain public sector economic activities. It has lowered marginal tax rates. It has gradually allowed itself to consider whether public provision of such services as day care and health care must be organized as public monopolies.

The five central themes of Social Democratic ideology are not separate strands, but parts of a coherent pattern. The drive for integrative democracy means that all citizens are to be embraced in the national community, the *folkhem*, to be treated there with equal

consideration and to enjoy fully the freedoms of citizenship. These freedoms cannot be limited to the political sphere. Because private capital resists the extension of public welfare provisions and democratic organization of economic life, the government must intervene to maximize prosperity and democracy. It is impossible to determine dogmatically just what the proper bounds of this intervention should be, but it must rest on a firm democratic basis (and thus is likely to be gradualist and non-violent in its implementation). It should recognize the value of socially controlled markets as one instrument of social co-ordination. Underlying this pattern is a commitment to rational competence, to scientific standards, and to optimism about human capacity to reduce random chance in human life.

This central vision does not exhaust the riches of the Swedish Social Democratic tradition, nor is it without its own internal tensions. As in virtually all lively socialist traditions the impetus towards state control competes with decentralizing syndicalist impulses. Erlander's commitment to the 'strong society' confronts impulses for local and neighbourhood control, a conflict that can also be expressed as a tension between the quest for just and uniform national standards and the desire for local determination and variation. The classic tensions of modern Social Democratic parties—public ownership versus social control of industry, the pursuit of traditional industrial working-class interests versus employee interests—also find expression in Sweden.

THE CRITIQUE OF CAPITALIST SOCIETY

If Swedish Social Democracy's values have remained relatively constant, its critique of liberal capitalist society has evolved as economic and political circumstances have changed. Swedish Social Democracy has been remarkably averse to utopianizing. Wigforss's provisional utopia, itself largely contentless, represents the high-water mark of such speculation. On the whole, the movement's ideologists have focused on the abuses of liberal capitalist society and sought to remedy them. Committed to democratic means as well as ends, they have sought allies in order to form a majority for their reformist projects. In the process they have gradually de-emphasized the replacement of 'capitalism' by 'socialism' and

instead tried to reshape liberal market society so that all individuals possess the capacities and the resources to make free choices within this system (cf. Preston, 1984).

Branting's critique of liberal capitalist society condemned it as an unfree, poor, aristocratic, exploitative society that excluded workers and 'small people' from participation. In an often-cited phrase he said that capitalism stifled people's development and quashed their best impulses. In the largely pre-industrial society of his day Branting focused upon the achievement of universal suffrage and the eight-hour day, the great reforms of 1918. He did not concentrate upon how to reorganize capitalism, although he did sound the traditional socialist themes of production for need, not profit; an end to exploitation; worker's control; and socialization of industry. As Branting employed these notions they were slogans rather than blueprints for policy; their function was to condemn the poverty, insecurity, and powerlessness of the worker, not to chart out a socialist future. Branting recognized that capitalism was changing in ways foreign to orthodox Marxism and that Social Democrats would have to adapt their thinking. The transition from capitalism to socialism lay well in the future, however, and for the present the task of Social Democrats was to achieve universal suffrage. To that end the movement ought to extend its appeal to all those subject to capital and it ought to ally with middle-class liberals. Democracy was the primary contemporary objective; socialism would have to wait.

Wigforss replaced Branting's concentration on the development of capitalism with a critique based on the socialist values of equality, freedom, democracy, security, efficiency, and solidarity. Capitalism failed on every count. It produced massive inequality of income, wealth, and opportunity. It incarcerated employees within the autocratic structure of the capitalist enterprise and denied them satisfying work. It oscillated from boom to bust, grew too slowly to relieve poverty, and wasted natural resources. It engendered competition and a spirit of acquisitiveness. In short, it prevented individuals from acquiring the capacities and resources to be fully participant members of society. Capitalism thwarted self-development, self-rule, and self-assertion by those who lacked wealth. Wigforss held firmly to the traditional socialist position that ownership of the means of production was crucial. Concentrated private ownership imperiled political democracy and it institu-

tionalized injustice. A rational socialist policy would both socialize and plan production. Socialization and planning were not ends in themselves, however, but means (and not the only possible means) of attaining Social Democratic objectives.

