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If I am not for myself, then who is for me? And if I am not for others, who am I? And if not now, when? " Rabbi Hillel (70 BC - 20 AC)

To begin with I have to signal three caveats, First, the heading of this conference, "When Social Democracy Dissolves", may be overly pessimistic (or optimistic?). Social Democracy is certainly beset with problems. But it has been so before, as in the 1920s, and we still do not know the outcome. Second, I take it that the Social Democracy we are dealing with is the Scandinavian variety, which has about as much in common with other varieties of Social Democracy as whales with kangaroos (both being mammals). Third, my observations will refer to the Swedish rather than the Scandinavian model. Also this distinction may be important. If the Swedish model can be regarded as a kind of archetype, the Danish Model is more market-oriented, while the Norwegian or the Finnish Model represent so to speak replicas or diluted versions of the Swedish

Model.

It is often maintained nowadays that the Swedish Model is in crisis. A representative example of this view is the recent Lindbeck Report, "Turning Sweden Around" (Lindbeck, 1994). But its analysis is not very convincing. After briefly defining the Swedish Model as being constituted by "the centralized and peaceful way of solving conflicts in the labour market, the full employment policy, the centralized organization of society, and several other aspects of Swedish society", the report asserts without giving evidence that "the crisis of the Swedish Model is, for these reasons, largely a crisis of institutions". Those reasons are allegedly "institutions and structures that today constitute an obstacle to economic efficiency and economic growth because of their lack of flexibility and their one-sided concerns for income safety and distribution, with limited concern for economic incentives". The causes of the crisis of institutions within the Swedish Model are, according to the Report, mainly two: "One is that organizations have a tendency to preserve themselves even when the original reasons for their existence have weakened or disappeared. Another cause is

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the natural tendency of organizations to take a narrow view, that is, to partly ignore the consequences for the economy as a whole"(Lindbeck, 1994: 170).

On the basis of this thin analysis - if it deserves to be called an analysis - the Report makes a series of recommendations concerning long-term price stabilization goals: liberalization of labour market legislation and reducing unemployment benefits in order to increase labour market flexibility; dismantling rent controls and parts of the building code; introducing private insurance schemes; keeping public-sector expenditure fixed in real terms; introducing a mandatory local referendum as a prerequisite for local tax increases; doing away with the involvement of organizations in decisionmaking in the public sector; abolishing the labour courts and the rents and tenancies court of appeal; and appealing to history "what the commission would like to see regarding the market system is nothing less than the restoration of those freedoms of entry and occupation that new legislation in 1846 and 1864 established in Sweden. Those liberal reforms preceded a period of unprecedented growth. But during the past century these freedoms have been more and more diluted by regulations and barriers to competition, largely due to the influence of different short-run special interests" (p. 206). If the commission had taken care to peruse any elementary textbook in Swedish economic history, it would have learned that the period of unprecedent growth referred to went parallel with the most extensive system of protectionism, regulation and cartel-building known in modern economic history¹.

Apart from its analysis of stabilization policy, the discussion in the Lindbeck Report of the Swedish Model is largely ideological. It does not help us much in attempt-

ing to understand the crisis of the Model - whatever it is - still less what the Model is about.

II

This paper represents a modest attempt to delineate some basic features of the Swedish Model. There are at least four basic difficulties. First, should we regard the Model as basically descriptive or prescriptive? If we regard it as descriptive we direct our attention to structural features or modes of operation. If we regard it as prescriptive we focus on goals and underlying motives and analyze how and to what extent those goals and motives are realized in the operation of the Model. The two approaches may lead to divergent assessments of any given behaviour of the Model. If we take a descriptive view and notice that basic features of the Model are not well behaved, we may rush to the conclusion that the Model is "in crisis". But if we take a prescriptive view and lay emphasis on the underlying values of the Model and believe that these values still operate, problematic features may be explained by some temporary disturbance in the institutional mechanism or in the environment of the Model. Second, what kinds of elements constitute the basic ingredients of the Model? Some authors have emphasized institutionalized outcomes of policies such as labour market behaviour, cooperation between trade unions and employers or between organizations and government etc. Other authors have focused on goals such as full employment, while other observers have paid attention to structural or historical aspects, as e. g, the close alliance between (centralized) trade unions and the Social Democratic Party, the politically weak middle class or the organizational abilities of the Swedish labour movement.

This explains why there are so many different plausible stories existing about the Swedish Model. But we do not know why we should prefer one plausible story to another. This result invites us to an attempt to dig somewhat deeper.

Third, the concept of Model is usually used in a metaphoric sense and it is difficult to see how and even if the elements of the Model are related, still less how they operate. Accordingly we may or may not believe the conclusions reached, since they often seem to be based on intuitive reasoning.

Last but not least: even if we try to indicate the nature and structure of the Model more precisely, we may do this in many different ways depending upon our basic political and philosophical orientation. The approach of e. g. the Lindbeck Report takes for granted that the Swedish Model is the outcome of interaction between utility-maximizing organizations for whom the arguments of the utility function only refer to narrow egoistic interests of the member. If this assumption were true it is difficult to see why the outcome of this interaction would not have led to a state of internecine warfare rather than stability and cooperation long ago. Hence we should assume that the organizations at least maximize only their considered self-interest. But even on this assumption we lack information about what those values or norms are that guide self-interest. In this respect a comparison between union behaviour in the Swedish Model and union behaviour in the traditional British or US cases would be illuminating ("craftmans' unionism" and "business unionism" respectively). The Model could also be constructed on the basis of different levels of social agency. In his recent dissertation "Socialdemokratins dominans" Torsten Svensson (1994) presents a powerful case for

what he calls "a carefully designed multi-class strategy" in order to explain the dominance of Swedish Social Democracy. In his view the Swedish Model has been successful because the labour movement has been skilful in building class-alliances. For Walter Korpi, on the other hand, the Swedish Model is the result of the fact that Social Democracy has pursued a policy firmly based on the basic interests of the wage earners. While Korpi focuses on class interest, Svensson focuses on strategy (p. 36 seq). While both these approaches illuminate important aspects of the foundations of the Swedish Model, it is difficult to see how they would explain its remarkable stability and its comprehensive policy orientation.

