

Sweden after the Swedish Model

From Tutorial State to Enabling State

Mauricio Rojas



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Contents

Introduction 4

PART I: THE RISE OF FOLKHEMMET

From Peasant Power to Industrial Breakthrough 7

*Continuity and Change in Swedish History 6; Historical Roots 8;
Modernisation and Industrial Breakthrough 13.*

Folkhemmet Triumphant 21

With the Tide – folkhemmet's Foundation 27; The Decades of Hegemony 33.

Folkhemmet Defeated 45

*Against the Tide – the Storm Clouds of the Sixties 45;
The Swan Song of folkhemmet 50.*

PART II: SWEDEN AFTER THE SWEDISH MODEL

From Tutorial State to Enabling State 58

*Introduction 58; Origins and Growth of the Welfare State 59;
The Mature Tutorial State's Problems 61; The Welfare State Crisis 63.*

Towards the Enabling State and a Welfare Society 66

Unresolved Economic Problems 69; The Great Dilemmas of the Future 72.

Notes 75

Statistical Appendix 79

Bibliography 89

To Mónica with kisses and red roses

Introduction

Few social experiments have caught the imagination of politicians and students of political economy like the ‘Swedish model’. To successive generations of the centre left searching for their own “Third Way” Sweden was something of a paradise. This exotic Nordic country was a kind of real-life Utopia, an idyllic country, full of beautiful people with a Social Democratic government which worked, a nation combining high rates of economic growth with unprecedented levels of equality.

This was a view largely shared by the Swedes themselves. For 50 years or so after the 1930’s, it really appeared that you could have it all, a high rate of growth, low levels of unemployment and an unparalleled system of social welfare. But the Swedish model was not to survive the challenges that new times and its own development were to raise. At the beginning of the 1990’s, after almost two decades of increasing problems, the Swedish Model collapsed. A difficult time of high unemployment and fiscal crisis became the everyday reality of the Swedes. This was a mortifying experience for a people that for many decades had known nothing of that kind. Confusion was widespread, but even the Swedish clouds have a silver lining. In the middle of the deepest crisis the country had experienced since the beginning of the 1930’s, rethinking and reappraisal ensued. This was the start of a quite amazing process of change that is transforming Sweden, leaving behind the old monopolistic *tutorial state*¹ and opening the gates to a welfare society in which the state is no more the patronising state of the past but what I would like to call an *enabling state*, open to civic initiatives, individual choice, and cooperation with the private sector.

Part one of this book tells the saga of the rise and fall of the Swedish model or *folkhemmet*, which is the word commonly used in Sweden for what foreigners call the Swedish model. *Folkhemmet* – literally a combination of *folk* (people) and *hem* (home) – was a unique attempt to create an all-embracing Welfare State, which substituted the security of the tutorial state for the old, traditional ties of family and community. Looking back at history, I try to explain the factors which made *folkhemmet* and an overwhelming Social Democratic hegemony possible in Sweden, and which ultimately led to the demise of both, as well as to our current period of social and political renewal. The main argument here is that *folkhemmet* was more of a bridge than a break in Swedish history. It offered continuity during a time of rapid change brought on by modernisation. Its main power lay in its ability to intertwine the past with the future, in its promise to preserve Sweden’s distinctive traditions while exploiting the material prosperity of the industrial era. That is why the subsequent crisis of *folkhemmet* and Social Democracy represented more than simply the failure of a particular political project. It has had a profound effect on Sweden’s national identity, on our most deeply rooted traditions and dreams, and on the heritage of centuries.

This part of the present work was written in the mid-1990's, when the economic crisis was very deep and the clouds in the Swedish sky were very dark. Part two, written only a year ago and updated for this publication, is about Sweden after the collapse of *folkhemmet* or the Swedish model. It summarises the transformation that the country has been experiencing during the last decade or so as a way to cope with the debacle of the old Swedish model. As the reader will see, amazing things are taking place in Sweden. Many important problems are still there, but the search for a new "Swedish model" has been intensive and in many senses very inspiring to anyone interested in learning about how to build up a fair society with high levels of diversity and individual freedom. The challenges to come are many, but today we can be more confident than we could on the day after the dismal demise of *folkhemmet*.

At the end of this book the reader will find a commented Statistical Appendix that gives a summary of some important aspects of the recent development of Sweden.

PART I: THE RISE OF *FOLKHEMMET*

From Peasant Power to Industrial Breakthrough

CONTINUITY AND CHANGE IN SWEDISH HISTORY

As an industrial nation, Sweden was uniquely successful. Industrialisation came relatively late to the country but was all the more intensive when it arrived. Between 1870 and 1950, Sweden had the highest economic growth rate in the Western world. This opened the way to a dramatic growth of prosperity that would go on accelerating until the beginning of the 1970's. For centuries, poverty had been a hallmark of Sweden, but in a short space of time the country became a by-word for affluence. With industrialisation came rapid urban growth and a thorough transformation of norms and values, lifestyles, the political system and cultural preferences. Every nook and cranny of Swedish life was modernised with the aid of reason and social planners. An ancient, poverty-ridden agrarian nation was turned into a dazzling industrial welfare nation that rapidly became a model for the world.

This is one way of looking at the development of modern Sweden. It is a story of radical discontinuity; a break in history that saw the country completely transformed by a mixture of industrial dynamism and social-reforming zeal. Seen like this, the crisis of the Swedish model is explained by the straitened circumstances of industry combined with, or related to, the excesses of social reform. This reading of modern Swedish history captures some vital aspects of the country's development over the past century, but it leaves out so much more. For a deeper understanding of the rise and fall of *folkhemmet* one has to look beyond the superficial discontinuities to the continuity beneath. The central feature of Sweden in general and of *folkhemmet* in particular, is that both have rested on a bedrock of particular traditions and inherited attitudes. It was this unique heritage that paved the way for the unparalleled political hegemony of Social Democracy. And this same heritage made the Sweden of *folkhemmet*, even as early as the 1930's, a distinctive third way between the divisive individualism of capitalism and the totalitarian collectivism of communism.

The 'People's Home' is, then, much more of a bridge than a break in Sweden's development. Its roots can be traced a long way back in time, and with them a great deal of the overwhelming strength and popular support of *folkhemmet*. Its irresistible attraction lay in its capacity for intertwining the past with the future, tradition with renewal, the fragrance of green fields with the glow of city lights. It appealed to the collective heritage of an ancient agrarian people, while offering them a life of material prosperity that only the industrial era could provide. *Folkhemmet* certainly drew ideological strength from modern industrial utopias. However it was based as deeply on the egalitarian and solidaristic ideals

of the rural estates, the paternalistic order of the old mining and manufacturing community known as the *bruk*, and on the idiosyncratic relationship between rulers and the ruled which lay deep in Sweden's history. Looked at this way, the so-called Swedish model, as Arne Ruth put it, 'was not the fruit of a sudden flash of political genius but the result of a centuries-long historical evolution with no European counterpart' (in Enzensberger 1982).

This approach has important consequences for discussing the problems and possibilities of Sweden today. The basic argument of this book is that there is far more to Sweden's current process of change than the recession of industrial society and the crisis of the old Swedish tutorial state. The collapse of *folkhemmet* was much more than the failure of a particular political project; it reflected changes in the very nature of modern Sweden. These changes affected four factors which together made Sweden unique, but which now no longer exist. Ethnic homogeneity, a strong nation state, rapid industrial growth, and technology based on mass production and standardised organisation, each helped in its own way to create and sustain *folkhemmet*. But immigration, globalisation, prolonged economic stagnation and the information revolution have undermined them. The preconditions of the 'People's Home', and of Swedish history more generally, have been transformed.

HISTORICAL ROOTS

Let us begin at the very first moments of the creation of the Swedish nation, when it began to be fashioned on one law and one king rather than around magnates and chieftains. Let us go back to the first decades of the 14th century, the election of three-year-old Magnus Eriksson as King of Sweden and the proclamation of Sweden's "Magna Carta."

Historian Michael Nordberg describes this moment in the following way:

On 8th July 1319 Magnus, son of the late Duke Erik and only three years old, was elected King of Sweden at Mora Ting, near Uppsala ... Not only the magnates were present but also four peasants from every hundred (*härad*) ... The day of the regal election in Sweden, the Archbishop and the Bishops of Linköping, Skara, Strängnäs, Västerås and Växjö, the new Regent (*drots*) Mats Kettilmundsson, seven judges (*lagmän*) and another 11 knights issued a pledge for the future, sometimes known as Sweden's Magna Carta ... On behalf of the young king, the authors of this 'Charter of Liberties' now promise that they will implicitly obey laws, respect the liberties and privileges of the Church and 'the men of Sweden', and above all refrain from unlawful taxes ... extra taxation can be levied 'with unanimous approval and consent of ourselves and the commons of the whole kingdom'. Tax collection is to be solely entrusted to a group of three men in each diocese, of whom one is to be appointed by the authors of the Charter and two elected by the common people of the diocese.

Nordberg 1995, pp. 26–29

The reference to the 'men of Sweden' defined in the Charter of Liberties is remarkable for its time. As Nordberg says, "the common people," *communitas*, were given so much influ-

ence that in future the common man was to have a hand in approving necessary taxation and by the same token in electing the people to collect it' (ibid., p. 29).

Here is the first documentary evidence of two of Sweden's most distinctive historical characteristics, the central position of the peasantry and the local autonomy given to it even as political power was being centralised around the monarchy. Pre-modern Sweden was characterised by the liberty of peasants and the absence of serfdom or a feudal tradition. It was a country that lacked a powerful nobility, dominant towns and a burgeoning middle class; an agrarian nation based on a poor but free peasantry.

The political standing of the peasantry became more formalised as time wore on, as Thomas Lindkvist observes:

During the 15th century there were also assemblies traditionally termed diets (*riksdag*) which peasants attended ... Increasingly often during the 15th century, consideration and attention was having to be paid to the peasants ... The ruling power in Sweden was small and had comparatively slight economic resources at its disposal. The Church, the monarchy and the nobility never achieved the same control of society as in the more densely populated regions of Europe. For this reason no serfdom developed in Sweden, and the peasants were therefore able to play something of a role in politics. Locally, at the Ting assemblies, they had a great deal of say in matters'.

Lindkvist 1993, pp. 27, 29

In the same book, Professor Eva Österberg gives a description of the social structure of Sweden in about 1600:

Compared with other European countries, Sweden–Finland had been dominated of old to an unusual degree by peasants, whereas the middle class and the nobility were a minute fraction of the country's population. The Swedish nobility in 1600 numbered no more than 450 grown men! In addition, large numbers of peasants were masters of their own land, just so long as they paid their dues to Crown and Church.

Österberg 1993, pp. 130–131

She links the structure of Swedish society between 1500 and 1800 directly with the emergence of the Swedish model in the 20th century:

The Swedish model has doubtless derived many of its ingredients from a small-scale agrarian society. Unlike their counterparts in most European countries, many peasants in Sweden had owned their land since medieval times. They were continuously represented in the Riksdag from the 16th century onwards. The main conflict in society, fundamentally, concerned relations between the national government and the peasants, not between peasants and feudal nobility or state and urban middle class. At the same time it was the relation between the state and peasants, which provided the basis for integration and co-operation. There were several alternative are-

nas for contact at both local and central levels. Both parties learned to find their way, through negotiations and compromise, to the economic solutions acceptable to the leading majorities of the people ... long before industrial workers, the farmers and their families in Sweden were a working class. Long before the 20th century, Sweden had an apparatus of government with ideological, economic and political ambitions, which at the same time was dependent on support from the country's basic economic activity. Long before the popular movements there were public venues at the hundred court (*häradsting*), parish and village council meetings where people could practise their political language, articulate popular resistance and reach compromises.

Ibid., p. 144

Professor Österberg highlights a distinctive theme of Swedish history, the remarkable combination of popular liberty and central control that characterises the relationship between the state and the people. A paternalist ruling power chastens and protects a citizenry fiercely jealous of its conditional but nonetheless substantial freedoms. The apparent contradiction has given rise to two versions of Swedish history, each highlighting a different side of this peculiar equation. By one account, the Swedish peasant was the 'most and best controlled in the world, the docile taxpayer and disciplined soldier' (ibid. p. 133). According to the other he was the most invincible, freest and noblest being that ever walked on earth, the man who, in the words of the late medieval 'Song of Liberty', knew that 'freedom is the best of things'.

These two different readings are brought up to date by descriptions of life under *folkhemmet* where Swedes are portrayed either as subjects under the thumb of the social state, or as the citizens emancipated by a 'strong society'. The common link is the tension between freedom and submission that runs clearly across 500 years of Swedish history.

Alongside a free peasantry, the most significant early development in Swedish history was the rise of unifying institutions fashioned by the state. The Swedish monarchy rapidly grew in power because of the absence of any countervailing forces such as strong regional elites, independent towns or a significant nobility. This allowed Sweden to become a nation-state comparatively quickly. Unlike other European countries new national institutions arose unchallenged, they did not have to overcome or compromise with existing structures or interest groups.

The apparatus of the state took the small middle class and aristocracy and almost entirely absorbed them into the nobility of office, a process greatly eased by the ethnic homogeneity of the Swedes which was itself another important factor. Without a people united by a common heritage, language and religion it is difficult to see how the country's early and largely peaceful legal unification – through the National and Town Codes of Magnus Eriksson in the mid-14th century could have been achieved. The last significant internal conflict, the Dacke Rebellion (*Dackefejden*), took place in the 1540's. Clearly the state played a hand in this. As Professor Jonas Frykman puts it, 'the nation conceived of its people be-

fore the people conceived of their nation' (Frykman 1993, p. 135). What is clear, though, is that notions of Swedishness and what it meant to be a Swede developed relatively early in our history and became deeply rooted.

Sweden's political structure of the time developed through the merging of state and local institutions into a network of power structures ranging from the local village council to the Riksdag (diet or parliament) and the King's council, and it was this network that formed the natural backbone for the emergence of the institutions responsible for such vital aspects of social life as medical care, education, and social welfare. The general hospital, the elementary school, higher education and poor relief became parts and products of this densely interwoven network of institutions tying together the local and central. This 'public sector' did not, as in many other parts of the world, emerge from a bitter struggle between a civil society defending its spiritual and material independence tooth and nail and an apparatus of state, which was felt to be both alien and menacing. There existed in Sweden a complementarity and a co-operation, which made the socio-political and educational pretensions of the state as natural as the right of the local community at basic level to administer social life for itself.