With Nils Karleby the question of the formal ownership of the means of production receded in importance. Karleby's treatment of property as a bundle of rights legitimated gradual public incursions upon the rights of capitalists. His emphasis on the use made of property implied a concern with misuse and abuse of specific property rights rather than a socialization of most private ownership. Sandler was even more explicit: if private owners acted as conscientious stewards of their property, the grounds for socializing their rights declined. Karleby and Sandler rejected any thoroughgoing central planning of the Soviet sort and asserted the virtues of markets as instruments for consumer sovereignty and free choice of vocation. For people to be able to enjoy this freedom of choice, however, they required the necessary capacities and resources to operate in a market society; to meet that requirement society and the labour movement had to engage in education and social policy and there had to be a more equitable distribution of property rights. With Karleby and Sandler the classic welfare-statist remedies of social policy and markets organized to respond to need displaced traditional conceptions of formal socialization. In part this development reflected a diminished concern with the theme of exploitation, but it also represented a new appreciation for a socially controlled market economy. Socialization accordingly became a more diffuse term to describe virtually any form of public or labour control over the economy.

Per Albin Hansson's critique of liberal capitalism was the classic Swedish indictment: It engendered poverty, excluded workers from power, and rendered workers insecure. The theme of exploitation was present, but muted. Class prejudice formed another prominent target for Per Albin's shafts. Not merely workers, but farmers, small property-owners, and white-collar service workers suffered from the insecurity and lack of democracy under capitalism and thus constituted potential allies and Social Democratic voters. In simple direct terms Per Albin conveyed the fundamental complaints of the dependent classes in Swedish society. He condemned capitalism for allowing the entrepreneur to make business calculations without considerations of social costs, including the costs of

personal insecurity, social dislocation, and stultifying labour. The market economy required a public framework to shield citizen and public interests in the working of the economy. It required social policy to compensate for the inadequacies of market provision.

Gustar Möller similarly deplored the insecurities of an unregulated capitalist economy. He believed that the costs of industrial accidents and illness ought to be included as part of the expenses of production. Möller accepted dislocation as a necessary part of economic progress, but argued that it was the task of social policy to insure citizens against the vagaries of the economy. Throughout his life Möller believed that capitalism exploited the worker as well as making him insecure. He wanted to end labour-free incomes through common ownership. He realized, however, that socialization would not be accepted if it jeopardized economic growth and that poverty offended people more than did exploitation; consequently, he argued against socialization that might disrupt production. Thus, ironically, Möller's view of socialization helped contribute to Social Democracy's concentration on eliminating poverty rather than exploitation.

To Gunnar and Alva Myrdal, the Social Democratic apostles of enlightenment, the crowning sin of liberal capitalism was its irrationality. The most fundamental manifestation of this irrationality was the impending danger that society, by failing to bear collectively the costs of child-rearing, would fail to reproduce itself! They found similarly telling instances of irrationality in abundance: The bourgeois family hindered women from working outside the home. The economy regularly struggled along below full employment. Small, inefficient firms competed with one another instead of yielding to large integrated productive units. The educational system was dull, ineffective, and socially divisive. The lack of preventive social policy required greater subsequent outlays for public assistance and crime control. Liberal economic theory was shot through with untenable assumptions; utopian in its portrayal of the harmony of individual interests, it simultaneously completely overlooked the individual's interest in satisfying work. Capitalism's irrational distribution required social policy to remedy its flaws; the system as a whole required conscious, concerted human direction to function efficiently. The Myrdals seldom focused on private ownership as the source of unsound policies; more often they recommended *ad hoc* institutional adaptation. The socialization of

consumption, not of production, constituted the primary thrust of their strategy.