My reaction to these four problems is as follows. First, I perceive the Swedish Model as both prescriptive and descriptive in the sense that its existence should be explained with reference to values and goals based upon these values, while these values and goals give rise to norms as well as policies and institutions as manifestations of values and norms. From this point of view a malfunctioning of the Model with respect to necessary tax levels or to labour market policies is less serious than a crisis due to erosion of the underlying fundamental values. Second, the basic elements of the Model are in my view constituted by the underlying values, the norms of action informed by these values, the general policies applied to implement values and norms and lastly the institutions erected to execute and handle policies. I shall have little to say on specific policies, e. g. choice of insurance principles, or the structure and operations of institutions, e. g. the educational system. Third, I assume an extremely simplified image of the model with only two main agents and I will further assume that it is the basic values che-

rished by one of these two agents that constitute the fons et origo of the Model; that these basic values imply two important norms of action; and that these two norms of action imply the basic policies (and institutional set-up) . The two agents do not appear symmetrically in the Model. In fact it is assumed that one of the agents, due to its cherished basic values, has gained an ideological and cultural hegemony and a prerogative of defining the basic social problems as well as the basic goals of societal development. Because of this the opposite agent, while preserving independent decision power, rather functions as a kind of constraint on the main agent. This may be a weakness of this representation of the Model, since the roles can be easily reversed depending upon changes in the environment (e. g. the growth rate of the economy) or even because of weaker manifestation of the underlying basic values. A corollary of this observation would be that the Model, in order to function well, may need a favourable environment and/or a permanent strong value basis among citizens. Fourth, for this version of the foundations of the Model to be accepted, it would evidently need some kind of justification with reference to empirical evidence. Here I can only offer my own more or less idiosyncratic intuitions and my personal experience of the Swedish Model as a realized vision of the good society, and also how this society is perceived by those who constructed and implemented the Model.

III

Before attempting to delineate the basic features of the Model I would like to say something about the historical context. Ultimately the Model is part and parcel of the Modern Project initiated by the Enlightenment and the political ideals of the French Revolution

translated and transformed into capitalist industrial society. The goal is the application of the principle of democracy to all important aspects of social life.

The main vehicle of democracy in capitalist society is the labour movement (and its two arms, the Social Democratic Party and the Federation of Trade Unions) . The victory of political democracy and the ascendancy of Social Democracy created during the 1920s a fundamental contradiction between economy and polity, while at the same time also bringing into being possibilities of a great coalition (Big Labour and Big Business) supplemented by secondary coalitions supporting labour and neutralizing capital (Big Labour + Farmers and Big Labour + White Collars, respectively) . At this juncture Per-Albin Hansson, Chairman of the Social Democratic Party, in a speech in Parliament shaped the easily perceived and acknowledged metaphor of the "People's Home" indicating the vision of Social Democracy. The ideal family was taken as a model for the good society: no privileges for anybody, no hierarchies, mutual concern, cooperation and willingness to help each other. By evoking the image of a familiar social group Hansson also made the image of a good society familiar to the common man. The project was initiated by the ambitions to achieve full employment, industrial peace and social security. The objective of achieving full employment acted as a magic formula and helped Social Democracy to rally mass support and gain political hegemony among working people. The comprehensive welfare society was outlined in 1934 by Gunnar and Alva Myrdal in their widely read book, "Kris i befolkningsfrågan" (1934). The policy of social consensus materialized in two social contracts: the first with the farmers in 1933 ending the traditional conflict

between workers and farmers and the second one with big business in the agreement on industrial peace in 1938 ("Saltsjöbadsavtalet"). The content of the contract with big business was outlined by Ernst Wigforss in his speech for industrialists in Gothenburg 1938. This contract included four main points: (1) Both business and labour should benefit from cooperation. (2) Labour insisted on political hegemony but respected business's economic hegemony (3) Labour pledged to create favourable conditions for business such as high profitability, technological progress and high productivity of labour (4) Business should accept that labour used a share of the economic surplus thus created to increase taxes and introduce comprehensive social security. Later farmers were guaranteed a rise in living standards paralleling that of industrial workers. When the social and political weight of the farmers declined after World War II, a new ally was found in the increasing number of white-collar workers. They were won over mainly by trade union policies and the Pension Reform in 1958².

The struggle for democracy was epitomized in the suggestive metaphor of a natural development towards democracy in three historical phases: political democracy-social democracy - economic democracy alluded to by Hansson and Wigforss. Political democracy had been achieved in 1917. Social democracy was realized by the comprehensive welfare state. Lastly democracy should also include industrial relations and ownership. The last of the three steps came on the agenda only in the 1970s. Between the end of World War II and to the early 1970s Social Democracy laid the foundations of the welfare state: comprehensive social insurance; public health care, elderly care and child care; the comprehensive scho-

ol; public housing; active labour market policy; the policy of wage solidarity and its counterpart in centralized collective bargaining. Social democracy was introduced.

But the continuous politics of reform, eased by rapid economic growth, created a dynamic of its own with increasing ambitions and expectations. In the early 1970s attention was increasingly focused on industrial relations and ownership. It started with the legislation on industrial relations including trade union representation on boards of business companies; work environment; protection of employment; co-determination; and on the position of shop stewards. The law on co-determination was not made as comprehensive as planned because it clashed with the law on business companies, which vested power of companies in the shareholders.

But parallel with this legislation a radical solution was planned in the Federation of Trade Unions: the Rudolf Meidner plan, presented in 1975. This suggested the introduction of wage earners' funds in companies by syphoning off shares from company profits to wage earners' funds controlled by trade unions. If the plan had been realized, it would have socialized big companies within a couple of years. The plan induced a political and ideological shock-wave in Swedish society³. There was a surprisingly wide consensus about the idea of profit-sharing and even the Liberal Party endorsed this. A group of Social Liberals from Big Business in fact suggested an alternative system of decentralized wage earners' funds⁴. But Social Democracy was split on the issue, partly because the Meidner plan smacked too much of centralized socialism and partly because employees in the public sector were not and could not be included in a meaningful way. After many conflicts the

Social Democratic government in 1983 introduced a watered down version of wage earner funds in the parliament. Five regional funds governed by a majority of trade union representatives but also by businessmen were introduced. The funds were financed by a profit tax and a pay roll tax involving one-tenth of all companies, and organizationally they were linked to the state pension system. The funds were instructed to buy shares and return a real profit of 3 per cent and they were allowed to own together no more than 50 per cent of shares of companies registered on the stock exchange. The general idea was that wage earners' funds should not have a majority vote in companies obliging them to take over managerial responsibilities. Lastly, payment of taxes to the funds should be terminated in 1990. The more than 20 billion Swedish crowns accumulated in the funds and planned by Social Democracy as additions to the state pension funds were tapped by the non-socialist government and syphoned off to newly-established funds for research in 1994.