Seen in this perspective it becomes obvious that the state-interventionist, unifying project of *folkhemmet* – though greatly exceeding everything seen previously – is really no novelty in Swedish history. As Per T Ohlsson writes in *Gudarnas ö*, 'quite contrary to non-socialist assumptions of recent years, the thoroughly regulated, protected society is not a Social Democratic invention. It is a national project, founded in ideas and laws which are much older than the labour movement' (Ohlsson 1993, p. 16). Many things would change in Social Democratic Sweden, but not this central allocation of roles between an educating, protective government and a people who meekly pay their taxes but also gain a considerable amount of liberty within the national community formed by the state.

On these terms one can, like Lars Trägårdh, speak of a distinctly Swedish political and democratic culture, a Swedish historical exceptionalism sharply contrasting with both continental and Atlantic developments. This distinctive political culture was to play a decisive part in the future construction of *folkhemmet* and in the scepticism – still very much in evidence today – towards political discourses challenging the symbiosis between state and society:

What deserves to be underscored is the very different nature of development in Sweden ... Swedish, unlike Atlantic, democratic culture is ... not at all associated with a generalisation of gentlemanly privileges, thinking in terms of natural law and universal human rights, or anti-statism, the notion of the republic of virtue or of principles of power-sharing. Instead the Swedish democratic culture emerged from a native tradition distinguished by the Swedish peasant's unique liberty from servitude and his associated political participation at both local and national levels, together with an expressly pro-state attitude founded on the peasants' alliance with the monarchy against their common enemy, the nobility ... Thus the alliance between peasants and monarchy played an absolutely central role in the history of Swedish

political culture, and eventually the labour movement and Social Democracy were able to shoulder the dual heritage and take over as both king and common people from the top, in the form of ruling party, and from below, in the form of popular movement ... Here, I maintain, we have the reason why the discourse on civil society appears to have excited little response in a country that was united by far more than the determination, power and political acumen of its rulers. Sweden, in other words, has been an excellent example of what I call an ethnic nation, that is to say a nation held together by a common historical heritage and a shared ethnicity. Sweden in this way was one of the few truly ethnic communities eventually to embark on the turbulent voyage of the modernisation process. *Folkhemmet's* secret lies in the secret of Sweden's history. *Folkhemmet* is a national *Volksgemeinschaft* reconstructed in the industrial age, a home for the children of the common people in the unknown landscape of modern towns and cities.

Trägårdh, 1995

The message of this highly selective review of Swedish history can be summarised as follows. Present-day Sweden – institutions, culture, and national identity – builds on and elaborates a historical heritage characterised by the outstanding ethnic homogeneity of the population, very strong social cohesion round the free estate of peasants (yeomen farmers), and the unifying institutions of an expansive state. Swedish society was never torn by the divisions, which became so widespread elsewhere in Europe. It is as though a primeval Scandinavian sense of community, the solidarity of the clans (*ätt*), was never quite dismantled. In a myriad of agrarian villages – small ones as in Central Sweden, or large ones as in Upper Dalarna, the river valleys of Norrland or the southernmost province of Skåne – an agrarian culture including strong elements of cohesion and equality was welded together. The hierarchies of the agrarian society functioned within the framework of a palpable “commonwealth” of people sharing a common origin and a heritage of traditions, which engendered a strong sense of common identity. Fundamentally, it is this startling homogeneity and cohesion in the very roots of society, which explains how Sweden, which in many ways was a backward part of Europe, was very soon able to put in place an impressive network of national institutions tying the nation together into a supremely viable unit. The regional differences nonetheless existing were – unlike those in large parts of continental Europe – still not large enough to prevent the appearance of common legislation, religion, and national administration or efficient, nationwide forms of interaction between local community and national government. The outstandingly peaceful internal history of Sweden also betokens a country united by far more than just the determination, power and political acumen of its rulers. Sweden, in other words, has been an excellent example of what I term an ethnic nation, meaning a nation held together by a common past and shared ethnicity. Sweden in this way was one of the few genuine national communities to eventually embark on the turbulent voyage of the modernisation process. The secret of *folkhemmet* lies in the secret of Swedish history. *Folkhemmet* is Sweden's traditional community reconstructed in the age of industrialism, a home for the children of the common people in the uncharted territory of modern cities.

MODERNISATION AND INDUSTRIAL BREAKTHROUGH

The 19th century was a cataclysmic time. It began with a thoroughgoing transformation of agrarian Sweden and ended with an industrial revolution. The structures and institutions, which for centuries had laid the foundations of national development and provided an overwhelming majority of Swedes with security and context, were now to be remorselessly dissolved. A new Sweden, urbanised, industrial, democratic and modern, was in the making.

The country was remade, but it was also rethought. The national project and Swedishness itself were redefined. The Swedish people searched not only for a new dwelling but also for new dreams and a new identity. The century ended not only with the roar of machinery and the onward march of industrial labour, but also with an intensive debate on Swedishness. A newly awakened, romantic and retrospective nationalism expressed grief and distaste over the country's radical transformation. Opposing it, however, was the future-oriented vision of modernism. The yeoman farmer and the Carolinians on the one hand, the worker and the engineers on the other, a Verner von Heidenstam nostalgically versifying about the stones where he played as a child, and an Ellen Key who, in the 1897 Stockholm Exhibition, saw a new 'universally acknowledged national value step forward'. A new foundation for 'self-esteem and patriotic devotion,' sprang from these 'immense quantities of national strength and national intelligence represented in the fields of heavy industry and inventions.' Ellen Key is telling the story of a new Sweden, a nation whose citizens could proudly exclaim: 'This my people have achieved; its industrious story is mine, so great are the assets of my country; so richly endowed by nature is my country; so strong and so talented is my nation' (Key 1995, p. 247).

The country's past and future met for a vitally important colloquy at the moment of transformation, and this is always the case at a turning point of history, when a radical renewal of everything we are and have been becomes indispensable. So it is today; in our conflicts between so-called traditionalists and renewers we are repeating a necessary ritual, we have to take leave of our old home, our classical industrial workers and mechanical engineers, just as Sweden once bade farewell to its yeoman farmers and Carolinians. It may sound paradoxical, but in order to move on we also have to remember, mourn and affirm what we were. Some people take this role upon themselves, others look intently towards the new age. Both, in their own ways, are necessary; the processing of grief and the work of renewal are two sides of the same process, of one and the same quest for the footbridge between what we were and what we are going to become.

Sweden's modernisation process presents a classic course. It begins in the countryside as a transformation of the structures that had traditionally harboured the majority of the people, going on to assume the guise of an urban and industrial breakthrough. But this classic process also incorporates a series of Swedish idiosyncrasies, which can help us to explain the country's outstanding successes as an industrial nation. Important parts of the country's historical heritage served as priceless capital at the moment of change.

The transformation of Swedish agrarian society began during the second half of the 18th century. The land redistribution reforms – six of them between 1749 and 1827 – fundamentally changed both the economic organisation of agriculture and the social structure of the countryside. The villages were broken up, commons were partitioned and privatised, land holdings were gathered together, production techniques were considerably improved and the cash economy expanded. This coincided with a rapid demographic expansion, as a result of which Sweden's population doubled between 1750 and 1850. This process gave rise to extensive groundbreaking and subdivision of holdings, but also an upsurge of geographical and social mobility, as well as to the emergence of a large underclass in the countryside. The numerical dominance of the farmers ('peasants'), so characteristic of traditional Swedish society, was now challenged by the growth of an underclass consisting of labourers, crofters, bondagers and casual workers recruited from expanding peasant families, from redundant tenant-farmers and failed farmers of the poorer class.

There are above all two aspects that make this Swedish transformation of the agrarian society so distinctive and constitute an important prerequisite of the industrial breakthrough that was to come. Unlike, for example, the elite-driven agricultural improvements in England, in Sweden it is the peasant estate, which both provides the motive force of the process for change and becomes its principal beneficiary. We are talking, in other words, about a modernisation process with an unusually wide popular base, which will give the farmers an economic strength and a political role far in excess of anything they have previously experienced. The other interesting aspect is that the emergence of the underclass, which of course reflects a proletarianisation of part of the swelling peasant population, does not lead to widespread pauperism in these sectors. The combination of new agricultural labour demand and improved agricultural efficiency with a distinct growth of non-agricultural sideline occupations – which often become the principal occupations of many rural dwellers – actually leads to a certain improvement of living standards for parts of the working underclasses.

It is the establishment of these circumstances, which has laid the foundations of a thorough reevaluation of Sweden's industrialisation process. In economic history research, the point of departure is provided by Lennart Schön's pioneering *Industrialismens förutsättningar*, published in 1982. What was previously interpreted as an echo of England's Industrial Revolution is now seen as a far more composite process in which a dynamic home market and the revolutionary transformation of Swedish agriculture occupy a key position. It is a process where one of the basic aspects of Swedish exceptionalism, namely the liberty of the peasants and their central position in Swedish history, plays a leading part.

The second characteristic aspect of Swedish history – the strong state and the interplay between government and free peasants – also occupies a key role in this phase of comprehensive social and economic transformation. The role of the Swedish state during this period can, quite simply, be taken as a model of what, in modern literature on development economics, is termed an autonomous development state. The state displays an outstanding capacity for putting through a national reform programme of great importance for the

country's economic modernisation. The traditionally strong position of the state and its capacity for action now become effective implements in a peaceful change sharply contrasting with the revolutions by which the greater part of Europe was convulsed at the same time. The state both interacts with and strengthens its hold on society. Royal autocracy takes on a new lease of life in the middle of the century of European revolutions, and the economic reforms pushed through by the powerful state bureaucracy are not impeded by strong elites of the kind which, elsewhere in Europe, used the power of state as a means of doggedly consolidating and defending the old order. The Swedish elite's very limited control of the country's basic economic activity, agriculture, and its identification with the national state did a great deal to ease the process of reform which, aided by the very visible hand of the state and the increasingly enthusiastic support of the farmers, opened the way to Sweden's industrial breakthrough.

The state concentrated its efforts on two tasks which were vital for the nation's long-term development and which only the state could take upon itself, namely to refashion many of the country's basic institutions and to build up an efficient infrastructure and an appropriate education system. The institutional change began with the legislation, which encouraged the land distribution reforms and made them possible in the first place. Here the interplay between legislation, national authorities – above all the surveyors – and farmers was decisive for the great impact and smoothness of the process. The next stage was to liberalise trade and enterprise. In one field after another, old monopolies, regulations and corporate privileges were eroded, so as to make way for the basic institutions of the modern market economy: private ownership, freedom of contract, and easier market entry. The process began during the 1830's with the liberalisation of shipping and mining, culminating in 1864 with the disappearance of the last impediments to freedom of trade and enterprise. This was a truly institutional revolution, a liberal breakthrough, which opened the way to Sweden's rapid modernisation, and it was conducted in good Swedish spirit, which is to say under the direction of the state and with fairly widespread popular participation. This process was supplemented by the democratisation of government, starting with the reforms of the 1860's, which abolished the old *Riksdag* of the Estates, introduced the new local government legislation and income-graded voting rights, and abolished the final vestiges of aristocratic priority for careers in the civil service (for a summary of this process see Tarschys 1983 and Herlitz 1989).

The infrastructural efforts of the state focused mainly on two important sectors. On the one hand, there was the construction of a modern system of transport and communications by means of harbour improvements, canal-building, heavy investment in roads, and the development of postal services, the telegraph and, above all, railways. On the other hand, there was the construction of what, for its time, was a very impressive education system consisting of a compulsory elementary school and of a series of technical schools and various institutions of higher education. Especially important was the commitment to engineering studies at Chalmers in Göteborg (Gothenburg) and KTH (the future Royal Institute of Technology) in Stockholm. In this way the country's enterprise sector was supplied both with a well-trained working class by the standards of its time and with a

scientific-technological spearhead which was to be of decisive importance in the country's future industrial successes.

Sweden's industrial breakthrough belongs to the decades surrounding the turn of the century. A certain amount of industrial development had already taken place earlier on, and a number of important engineering concerns for the future – Motala Verkstad, Munktel, Jonsered, Kockum, Lindholmen, Bolinder – had been founded before 1850, but Sweden in 1870 was still pre-eminently an agrarian society. Swedish industrialisation, of course, was closely bound up with international demand for raw materials and foodstuffs, which rose steeply from mid-century onwards. For Sweden's part this meant an almost explosive rise in exports of oats, iron and timber. But exports of this kind were by no means a guarantee of the country's industrialisation. Heavy exports of raw materials and foodstuffs were at the same time typical of many countries – in Latin America, for example – which were to fail completely in transforming these external economic impulses into a dynamic industrial development within their borders. This simple observation makes it clear that the decisive factor in Sweden's industrial breakthrough was not – as has traditionally been emphasised – international demand in itself, but the internal process of transformation which had given rise to efficient agriculture, an expanding home market, a high level of social mobility, modern institutions, competent workers, skilled technicians, and an appropriate infrastructure. This is why Sweden could be so uniquely transformed from a typical raw material exporter to a powerful industrial nation within just a few short decades.

Typical of Sweden's industrial breakthrough is its capacity for immediately taking the lead in the technological front line of the period. A long line of trail-blazing Swedish inventions or decisive improvements on other people's inventions was to lay the foundations of the enterprises, which, right down to the present day, make up the country's industrial backbone. Sweden's second period of greatness, unlike the first one, was sustained not by brave soldiers and bellicose kings but by the peaceful triumphs of the innovators, the engineers and the skilled industrial workers. Sweden's new and highly effective weapons were ball bearings, matchsticks, separators, adjustable wrenches, zip fasteners, gauge blocks, high voltage cables and telephones, and its new regiments had names like ASEA, L M Ericsson, Separator, Atlas Copco, AGA, SKF and Tändsticksbolaget (Swedish Match). During this immensely fast-moving, creative phase of Swedish development the foundations were laid of the rapid growth which the country was to experience for a hundred years to come. The question was how, in future, the fantastic sources of wealth created round about the turn of the century were to be administered and how their fruits were to be distributed. *Folkhemmet* was based not only on a historic heritage in the form of specific social and political traditions but also on very solid economic foundations, which gave future social planners and reformers the resource-based scope for action without which the emergence and rapid expansion of the Welfare State would have been inconceivable.

Rapid industrial growth also became a powerful magnet attracting people from the countryside, just as America was doing from the other side of the Atlantic. Despite a very rapid population growth, Sweden's rural population declined by more than one-tenth between

1870 and 1910. The famine of 1867–68 triggered an enormous migration, but this cannot be put down to a general growth of poverty in the countryside, because no such thing happened. Poverty was the same as ever, but there was now a new mobility in Swedish society and, above all, alluring prospects both in the United States and in Sweden's own emergent industrial towns and cities.