LO and its economists have adopted a mixed stance towards liberal capitalism—on the one hand, severe criticism of capitalist instability, authoritarianism, and maldistribution, which at its peak leads to demands for a restructuring of ownership and direction; on the other hand, a *de facto* acceptance of the existing ownership of industry and a conscious adherence to a market economy. LO recognized early on the capitalist imperative to rationalize the economy as an essential and beneficial contribution to the drive to improve living standards. Rather than fight it, they elected to support and accelerate it, provided that the costs and benefits of technological progress were equitably distributed. In practice, this 'historic compromise' meant co-operation in industrial restructuring in exchange for full employment, better wages, and social benefits. LO criticized capitalism for its tendencies both towards unemployment and inflation at high levels of employment. Inherently unstable, capitalism required public intervention to keep demand high but not excessive and to mop up islands of unemployment through active labour market policy. Regulating demand under conditions of full employment necessitated surpluses in the public budget, thus providing an institutional basis for collective capital formation. Active labour market policy accepted markets and sought to improve their functioning through improved information, subsidized labour mobility, and job training. LO also criticized capitalism's 'normal' distribution of wages and substituted for it solidaristic wage policy, equal pay for equal work. In summary, LO laid the basis for a market economy substantially controlled by labour, in which labour supported increased productivity and reshaped the market distribution of wages through solidaristic wage policy, used its governmental power to regulate macro-economic conditions in accordance with the Rehn–Meidner model, and engaged in collective capital formation.

LO also increasingly confronted the autocratic nature of the capitalist workplace. In the 1970s it institutionalized the aspirations of the 1960s for greater participation. LO's focus, admittedly, centred on the union rather than the individual as the vehicle for participation. The landmark legislation of the 1970s established general rights of co-determination, job security in accordance with seniority, rights of insight into the firm's internal operations,

stronger safety provisions at the workplace including powerful safety stewards, and obligations upon the employer to initiate negotiations preceding various actions. In addition to these advances in industrial democracy LO hoped to move towards economic democracy through the Meidner plan. The Meidner plan challenged concentrated wealth and ownership more seriously than at any time since the 1940s. It treated ownership as a fundamental aspect of power as well as a determinant of distribution. It sought a redistribution of both power and wealth that would eventually reduce private capitalism to minor significance. It treated private control of investment as an unacceptable institution in a democratic society. It embodied the most radical critique of capitalism in the recent history of Swedish Social Democracy.

In general, the Social Democratic party (as opposed to the trade union movement) has adhered to a more modest critique of capitalism in recent decades. Tage Erlander, firmly committed to Karleby's notion that it was use made of property rights that was important, relegated questions of formal ownership to virtual insignificance. 'Let private industry under society's control take care of what it can. Society should not intervene unless it is necessary,' he stated in a quotation which bears repeating because it typifies the party's dominant view (Erlander, 1973: 281). For Erlander, Palme, and Feldt the public sector constitutes an adjunct to the market economy, not a substitute for it. For Erlander and Palme, it is an increasingly necessary adjunct as society becomes more prosperous. In addition to pursuing macro-economic policy, society must support research, education, infrastructure, health care, and housing. Economic growth creates new problems for which individuals cannot arrange solutions on the market. Feldt is firmly convinced of the need for a strong macro-economic policy and public sector, but sceptical of the merits of state ownership. For him the goal is to tame capitalism, not abolish it.

The original Social Democratic critique of liberal capitalism, stripped to its fundamentals, maintained that liberal capitalism proletarianized employees by excluding them from material welfare, security, and power. Over the past century Swedish employees have gained increasing welfare, security, and power as the economy has been increasingly socialized; that is, subjected to greater control by labour and by government. As a result of this process, one can now discern two general tendencies within Swedish Social Democracy.

The first, firmly entrenched within the party and influential within LO, regards private enterprise as a source of enormous productivity and on the basis of its performance is prepared to accept its continuation within the framework of the welfare state. The other, powerful within LO, sees the increasing concentration of capitalist wealth and power as a persisting threat to employee welfare, power, and security, as well as to egalitarian principles of justice; it advocates measures to redistribute ownership. The dialectic between these two conceptions is likely to continue, with the former normally in ascendance.

The dominant tradition of Swedish Social Democracy, then, has at its core not a vision of a socialist society, but a set of fundamental values, which it applies in an evolving critique of liberal capitalist society. Through this approach it has been able to broaden its basis from blue-collar workers to include successively the poorer rural strata and elements of 'the new middle class'; it has expanded its target population from industrial workers to employees in general. The key to this development has been emphasis upon the capacities and resources people require to participate fully in a democratic market society. Theorists like Branting, Karleby, Wigforss, and the Myrdals have shown that even liberal values require large doses of social policy and public intervention in the economy if citizens are to enjoy freedom in anything more than an empty formal sense. In this respect the development of Swedish Social Democratic ideology has arrived at results remarkably similar to Larry Preston's analysis of the conditions for freedom in a market society:

Once individuals are generally provided with the essentials for making voluntary exchanges, such as education, information, resources for exchange, and absence of fraud or threats, a market respects the freedom of individuals to define their own purposes and exchange goods or services in support of such individually determined goals. Under these circumstances, a market system is much more likely to protect choice than centralized planning agencies with their unresponsive decision makers, established routines, and array of sanctions. (Preston, 1984: 966)

The primary task of a political economy committed to freedom is 'to provide the capacities and conditions for deliberate choice . . .', Preston writes. If one includes among these capacities and conditions education, health care, housing, information, a relatively equal distribution of resources, a full employment economy,

and industrial democracy, then one comes very close to the content of Swedish Social Democracy. One can then appreciate Lewin's emphasis upon an enduring Social Democratic conception of freedom, Tingsten's depiction of the party's evolution towards a concern with immediate economic issues, and Adler-Karlsson's, Tomasson's, and Heclo and Madsen's emphasis upon pragmatism within a more inclusive and synthetic portrayal of Swedish Social Democratic ideology.

In a recent article Mats Dahlkvist has independently arrived at similar conclusions (Dahlkvist, 1989). Dahlkvist construes Swedish Social Democratic ideology as a continuing discussion over ends and means. Ends are largely matters of belief and interpretation; means are not ends in themselves, but tools to be judged according to their success in achieving ends. It follows, then, first, that socialism cannot be defined as a finished set of institutions; second, that institutions are always subject to pragmatic judgments about their efficacy in realizing Social Democratic objectives; and third, that Social Democratic ideology, both as programme and critique, is constantly in the process of formulation by the labour movement itself. Consequently, claims to represent 'true' socialism must always be suspect, Social Democrats make their own ideology, but not just as they please; they make it within a tradition of the values of equality, freedom, democracy, solidarity, security, work, and economic efficiency. At any given time the movement's actions will reflect considered judgements on the measures regarded as most likely to realize these ends. Because these judgements about policies depend on the quality of the labour movement itself, its value commitments and capacity for social and institutional analysis, there can be no guarantees of successful accommodation to a changing world (Dahlkvist, 1989: 6).

IDEOLOGY SHAPES POLICY

Has ideology made a difference in the nature of policy? Much contemporary literature on the welfare state plays down or negates the role of ideology and ideas in the formation of policy. Influential studies treat the development of the welfare state as a functional adaptation to modern industrial society (Kerr, 1960; Wilensky, 1975), a reflection of labour's power within civil society (Korpi,

1978; Stephens, 1979; Castles, 1978), or a result of state capacity (Skocpol, 1980). These studies tacitly assume the presence of the will and the intellectual knowledge to develop social policy and then fail to appreciate significant national variations in the structure, coverage, financing, and benefits of specific programmes. In Chapter 1 I sketched the importance of ideology in political life; I now want to illustrate some important influences on policy, choosing areas where Swedish social and economic policy displays distinctive features.

Full employment is central to the Swedish conception of the welfare state. Over decades the party and the trade unions have drummed home the central arguments for full employment: It is critical to a person's welfare and sense of belonging. It is more productive than simply paying unemployment compensation. It increases the bargaining power of employees. It generates tax revenues rather than requiring their expenditure. Ever since the 1930s, when the Social Democrats succeeded in reviving an economy in the throes of depression, high employment has been an important policy objective, one increasingly accepted by other parties. Unemployment (defined at an unusually low level by international standards) became as delicate a political issue in Sweden as inflation in Germany. This broadly shared commitment to full employment is in itself an important factor in explaining the persistence of full employment, as Göran Therborn, an analyst customarily sceptical of idealistic explanations, has shown (Therborn, 1986).

Universal social policy is a second critical pillar of the Swedish welfare state. There was no particular reason why Swedish social policy should have been universal rather than worker-based as in Germany, or confessionally linked as in The Netherlands, or remarkably segmented as in France or Italy. One has to acknowledge the impact of Branting's commitment to universalism in 1913 and of Möller's commitment to universal and classless treatment of citizens within the welfare state. Universalism as an ideology continues to shape policy. It underlies arguments for resisting means testing in the current period of retrenchment, for expanding day care, and for replacing means-tested housing allowance with larger (universal) family allowances.