Looking back at this attempt to introduce economic democracy several observations may be made. Organizationally the wage earners' funds to some extent resemble those competing holding companies managing social capital that Saul Estrin (1989) has suggested as carriers of the risk-bearing function in a system of producer cooperatives. It may also be noted that the track record of the wage earners funds during the speculative mania of the late 1980s compares quite favourably with that of private financial institutions. But from the point of view of the history of the Swedish model the record of economic democracy is so far mainly negative. In contrast to earlier reforms the idea of wage-earners' funds was never widely discussed by the rank and file of

the labour movement. Although it was quite revolutionary it was introduced almost as a technical reform aimed at resolving some side-effects of the policy of wage solidarity (the surplus profits generated by this policy in high-productivity firms). Secondly it was announced on the crest of the reform offensive of the late 1960s and early 1970s. But in the middle of the 1970s the energy crisis hit the Swedish economy, the era of high rate economic growth came to an end and, in addition, Social Democracy lost governmental power for the first time since 1976. Internationally, neo-liberalism emerged as a new and strongly growing political philosophy. But most important: the attempt to introduce a piece of economic democracy clashed with one of the basic tenets of the Swedish model, namely the social contract between labour and capital, the great coalition between Big Business and Big Labour and the policy of general consensus.

Business reacted by withdrawing from centralized collective agreements in 1983, when the wage-earners' funds were introduced. But the Swedish Model seemed to have reached an impasse in other respects too. Government power was regained between 1982 and 1991 and again in 1994. But labour lost its earlier privilege of being the social force defining "bold new goals" ("nya djärva mål"), simply because it has no bold new goals to define. Ideologically and politically Social Democracy has not only been muted. To some extent the leadership in particular has been influenced by the market credo. It was the Social Democratic government that introduced the extensive deregulation of the credit market, abolished currency controls and introduced the fixed exchange rate, the combined effects of which made the depression of the early 1990s so severe. As a member of the EU Sweden will face the eco-

conomic and political problems that may be induced by the Maastricht Agreement. Even if unemployment is now decreasing in step with the present business upswing, it is doing so from levels unheard of, and the spiralling national debt is predicted to enforce cuts in social welfare. Only limited parts of public provision of social services have been privatized and only a very small minority dis-favour the generalized welfare system. But trade unions were already forced into a defensive position before the rise in unemployment, and they also had to accept decentralized bargaining (in fact favoured by the Metal Workers' Federation in 1983, when the Employers' Federation in Engineering Industries suggested the idea) as well as a dispersion of the wage structure. However it should be stressed that the dispersion is still limited in scope. It decreased by approximately 75 per cent from 1960 to 1980. But even if it has increased since then it was still 60 per cent lower in the early 1990s than in 1960⁵. The idea of economic democracy is at present no longer discussed. The public sector has experienced repeated budget cuts and public employment has declined. But at least up to now these new developments do not seem to have affected the quantity and quality of public services too much, which may indicate the existence so far of organizational slack. In order to mobilize hidden resources and provide new incentives, public service agencies have decentralized authority and accountability in decision-making and financing. As a consequence marketlike relations have been introduced both within the public sector and between the public and the private sector. Also the roles of principal and agent as between political and administrative bodies, respectively, have been more clearly delineated. As a consequence, transaction costs have increased in comparison with the

previous more centralized system. No overall evaluation of the net benefits of decentralization seems to have been made. On the basis of these observations it is clear why the Swedish Model is said to be in crisis and that its future existence is called into question. But it is not at all clear why, in which sense and with what ramifications and consequences there is a crisis. Therefore the question of its future also remains unanswered. Several interpretations are possible. One, and at the same time, the most political and simplistic interpretation is that of the Lindbeck Report, namely that the institutions of the Model have degenerated. But the Report does not show that this is the case. To be sure the Report assures us that "the goal of the Commission is not to dismantle the welfare state, which we regard as a triumph of western democracy". But it is not at all clear that the net effect of its 113 proposals would not have precisely this unwanted effect and it is all too clear that it wants to rely on private rather than public values to effect the change.

According to another interpretation the Model is no longer valid because the international environment has changed, especially due to the internationalization and deregulation of capital markets⁶. In this interpretation it is the environment of the model rather than the model as such that has caused the alleged crisis. But while it is true that the internationalization of financial markets has been pronounced the last two decades, it is doubtful if the integration of financial markets is more extensive now than between the Wars (Zevin, 1988). In any case this phenomenon would at most impose a new constraint on the operation of the Model but not ruin it. Assuming that centralized wage-bargaining could control the inflationary effects of full employment, the

currency regime could be quite stable and thus immune to the destabilizing influence of short-run capital movements. Again we come back to the strength of the goals and the underlying values of the Model.

In a third interpretation the problems of the Swedish Model are mainly temporary and due to a combination of mistaken policies and the downswing of the business cycle. When these policy mistakes and their effects have been overcome, the Model should work tolerably well again.

But there are probably also deeper causes of the problems. One may be the long-run downturn of the growth rate of the economy, which has induced the financial crisis of the state and intensified distributional conflicts. From a historical perspective we should expect sooner or later a new upswing in the secular growth rate but since no good theory exists for those long-run swings we cannot make any predictions. Another cause may be the world-wide ideological turn-about since the 1970s that has been hostile to constructions like the Swedish Model. This wave started with Thatcher and Reagan and swept Sweden from the late 1980s. We have no clear idea of the causes involved in such long run ideological swings. But a comparison with the period between the 1890s and the 1930s may be instructive. The labour movement and whole societies were undergoing a process of tremendous political mobilization and radicalization culminating in the revolutions and reforms after World War I. But the momentum eventually petered out and a political and ideological backlash was induced precisely by the radicalization. During the 1920s the labour movement was pushed back and landed up in a state of ideological confusion, defensiveness and passivity. Only the Great Depression and the rise of Fascism made for a new poli-

tical and ideological upswing.

The outlook may be much darker if we conjecture that the Social Democratic project itself has come to a dead-end. This could be the case if we assume that the introduction of the Model was essentially conditioned by the values and aspirations of the rising, mobilizing and organizing industrial working class. When this class ultimately had achieved what it had aspired and the second generation of mainly white collar workers took the achievements for granted, while at the same time- because of a higher level of living- it became more interested in increased opportunities of choice, the willingness to rally to the support of the Model was weakened and the project lost its impetus and rationale. The declining role of the class voting pattern supports this interpretation. But on the other hand we may notice that the return of mass unemployment and the difficulties of the public sector, at least in Sweden, have prompted a political swing to the left and increased support for Social Democracy. This is an aspect of the problem which should be pursued further.

The fate of the Wage Earners' Funds issue suggests two other interpretations of the long run perspective of the model, one revisionist and one radical. According to the revisionist interpretation the Wage Earners' Funds issue, at least in the form it was originally presented, represents a fundamental deviation from the norm of class cooperation in the Model (see above Wigforss' Gothenburg speech in 1938). This motivated Capital to withdraw from the social contract and pursue an independent policy in conflict with Labour and also with the Model as a whole. Social Democracy thereby lost its ideological hegemony and its prerogative in formulating the goals of social development. If Social Democracy is prepared to

cut out from its goals the quest for economic democracy it may in due time regain hegemony. But then Social Democracy has to find a new vision of the future good society to strive for. For if it does not, it acknowledges that it has reached the limits of the project and also of its own historical mission and become just one of several political trustees of modern capitalist society.