The life of Sweden's industrial workers at this time, of course, was anything but a bed of roses, but their living standards steadily improved. Real earnings – instanced here by the hourly earnings of male industrial workers – were rising at a rate of some 25 per cent per decade between 1860 and 1910. The real growth of annual incomes during these fifty years totalled about 170 per cent, a uniquely high figure well in excess of the increase for the coming 50 years, which is in the region of 110 per cent (Holmberg 1963, p. 41, Table 8). In four decades – between 1861–70 and 1901–10 – this general improvement in living conditions led to a dramatic rise in the Swedish people's life expectancy, from 55 to 67 years (Samuelsson 1985, p. 22). The Swedish growth machine, in other words, was in full swing and its benefits were also harvested by the working population: 'By the outbreak of the First World War, the living conditions of the Swedish people had improved as never before' (Lewin 1992, p. 167). Sweden had inaugurated its famous revolution of affluence, long before *folkhemmet* or the modern Welfare State were even thought of.

The country's increasing resources plus pressure from the labour movement already led during the 1910's to what Urban Herlitz calls the great socio-political thaw: 'Where social legislation is concerned, the 1910's were a breakthrough period. In 1912 came a universal workers' protection law, basic pensions were introduced in 1913, universal accident insurance in 1916. In 1917 we acquired a new poor relief system and substantial improvements were made to unemployment relief. This was followed later by an expansion of funding support for the voluntary health insurance movement' (Herlitz 1989, pp. 73 and 88). More important than the concrete reforms, though, was the fact that an old socio-political heritage was being revived and developed in new forms, in a new political consensus concerning the role of the state. Per Gunnar Edebalk describes this in the following way: 'The start, then, was a slow one, but a few years after the turn of the century came a socio-political thaw, and between 1907 and 1910 all party political groupings presented themselves as more or less typical advocates of reform. One can say that a new view of the state and its possibilities of resolving social issues has become generally established' (Edebalk 1996, p. 153).

Since then, in principle, there has been substantial unanimity concerning the ever-wider powers of the state and its central role in the organisation of social security systems and social life. In his *Partiernas och den stora staten*, Emil Uddhammar comes to an eloquent conclusion on this subject:

... public expansion during the 20th century (has) taken place without any consistent opposition, on grounds of principle, by any party ... On several occasions ... the non-socialists have wanted to go a good deal further than the Social Democrats in public

commitments and regulation. The expansion of public power has taken place without any significant controversies...

Uddhammar 1993, p. 461

The industrial breakthrough, as I have already pointed out, created the foundations of another equally important upheaval in Swedish society, namely a rapid urbanisation process. One of the least urbanised countries in the world (urban population in Sweden never passed the 10 per cent mark before 1850 and even in 1880 as many as 85 per cent of Swedes were living in the countryside) was now to build up modern towns and cities and urbanise its people. The importance of this process can hardly be overstated. Historian Håkan Arvidsson sums it up as follows:

Within the compass of a generation, people were forced to adjust to a new world, which abided by different rules from the one in which they had grown up. It was not only material circumstances that had been changed by mechanisation, factory systems and mass production. The same was no less true of mental experiences and social relations. The new world was a mass society in which everything seemed unstable and volatile. Everyone was looking for new points of reference, for permanent values which could offer a foothold strong enough for meeting the torrent of renewal ... The wage-earning masses that flocked into the towns and cities during the closing years of the 19th century burst the cultural and social bounds of the classic town. They could not be incorporated within the existing labour organisations and social institutions, which the town offered. And the faster developments moved, the clearer the shortcomings of urban culture became. At the same time, the new social strata attracted to the town and the factories were recruited from a rural way of life in which patriarchal relations were still a living reality. In the town and as wage-earners, therefore, they experienced a palpable insecurity and their efforts came to be concentrated on recovering as much as possible of what they had lost'.

Arvidsson 1994, pp. 127 and 137-38

The Swedish people, in other words, were in the process of changing not only their manner of production but also their whole way of life. The children of the rural population entered a radically unknown landscape. The new Sweden now in the making could not be built on an old, developed urban culture. The towns and cities, quite simply, were to be physically and socially reconstructed, demolished, and invented all over again, and in this way they were eventually transformed into the monuments of social planning, functionalism, and uniformity which they have become. It was a remarkable transition from the towns and cities of overcrowding and social distress at the turn of the century to the often anti-human, lifeless environments of the Million Homes Programme in the 1970's. The intention was to create the best possible preconditions for a good life, for a new, superior social experience, and few countries have banked as heavily as Sweden on creating the rational and, as it was believed, best imaginable housing conditions. But few countries have failed so signally in such a crucial context. The history of Swedish urbanisation epitomises the paradox and tragedy of the grandiose attempt to organise people's lives for them – in a word, *folkhemmet*.

It is these circumstances, which endow Sweden's modernisation process with such a radical pioneering spirit, but also with the touches of social experimentation which future enlightened reformers and social engineers were to find so attractive. The imperative necessity of creating a new way or life – adapted to this unknown urban and industrial landscape – bore within it the temptation to shape it to completely new patterns which could express a rational and superior utopian social ideal. In the necessity of reforms and the demands of the new age for change, in this cataclysmic remoulding of Sweden and Swedishness, there was also room for dreams of a radically new life – a life free from material distress, class conflicts, oppression, injustice and social divisions, and a new community of equals capable of recreating on a higher plane the type of solidarity, proximity and security lost through the dissolution of agrarian Sweden.

The quest for the new Sweden began parallel to the processes of industrialisation and urbanisation. A powerful movement among the rank and file of the people was inaugurated when the old Sweden – the country, which for centuries had given our people their living context and shaped their culture and identity – was in the process of becoming just a memory. The social and political creativity of the Swedish people was then unleashed with the same astonishing force that had given the country new industries and sources of income. The fantastic saga of the popular movements began when the agrarian villages were broken up and agriculture modernised. When social and geographical mobility increased, when the farmstead, the village, the parish meeting and the parish church were no longer the given fixed points of existence, the Swedish people's capacity for self-organisation and collective action, their strong sense of collective identity and their tradition of assuming responsibility for their own well-being, all these things inherited from the self-disciplined community of the agrarian society, now came to be transformed into extensive civil organisations; the scattered forces of the little people were amalgamated into a mighty reforming movement with distinct elements of opposition to the established order. At the same time, dynamic impulses were received from the United States through the medium of returning Swedes who, as immigrants on the other side of the ocean, had become acquainted with new forms of social organisation.

So, during the final decades of the 19th century, there began quite a unique phase in Sweden's social, political, and spiritual development. The uniform institutions created and controlled by the state were challenged on all fronts. Alternative institutions and a truly independent civil arena were created. What in most other European countries had been the most characteristic products of the bourgeoisie and of an old urban culture became in Sweden a popular product, which, with concerted strength, tried to fill the social vacuum occurring in the gap between the dissolution of agrarian Sweden and the traditional underdevelopment of urban Sweden. At the same time, government made only limited attempts to put down this process. An old culture of consensus and a long-standing domestic peace inhibited what in most other latitudes had been the normal reaction of the established power, namely to commit all available resources to crushing these new, provocative, popular movements. And it was in this combination of popular self-organisation and the possibility of conquering a position in society without revolutionary expedients that a path was

opened for reformist development. The continental winds of revolution were destined, as ever, to die down at the Swedish coast, turning into the dogged, disciplined long march of a socialist reforming movement towards a social transformation in the Swedish style. In between Lenin and Branting stood Sweden and its distinctive history.

This was a many-sided process, and the popular movements very rapidly achieved great successes. The free churches rose up against the established Church's monopoly of orthodoxy; popular educational activities rose up against what critics of the national elementary school called its stultifying activities; the temperance movement and the popular culture of decency grew up as alternatives to a state which had proved itself incapable of creating the prerequisites of dignified living; the co-operative movement was organised against the power of capitalists, landlords and usurers; and last but not least, the labour movement and Social Democracy, with all their organisational ramifications, rose up against the whole of the established order.

Here were the seeds not only of future social reformism but also of a different course of development in Sweden, a development characterised by institutional diversity and by a strong, independent civil approach. But a development of this kind was far too alien to Swedish tradition to really take root in Swedish soil. The mainstream of the new movements was eventually drawn into the corridors of power, its main forces conquered the machinery of state and were transformed into governmental structures, and its alternative strength became a new and even more powerful force for uniformity than anything Sweden had known previously. It is perhaps a paradox, but the overwhelming victory of the labour movement and Social Democracy also spelt the death of a promising civilian experiment. The day came when the movement, the party and the apparatus of state had merged and Sweden had acquired a new ruling elite, which was to prove even more disobliging towards new civil institutional alternatives than the old ruling power had ever been.

Now I would like to sum up the message of my description of the breakthrough of modernisation in Sweden. To do so I will start with a few short, pregnant sentences from an article by Håkan Arvidsson: 'Modernity impacted swiftly and heavily, crushing old patterns of living, organisational structures and value systems within the space of one or two generations. Sweden lifted itself by the bootstraps and was transformed from a land of sour gooseberries to a land flowing with milk and honey' (Arvidsson 1996, p. 4). Milk and honey were the gifts of industrial capitalism to the new Sweden. New and sustainable patterns of life, organisational structures and value systems, these were to be *folkhemmet's* contribution to the construction of modern Swedish society. *Folkhemmet* was to offer a new order in the modern disorder, a revived community in a time of rapid social change, a sense of belonging in the midst of a process, which was relentlessly undoing all the old ties and loyalties. *Folkhemmet* offered a 'swedification' of the untamed forces of modernity, a modernisation of Swedishness. It was a free but strongly collectivist and egalitarian agrarian people who were looking for a future among the city lights, and this people were, in a natural way, to turn to the political alternative promising a combination of togetherness and modernity, of the material advances of modern living with the collective security of the old life. It was a heritage of the centuries, which, at this moment of transformation, was struggling to find its own solution to the questions of the new age.

Folkhemmet Triumphant

The new social project, destined to capture the dreams and practical exertions of the Swedish people for such a long time to come, was first outlined in the 1920's by Per Albin Hansson, later to become the Chairman of the Social Democratic Party and, as the people's 'Per Albin', Prime Minister of Sweden between 1932 and 1946. His choice of metaphor may have been ingenious, but it did not take place in an ideological vacuum. It both summarises and forms part of the ideological development of Social Democracy from revolutionary to reformist party, from the campaigning body of the industrial workers to a consensus-minded party of the little people, capable of offering the whole Swedish people an attractive alternative.

Franchise reforms had made the Social Democrats a force to reckon with in Swedish politics, both locally and nationally. Hjalmar Branting in 1920, one year before the first election with universal and equal suffrage, had already formed the first all-Social Democratic government in Swedish history; and even before that, between 1917 and 1920, the Social Democrats had held office in coalition with the Liberals. The party was now face to face with reality, and reality invited it to gain control of the apparatus of state by democratic means and to go on from there to reform society. But the twenties also taught the party that the old political project was not enough to give it the power necessary for transforming Swedish society by parliamentary means. This lesson was rammed home by the Social Democratic defeat in the so-called Cossack Election of 1928.

The answer to this dilemma was a redefinition of the party's organisational structure and old ideological tenets. Its internal structure was made more monolithic and better fitted for governmental office. The left-wing faction was purged away and stronger control was established over the trade union movement:

Within a relatively short time after its election defeat, SAP [the Social Democratic Party] was drastically altered. A few years into the thirties a party came forward which was ideologically and organisationally much more uniform. The factional struggle had been replaced by a more monolithic leadership with a firm grip on the party. There was also a distinct growth of influence over the trade union movement.

Schüllerqvist 1992, p. 204

The party also underwent an ideological transformation, changing from a party of class struggle – that is, a party representing a particular vested interest in the community – to a national party, capable of presenting itself as the bearer of a truly national project. In 'Per Albin's' own words from 1929, the party was to reform and discipline itself, 'learn to unite

the service of special interests with consideration for the general benefit of society'. This, as Per Albin puts it, was 'a tortuous path but the only one ahead' for the Social Democrats (ibid., p. 97).

From class to people, from confrontation to consensus, from revolutionary class struggle to *folkhemmet*, that was the substance of Per Albin's and the party's change of direction towards the end of the 1920's. This in turn called for a radical revision of the party's attitude to the prevailing capitalist system and an abandonment of the old revolutionary rhetoric about the socialisation of economic life. In this development Ernst Wigforss played a role no less important than Per Albin's, and his speech to the 1932 Party Congress set the seal on this ideological transition. Social Democracy, in Wigforss' words, had left behind it 'what can be termed the strategy of successive socialisation' (quoted in Lewin 1992, p. 82; see also Leif Lewin's classic *Planhushållningsdebatten*, published in 1967). Where the economy was concerned, the party's reformist efforts would in future be concentrated on what Alva Myrdal termed socialisation from the consumption side, i.e. using regulatory measures, economic policy and a very expansive taxation policy to gain control, not over the means of production but over its results.

This led to an epoch-making and fundamental redefinition of the entire Social Democratic strategy of power and change. Instead of directly attacking the core of the capitalist system – the structure of ownership in enterprise – the party and 'the Movement' now settled down to a long process of positional warfare, in which the power of the capitalists and the upper classes would be systematically limited and ultimately banished from one sector of society after another. What was now to be changed was not so much life inside the factories as life outside them. Social policy and the public sector's expansion and monopoly in this field thus came to play a pivotal role in the strategy of change, which in future was to characterise the Social Democratic exercise of power. The capitalists were welcome to rule in their industrial castles – this, indeed, was the substance of the historic December compromise between the labour movement and the employers in 1906 – but elsewhere the Party and the Movement would rule, through the medium of a state whose active radius was now to be expanded in a way which would cause the old historical precedents to pale by comparison.

In this way the party opted for a historic compromise with Swedish enterprise. Capitalist enterprise, the classic adversary of socialists, was increasingly looked on as a useful partner, excellent machinery for producing the material wealth which the state could then tax in pursuit of its own social policy objectives, and from which the workers too could benefit through constant pay improvements. This laid the foundations of the so-called Swedish model, the combination of an expansive Welfare State with successful big corporations and a powerful trade union movement.