A number of nations display some form of *industrial democracy*, but Sweden is remarkable for the comprehensiveness of its

programme. Industrial democracy extends across all industries and the public sector, not just particular branches of industry. It embodies potentially all facets of employer-employee relations from safety to job security to wages to work organization to the business plans of the firm. It extends from the shop-floor to the board-room. The unions' original reluctance to accept co-responsibility for the direction of the firm and their gradual acceptance of the principles of industrial democracy illustrate the importance of the ideological underpinnings of this policy.

Solidaristic wage policy is hardly the automatic policy of trade unions. From Gompers's 'more' to Lenin's castigation of 'economism' the assumption has been that unions existed to extract the highest possible wage. For workers in the most highly productive industries, those capable of paying the most generous wages, such a policy is in their clear material interest. Yet the Metalworkers' Union, one of the best-paid groups in Swedish labour, has traditionally been the major exponent of solidaristic wages. The pursuit of this policy by LO and TCO has succeeded in narrowing differentials within their respective ranks, an outcome not easily explained without the force of ideology

Active labour market policy in its various facets occupies a larger share of GNP in Sweden than in other OECD countries. The origins of active labour market policy lie less in clear ideological directives than in wartime exigencies, but the expansion of these policies in later decades stems in large part from the acceptance of the Rehn-Meidner model and in the emergence of the conception of labour market policy as a distinctive policy sphere. If one compares British or American policy discussions, one is struck by the absence of an organizing conception (or institutional structure) similar to the Swedish one. It is little wonder, then, that both countries lack the coherent approach of the Swedish system.

Collective capital formation contains the potential for extensions of public ownership; consequently, it is open to cries of 'socialism' and usually proves highly controversial in most OECD countries. In the United States, for example, the Republicans attacked the build-up of social security funds in the late 1930s and seem prepared to attack the present developing surplus. In Sweden, after considerable controversy, a substantial measure of collective capital formation has become accepted practice. The budget surpluses called for by the Rehn-Meidner model were relatively non-controversial com-

pared to the funded system established for the supplementary pension scheme in 1958. There the debate focused specifically on the propriety of such a large accumulation of funds in public hands. The continuing controversy over wage-earner funds has obscured both the fact of their formation and the dedication of other profits taxes to 'renewal funds' and to funds for the improvement of the work environment. Again it is hard to imagine the development of public capital building without the support of Social Democratic ideology.

The list of examples could easily be extended. *Women's issues* are hardly resolved in Sweden, but women are more active participants in the wage-force at higher levels of pay than elsewhere in the world. *Day care* facilitates their entry into the work-force (Ruggie, 1984). *Parental leave insurance* recognizes both the equal obligations of parents in child-rearing and a public obligation to provide financial support for parenting in earliest childhood. The availability of *birth control*, *abortion*, and *frank sexual education* similarly are hard to imagine without the efforts of Alva Myrdal and her co-workers. *Policy for the handicapped* aims at reintegration to an unusual degree. *Housing policy* fosters public and co-operative building. The *school system* rests on an ideology of democracy and co-operation. The *health care* system is universal.

Immigration policy is in many ways an ideal example to illustrate the force of ideology in shaping a distinctive Swedish policy. Swedish policy, unlike continental models, treats foreign workers as immigrants (*invandrare*) not as guest workers (*Gastarbeiter*). The goal is to integrate them into Swedish life by making language instruction available free, making social services available on equal terms, gradually extending voting rights, and publicly condemning racial incidents. Above all, foreign workers are not expendable labour power to be sent home in periods of economic contraction. This inclusive, integrationist approach flows naturally from Social Democratic values; it has not been entirely successful, but it demonstrates a marked improvement over continental efforts.

The greatest triumph ideology can celebrate is the persuasion of opponents. Here the Swedish Social Democrats have been extraordinarily successful, particularly until the late 1970s. The policy areas just discussed are now largely matters of general consensus. Even in the 1950s Bertil Ohlin, the leader of the Liberal party, largely accepted Social Democratic objectives; his opposition often

rested on the Social Democrats' incapacity to realize them rapidly enough to eliminate 'the queue society'. The discomfiture of a moderate conservative in Social Democratic Sweden is well illustrated in Gunnar Heckscher's *The Welfare State and Beyond* (1984). Heckscher is broadly supportive of the welfare state's achievements. He is reduced to pleading for limits to its extension, but is unable to elaborate a principle that can serve as a basis for his views. In Sweden the 'Social Democratic image of society', the hegemony of Social Democratic values, prevails. Anyone who doubted this point should have been persuaded by the 1985 elections; the Social Democrats wrapped the welfare state, the Swedish nation, and their party into a single package and sold it to the electorate.