According to the radical interpretation, the debacle of the Wage Earners' Funds was conditioned by a tragic combination of a badly conceived and badly prepared plan and a turnabout of the economic and political conjuncture. If Social Democracy is prepared to come back to its longrun strategy of introducing some form of economic democracy, better prepared and in a more favourable economic and political situation, a continuation of the project may be possible. But this presupposes that the democratization of industrial ownership is given such a form that private industry cannot legitimately claim that it represents a fundamental break with the norm of class cooperation.

IV

Let us against this background look somewhat closer at what the Swedish Model is about. It is a drama or a game between two main agents, Labour and Capital and their respective allies. There are two structural conditions underlying the game. First, Capital possesses economic power (control of the use or non-use of the means of production and of the existence and non-existence of the employment contract), while Labour possesses political power (the control over political decision-making, economic and social policy and legislation and, hence, also over the constraints of economic power). It is obvious that the power relations, even if interdependent, are not symmetric. Since

Capital controls the generation of a strategic share of economic resources, it can exit from the game, if Labour pushes its claims too far. Labour's success in wielding political power also depends upon Capital's capability and willingness to operate private business efficiently and thereby generate a growing economic surplus. But given Labour's possession of political power, Capital is also dependent on Labour's capability and willingness to supply Capital with the necessary political, administrative and economic infrastructure.

The second structural condition is that Labour is so strong that, given the constraints set by Capital, it is capable of defining ultimate political values, norms of action, policies and societal institutions. Labour possesses this political-ideological hegemony thanks to the fact that it perceives itself not only as a purely proletarian class movement but also as the core of a broader popular movement. Labour is prepared to cater for the legitimate interests of its potential allies and to some extent even take responsibility for the legitimate interests of its opponent, Capital. This gives Labour an ideological hegemony with political influence far beyond its own ranks. The metaphor of the good society as an extended family with Labour as the Father is an embodiment of this situation.

With these two structural conditions of the game, the scene is set for a contingent class compromise and a cooperative positive-sum game. The class compromise implies that both parties are on the one hand prepared to respect the other party's legitimate class interest as defined by themselves. On the other hand that they are also prepared to bargain on any issue outside the domain of legitimate class interest but also on issues within this domain in view of a changing bargaining environment. This fol-

flows from the fact, first, that Labour is the hegemonic and strategically the offensive party, and, secondly, that the continuous bargaining creates what Sorel (1894) once called "une region douceuse" with fuzzy limits to the social contract and a shared "culture of progress". The game is a cooperative positive-sum game, because both parties are convinced by historical experience that cooperation pays off for both parties, reduces conflict costs and increases the reward to each party (Gustafsson, 1986).

V

The basic orientation of Swedish Social Democracy is expressed in the principles of the party programme. The overriding goal is the extension of democracy in order to "realize the ideas of freedom, equality and solidarity". The link between the goal of democracy and the three basic values is that democracy is defined as the gradual realization of the basic values. Freedom is freedom from social and natural constraints, free choice and individual self-realization. But this freedom presupposes common access of all citizens to those material and spiritual resources that make freedom possible, i. e. also equality and, since equality should be all-inclusive, also active reciprocity, i. e. solidarity. Values like liberty, equality and solidarity perform, of course, various social functions. They are used as ornaments or to legitimize other purposes, that is as ideological instruments. But they are also used to organize and mobilize on a mass-scale. In this respect the values must be believed in and the belief must in some way be honoured. If visible results reasonably linked to the values do not materialize, values are no longer believed in, are not taken seriously and cannot be used as mobilizing symbols.

The Swedish Model is essentially a

liberation project. Citizens should be liberated from material and cultural destitution and from dependence on privileged power groups. The value of freedom is interpreted in the traditional liberal sense of "freedom from" constraints but also in the extended socialist form of "freedom to" enabling resources. Isaiah Berlin (1980) has maintained that "freedom from" always refers to specific freedoms, while "freedom to" only refers to non-specified possibilities of freedom. I do not think this is true. If I am confined to prison I am prevented from doing exactly those things that I would do if I were not imprisoned. When I leave prison I will do those things. If I am a slave of ignorance and I want to liberate myself from ignorance, the act of liberation consists precisely in educating myself. It is certainly a fine thing to be free to play piano. But this freedom is pretty useless if I am too poor to rent or to buy a piano. Thus realizing freedom means that people are enabled to do things which they want to do. From this point of view the architects of the Swedish Model (maybe most insistently Gunnar Myrdal) claimed that the welfare state essentially increases the freedom of the citizens: freedom from illness, unemployment, ignorance, homelessness, negligence of children and of elderly people as well as anxiety about tomorrow and the day after tomorrow or from more intangible negative externalities like widespread suffering.

What is preventing the realization of these freedoms? Natural and social barriers. Natural barriers are overcome by means of technological improvements and increasing levels of output and income. This has motivated Social Democracy to support technological innovation and efficiency in production. Social barriers are inequalities in resource endowments and in access to power. These

barriers are overcome by means of equality-generating policies (see further below). There is thus a close connection between freedom and equality. A society divided into one class of privileged and another class of nonprivileged citizens represents a state of inequality. But this state also restricts the opportunity of the class of non-privileged citizens to realize their life-projects, i. e. their access to freedom. The greater the inequality, the fewer are the possibilities of freedom.

Now equality may mean different things. The traditional liberal interpretation of equality as an equality of legal rights or opportunities represents equality in a weak sense. If we go to the other extreme we may conceive equality as an equality of outcomes. In the strongest sense of equality of outcomes we leave no or little room for individual responsibility for outcomes. In a somewhat weaker sense we make individuals responsible for those choices they are reasonably capable of making but not for those choices that unforeseen external conditions force upon them (like genetic make-up, accidents and illnesses that are not inflicted by conscious ill-behaviour). In between these two extremal cases there is a continuum of equality-generating properties. We may conceive of equality as an equality of resources or of capabilities, whereby an equality of capabilities presupposes an equality of resources but in addition requests that people should be capable of using those resources in a way that in fact increases their well-being.

The Swedish Model operates with all these interpretations of equality with the exception of the strongest sense of equality of outcomes, since it does not interfere in the process of how individuals realize their personal life projects. Over time the interpretation of equality has become more and more outcome-orientated, which is reflected in the

social legislation as well as in welfare policies. The obligatory and comprehensive primary and secondary school endowed all children with equal access to resources. But children with difficulties in utilizing their share are endowed with a larger share in order to increase their capabilities and also to influence outcomes. A similar observation may be made with respect to patients using the public health care system. They have a right to be taken care of and they command in principle equal resources. But those patients whose needs are more obvious have priority as regards treatment and the goal of treatment is to restore their capabilities and health.