This radical change of strategy on the part of Social Democracy has often been taken to mean that the party's designs for a utopian and socialist transformation of society had been almost lost sight of, that the party had been turned into a pragmatical reforming party with

no ulterior ideological motives, 'a socially preservative party in the true sense,' as Herbert Tingsten put it in his influential work on the ideological development of Social Democracy (Tingsten 1941, vol. II, p. 416).² This misleading interpretation has been very convincingly criticised by Yvonne Hirdman in her now classic work on the ideological history of the *folkhemmet* policy, aptly entitled (in Swedish) 'Setting life to rights': *Att lägga livet till rätta* (first published in 1989). So interesting is Hirdman's own summary of her basic thesis that it deserves to be quoted at length:

Research has problematised Social Democracy and its relation to the revolutionary, Marxist heritage with regard to its relation to ownership of the means of production, but it has never problematised the relation of Social Democracy to the revolutionary utopian heritage – for the simple reason that no such relation has ever been perceived. There is a Social Democratic self-image, which has said, and continues to say, that these were obvious reforms, reforms that could not have looked any different ... It is my thesis that the programme of social reform [the Welfare State's setting 'micro life' to rights in Hirdman's pregnant terminology, MR] and their in-built, sometimes invisible norms, were far from self-evident. In actual fact they were governed by a clearly utopian intention, that is to say, their ideological density was far greater than the non-problematising self-image and subsequent historiography have made it out to be. There has been (is?) a purely utopian notion of the possibility (and duty) of rationally planned society to create the greatest possible happiness and the least possible unhappiness. In saying this I have also stated my interpretation of the word 'utopia': planning as a means to the end of social harmony and happiness, with harmony and happiness produced from above as incontrovertible and self-evident.

Hirdman 1995, pp. 10–11

The basic metaphor of the new social project espoused by Social Democracy was, of course, the family and the good home. The ideal image of the home and family, the community of close relations or of the small world, was elevated to a model for the whole structure of society. This was a classical social-conservative and nationalist theme, which Per Albin was out to capture for Social Democracy.³ Per Albin's classic statement of the concept in January 1928 went as follows:

On special and indeed on everyday occasions, we often speak of society – the state, the municipality – as our common home, the people's home (*folkhemmet*), the civic home ... The foundations of the home are community and the sense of belonging together. The good home knows no privileged and disadvantaged, no favourites and no stepchildren. None there looks down on any other, none tries to gain an advantage at the expense of others, the strong does not oppress and plunder the weak. In the good home, equality, consideration, cooperation, helpfulness prevail. Applied to the great home of the people and citizenry, this would signify the breaking down of all social and economic barriers which now divide citizens into privileged and disadvantaged, rulers and dependants, rich and poor, propertied and impoverished, exploiters and exploited.

Hansson 1982, pp. 227–234

The metaphor of the good home had already been variously present in Per Albin's speeches and writings for a few years before 1928. According to Anders Isaksson, Per Albin used it for the first time in an electioneering speech in 1921:

Up till then it had been a fairly ordinary Per Albin speech, but as he approached the conclusion and began stoking up for the final crescendo, he did something he had never done before, he likened Sweden to a home: 'We are advancing, not to establish a dictatorship of the working class, not to replace an old oppression with a new one. We are advancing in order, on the firm foundations of democracy, with the support of the majority of the people, to raise to equality of status the social classes which have hitherto been held back, in order to abolish classes, in order to make Sweden a good home for all Swedes'.

Isaksson 1996, p. 184

At this point his speech then took a surprising and decisive turn. A new patriotic project was portrayed, a new Swedish community depicted. Three potent symbols were innovatively amalgamated: the classless society, the home, and the native country:

We Social Democrats have often been called people without a country. But I tell you: there is no more patriotic party than the Social Democrats, just as the greatest deed of patriotism is to order our country in such a way that everyone will feel that they have their home there. In this great home there shall be no stepchildren and favourites ... Class distinction must go, Sweden for all the Swedes! ... It is not usual at Social Democratic meetings to call for cheers for our country, but, fellow party members, let us finally unite in four rousing cheers for our country, which was ever in our thoughts as we sang 'If they have stolen our country, we will reconquer it'. For justice and the happiness of the people in Sweden – long live our country!

Ibid., p. 181

This metaphor and all its components left an abiding imprint on Per Albin's speeches and writings throughout the twenties. His *Sverige åt svenskarna – svenskarna åt Sverige!* published in 1926, and based on a speech delivered in 1924, begins, for example, as follows: 'Long live our native country, the Sweden which one day will be a good home for all Swedes!' (Hansson 1995, p. 421). In September 1926 we find him using the term *folkhemmet* in an article for the journal *Ny Tid*: 'To us the value of universal suffrage lies in its being an instrument in the hands of the people for peacefully accomplishing the social and economic changes that are necessary if the class society is one day to become the good home of the people (*det goda folkhemmet*)' (Isaksson 1996, p. 5). And at Christmas 1927, in the Social Democratic women's magazine *Morgonbris*, he wrote as follows: 'We have come to a point where we have been able to begin furnishing the great *folkhemmet*. Our task is to make it pleasant, good, and warm, bright and cheerful and free' (cit. Hirdman 1995, p. 90).

Many different ideas and symbols, dreams and utopias converge in this apparently simple metaphor of Per Albin's. His *folkhemmet* is the promise of a new and superior type of national identity, an identity founded on the capacity of industrialism for generating

material wealth, but under a completely new social system – rational, planned, harmonious and egalitarian. Here we have the ides of the classless society, the dream of a harmonious native country free from divisive conflicts and injustices, but here too we have a fundamental bid to abolish the harrowing conflict between modernity and tradition which was such a central theme of European thought in the 19th and early 20th centuries. The tensions characterising the cataclysmic economic, social and mental transformation constituting the very substance of the modernisation process are dissolved in the dream of building up a modern society based on the ties of a traditional community.

The realisation of the dream – whether in reformist or revolutionary guise – presupposes a strong unifying power commanding a view of the whole of social development and capable of co-ordinating individual exertions in a rational, harmonious manner. It presupposes, in other words, a better vantage point and a superior reason compared to those possessed by separate individuals. This, of course, is the natural role of the head of a family, and there is no doubt that, in society as a whole, there must be a similar power which will educate and pilot the citizens in the direction of solidarity and sensible conduct, for the betterment of all concerned. The good home presupposes good parents who know better and who are both willing and able to ‘set life to rights’ for their children. *Folkhemmet*, similarly, predicates the good ruling power, a state that both creates the preconditions for a good life and guides the citizens towards it. This is perfectly clear from the opening paragraph, quoted above, of Per Albin’s legendary speech in 1928. *Folkhemmet* is really the new organisational structure of the state, the definitive merger of state and society, the true culmination of one of the most vital characteristics of Swedish history.

This is the basic substance of Per Albin’s dream of *folkhemmet*. It is strikingly rooted in Swedish tradition. In spite of everything changing, Sweden keeps faith with its history. The classical force field of a free peasantry and a strong monarchic state is now to be replaced by a new one, consisting of the labour movement and the Social Democratic Welfare State. Agrarian Sweden makes way for an urbanised industrial society, but this new society searches its history, its collective memories and ancient dreams for a suitable way of coping with modernity. *Folkhemmet*, however, is much more than Swedish history modernised. The Swedish tradition was to be updated, revitalised and renewed with one of the strongest ideological currents of the new age, socialist thinking.

In this thinking, an old utopian ideal merges with a modern belief in the virtually unlimited potential of science, technical rationality and large-scale industry for giving everybody a good life in a society, which methodically coordinates the exertions of individuals for the achievement of maximum social benefit. Socialism is fundamentally based on a radical secularisation of the Christian promise of a completely different life, a life beyond insecurity, injustice, oppression, conflict and violence. The Christian version of history is the story of a lost paradise, but also of a new, eternal and superior paradise awaiting us. The socialist version of history is constructed on the same lines. Just as the great prophets have always done, the fathers of socialism proclaim the fullness of time, the necessary and imminent arrival of a paradisiacal state, but this time on earth. True, the socialists do not speak in the

name of God, but their conviction is no less assured for that. They speak with the tongue of the new age and profess to stand for the type of exact, value-free knowledge, which belongs to science, and accordingly the new gospel will be dubbed 'scientific socialism'.⁴

According to this 'science', human history begins with a state of primitive harmony, a lost but undeveloped paradise which Friedrich Engels calls 'ur-communism'. Human potential is developed through a long period of class conflicts culminating with the capitalist order of society, the most dynamic and revolutionary of all class societies. In this society human creative potential flourishes, but so does human misery. Convulsive economic crises, growing pauperism and unparalleled exploitation are the inevitable hallmarks of capitalism. Never before had mankind amassed such material riches and displayed such a manifest ability to create a good life for all in the midst of a world characterised by such appalling human suffering. Herein, according to the classics of socialism, consists the explosive fundamental inconsistency of capitalism, revealing its growing irrationality. Capitalism has already fulfilled its role in history, the dormant productive potential of the human race has been awakened, and it is time now to build up a harmonious, rational society, a classless society which can administer mankind's new possibilities on a planned basis.

This grandiloquent historical dialectic, necessarily leading to a revolutionary cataclysm, has been immortally summarised by Karl Marx in *Das Kapital*, the work which, by his own declaration, definitively lays the scientific foundations of socialism: 'Simultaneously with the diminishing number of capital magnates who are able to monopolise and appropriate all the benefits of this social development, the exploitation of the masses, their misery, enslavement and degradation increase. But bitterness too is increasing among the ever-expanding working class, which at the same time is trained, welded together and organised through the very mechanics of the capitalist system of production. The monopoly of capital becomes a fetter to the mode of production, which has grown up under its own dominion. The means of production are centralised and the social character of labour developed, until the production process can no longer be accommodated within the capitalist shell. The latter is exploded. The bell tolls for capitalist ownership. The expropriators are themselves expropriated' (Marx 1974, pp. 670–671).

Socialist doctrine, as can be seen, is both archaic and modern. It builds on the old dream of a lost community, which must necessarily rise again on a higher level. But it also wishes to assimilate the advances and forms of big industry and science. The new community is to be founded on scientific thinking, on a planned co-ordination of the new creative powers of mankind. According to the socialists, that co-ordination has in fact already been achieved within the framework of big industry. Science has there been converted into a mighty productive force. The large modern factories are an example of what planned production is capable of achieving, and a model for the social structure of the future. It is this large-scale organisation that is now to be applied to society as a whole. Here, in other words, we have the final victory of big factories and science, but in social forms, which are supposed to be universally beneficial, and which conclusively overcome the downsides of capitalism and the market economy.

These are the basic tenets of the socialist doctrine, which, during the closing decades of the 19th century, spreads northwards from Germany and will shape the ideological foundations of Social Democracy in Sweden. Socialism in Sweden, as we have already seen, is going to be quite extensively transformed. Continental socialism is often dominated by a militant strategy, a frontal assault on the core of the capitalist system. In Sweden, socialism is filtered through the country's traditions of consensus and peaceful resolution of conflicts. The democratisation process and the old ruling power's toleration of the new popular movements opens up great opportunities for Social Democracy, through reforms, to influence the country's social and political development. Thus the tactics of the revolutionary frontal assault are transformed into a long-term struggle for the successive reform of society. The powerful position held by Social Democracy for so many years, starting in 1932, enables the party to engineer a very radical but still gradual socio-political refashioning of Sweden through the expansion of the Welfare State. It is this transformation we must now turn to study. As we do so, the various components of socialist doctrine will appear in guises which, if not directly reminiscent of the revolutionary struggle on the barricades, are nonetheless deeply rooted in the utopian message of that doctrine and its implicit belief in the rationality of science and big industry. Of course, the Swedish reformers and social engineers of the future are no Leninist cadres, but all the same they are solidly convinced of the rectifying potentialities of the state and its duty, as Yvonne Hirdman so appositely puts it, to create 'social harmony and felicity, with harmony and happiness created from above as incontrovertible and self-evident'.

WITH THE TIDE – *FOLKHEMMET'S* FOUNDATION

Needless to say, *folkhemmet* was not born ready-made. The Social Democrats at the beginning of the thirties had few concrete ideas of how the generous frames of their dreams were to be filled with substance, of how *folkhemmet* was to be furnished and made pleasant. Nor, despite an ancient heritage of state intervention, did Sweden have the type of political consensus on the radically widened functions of the state, which the implementation of the project demanded. Added to this, the long Social Democratic tenure of power began at a very critical juncture, both nationally and internationally. It was in 1932–33 that, for Sweden, the international slump that had started with the Wall Street crash in 1929 bottomed out, while political developments in Europe during this period were disturbing to say the least.

This is why the Social Democratic exercise of power during the 1930's presents what at first sight appear to be conflicting tendencies. On the one hand, the policy actually pursued is characterised by a striking economic and socio-political caution, symbolised by leading Social Democrats like Finance Minister Ernst Wigforss and Social Affairs Minister Gustav Möller. On the other, a strong ideological offensive unfolds, together with a comprehensive process of inquiry into the possibilities and future forms of the new social project, symbolised by the generation of social engineers and welfare utopians personified by the Myrdals, husband and wife. The new Sweden was governed with a firm hand by the 'sons of labour', but its future forms were devised by modernist utopians that, with extraordinary intellectual zeal, in the name of science and equality, began drawing the map of the future.

The leaders of the labour movement were by tradition pragmatic, parsimonious and permeated by what today can seem an old-fashioned morality of honest toil. They had their dreams and a clear ideological conviction of the desirability and superiority of socialism, but they were definitely no daydreamers. They wanted to progress slowly, to assure themselves that the daily bread was secured and that the political stability, which the country acquired through their pact with the Agrarian Party in 1933, was not jeopardised. And the economic and social policy pursued in the 1930's bore the unmistakable imprint of circumspection. The state was to concentrate on guaranteeing certain general minimum rights, a basic measure of security. It was the duty of the individual – the honest worker – to look after the rest. Rising wages – the fruits of a dynamic enterprise sector, consensus in labour relations and cautious governmental intervention on the plane of economic policy – would give the workers what they otherwise needed for a good, secure life. And of course, in keeping with the time-honoured Swedish tradition, the state was to attend to education and welfare; this sector was to be built up according to need and would be universally available and equal.

This prudent stance, however, makes a stark contrast to the mass of ideas, which the experts, investigators and intellectuals of the new age were simultaneously producing. The Sweden which, eventually, would quite forget the initial prudence of the sons of labour and plunge itself unreservedly into the great governmental social project, acquired in this mass of ideas the intellectual arsenal, which was to make its future victorious progress so overwhelming. The voices of the time, with their frankly patriarchal message, may sound a little out of date nowadays, but there can be hardly any doubt concerning the supreme accuracy of their outline of the Welfare State of the future. Consider just the following example from Alva and Gunnar Myrdal's famous *Kris i befolkningsfrågan* ('The population crisis'):

In the future it will not be a matter of social indifference what people do with their money: what standard of housing they maintain, what kind of food and clothing they buy and, above all, to what extent their children's consumption is provided for. The tendency will at all events favour a socio-political organization and control, not only of the distribution of incomes but also of the focus of consumption within families.

Myrdal & Myrdal 1934, p. 203

This paradoxical, typical 1930 combination of prudent reformers and eager modernist utopians has given rise to two different images of *folkhemmet* policy during this period. Yvonne Hirdman, in her *Att lägga livet till rätta*, from which we have quoted already, has isolated the contribution of the welfare utopians – the 'setters to rights'. Her research is above all based on Swedish Government Official Reports, books and archive materials distinctly laying down the guidelines for the great setting to rights and the assumption of power by science – meaning the experts and social planners. Hers is a very convincing and disturbing work, forcefully highlighting both the logic and the problematic side of the ideology, which eventually becomes paramount in the new state welfare project.