For decades foreign admirers looked to Sweden for inspiration in social and economic policy. After a hiatus beginning in the late 1970s this foreign attention seems to be reviving. Even *Parade*, the American Sunday newspaper supplement, recently carried an article on Swedish adult home health care as a model for the United States. The majority of critical observers have become sceptical of any simple transplanting of Swedish institutions to foreign soil. Sweden's size (fewer than nine million people) presents entirely different possibilities for social organization than distinctly larger countries like Great Britain or the United States. The argument that Sweden also has a much more homogeneous population no longer pertains quite so clearly, given the large flow of immigrants. The claim that Sweden has a different political culture is much more persuasive; as this book has tried to demonstrate, Social Democratic values uniquely shape Swedish policy.

Is it possible, then, that foreign admirers should seek to import ideology rather than institutions? Given national variations in the development of liberal capitalism, the Swedish Social Democrats' critique of Swedish capitalism cannot easily serve as a model for other countries. Swedish society has had an unusually limited dose of liberalism, an unusually concentrated industrial structure, and an unusually export-oriented economy. What is transferable are the basic Social Democratic values—equality, democracy, freedom, solidarity, efficiency, work, and security—especially as they are embodied in the five major ideological themes of integrative democracy, the 'people's home', the complementarity of equality and efficiency, a socially controlled market economy, and the public sector as a means to freedom.

References

THE student of Swedish Social Democracy enjoys an extraordinary resource for research, Arbetarrörelsens Arkiv, the Labour Movement's Archives, located on Upplandsgatan in the centre of Stockholm. The archive contains books, the labour press, journals, photographs, personal archival materials, posters, electoral pamphlets, and oral histories. No simple citation can do justice to its rich and diverse collection. Jointly financed by the labour movement, the city of Stockholm, and the national government, it offers a uniquely centralized collection of materials pertaining to a nation's labour history.

There I consulted the personal archives of Ernst Wigforss, Gustav Möller, Alva and Gunnar Myrdal, and Tage Erlander; the party's conference records, *Socialdemokratiska Arbetarepartiets Kongress Protokoller*, 1889–1985; and the party's monthly theoretical journal, *Tiden*, 1908–88. I sampled widely in the trade union press, particularly *LO-Tidningen*, and the conference reports of individual trade unions. At party headquarters on Sveävagen party secretary Bo Toresson kindly allowed me access to the *Partistyrrelsens arkiv*, the records of the party executive, particularly for the years 1917–48. At the National Archives (Riksarkivet), I had access to the (incomplete) records of the Socialization Committee, listed under Komm. Nr. 354 and arranged in forty-six different cartons. (A small portion of these materials can also be found in Gustav Möller's archive at Arbetarrörelsens arkiv.) LO and SAP provided me with a wide array of conference materials and reports, going as far back as 1941. Since 1979, I have read *Dagens Nyheter* on a regular basis.

A great many people allowed themselves to be interviewed, foremost amongst them Tage Erlander. I benefited from letters from Ernst Wigforss and Per Nyström and interviews or exchanges with Gunnar Myrdal, Sven Andersson, Allan Larsson, Bengt K. A. Johansson, Jan Karlsson, Klas Eklund, Rudolf Meidner, Gösta Rehn, Gunnar Fredriksson, Bengt Abrahamsson, Anders Broström, Birger Viklund, Sverker Gustavsson, Lennart Lundqvist, Anna Hedborg, Francis Castles, Robert Erikson, Walter Korpi, Bo Gustafsson, Sten Johansson, Olof Petersson, Terry Karlbom, Leif Lewin, Axel Hadenius, Jan Lindhagen, Olof Ruin, Bo Rothstein, Gösta Esping-Andersen, Hans Zetterberg, Bo Ekman, Villy Bergström, Arne Ruth, Eva Karlsson, Pierre Schori, Bengt Dennis, Lars Wessman, Klaus Misgeld, Stellan Andersson, Daniel Tarschys, Nils