Finally it may be noted that an approach to equality which restricts intervention to the safeguarding of equal opportunities only or even of providing citizens with equally large resource endowments essentially means that unequals are treated as if they were equal. The reason is that in a world of unequal citizens equal rights or equal resource endowments do not diminish the social distance between privileged and non-privileged citizens. Only an outcome-oriented approach that in fact treats unequals unequally to the benefit of the non-privileged citizens contributes to the generation of equality.

Solidarity is the third value guiding the orientation of the Model. We have seen that equal access to freedoms presupposes equality. Likewise, equality presupposes solidarity. From this point of view solidarity is the foundation of both equality and freedom. Solidarity is something more than instrumental reciprocity as in market exchange, where cooperating individuals only satisfy their own objectives and the other individual is valuable to me only if and in so far as he or she can satisfy my needs.

Solidarity implies that individuals also include other individuals' welfare in their preferences and act with this in mind. The golden rule is an instance of a perfectly solidaristic behaviour. Solidaristic behaviour could be interpreted to mean three things: that every individual acknowledges other individuals' right to realize their life projects, that they act upon this acknowledgement in order to make other individuals' life projects possible; and that they regard this mutual support as a common goal. The outcome of these three combined goals is of course not unambiguous, since it is difficult for one individual to know which of her acts can make other individuals' life projects possible. This is why perfect altruism is so difficult to practice. But solidarity implies an element of altruism and, if practised, it should result in more equality and freedom for the collective than if not practised.

We know by experience that solidaristic behaviour is a fact. We are prepared to share with others and to do things for others partly out of sympathy and partly as a signal indicating to others an expectation of reciprocity if needed. Why? Fundamentally because our existence is conditioned on mutual sharing and reciprocity in response to needs and those needs cannot be completely provided for by the contractual relations of the market mechanism, which presupposes full information and complete foresight of possible contingencies. Even our very identity as individuals is conditioned on other individuals' identity. As Martin Buber (1980) expressed it: "The human being becomes I by You/ Der Mensch wird am Du zum Ich". In society, solidaristic behaviour exists spontaneously in face-to-face relationships, in families and clubs. But large organizations encounter the 1/N problem (free riding) . To cope with this pro-

blem large organizations have to develop proper formal and informal institutions (rules) for practicing solidarity. In the Swedish Model the material base of solidarity is the extensive mass organizations that once were created to solve problems that could not be solved by individuals' acting separately in market transactions (utilities like freedom of religion, temperance, improved working conditions and higher wages, collective health insurance etc.). By experience these mass organizations, first and foremost the trade unions, have grown strong and they know that they can continue to exist only by practicing solidarity. They also constitute the backbone of civil society and due to their integration into local and national government (which they to a considerable extent also implement) their culture of solidarity has become part of the culture of the Model.

The values underlying the Swedish Model may be compared with those values that helped Christianity to become a hegemonic religion by proclaiming - in contradiction to competing religions - the essential equality and equal worth of all human beings. Universal and transcendent values possess an enormous attraction and power as a unifying and mobilizing element. The importance of values transcending class lines was early acknowledged by one of the founders Swedish Model, Ernst Wigforss, when in 1908 he wrote in his sympathetic but still critical exposition of the materialist conception of history: "That class morality in practice prevails and makes the class struggle necessary is quite right. But the abstract acknowledgement of a social ethics above class interest is by no means just lofty speculation. Such an acknowledgement is vitally necessary for an advancing class like the working class and also for a Socialist party, if they should have a right to use moral argu-

ments in their agitation. To be sure it is always easy to attack adversaries because of their hypocrisy and to point out the lack of correspondence between life and teaching. But the indignation will not become convincing and forceful, if an ethics transcending one's own class interest is not allowed for. "

The values of liberty, equality and solidarity endows the Swedish Model with a goal, a legitimacy and a momentum making the citizens participants in a collective project that unites them, transcends individual life- projects and suggests a shared vision of the good society.

VI

General values like liberty, equality and solidarity allow for different and even contradictory interpretations. In order to be politically operative the interpretations need to be specified and thus constrained. These specified interpretations may be called norms of actions that define the general characteristics of policies and the policies to be implemented. In the Swedish Model I discern primarily two general norms of action. One is that policies should be fair. The other is that policies should be decided and implemented in consensus and, preferably, by united action.

A fair policy in the Model is a policy that promotes equality and ultimately equal sharing. Deviations from the norm are allowed only if its application would lead to an outcome making all or most individuals less prosperous than if deviations had been allowed, or if it can be proved that resources are too scarce to achieve a fair outcome. But then deviations must be motivated to become legitimate. A topical example is the recent public debate on gains of speculation and so- called parachute contracts for managers in firms and organizations. Not all such gains and contracts have been condemned,

since reward based on merit or legitimate needs is acknowledged as fair. But there are limits and if those limits are transgressed public opinion reacts strongly. What is more important, the sense of fairness is so deeply entrenched that repeated offences against it would have consequences for the attitudes and incentives of the collective. If people see that some people are permitted to appropriate an unfair private share, they exit from the cooperative game and start to cater for their own private needs without regard for the needs of the collective. The consequences of this for the values of the Swedish Model may not have been sufficiently realized.

The treatment of capital gains and entrepreneurial profits has on the other hand always been ambiguous. On the one hand the social contract between Big Labour and Big Business explicitly allows for high business profitability. On the other hand excessive profits and excessive accumulation of wealth would offend the rule of fairness and undermine it. Social Democracy has been steering a contradictory course between these two stumbling blocks. It is generally admitted that taxation and public expenditure policies have contributed to a distribution of net income that is more equal than in any other country in the Western world. On the other hand the middle class has been permitted to accumulate wealth in residential property due to the perverse tax system in force before the 1990s. While distributed earnings of firms have been disfavoured, retained earnings to promote investments have been favoured. Among firms tax policy has favoured big business but not small business. These are probably inevitable consequences of a Model that attempts to promote equality in a progressive capitalist society.

The second norm of action is about consensus and cooperation. This norm is

deeply embedded in Swedish culture and was institutionalized by Social Democracy after the experiences of the conflict-ridden decades before the 1930s. This norm is rooted in several considerations.