Professor Bo Rothstein, taking issue with Hirdman, has highlighted the importance of the pragmatic reformers for the concrete design of social policy in the thirties and forties:

Hirdman's evidence for her theses comes mainly from the writings of Government Commissions and from personal archives. On the other hand, not one single Government Bill is quoted in her book. Nor has Hirdman made use of statements by Standing Committees of the Riksdag as source material. None of this material, in which, so to speak, Swedish policy is finally turned into binding statutory texts, has been made use of in her account. This lopsided selection of source material is fatal, because one gains from her account the impression that the Myrdals' maternalism was also becoming a dominant feature of the welfare policy actually resolved on by the Government and Riksdag. But this was not the case: the Myrdal line, quite simply, suffered political defeat when confronted by those who were deciding at the time what the order of Social Democratic social policy was to be – above all, the then Minister for Social Affairs, Gustav Möller.

Rothstein 1994, pp. 208–09

What Hirdman and Rothstein capture with their different perspectives is really two sides of a composite process. Rothstein is right concerning the social policy conducted during the period in question, but it is Hirdman who catches the tide of the current of ideas that is to capture the imagination of the Swedes, arouse their dreams and create the intellectual prerequisites of a development, which was eventually to lead the *folkhemmet* concept into an entirely new period. All misgivings about the transforming ambitions of the good state and social engineering were to vanish in the strong society of Erlander and Palme, the post-war era of the potent state.

The real problem with Hirdman's work, then, lies not so much in the shortcoming observed here by Rothstein as in her one-sided emphasis on setting to rights top-down, which causes the active, enthusiastic, popular response to the new ideas to be lost sight of. And it was in this interplay, in the characteristically Swedish synchronisation of initiatives from the top and active participation from below, that the strength of the new social project really consisted.

It was through this popular response that the thirties acquired its essential character of enthusiastic confidence in the future. The new message of the popular educators and the welfare utopians fell on very fertile soil. Their grandiose plans for the modern, egalitarian community, secured by the state and guaranteed by science, did not go against the wishes of the people. On the contrary, there was a conspicuous enthusiasm for new life-styles, for that which transcended class and other boundaries, for all things modern. A nation was looking for a new way of living in this urbanised and industrialised landscape, still so alien and inhospitable, and now that nation acquired the password to the future. The effect was emancipatory. The social planners' and popular educators' obvious intention of educating, disciplining and refashioning the people coincided with the intention of the people to allow itself to be educated, disciplined and refashioned in the spirit of modernity, equality and the new national community.

This, as Jonas Frykman writes in his contribution to *Försvenskningen av Sverige*, was:

...the golden age of belief in the ability of a strong, autonomous government to steer the country's economy, administer its people and rely on the scientists to work out the basics of the reform programme ... In the strong Welfare State that was constructed, those who had previously been country folk, workers or clerks were now brought up to be Swedes; individuals were to be washed down, sanitised, modernised and exercised away from the old collectives and, thus fine-tuned, integrated with the new society as citizens. The "new man" now spoken of was to be educated according to rational objectives in the reformed school system, learn to organise family life in a simple, practical manner, and assimilate the basic elements of body care.

Frykman 1993, pp. 166–167

At the same time, Frykman emphatically underscores the popular side of the process, the collective and voluntary movement into new life-styles and attitudes:

What is most striking about this time of change is how spontaneous and unregulated the process appears to be ... The people of the thirties and forties were not ordered to bathing beaches, gymnasiums or youth hostels – they flocked there in hordes. Bicycling holidays and sexual emancipation, fascination with gymnastics and athletics, co-ordination of one's own body with many other Swedish bodies ... It was not so much the will to know as the longing to do, try and discover that dominated the new attitude. This was a mass movement in which people came to imitate each other and, in reiterating the behaviour of others, came to learn something about themselves ... New social groupings were created here, new patterns of behaviour and new ideals ... The jaunty frankness of this period between the sexes, its boisterous palliness, the back-slapping, the belly laughs and the good-natured tone of social activity, together with dancing, country hikes and a jolly old singsong round the camp fire were parts of a new pattern of social intercourse, a new bodily practice – and a new taking possession of society! ... What was now happening was at one and the same time part of a new openness and a more or less self-imposed discipline ... At the same time as Sweden was radically popularised, people became no less thoroughly Swedified and disciplined.

Ibid., pp. 170 and 173–74

In this way Sweden renewed its old traditions of co-operation between state and people. The national community was reformulated and a new national identity evolved. Wonderment at the implications of the new industrial and urban age for the Swedes and Sweden ceased. The intensive debate on Swedish identity so characteristic of the period of transition between 1890 and 1930 was now superseded by concrete social construction. Arne Ruth has given us a clear indication of this symptomatic change in an article carried by the newspaper *Dagens Nyheter* in 1984: 'One indication that something remarkable was happening can be found in the archives of *Dagens Nyheter*. The long line of envelopes with press cuttings marked "Sweden and the Swedes" contains the last reflection on national character, written by a Swede, in 1935' (Ruth 1995, p. 571). Swedishness becomes doing instead

of wondering. Once again Swedishness, in the famous words of the poet Carl Jonas Love Almqvist, writing in 1838, can consist 'in being Swedish, more than proclaiming that one is Swedish' (Almqvist 1995, p. 149).

In the foundation of this new Swedishness, and of the Swedish model generally, a decisive part is played by the successes of big industry and by functionalism. Functionalism, both as an architectural and as a socio-ideological project, sums up the spirit of the new age. In another article in the same series as that quoted above, Arne Ruth has summarised the importance of functionalism for Swedish development. He takes as his starting point the 1930 Stockholm Exhibition, which was an impressive display of Sweden's new industrial potency and an admonition to shape life according to the templates of the new technical and scientific rationality:

Functionalism was the platform from which the Stockholm Exhibition inveighed against outmoded ideals of urban construction. But functionalism was much more than an architectural style. Its prophets had a world picture and a view of humanity which said that life and society could be broken down into a number of basic functions which in turn could then be made the basis of planned action ... Many people have been puzzled by this attitude taking root in Sweden more than anywhere else in the world. After all, the pioneers came from other countries. But it was only in our country that the ideals of functionalism could be presented at this time as a vision of the national future ... It was the industrial ethos that inspired the social visions of the radical architects and planners. In the political turbulence of the twenties, the factory was seen as the abode of a superior rationality. Trade was booming. To people at the time, the late twenties looked like a second era of greatness for Sweden ... Big industry seemed the only branch of society capable of successful planning. Functionalism would mean the application of industrial logic to social planning.

Ruth 1995, pp. 550–51

These sentences by Arne Ruth capture the same ideological elements I have already termed central to the socialist tradition. So it is not at all hard to understand why the Social Democratic movement allows itself to be inspired by the method and social ideals of functionalism, nor why the Social Democratic *folkhemmet* project became so appealing to the new technocratic intelligentsia. The factory as a model, economies of scale and mass production as an ideal, technical rationality as a paradigm, a solution – the most effective in every situation – for all. Freedom of choice thus becomes fundamentally a technical problem, that of finding the alternative conferring the greatest benefit on society and doling out that benefit as even-handedly as possible.

The new Swedish identity emerging at this time already displays features that will endure until at least the beginning of the 1980's. One cannot help noticing that what Arne Ruth has called 'the modern Swedish dream of greatness' (*ibid.*, p. 573) had already acquired distinct contours in the early forties. To illustrate this new national self-image, I would like to quote, with the aid of J. Frykman, from sociologists Martin Allwood and Inga-Britt

Renemark's account in 1943 of a school 'in the most banal and everyday of all places, namely an ordinary Swedish railway town somewhere in Sweden,' a community aptly dubbed Medelby ('Middleby'):

The history period and the geography lesson provide abundant opportunities for comparisons between the present and the past, the native and the foreign ... in which the present appears as the culmination of a long and arduous development and where Sweden, compared with other countries, can be recognised by its high educational standard, its advanced economy and its good communications ... And when, in the history lesson, we read about the Stone Age, we think how fortunate we are today, also compared with the old agrarian society! And about how backward many countries are where "the state has not done anything for the elevation of popular enlightenment." The school books explain that Sweden is really just one enormous Medelby, 'a sunny and contented society – the modern technical idyll'. *Folkhemmet's* first generation, sitting here at their school desks, saw foreign countries 'glimpsed like exotic patches of colour. These children were told that Swedish identity was solidly founded in a modern, sensible and rational society. Higher popular education, better communications, improved hygiene, greater longevity, more social cohesion. Other countries in the world should follow its example. At the same time as they were taught that they were living in the best of all worlds, they could take pride in its being Swedish.

Frykman 1993, pp. 120–22

The optimistic air of the thirties, their enthusiasm for the new *folkhemmet* project and all things modern, the emergence of a new, confident national identity – all these things may seem surprising in view both of the international circumstances of the time and of the obvious economic and socio-political circumspection displayed by the new Social Democratic government. The government pursued what was basically quite a conservative economic policy and, as Urban Herlitz writes, 'it would seem by now to be fairly well attested that policy in the 1930's was not very Keynesian at all' (Herlitz 1989, p. 97). On the social policy front a number of reforms were implemented – mention can be made of a modified pension system and a reform of unemployment insurance, preventive maternity care and child care, maintenance advances, home-making loans and public dental care – but these were characterised by Wigforss himself as only 'a modest programme of reform' (Wigforss 1954, p. 296). Göran Therborn states that social expenditure in 1938 was actually lower in relation to GDP than it had been in 1932 and, moreover, far lower than in many other European countries (Therborn 1989, based on Flora 1983).

The explanation for this, at first sight, enigmatic enthusiasm is to be found in the strength of Swedish industry during the period and in Social Democracy having come to power at exactly the right moment, i.e. in the trough of a deep recession soon to be succeeded by a boom period. The Social Democrats took command of a country with a very well-equipped industry, which had already undergone a considerable structural rationalisation during the early twenties and during the second half of that decade had shown a big growth potential (on this point see the classic work published by Erik Dahmén in 1950 and, for a summary,

Dahmén 1985). This made the effects of the international economic crisis less serious and persistent than in many other quarters. Thus the trade cycle played into the hands of the Social Democrats in a very fortunate manner. At the time of their taking office in September 1932, unemployment in the unions affiliated to LO (the Swedish Trade Union Confederation) had been running at something like 22 per cent of membership strength, and wages had declined for the second year in succession. But the economy quite soon took an upward turn. The volume of industrial output virtually doubled between 1932 and 1939 (Johansson 1985, p. 66, table 3:4), and the second half of the thirties was a period of very high economic activity with considerable wage increases and an unemployment rate which, although high, was already in 1937 only half what it had been in 1933 (Holmberg 1963, p. 224, table 42).

The important thing, however, is not so much the absolute figures for output growth, wages and unemployment as the fact of developments moving so conspicuously in the right direction. Whether this was accomplished by the government or by a trade cycle on which politics had little effect can no doubt be an interesting point to clarify, but to the people of the 1930's the new political project and the improved economic situation went hand in hand. This was a new age, Sweden was heading for a better future, the people were on the march and *folkhemmet*, despite the prudent and Spartan features imparted to it by a Wigforss or a Möller, got off to an ideal start. The spirit of optimism spreading throughout the country and the immense power of the *folkhemmet* dream are reflected with abundant clarity by the unflinching electioneering successes of Social Democracy during the decade. At the 1938 local elections the party passed the 50 per cent mark for the first time in its history and the culmination came in the 1940 parliamentary election, when it polled 53.8 per cent of the votes!

THE DECADES OF HEGEMONY

World War II was to play a very important part in Sweden's development in at least three ways. Firstly, the gap between *realpolitik* and dreams, between what was possible and the hopes people had entertained during the thirties of a radically better life, widened dramatically, creating a massive, pent-up pressure for social reforms and material consumption that would burst forth when the war was over.

Secondly, everyone – the Social Democratic leadership not least – realised that there existed both financial scope and great opportunities for planning state social intervention and social reforms. The reflections of Ernst Wigforss, Per Albin Hansson's legendary Minister of Finance, on this theme in his memoirs have acquired classic status:

The important thing is that we felt our experiences during the war had given us new and decisive arguments for a bolder social policy being both economically feasible and politically justifiable. This did not mean that we equated rearmament and military preparedness with production for peacetime needs. Neither that the full employment created by arms production could be achieved just as easily by stimulating

civilian production, nor that the sacrifices made in a time when war was extremely imminent would seem equally reasonable to all citizens for the sake of a comprehensive process of social reform. But, while realising that the difficulties were greater in peacetime, one could still unhesitatingly make reference to wartime experiences. Our resources were greater perhaps than most people had suspected. Would it not be possible, with a completely different strength from previously, to appeal to people's feeling for the greatness of a common peaceful task of construction?

Wigforss 1954, p. 297

Thirdly, the depredations of war in Europe and the massive task of reconstruction presented Swedish industry, strong and intact as it was, with a unique opportunity for several years' expansion with no constraints but those of the country's own physical output capacity. This made it possible to perpetuate the full employment which, according to Wigforss, had been created by arms production and, during the second half of the forties, for full employment to turn into a worrying labour shortage, resulting in very big wage hikes. Sweden was ready to be conclusively transformed 'from a land of sour gooseberries to one flowing with milk and honey'. Circumstances, for the second time round, were playing into the hands of the Social Democratic government.

A brief period of uncertainty was followed by a veritable national euphoria over the new industrial successes and the unlimited possibilities, which they seemed to be opening up. One of the traditionally poorest countries in Europe had been transformed into the wealthiest. 'After the Second World War, Sweden stood out as by far the richest country in Europe. Its GDP per capita was more than twice the European average in 1950, and 25 per cent higher than Switzerland, the European runner-up' (Söderström 1990, p. 19).

Harvest time had come, but the old Social Democratic leaders could not immediately divest themselves of the prudence, which had characterised their exercise of power during the thirties and the war years. New social reforms were prepared, but the policy of basic security still held sway, coupled with great moderation in the matter of public spending. Wigforss describes, rather comically, the remarkable situation of having to curb what he regarded as excessive optimism, not least on the part of the opposition:

The 1946 Riksdag presented in many ways a surprising spectacle when the main outlines of the great reform programme, with finance plan attached, came up for debate ... a great majority in the House were apparently not only prepared to assent to what we, if not exactly with fear and trembling then at any rate with a feeling of probing the bounds of possibility, had ventured to propose, but were apparently inclined to extend their hopes a bit further ... Unavoidably, then, the Riksdag decision followed a debate in which I had to assume the role of pouring cold water on an optimism in the opposition camp which I felt quite able to explain but not to share.

Wigforss 1954, pp. 302 and 304–05

Optimism could of course be curbed for a while, but reality invited a strong bias in favour of Welfare State utopianism. Moreover, 'the expansion of politics', as Yvonne Hirdman calls it, had acquired complete legitimacy. Its ideological foundations were now solidly in place, and there was hardly any opposition on grounds of principle to the great project which the ideological dreamers of the thirties had outlined:

The grandeur of the ideas of planning, then, was no less now than in the thirties. On the contrary, it was now that the ideas of the scientifically planned society and scientifically planned humanity really became part of the conceptual world regarding the right and proper way of conducting politics. Social engineering now spread from the avant-garde to the great mass of politicians and social thinkers.

Hirdman 1995, p. 183

The consensus and social cohesion during this period were really unique, but, as Arne Ruth puts it, in the long term disastrous:

The planning mentality was accepted on a scale, which even its keenest advocates in the thirties could hardly have imagined. The already dead-straight highway of Swedish industrialism was asphalted into the condition commonly known as the Swedish model. It was so outstandingly successful that virtually all criticism was silenced for decades. Through its very success it tended to exterminate all other options, all the objections great and small, which could have helped to correct its bearings in time. It killed history, not least. The planners extrapolated their graphs for decades ahead. And those planners were probably to be found, not only in the governmental and trade union bureaucracy which it is now so fashionable to denigrate: there were just as many in the enterprise sector ... Smooth co-operation between these different kinds of bureaucrats was the very secret of the model's success. Even art – supposedly enigmatic, unpredictable, full of dissidence and of sudden twists and turns – was drawn into the planning mentality. There is something profoundly symbolic about the Director General of the National Board of Urban Planning (later renamed the National Board of Physical Planning and Building) being one of the architects of Swedish cultural policy.

Ruth 1995 p. 551

The same became true of top-level knowledge production. The traditionally powerful bonds between higher education establishments and the state were made stronger, so that in practice universities and colleges became extended governmental research institutes and systematic producers of experts for the new age: 'The expansion of social engineering, which its interpretation during the forties unquestionably implied, augmented demand for the instrument of the technique – science – because better (wider) planning for the creation of better human beings required greater knowledge' (Hirdman 1995, p. 179). The state claimed to represent a superior reason, and that was how its prerogative of interpretation and its right of ordering people's lives were justified. The state now intervened in the name of science. Even the most intimate matters such as sexual life, and absolutely private ones

like the organisation of the home, became an object of state concern and had to be made thoroughly scientific:

This penetrating research into family life, into its every nook and cranny, was justified as being the right means of conducting social policy. The knowledge gathered concerning people's everyday lives would therefore be used to point out the difference between reality and scientifically defined norm. A gap of this kind could serve to legitimise interventions ... The argumentation for the legitimacy of the expansion (of politics) contained ... an in-built mechanism which in itself generated still greater expansion: the improvement of knowledge made it necessary to walk into people's homes and see what things looked like. That knowledge in turn could be used to lay the foundations of scientific development of everyday practices and as a basis for making the policies of reform better than ever. In this way, scientific pretensions were reinforced. We also find the investigators proposing an expansion: more research, more training of experts, more institutions. These demands are presented in a manner, which is quasi-ritual: they have to be there, to show that the authors really know what they are doing. What we now see the beginnings of, in other words, is the modern process whereby people reinforce their own potency in institutional form.

Ibid., pp. 201–02 and 223

The circle closes, the Swedish model encompasses all social sectors that matter. Politics in Sweden came to be totally dominated by the Social Democrats, and the non-socialist parties can only compete 'by advocating more of the same policies' (Arvidsson 1994, p. 159). All concerned are allotted, in true functionalist spirit, their specific functions, the social machinery works, the country grows richer and richer, basic security turns into loss of earnings compensation, rights are augmented, taxes are increased, the reforms grow more and more grandiose, the mighty, regimenting institutions of the state and its de facto monopoly in more and more sectors of society become axiomatic, politics becomes technology, freedom of choice administration, and the critics progressively fewer. In short, we have what Peter Billing and Mikael Stigendal (1994) have called 'the decades of hegemony', the heyday of *folkhemmet* and the transition to what was called 'the strong society'.

Billing's and Stigendal's doctoral thesis on Malmö, the city once dubbed, and rightly so, 'the Mecca of the labour movement', provides an immensely detailed close-up of these decades of hegemony and the process leading co-operators rooted in HSB (co-operative housing) and Solidar (co-operative stores), local politicians of every hue, new building contractors linked with the popular movements, traditional industrial magnates and big banks to co-operate in a way which presumably has no counterpart in Swedish history. This is not so much a question of what Arne Ruth has already remarked on, namely the consensus between different bureaucracies, but of a direct alliance between the city's top people, i.e. between the state (municipality), the Party, the Movement and capital, to put it in slightly old-fashioned terms.

A study of the age of the great consensus in a local arena like Malmö – the third largest city in Sweden – is enlightening. This is a far cry from the party leaders' Sunday speeches and ideological duelling on the editorial pages of the big national dailies. Here instead we are close to reality, and in reality there was a compact community of interests. It really boils down to the same thing, as Emil Uddhammar has remarked, in the concrete work of the *Riksdag*, namely 'a fundamental community of values between the parties in the motives and arguments for the policy pursued' (Uddhammar 1993, p. 469), or in other words a strong pragmatic unity surrounding the Social Democratic social project, regardless of any changes in the winds of ideology. So complete was the consensus in the local Malmö arena that when, at the end of the sixties, the Lund University Department of Political Science came to study the course of municipal policy, it found 'that the business decided by the Municipal Council has not given rise to any great political disagreement. Only 17 of the 1,323 items of business were put to the vote' (op. cit. Billing 1994, p. 343).

The interesting thing about the case of Malmö is the ease with which different power groups interacted with one another for several decades: how they were able to reconcile their different interests round a common growth project, how they found a common denominator in the intellectual world of planning, standardisation, large-scale operations and setting-to-rights. Seldom has the logic of big industry held such overt sway as in this Malmö of consensus, where the Social Democratic hegemony was simply overwhelming and the party held power for 67 years without a break. Bigness was a characteristic of enterprise, building, and traffic planning, but also of public services. Rolf Ohlsson, a professor of economic history, sums up as follows: 'And so Värnhem was built, becoming the biggest long-term care hospital in Europe, and the Södra Sommarstaden day nursery, the biggest in Sweden. The megapolitan-concrete mentality carried all before it' (ibid., p. 297, ref. to Ohlsson 1994, p. 141).

Billing and Stigendal use the term Fordism to characterise the sort of economic, social, and political relations occurring in Malmö during the decades of hegemony, and this is indeed a very accurate concept for analysing developments, not only in Malmö but in the whole of Sweden. The term itself was coined before World War II by Antonio Gramsci, the foremost theoretician of Italian Communism (see 'Americanismo e Fordismo' in Gramsci 1975, pp. 403–44), and has now gained widespread acceptance in social science. What Gramsci tried to understand was the social and cultural effects of the mass production factory whose historical prototype was Ford's Michigan car factory. Fordism wrought changes in both production and consumption, thereby placing social and political life on a completely new footing which, ultimately, called for 'a new type of human being' (Gramsci 1975, p. 410).

Bigness, standardisation, hierarchic work organisation, big corporations and vertically integrated conglomerates, specialised capital equipment and technology, jobs broken down into their smallest components are one side of Fordism. Higher wages, mass consumption, a higher material standard of living and increasingly standardised – modern – life-styles are the other. What we are looking at, in other words, is the mode of production, work organisation and consumption, which so clearly dominated the industrialised Western world between World War I and the 1970's.

My reason for dwelling on this concept is that this very type of large-scale, hierarchic and standardised industrialism lays the economic-technological foundations of the *folkhemmet* project and also sets the pattern of its concrete socio-political design. *Folkhemmet* was born in the age of mass production and bigness, whose hallmark it clearly displays. The central ideological claim of the Swedish Welfare State to create equality through uniformity – with uniform, regimenting public institutions – is a distinct form of social Fordism. The standardised products of the factory acquire their counterpart in the ever-more standardised citizens of social policy. The strong tendencies towards institutional uniformity and social homogenisation, which we have already studied in Swedish history, will thus be decisively accentuated. The *folkhemmet* project was rooted both in Swedish tradition and in the technological development of the time. This is what enables ‘the idea of standard solutions, that is to say the same type of day nursery, schools, elderly care for all citizens quite regardless of their preferences’ (Rothstein 1994, p. 59) to operate so effectively for such a long time and, moreover, to appear to be both politically desirable and morally right. We shall see later how this interaction ends in the 1970’s and how instead there develops a conflict-laden relationship between Swedish historical identity and *folkhemmet*’s central institutions on the one hand and, on the other, the new technological, economic, social, and cultural trends of the time.

In the case of Malmö it is the Million Homes programme and, in particular, the Rosengård development, which, according to Billing and Stigendal, represent the culmination of Fordism, and it is not hard to agree with them. The Million Homes programme is indeed – and not only in Malmö – the apogee of economic and social Fordism in Sweden, but also the forerunner of its crisis. Demolition hysteria, the war against the old town and the creation of the ‘rational city’ were not only rooted in persistent overcrowding but had clear ideological, utopian undertones. The modern megapolis was now within reach, the planners’ perspective became paramount and local politicians could dream of seeing their own greatness immortalised by monumental housing estates. In *Rosengård och den svarta poesin*, Per-Markku Ristilampi has given us an excellent portrait of the confident progress of welfare utopianism in Malmö and of its humiliating defeat:

The local politicians dreamed of a gigantic city, called Örestad, extending all along the west coast of Skåne ... Rosenstad ... was planned for 20,000 people ... There were plans for building one Rosengård every five years until 2000! ... This, quite literally, was the modern city enlarging its boundaries ... 16,288 people moved into the area between 1969 and 1970 ... On a more subtle plane, one can say it was the dream of modernity which was at last to be fulfilled for those moving into the area. Rosengård was a place of possibilities, a place where people could concentrate their gaze on the future, with no need for looking back ... The early immigrants felt relief over having at last moved into an area that matched the modern age. Parquet flooring, electric cooker, bathroom, two toilets, balconies – all these symbols of the new age and a better life could now at last be put into commission ... The new shopping centre was officially opened in 1970 ... Problems being technical by nature, the solutions were also technical. The modern, all-surveying planner stands forth as the person tasked with solving the problems which development has entailed... There is about these

rational layouts a non-rational utopian poetry, founded on visions of the well-ordered society of the future. The people in the architects' drawings have special 1960's physiognomies in which all the rounded contours of the human body have been superseded by angles. What is depicted is modern man, devoid of irrational curves.

Ristilammi 1994, pp. 59–66

But just as the dream was fulfilled, when the fabric of society had been cleansed of the final traces of the old scheme of things, when the modern housing estate could finally be put into commission, the human beings let things down. They did not feel at home, they became unhappy, they moved out as soon as they were able, and those who stayed on, together with the new people who moved in – many of them newcomers from other countries with little else to choose from – became part of an increasingly despised concrete slum: 'The dream of the modern was punctured, the symbolic environment was emptied of its content and became symbolic ruins of the seamy sides of modernity' (ibid., p. 70). But this was not Rosengård's fate alone. What was now, unobtrusively but surely, in the process of being punctured was nothing less than the *folkhemmet* project itself.

Behind the scenes, however, behind the architects' drawings and the planners' dreams, there was a more self-interested reality. The Malmö alliance in its purest form was a co-operation between local politicians, the municipal housing utility (MKB), the HSB co-operative housing organisation, Skandinaviska Banken, the Skånska Cementgjuteriet construction company and – another construction corporation – BGB. This is what Billing and Stigendal call 'quadrate corporatism', an expression which they coined from Hans Cavalli-Björkman's way of describing Malmö's innermost circle of power as 'the Hugo, Oscar, Wehtje and Bank quadrate', in which 'all development and building in the city' was determined:

The building contractor Hugo Åberg owned several properties in prime locations. Oscar Stenberg controlled both HSB and the municipality. As the supreme policy-maker, Stenberg also controlled properties and building land ... Ernst Wehtje for his part ruled a capital empire centring round building production and, to an ever-increasing extent, property ownership. Skandinaviska Banken supplied the finance, and Wehtje was its chairman.

Billing 1994, p. 285

It was from this powerful quadrate of highly concrete economic and political interests that the future of Malmö was built up. This was the Malmö *folkhemmet* as it really existed:

Nearly all the land was controlled by the municipality, the construction companies, Hugo Åberg or HSB. Recalcitrant owners were forced to sell at low prices or edged out ... when Rosengård came to be built, the municipal policy-making bodies were dominated by representatives of quadrate corporatism ... Rosengård was divided into three roughly equal parts and MKB, BGB and HSB appointed as its developers. Design-and-construct contracts were used, which meant that planning was left to the developers once the municipality had defined the necessary frames ... The stereotype

buildings, simple layouts and right-angles of the architecture were designed to give the highest possible return. According to Ranby, the uniformity of the Million Homes programme was dictated “by the configuration of the rails for the construction cranes” ... Homes were produced more or less on conveyor-belt principles. Production was geared to mass consumption, not only of the dwelling itself but also of other consumer durables like cars, domestic appliances, TV sets and electronics. The design of the Million Homes programme housing estates forced people, not only into new surroundings but also into new patterns of living, which placed individual consumption in the forefront and screened people off from each other.

Ibid., pp. 292–94, ref. to Ranby 1992, p. 91

Before leaving the Malmö arena, I would like briefly to touch on some other important aspects of the hegemony decades, namely the merger of the labour movement and the party with the state, the formation of a new political class with peculiar loyalties and reward mechanisms, and the suffocation of bids for autonomy in the name of the new uniformity and power elite. Malmö is very interesting in this connection, as being the city where the self-organisation of the labour movement achieved its breakthrough during the final decades of the 19th century. It was here that the tailor August Palm commenced his socialist agitation, that Axel Danielsson started the first Social Democratic newspaper and Sweden’s first People’s Park and People’s Palace were constructed. Here as well consumer and housing co-operation became outstandingly strong. Malmö, then, is the best arena imaginable for studying the process whereby this impressive civil creativity was transformed into a new and yet more powerful form of power monopoly.

These themes play an important part in the thesis by Billing and Stigendal, from whom I have quoted already, and especially that of the fate of self-managed (‘DIY’) socialism:

With the emergence of the maximalist regime of the Welfare State, the municipality took over responsibility for activities, which had previously been organised by the labour movement. Above all, the municipality took over responsibility from the home when women entered the labour market. The utility value side of living conditions was transformed from a question of self-help and self-management to tax-financed municipal policy. The answer to the question as to what became of self-managed socialism lies partly in the expansion of the public sector. Self-managed socialism was transformed into a Social Democratic Welfare State regime.