First, that consensual decisions *per se* are valuable, because they cement society and lend legitimacy to the decisions. Second, because conflicts give rise to high transaction costs that even may exceed potential gains. Even if conflicts are not expected to result in high transaction costs, the other motives favour consensual decisions. Prominent among these are, third, the fact that conflicts tend to give rise to unstable solutions and thus to prevent mutual long-run contracts and commitments. If one party has agreed to accept the terms of a bargain under threat, he may want to revoke the outcome when conditions become favourable to him. Fourth, conflicts affect negatively incentives to carry through decisions and reduce motivation for problem-solving. It is one thing to win over a party in a conflict; it is quite a different thing to entice the most favourable response from him in order to achieve efficient output or policies. Conflicts encourage "war-like" while cooperation encourages problem-solving attitudes and behaviours. While the first strategy - because of the higher costs involved - tends to diminish the available common net pay-off, the second one tends to increase it. From this point of view the Swedish Model represents a conscious preference for positive-sum games over zero-sum games (reflected in the old saying: "A lean settlement is preferable to a fat litigation")⁷.

The norm of consensual decision-making is conditioned by the underlying value structure. If people behave fairly and strive for solidarity and equality, ultimately reflecting a shared belief in all people's equal

worth, it appears natural to try to strive for consensus and to cooperate (the conduct commended by Christianity once again represents a parallel.) . When this norm is not cherished, the Model does not work well. One instance is the exiting of the Federation of Employers from cooperation and centralized bargaining, when Social Democracy made the most of its hegemony in the early 1970s and introduced the plan for the Wage Earners' Funds. The Swedish Model seems to work best when, on the one hand, Social Democracy wields political power successfully but, on the other hand, does not use it in such a way that the existence and legitimate domain of Capital is threatened. The norm of consensus and cooperation is after all based on the existence of opposite interests and an interest needs a legitimate domain to be meaningful.

A final point may be made here. Hard-core social sciences like economics never took values, norms and ethics seriously in their attempt to explain social structure and behaviour. Maybe their existence were not denied. But on the one hand it is difficult to give evidence for their existence and still more difficult to determine how they operate; on the other hand it is possible to do without them, given that suitable reductionist assumptions are made (as in neoclassical general equilibrium theory) . Both these reasons are untenable. If physics were not allowed to postulate the existence of non-observable entities, its explanatory and predictive power would be poor. If any respectable science were prepared to sacrifice realism and practise reductionism just in order to be able to construct a possible - in contradiction to a real - world, it would soon lose its respectability. In our approach to the Swedish Model intuition and experience have taught us that values and norms are important for the

understanding of the existence and operation of the Model. Still realism also suggests that values and norms do not operate in a social and historical vacuum. Reference to this fact was made above when it was suggested that the practice of solidarity is based on the existence of strong interest organizations. Similarly the tradition of consensual decision-making and cooperation in Swedish society is rooted in an ethnically, culturally and socially very homogeneous and transparent setting, while the tradition of a strongly centralist government has worked in the same direction. Sometimes it has been suggested that the value of equality and the norm of fairness may be most easily explained as outcomes of generalized envy (the so called Law of Jante punishing deviant behaviour) . But while generalized envy may successfully prevent some individuals from rising too high, it would not give incentives to prevent other individuals to fall too low. To explain this we have to refer to fairness, equality and solidarity. And while envy gives rise to constraints and involution, the Swedish Model gives rise to expansion and evolution.

VII

Values without norms of action remain empty declarations. Norms of action are guiding policies and the behaviour of institutions. The Swedish Model is characterized by mainly four policies and their respective institutional frameworks. These policies are: 1) full employment, 2) the wage policy of solidarity, 3) comprehensive welfare policy and 4) democratic corporativism. I make no comments about the behaviour of those institutions that manage these policies.

Full employment became a prime goal in the Swedish Model, because it solved a series of basic economic and social problems simultaneously. It made for full utili-

zation of resources and higher levels of output and income. It widened the opportunity set of people in the labour market. It raised the dignity and power of the individual worker in his dealings with employers. It did away with the most important cause of poverty, disease and miserable living conditions. It contributed vastly to a more equal distribution of income and to equality. It recognized every citizen's right to work as a necessary condition for human dignity and growth.

At the same time full employment did away with the industrial reserve army as the ultimate safeguard of positive profits and thus it created one basic condition of modern inflation. As long as the central federations of trade unions and employers cooperated to control wages by means of centralized bargaining, now and then assisted by government income policy, inflation was moderate. But when central bargaining broke down in the early 1980s and monetary policy became constrained due to the deregulation of national and international capital markets, full employment policy was difficult to pursue. Only by a policy of accommodation of the exchange rate, implying permanent devaluation, a temporary way out was found. But this policy proved to be self-defeating, since devaluations without centralized bargaining tended to spurn wage inflation and thus to erode the newly won increased competitiveness.

The prospects for the policy of full employment are now bleak. As a member of the EU Sweden is supposed to join the future economic and monetary union and will lose control over monetary and exchange rate policies. In order to avoid employment crises as a consequence of external demand shocks, only wage cuts can be resorted to, since labour migrations are difficult to materialize

except in the very long run. The only way out seems to be a return to centralized wage negotiations. But this may not be possible to achieve if unemployment remains chronic and the trade unions consequently weakened, while employers are backed up by the monetarist central authority of the EU central bank.

The policy of wage solidarity may also be difficult to maintain if unemployment remains permanent. This policy is one of the most important expressions of the values of solidarity and also of equality (even if not between Labour and Capital). Its role in the Model is, first, to increase income equality among wage earners and thus to increase opportunities for larger numbers among them to realize their life projects. Second - and this is a most important point that also was stressed when it was devised in the late 1930s - to increase cohesion and unity in action within the class of wage earners, which is the main agent of the Model. From this point of view the increased wage dispersion - even if moderate - since the 1980s is alarming indeed. But as stated earlier the policy of wage solidarity did equalize wages, especially between males and females and between age groups, even if part of the equalization may also be ascribed to market forces (Edin and Holmlund, 1992). The effects on work incentives and productivity are ambiguous. It is quite clear however that it has promoted overall labour productivity because of its effects on industry structure by punishing low-productivity firms and industries. On the other hand it has also contributed to excess profits in high-productivity firms. They have received a subsidy with beneficial effects on growth at least in the short run, while the long-run consequences in this respect may be less beneficial. These excess profits in high-productivity-high-pro-

fit firms were in fact the basic motivation for the Meidner plan for Wage Earners' Funds, because this side-effect of the policy of wage solidarity was regarded as somewhat perverse from a distributional point of view. The other side of the coin is that the policy of wage solidarity creates difficulties for the unions in high-productivity firms, since they do not get what they would be able to get without this policy. This created the problem of wage drift as a compensatory phenomenon in local negotiations. This had to be tolerated in order not to undermine the authority and legitimacy of the trade unions. For their main task is after all to maximize (long-run) wages. Also the future of the policy of wage solidarity is difficult to ascertain, since it, too, is dependent on the possibilities of restoring full employment. A labour market made up of insiders and outsiders is incompatible with an equalized wage structure. The strategic factors for the future of the Swedish Model are as before the strength of Social Democracy and its ability to uphold and win approval for its traditional values but also its ability to cope with the new constraints imposed by membership of the EU. A crucial institutional condition is centralized wage bargaining. For this to exist both trade unions and employers have to agree and for both parties the positive aspects of centralised bargaining have to outweigh the negative ones. For the trade unions the trade-off is between long-run political considerations (cohesion and equality) and short-run business-unionism (to "charge what the traffic can bear"). For the employers the trade-off is between positive short-run considerations (lower wage levels) and fears of negative long-run consequences (centralized bargaining strengthening the trade unions). Centralized bargaining was in force as long as the trade unions' long-run political consi-