Billing 1994, pp. 308–09

In this transformation the authors see a decisive step towards the erosion of the moral base – the culture of diligence and self-help – on which the socialist project had originally been founded and stabilised: ‘Its barriers to welfare were thus eliminated. The Welfare State required no ticket of admission in the form of diligence or a deposit for a tenant-owner flat’ (ibid., p. 309). Here, without question, Peter Billing and Mikael Stigendal put their fingers on one of the tenderest points of the modern welfare edifice.

Journalist Olle Svenning has shed a different light on the same phenomenon with his recently published *Lojaliteter – Min far(s)*, an extraordinarily interesting and at times harrowing description of the hegemony decades from the inner room of the new ruling elite. The main character is Eric Svenning, M.P. and leading municipal politician, with HSB as his power base. Here we see new and very concrete dreams emerging: 'Vesslan (literally 'Weasel' – the nickname for the housing area) missed the proletarian togetherness of my childhood. The class distinctions were clear, the career morality explicit, the hierarchies hard and fast. The HSB director represented the dream of success: seven rooms, a brand-new Ford, business trips abroad, a posh weekend cottage, and he spoke English' (Svenning 1995, p. 35). Here we see new power constellations and the new ruling class emerging:

The alliances Eric described were perfectly natural. HSB was the actual centre, from which the sub-branches radiated: the Tenants' Association, Social Democracy, the union and MFF (the Malmö football club) ... Sönner (Arnold Sönnerdahl, another HSB director) threw a big crayfish party at Höllviken ... The guests arrived in a big taxi with extra pull-down seats: Sönner, the director and manager from the *Arbetet* newspaper, one of the leaders of the central union organisation, one of Solidar's leaders and my father. Crammed in the boot were several buckets of newly cooked crayfish. Sönner had laid on the drinks in advance. The men of the Movement went down to the bathing beach in their white shirts, jackets and ties.

Ibid., p. 64

In the same book we read of the fate of the Movement: 'The Movement tried to respond to its members' interests and needs without making itself all that dependent on the state and the social organisation it wanted to alter ... It is hard to say when this antithesis ended, when the Movement and the organisation merged with the state, the party or the municipality' (ibid., p. 144). Fundamentally, though, Svenning tells a profoundly tragic story. Perhaps the dust-cover blurb is intended as an epitaph to *folkhemmet*: 'This book is above all a psychological portrait of a politician: of his dreams, happiness and enthusiasm and how they were turned into bleak isolation. For Eric Svenning's part, the dream of welfare ends in suicide.'

Another view of this process is conveyed in the book about Rosengård by Per-Markku Ristilampi, from which I have already quoted. He describes the attempt by a new left to build up a neighbourhood solidarity outside, and as an alternative to, the existing and increasingly bureaucratic structures of the popular movements. But he also describes the resistance encountered by new initiatives, the establishment's fear of new social movements, the increasingly hide-bound and destructive consequences of the monopoly of power. His subject is the SOFIA project, launched with municipal funding in 1974:

The basic idea was to create a sense of community in the housing area with the aid of what were called home centres, meaning flats which would be open to everybody wishing to meet and to engage in activities of different kinds. The community spirit, which structural rationalisation and the design of the housing area, had shattered was to be revived ... For people who have been working in Rosengård for a long time,

this project is of great symbolic value, partly as a symbol of the area's potential for change and also symbolising a confrontation between different political traditions. Funding for the SOFIA scheme, then, was cut off by the Social Democratic majority on the municipal council. After that the scheme withered away and the clubs and societies were disbanded one after another ... SOFIA was seen by the politicians as a real threat. The paradox of it is that what the SOFIA groups were aiming for was to a great extent identical with the neighbourhood ideal which had been formulated in the forties as the theme of the future, with premises where residents could assemble to do various things together and which, not least, would serve as training grounds of democracy ... Gradually, however, it became evident that democratic man, in the eyes of the politicians, was to be educated through the established popular movements, and not through independent societies on the housing estates.

Ristilammi 1994, pp. 88, 93 and 97–98

At national level, consensus during the hegemony decades was organised through the Swedish model, i.e. systematic co-operation between the emergent Welfare State, businesses and unions with the aim of securing a consistently high industrial growth rate and distributing its benefits in a way, which all parties concerned would find acceptable. This was the age of organised industrial capitalism, almost three gilt-edged decades, during which the Swedish growth machine was running with extraordinary smoothness. Per capita growth between 1948 and 1973 – 3.26 per cent annually – was the highest in Swedish history (Söderström 1990, p. 15). Considerable economic scope existed, in other words, for a successful and enduring social and political consensus.

This organised industrial capitalism took as its starting point the situation immediately after the war, although an important step had already been taken in 1938 with the conclusion of the Saltsjöbaden Agreement by LO (the Swedish Trade Union Confederation, representing industrial workers) and SAF (the Swedish Employers' Confederation). The steep economic upturn of the post-war era had generated a palpable labour shortage, resulting in heavy wage increases and clearly inflationary tendencies. The 1947 and 1951–52 pay rises were extreme, and if things went on like this, the competitive power of Swedish industry would swiftly be undermined. To everyone's surprise, full employment, formerly regarded as a utopian ideal, had now come true and, moreover, had become a serious cause of concern. Thus it was full employment that created the Swedish model, and not the other way round. The model was essentially a means of coping with the unexpected state of affairs with which the country had been confronted as a result of the European war and a strong, undamaged enterprise sector. It is one of the ironies of history that the basic precondition of the model was, in time, to be viewed as a product of the model itself and, moreover, defined as its overarching objective. The trouble is that, in this way, not only the logical and factual basis of the model was exploded but the carrying capacity of the Swedish economy with it. In the end, all expedients – even those that undermined the capacity for renewal and long-term growth potential with it – were acceptable, if only full employment could be maintained. The bubble burst in the nineties, with almost traumatic consequences for a nation, which had been taught that full employment could be summoned forth by political decisions.

It was during the early fifties that the various components of the model were put in place. The writings of trade unions (LO) economists Gösta Rehn and Rudolf Meidner at this time play a decisive part in the shaping of the model. But the employers' side (SAF) was every bit as eager to promote centralised wage negotiations: 'Rehn and Meidner argued that an equitable wage policy could not materialise unsupported by central, co-ordinated negotiations. The essence of the equitable wage policy was "equal pay for equal work," regardless of the carrying capacity of the individual firm. Wage differentials based on different skills in the work force, or different working conditions, were on the other hand to be accepted. The Rehn–Meidner programme can really be looked on as an attempt, using a centralised pay policy, to promote a 'rational' pay structure of the kind, which would also characterise a fully competitive labour market. But the bid to establish this rational pay structure could produce tendencies to unemployment in sectors with limited payment capacity. These tendencies were to be countered by means of an active, mobility-promoting labour market policy, which included incentives to labour retention and geographical mobility. The equitable wage policy, central negotiations and the active labour market policy have been the hall-marks of the traditional image of the Swedish model. This model was launched in practical politics during the fifties. The first central agreements between LO and SAF occurred on SAF's initiative rather than LO's: employers saw in decentralised pay talks at national union level a danger of inflationary rivalry between different wage-earner collectives' (Holmlund 1994, p. 176).

The model centred on the needs and developmental capacity of the big, capital-intensive, successful industrial enterprises. Centrally determined wage levels, unaffected by the profitability of core firms, created a generous profit margin for the most efficient undertakings and at the same time penalised the less productive areas of competitive enterprise. This was the anticipated, structural rationalisation side of the model. But there was also another side to it, namely an unforeseen long-term structural ossification. The model's generally high and fairly inflexible wage levels posed an effective barrier to new, more experimental entrepreneurial activities, which often have to pass through a long and difficult experimental period before they can become really profitable and capable of sustaining heavy wage costs. These both dynamic and structurally preservative effects were reinforced by other important elements, which supplemented the model to the advantage of the big and capital-intensive industrial enterprises. Such elements included, for example a system of corporate taxation with generous rules of depreciation for rapid investments in physical capital, a credit policy based on big material assets, investment funds which tied up capital in pre-existing, successful operations, AMS (National Labour Market Board) schemes and labour law provisions geared to big corporations but often counter-productive for smaller and newly started firms, and a taxation of labour and incomes which struck hard at old, labour-intensive occupations and new, more skill-intensive activities.

The model, in other words, conferred large growth benefits in the short term but at the price of growing losses in terms of the dynamism of renewal and change. The model's incentives for structural rationalisation within the framework of pre-existing enterprise were apparent from the very beginning, but so too was its tendency to penalise start-ups

and experimental enterprises deviating from the operational pattern of the big industrial combines. This has left us with a relatively rigid structure of enterprise, characterised by an extreme concentration of entrepreneurial activity and very little in the way of new and small-scale enterprise. These tendencies have become more and more palpable and disturbing with the passing years. Not only are the new enterprises relatively few in number, but the number surviving and expanding – growth enterprises, as they are called – is even smaller. According to the Federation of Swedish Industries (1995), for example, only one in a hundred new undertakings in the service sector has developed into a growth enterprise! (For an analysis of these problem tendencies, see Henrekson 1996.)

One important part of the model was the expansion of the public sector and its task of regulating or taking direct charge of the external prerequisites of the success of large-scale industrial enterprise. This was perfectly in keeping with the Social Democratic strategy of change based on the nationalisation of consumption rather than of production or industry. The state monopoly of the central, most expansive parts of the service sector – education, caring services, social insurance, pension systems – and the firm hold of the state on such fields as cultural policy and housing planning became natural components of a successful growth model which nearly everyone was content with. True, the expansion of the public sector called for a rapidly increasing pressure of taxation, but until the mid-sixties neither the pressure of taxation, the volume of public sector employment nor the level of public spending had assumed startlingly large proportions compared with many other industrialised nations. Everything, in short, appeared to be sweetness and light, and hardly anyone at the time could have predicted the state of crisis and disorientation which was to characterise our country within a none too distant future.

Folkhemmet Defeated

AGAINST THE TIDE – THE STORM CLOUDS OF THE SIXTIES

During the 1960's, three important changes occur in the basic workings of the Swedish economy which deserve to be discussed in some detail: industrial employment begins to decline, as does the relative economic importance of industry; the system of wage formation and transfers tends to change society's basic distributive principle from 'equal pay for equal work' to 'equal pay (or income) regardless of work'; and, lastly, 'public sector expansion accelerates, drastically increasing the pressure of taxation. The combined effect of these three changes will, eventually, thoroughly disrupt the central growth-generating mechanisms, which have characterised Swedish development since World War II.⁵

The first change can be dated fairly exactly to the mid-sixties, though there were already clear indications before that of industry's diminishing share of GDP and total employment. Absolute employment growth in the industrial sector, which had begun early in the 19th century, culminates in 1965. This is followed by a rapid contraction, which, with minor interruptions, has been going on ever since. This absolute decline contrasts starkly with the 250,000 or so new jobs created by the industrial sector between 1945 and 1965. Almost the same numbers of industrial jobs disappeared between 1965 and 1983, and, after a relative recovery during the second half of the eighties, industrial employment once again plummeted during the profound recession of the nineties. Industrial output in 1994 exceeded the 1990 level but was achieved with some 250,000 fewer employees! This was a considerable growth of productivity, dramatically illustrating the long-term trend in industry towards higher production and diminishing employment.⁶

These industrial sector developments were not peculiar to Sweden, of course. This was a process, which, with some slight differences in timing, had been going on all over the industrialised world, namely the transition from industrial to post-industrial society (post-modern society is another common term, but with reference to the cultural, rather than the economic and social, dimensions of the transformation). This transition changes the foundations, not only of Sweden's economy but also of the whole edifice of Swedish society. A country, which had been extremely successful as an industrial nation, had now come to a historic turning point, which meant that what had formerly been the basis of its comparative strength and prosperity could no longer serve as the principal motive force of society. And the trouble was that the dynamic foundations of modern Swedish society were weakened without being replaced by anything with the same capacity for generating growing prosperity and international success. In the wake of the industrial society's historic decline, Sweden began more and more to find itself 'in the backwater of the times',

to quote the title of a report published in 1990 by the Economists' Expert Group of the Industrial Council for Social and Economic Studies (SNS).

Considering its importance, this change can very well be equated with the transition, which, a hundred years earlier, had converted Sweden from an agrarian to an industrial society. But there is one vital difference between then and now. The transition to the industrial society meant that a traditionally poor and peripheral country was able in a very short time to step forward as a small industrial power to be reckoned with, capable of signally improving its people's living standards. This was a step not just forward but upward, a change, giving rise, not only to anxiety and confusion, but also to dreams, enthusiasm and optimism concerning the future. It was this positive spirit that both engendered and made credible the dream of *folkhemmet*, the dream of a better community founded on the great economic advances of the time and a newly awakened popular solidarity. Sweden's present transformation is characterised by no such spirit. On the contrary, its characteristic is a sense of irreparable and irreversible loss, regret at heading away from a golden age towards an uncertain future. Mentally we are in a difficult position for tackling the big demands of this change for renewal and innovative thinking of the present. Dreams of a better life are easily shattered by mourning for the past. In the midst of the desert trek of poverty, the assurance of a promised land could mobilise our people. Now, we tend to be paralysed by the dream of a vanished era of greatness, the sweetness of which increases with its remoteness from the present.

The second change, which will have far-reaching consequences for the workings of the economy, concerns wage formation and the system of transfers. Here we have a problem, which is entirely of our own making and is having a very negative impact on the country's long-term capacity for growth and renewal. At the end of the 1960's the trade union movement and Social Democracy, under pressure from the left-wing radicalism of the time, committed themselves to an equalisation of incomes across the board. Contrary to the old socialist ideal, this was not a matter of abolishing privilege – unearned incomes – but of, basically, levelling down earned incomes and, what is more, creating ever-greater unearned incomes in the form of allowances and transfers of different kinds. This exploded not only the fundamental principle of socialism (work as the basis of incomes) and the keystone of working class morality (it must pay to work and earn one's keep), but also the basic tenet of the Swedish growth model. The equitable wage model was radically transformed and turned from a growth instrument to a growth impediment.

The compression of wages characterised wage formation in Sweden above all between the end of the sixties and the beginning of the eighties, and it was combined with rapidly growing income taxation and rising pay roll taxation (and social security contributions). The wage spread in the Swedish economy declined by one-third between 1968 and 1984, and the skills premium – income growth in relation to the length of training/ education – fell off even more steeply. Between 1968 and 1981, the skills premium for employees with twelve years education behind them was halved compared with those with nine years' or less, and the premium in 1991 was lower still. For those with a long post-secondary edu-

cation behind them, the premium was reduced to just under a quarter between 1968 and 1984 in relation to those with only twelve years' education, and in 1991, despite a certain increase, it was still less than half what it had been in 1968.