derations agreed with the employers' short-run strategy. But then the trade unions used their new strength to advance political goals incompatible with the social contract between Labour and Capital (the Wage Earners' Funds). The employers felt cornered and exited from centralized bargaining. Parallel with this market ideology took over within the ranks of both trade unions and employers. The present situation represents an outcome of employers' political considerations and business unionism among employees. In order to change this it seems as if employers have to be convinced that unions would not use an increased strength made possible by centralized bargaining to wreck the social contract between Labour and Capital. If used prudently the policy of wage solidarity and centralized bargaining may be optimal for both parties in the long run, even if subsets of members on both sides may suffer in the short run.

The third basic feature of the Swedish Model is the comprehensive welfare system. This implies that specific utilities are regarded as so fundamental to the freedom and equality of the citizens - mainly education, health services, child care and elderly care and insurance against illness, old age, unemployment and accidents at work - that society should take collective responsibility for the provision. There are several motives for this. First that a market oriented society characterized by unequal distribution of property and income generates public "bads" that cannot be done away with precisely because of its very structure. Public "bads" are negative utilities that a majority of or even all citizens suffer from. Examples are unemployment, poverty, ignorance, socially generated illnesses, negligence of fellow citizens, crime, over-work of employees etc. It can be argued that a very unequal distributi-

on of property and income are themselves public "bads". Why are public "bads" maintained in society? John E. Roemer (1994) gets to the point: "Now any economy must admit some level of public bads. If we allowed <no public bads>, we would have no production; there are even some inefficiencies associated with full employment. There is, however, a socially optimal level of public bads, a level that best implements the trade-off for society as a whole between consumption of the public bad and consumption of output <on the assumption that there exists a social-welfare function>. The problem in a capitalist economy is that there is a very small class of wealthy people who receive huge amounts of income as their share of firms' profits, and it is generally in the interest of these people to have high levels of the profit increasing bads. The positive effect from the public bad on the income of members of this class more than compensates them for the direct, negative effect on their welfare. . . People who stand to gain from them actively fight for, through political activity, high levels of profit inducing public bads".

The role of the welfare system in the Model is to deal with such public "bads" and their sources by intervention in firm and market processes and by supplying services that firms and markets do not supply or supply in suboptimal qualities and quantities. A second motive for the comprehensive welfare system is that most of its services are regarded as investments in human capital rather than as consumption and thus increase the quality and efficiency of labour. This view was elaborated extensively as early in the 1930s by Gunnar Myrdal. It is thus firmly believed that the welfare system makes for overall macroeconomic efficiency. Third, welfare services are provided publicly because

they from the point of view of demand, on the one hand, often constitute merit goods. Due to insufficient information or foresight many would not demand them in adequate amounts, or not at all, if they were supplied on a private market (as e. g. is the case with health and old age insurance and educational and health services) . The Model takes for granted that private rationality is limited or sometimes cannot be realized because of resource constraints. From the point of view of supply, private organizations create segmented markets for welfare services and often lack organizational and financial capacity to provide them or to provide them cost efficiently, e. g. because of high transaction costs. Before the comprehensive welfare system was created many of those services were in fact provided privately by families or by charitable organizations. But gradually, with increasing levels of living and information, as well as because of increased division of labour and a higher rate of participation of women in the labour force, demand increased. The declining role of families as providers of welfare services was to begin with replaced by an increasing role for charitable organizations. But these often had difficulties in coping with the new phase, when welfare services were demanded regularly. Sometimes they lacked sufficient organizational and financial resources and sometimes they could not meet adequate quality standards. This problem was to begin with solved by public subsidies to private organizations. But monitoring costs increased with increasing levels of public financial support as well as with increasing public regulation and control of quality standards, e g. in educational services. Because of the increasingly serious principal-agent problem involved, as well as because of the increasing transaction costs, it appeared rational to the public au-

thorities to organize the supply of services themselves (Hök, 1962).

To these three basic motives and conditions for a comprehensive welfare system were added two additional considerations. First, the idea of social integration. Selective welfare not only contradicts the quest for equality. It is also often stigmatizing, authoritarian, paternalistic and signals inferiority, while comprehensive welfare is a civil right that gives beneficiaries a stake in its maintenance and even gives the well-off and well-educated incentives to demand high quality services. Selective welfare splits society in two groups: those "needy" and those "not-needy". The group "not-needy" readily starts to regard the group "needy" as less foresighted, maybe lazy or even as belonging to a separate class of inferior citizens. The "not needy" then tolerate only a minimal level of taxation and tend to regard increased taxes as an unnecessary burden preventing the "needy" from providing for themselves. Due to this tension the level of taxation on the one hand induces tax resistance or even tax revolts by the middle class, while on the other hand it remains too low for satisfactory and efficient welfare services. This problem is avoided in a system of comprehensive welfare. Second, a still deeper motive may be discerned. The Swedish Model is said to be guided by what Wigforss christened "a provisional utopia", that is a society of free and equal citizens practising solidarity. This utopia is a permanently receding goal rather than a fixed and final state. The politics of the Model are guided by the belief that over time more extensive equality is possible. But this presupposes that those who are against equality today are potential supporters of equality tomorrow. To transform their attitudes, elements of generalized equality should be built into the present

non-equal society. Thus society should to some extent treat citizens as if they were equals, although they are not. Looked upon from the point of view of the future this implies that elements of the provisional utopia are already realized at present and this becomes an argument for the goal.

It would be going too far to try to make an overall evaluation of the achievements and weaknesses of the comprehensive welfare system in the Swedish Model. Such an attempt would also be difficult partly because it has been gradually extended and transformed, partly because its resource base has undergone dramatic changes and partly because the demands and expectations of successive generations of citizens have also changed. When the system was constructed during the 1950s and the 1960s any net addition was almost unanimously greeted as a positive contribution to welfare by generations that still had a clear memory of the 1930s. Later generations with higher expectations of quality and variety of welfare services have taken a more critical view. Parallel to this, the soft budget constraints of the early period of high tax growth have been replaced by budget cuts, austerity programmes and reorganization. Nor has the public debate on the merits and demerits of the welfare system been transparent. While the critics often have addressed real problems, their solutions vary from piecemeal reforms to wholesale rejection of comprehensive welfare as an ideal. This fact has, on the other hand, led the partisans of comprehensive welfare to defend the status quo tooth and nail often without recognition of necessary or desirable changes. The reason is that the ideas about how the welfare system should be constructed and operate are intertwined with conflicting value systems and interests. When critics of comprehensive welfare contend that the

security it creates is gained at the cost of freedom, they speak on behalf of those citizens that can provide for their private welfare on their own, while their opponents, who speak on behalf of those who are less privileged, point out that it is precisely the security generated by comprehensive welfare that increases freedom.

There is no doubt that the comprehensive welfare system has contributed vastly to the freedom and equality of most people, and this conclusion is verified by repeated opinion polls that show unqualified and close to unanimous support for its importance and maintenance⁸. But the fiscal crisis of central and local governments has revealed the weaknesses as well as the untapped potentialities of the system, while citizens' expectations of its performance have been raised. The two main problems are, as could be expected from a tax-financed comprehensive welfare system, organizational slack and lack of responsiveness to legitimate individual needs and also legitimate demand for variety (I say legitimate because equal treatment is after all a rationale of the system). The reasons for this are the lack of competition among producers and lack of exit possibilities among consumers, which makes the system producer rather than consumer oriented. This problem has been compounded by unclear delimitation of authority and accountability between politicians and administrations affecting financing and execution. These problems have been addressed by two main methods. In the first place, authority and accountability have been decentralized to a great extent, which has implied more scope for choice, cost control, performance and possibly also incentives. Second, politicians have been assigned financing and ordering functions, while administrators are charged with the task of execution. This means

that politicians more clearly than before decide upon budget constraints and objectives, while administrators concentrate on production and implementation. The system is still undergoing changes and it is too early to judge what can be accomplished. Since there are no private property rights in the public sector and the stick and carrot of the market cannot and should not be used, while welfare services are a civil right and their production are governed by laws and legal rules, there are and should be limits to attempts to make the welfare system mimic the market. Possibly a much more important problem is this: A comprehensive system of welfare delivering high-quality services and providing insurance services on the basis of the income-loss principle (generating a close fit between welfare system and labour market participation) presupposes generalized solidaristic behaviour among citizens. This implies a lot of information about costs and benefits of the system to the citizens as well as civic spirit and propagation of values basic to the system. This is at present the weakest point, since the Social Democratic voice exhorting to solidarity has been muted. If this situation does not change, the comprehensive welfare system may erode in the long run.

The fourth basic feature of the Swedish Model is democratic corporativism, that is the integration of mass organizations in central and local government and their participation in the implementation of policies. This is often depicted as a drawback of the Model leading to a deficit of democracy. This is true only under the assumption of weak governments making room for unclear division of responsibility and attempts to use government for special interests. It is a fact that democratic corporativism has suffered from the lack of strong governments since the 1970s. But if governments are sufficient-

ly strong, democratic corporativism makes for more democracy (in the sense of participation) and more efficiency (since the beneficiaries of government decisions are involved). The sharp line of demarcation between government and civil society, which traditionally existed because government either represented a sectional interest of civil society or because interest conflicts in that society were so intense that government had to be exclusive in order to be able to rule, happily does not exist in the Swedish Model. Government is close to the citizen, citizens participate in and often implement its decisions and government is therefore both highly legitimate and highly efficient. The state is not predominantly a bureaucratic machine and does not in fact rule over people but is a managing administration providing services to the citizens. The corporatist state of the Swedish Model is thus close to what Lassalle once described (and Marx ridiculed) as a "Volks-Staat", intent not on ruling over people but administering things. It is a case of that "withering-away" of the state that Marx himself declared to be the ultimate political goal of socialism.

VIII

What will become of the Swedish Model? Looking back it is hard to deny that it has been an extremely successful project. But precisely at its zenith it was shaken because of the concurrence of several parallel events. Social Democracy attempted to invade the domains of capitalist property (the Wage Earners' Funds) and, at least temporarily, ended the preceding era of consensus and cooperation with Capital, which is a cornerstone in the Model. At the same time Social Democracy lost government power for the first time since 1933. In addition the international ideological climate started to swing

to the right and the era of high rate economic growth collapsed. Having failed to introduce economic democracy Social Democracy was left without new mobilizing visions. It lost its ideological hegemony in Swedish society and was itself influenced by the renewed liberal creed. When it came back to government power during the 1980s it joined the general international deregulation trend and its leadership decided that Sweden should join the European Union. Since then the Swedish economy has experienced slow growth, mass unemployment has returned and state finances are in a bad shape. After a short inter- regnum of a bourgeois coalition government in the early 1990s , Social Democracy is again back in the saddle but has to rely on the conditional support of varying parties to remain in power.

The future of the Swedish Model thus seems to depend on forces which partly are beyond and partly are within the perimeter of conscious political action and control. To the former belong the rate of economic growth, the international ideological climate and probably also the new constraints imposed by deregulation- soon cemented by membership in the monetary union of the EU. If the rate of economic growth continues to sag and the present international climate persists, the prospects for the model are grim indeed. But if these conditions change and Social Democracy in addition proves successful in promoting the establishment of a new economic policy regime within the frameworks of the EU- which it wants to do- the prospects will be brighter. It should also be noted that Social Democracy is still a powerful political force, that the comprehensive welfare system survives and is being reformed. Gunnar Myrdal once noted that the success of the Swedish Model to a great extent depended on a series of happy cir-

cumstances. If circumstances are happy, the Model may survive. But then three conditions within the perimeter of political action and control have to be fulfilled. In the first place Social Democracy has to regain its ideological hegemony in Swedish society and act upon it. Second, it has to regain control- probably in cooperation with Social Democrats within the EU- over vital economic policy instruments, since the successful working of the Swedish Model presupposes a controlled market economy. Third, Social Democracy has to devise a credible vision of the future of the Swedish Model that on the one hand can mobilise sufficient popular support and on the other hand does not threaten to undermine the future existence of the mixed economy.

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Notes

1. See e. g. A. Montgomery, *An Economic History of Sweden* (King, London 1939).
2. Ernst Wigforss, *Skrifter i urval, III* (Tidens Förlag, Stockholm 1980).
3. It ended with the mass rally of business men and representatives of right-wing and center parties outside the parliament in October 1983, when the waterdowned bill of the Social Democratic government was presented.
4. The so-called Waldenström Report, *Företagsvinster, kapitalförsörjning, Löntagarfonder* (SNS: s Förlag, Stockholm 1976).
5. See Douglas A. Hibbs and Håkan Locking, 1993.

6. Demokrati och makt i Sverige, SOU 1990: 44 (Allmänna Förlaget, Stockholm 1990).

7. See Gustafsson, 1986.

8. See e. g. Bo Gustafsson, 1988.