Allowing, on top of this, for the fiscal effects, an even more disturbing picture emerges. Real net wages in Sweden have stagnated since 1975, but wage costs (gross wages plus payroll taxes and National Insurance contributions) have grown steadily, by more than 50 per cent. This means that the entire post-1975 productivity increase has been eaten up by the public sector through imposts on labour. Adding to this the effects of income and value added taxation, meant that by 1990 the absurd situation had been reached of the most productive, best-paid workers retaining, after all direct and indirect taxes, only 21 out of every 100 newly earned kronor. It is indeed an irony of history that the movement which came into being with demands for higher wages and lower taxes should have led the country into such a state of affairs as this.

Thus the basic democratic idea of equal opportunities for all citizens was turned into a pursuit of equal outcomes regardless of productive contribution. But this also encouraged the growth of an inefficient evasion economy, in which the economic outcome hinged on deduction opportunities and various means of avoiding a withering burden of taxation. And so it became more profitable to get into debt rather than save, to go on holiday instead of working, to concentrate on invisible benefits – with all the corruption which has now become increasingly visible – instead of pay improvements. And one day someone was able to write, with little fear of contradiction, that the Swedes had become a nation of fraudsters. And the children's writer Astrid Lindgren, herself falling foul of the system, epitomised the whole thing in a polemical fable, the story of how Pomperipossa lived happily ever after on social security handouts and never wrote another book. Economics in Sweden acquired a new term: 'the Pomperipossa effect'.

The consequences of this policy are not confined to a reduction of incentives for work or to the state committing itself to potential claims ('rights'), which are easily given in a moment of euphoria but expensive to honour when the going gets really tough. No, the most serious thing in the long term was that this levelling-down policy coincided with an international economic revolution entailing a rapid transition to increasingly knowledge-intensive forms of production and organisation. The essence of this new knowledge economy is not, as in the heyday of Fordism, to facilitate investments in physical capital by big industry. Instead the vital concern is to stimulate and facilitate individual investments in human capital (education, creative capacity, and the development of competence) and to create favourable conditions for new enterprise and innovative thinking. All of which is hardly compatible with a policy which, through the compression of earnings and the pressure of marginal taxation, makes such investments and creative inputs of less and less consequence for one's own prosperity. Sweden's growth problems, as Klas Eklund observes, 'are connected with poor productivity growth, that is to say, with our not obtaining sufficient return on inputs of resources' (Eklund 1994, p. 71), and productivity growth today is becoming more and more a function both of individual persons' investment in human capital and of their innovative behaviour.

Levelling down earned incomes and at the same time desiring a population that will actually invest time and resources in improving itself and developing new things is, quite simply, an absurdity. It says little for the country's trade union and political leaders that we have persisted so long in such a mad endeavour. We are now paying a heavy price for our folly, and the brunt of it is being borne by those whom the folly was intended to favour: groups excluded from the labour market and those in the labour market who have the lowest level of skills. The glaring educational deficit of Swedish industry (according to Industriförbundet 1995, no less than three-quarters of the labour force lack the basic skills required by the new technology and the new form of industrial organisation) and its inability in recent decades to penetrate high-technology sectors of production on a wide front are eloquent results of a policy which has obstructed both human capital formation and new enterprise. The difference here, compared with Sweden's successful industrialisation a hundred years ago, is clear for all to see. Then the country moved straight into the vanguard of technology. Today, in many senses, the opposite is happening.

The problem with this kind of development is that we lose long-term competitive capacity and lose touch with the international front line of technological development, and also that we find ourselves competing in segments of industry – low- and intermediate-technology segments, most of them – which can relatively easily be taken over by others. The same consequences apply in the relatively knowledge-intensive service sector, but here we also have the barriers created by public monopolies and the unitary mentality, which is opposed to the growth of a many-sided, efficient, and dynamic production of services and knowledge. In this deplorable way Sweden, in Eklund's words, has become 'a supremely ordinary Western country, and in a number of important respects we fall short of the Western world's average' (*ibid.*, p. 67).

The third crucial change in the workings of the Swedish economy is the huge expansion of the public sector since the mid-sixties, resulting in a rapidly growing pressure of taxation. From the mid-1960's down to the present, all employment growth in the Swedish economy has been in the public sector. A comparison between 1950 and 1990 (i.e. before the years of recession) shows private sector employment remaining on exactly the same level, whereas public sector personnel strength (including the employees of national utilities, but not of state-owned companies) grew by over 1.1 million. The expansion of public sector employment was still relatively slow in the 1950's (when it increased by 121,000), accelerating in the 1960's by a further 278,000 and assuming dramatic proportions in the 1970's when the figure rose by 599,000. It decelerated considerably in the 1980's, when only 120,000 new public sector jobs were created and tailed off in the recession of the 1990's (though not as a percentage of total employment, because private sector employment declined still more heavily). Public sector employees in 1993 accounted for 42 per cent of total national employment (public authorities 33 per cent, state-owned utilities 2 per cent and publicly owned companies 7 per cent) or nearly 1.7 million employees out of a total of 4 million.

Public spending (which includes public consumption plus transfers, social insurance and interest on public debts) has undergone a similar expansion. The years between 1960 and

1980 stand in a class by themselves, with public expenditure doubling from 31 to 60 per cent of GDP. But the record was set in 1993 – ironically, under the non-socialist administration headed by Carl Bildt – when public spending equalled 73 per cent of Sweden’s GDP!

This expansion, which of course could be illustrated in many other ways, means that Sweden today, for practical purposes, has a state-driven economy (perhaps ‘state-burdened economy’ would be a more apt expression) on both the production and consumption sides. The public sector today directly produces a substantial share of the things we consume (mostly services, but commodities as well). Indirectly this sector controls a large part of other productive activities through public consumption, transfer systems, the structure of the education system and various regulatory mechanisms. In other words, we have generously exceeded the socialisation on the consumer side, which Alva Myrdal spoke of in the thirties. The balance between private and public sector activity – often termed ‘the mixed economy’ – has now been severely disrupted in the public sector’s favour.

But the relation between the private and public sectors is not all that this development has disrupted. In addition, the fundamental dynamic of the Swedish growth model has been decisively undermined. That model was based on an essentially competitive enterprise sector. Low-productivity enterprises and industries were to be rationalised away through the wage pressure exerted by the equitable pay policy. With the aid of an active labour market policy, the redundant workers were to be channelled into the more productive parts of the economy. In this way the level of performance would be successively raised, resulting in an ongoing technological and productive upgrading of Swedish enterprise. The simple forms and robust logic of this model – despite its shortcomings – are undeniably impressive. And the model worked pretty well as long as industry kept expanding and a considerable part of the economy was actually open to competition. But the employment figures quoted above testify to the very simple fact that an increasing share of Sweden’s economy came to be exempted from the model’s basic proviso – efficient market mechanisms to keep the national economic structure in trim. A large sector emerges – eventually, moreover, to become a leading sector, by virtue of its size, its functions and its regulatory power – to one side of the Swedish growth model’s self-righting *modus operandi* and subject to hardly any efficiency controls whatsoever. In this way a strongly expanding planned economy is created as a sector within Sweden’s national economy, with all the risks of accumulated inefficiency and inertia which systems of the kind are known to entail.

Political decisions, then, had the effect of undermining what had been fundamental to the success of *folkhemmet*, the consistent growth in prosperity, which Sweden had enjoyed almost without interruption since the mid-nineteenth century. By stifling a dynamic, open market economy, the Social Democrats undermined the basis of their own project. Key economic areas, such as the education and caring sectors, became stultified inside a state monopoly, which persisted with outmoded Fordist principles of organisation.

In his *Det nya samhället*, Gunnar Wetterberg admirably summarises these problems with reference to our longstanding state monopoly of education:

Schools have been debated for several decades. Time and time again, changes have been attempted: new types of school, new curricula, new teacher education programmes ... The factors of inertia have often appeared insuperable. The changes have come very, very slowly ... I am beginning to think that the state has been the bane of schools. Renewal and development have been fettered by uniform, nationwide regulation. Experimentation has been limited to carefully controlled and pre-determined trials. The difficulty with which new reforms have been implemented may be connected with their having been virtually untried and introduced top-down. The scepticism shown by teachers has thus been understandable and often enough quite justified, with 'new math' as the most spectacular example of its kind.

Wetterberg 1995, p. 322

The extremely uniform and standardised organisational structure characterising social Fordism in Sweden is of course very bad for a development which in future was to be more and more a question of diversity, experimentation, and rapid change. Rigid, large-scale structures, which cannot be altered without complicated political and bureaucratic decision-making are, by definition, a highly unsuitable type of organisation in a time of economic and social transition.

The future was soon to show where Sweden was really heading. But the sixties were a time of harvest festival, the age of the great illusions, and, as we read in Jonas Gardell's *En komikers uppväxt*, 'in every field, things kept getting better and better, Sweden was the richest country in the world and everything was part of the divine plan.'

THE SWAN SONG OF *FOLKHEMMET*

After two decades of increasing economic difficulties, the 1990's witnessed the debacle of the *folkhemmet*. Full employment was replaced by mass unemployment. Half a million jobs disappeared between 1990 and 1994, and the subsequent economic recovery has not brought any real improvement in terms of employment. The fiscal consequences of mass unemployment have been severe, forcing the once generous Welfare State to cut social benefits and public spending in education and health care. The financial crisis is, for the time being, under control, but nothing has changed in terms of the structural rigidities of the Swedish economy.

The Swedish collapse in the 1990's was no accident. Severe economic distress and mass unemployment are, in this case, manifestations of fundamental changes in the basic preconditions of the Swedish social fabric as it has developed since the 1930's. The *folkhemmet* project rested on four decisive historical preconditions which together endowed the project with its characteristic stability and strength, namely an ethnically homogeneous population, a strong national state, an expanding industrial economy, and a technological and an organisational development of the kind epitomised by the term Fordism. All these preconditions have been eroded completely in the past quarter-century. The foundations of our

stately home have been remorselessly undermined, but the home still stands, it lives in the form of increasingly anachronistic institutions, structures, attitudes and nostalgic dreams.

In my analysis of this many-sided process of change, I would like to start with the transformation which has the widest global significance and which, one way or another, forms the setting for all the other changes, namely the ongoing revolution in the technological and organisational foundations of modern society. This is a profound shift of techno-economic paradigm, which, in a very short space of time, has made the Fordist model of production and organisation completely obsolete (for a summary and a review of theory see Rojas 1988 and 1991).

The mode of production and organisation called Fordism represents the culmination of a development, which started with the classic Industrial Revolution of the eighteenth century and was intensified by the 'Second Industrial Revolution' in about 1900. This development was characterised by the emergence of increasingly centralised, large-scale, and standardised forms of production. The conveyor belt, mass production, big factories, and big hierarchic organisations of every kind came to symbolise a techno-economic and social development in which big, quite simply, was best:

For a very long time, the surest path to industrialisation and economic development was felt to be by way of mass production of relatively standardised products, using specialised capital equipment and technology. The advantages obtainable from the increased scale of return, greater specialisation and standardised mass production was usually felt to outweigh the additional costs entailed by growing information problems and bureaucratisation in large organisations. Bigger was perhaps more boring, but it was rated more efficient ... Large production units, organised within the framework of the vertically integrated conglomerate, were locked on in the 1950's and 1960's as the most important elements of the large, continuous model of economic and social development ... This model of production, consumption and work organisation has come to be termed Fordism. As Loveman and Sengenberger have shown, this model of development quite accurately describes realities up until the beginning of the 1970's, both in the Western market economies and in the Eastern European planned economies.

Henrekson 1996, pp. 20–21; ref. to Loveman 1991

Everything reminiscent of small-scale enterprises – corner shops or self-employment – came, during this time, to be regarded as a relic of history destined, sooner or later, to vanish from the face of the earth. This picture was abundantly corroborated by international statistics (and still more so by Swedish statistics). Until the 1970's, a diminishing proportion of both national production and employment was being generated by small and medium-sized enterprises.

To practically everybody's amazement, this development was reversed some time during the seventies. A 200-year-old development trend, which had fashioned both our reality and

our most dynamic utopias for the future, was transformed, slowly but surely, into its opposite:

In connection with the great turbulence of the world economy at the time of the first oil price shock in 1973, the first indications began to appear that bigger was not necessarily better. There occurred at this time a number of spectacular instances of big corporations getting into serious difficulties and having to shed jobs in order to survive. Parallel to the growing relative importance of the service sector, the advantages of bigness diminished even further ... In 1979 David Birch published a widely noticed study, arguing that 82 per cent of all jobs in the United States were created in small firms. Subsequent research has shown that figure to be highly exaggerated, but Birch's study nevertheless seriously dented the old conviction that bigger was better. Another widely noted study in this connection is that by Loveman and Sengenberger (1991), presenting historical data on the size of the breakdown of employment in the six largest OECD countries. They came to the conclusion that the long-term trend towards greater centralisation and bigger units of production had been not only broken but reversed during the 1970's.

Henrekson 1996, pp. 21–22

The change came at different points of time in different countries. The Swedish case makes interesting reading. As I have shown already, the Swedish model was heavily committed to structural preservation in terms of the pre-established, large, capital-intensive industrial undertakings. Wage formation, rules of taxation, credit facilities, public labour market institutions and labour law stood in the way of new, different entrepreneurial activity. Sweden has been a promised land of Fordism, as regards both private enterprise and public institutions, right across the board. And this was intensified by the defensive enterprise policy of the seventies and eighties, which, despite a number of necessary restructurings of our smokestack industries, put the brake on a more thoroughgoing structural transformation. It is not at all surprising, then, that Sweden's reverse came far later and has been more hesitant than in other developed countries. But it could not be put off indefinitely. NUTEK (the National Board for Industrial Technical Development), for example, observed that something important was about to happen to us during the second half of the eighties. A study of the boom years between 1986 and 1989 (Davidsson 1994) led to the following very important conclusions of principle:

In a comparison of the dynamics of small and large enterprises, the dynamic of the small enterprises was credited with greater importance for the development of regional well-being. Thus small farms were seen to be, not only dominant creators of employment but also highly important for the development of well-being generally ... One obvious conclusion to be drawn from these findings was that there are great risks involved in trying to prevent changes which may seem painful in the short-term perspective. Our findings indicated that a high level of dynamism – including closures and contractions – was preferable to a low level, in both regional and national perspectives. On these grounds we could argue that, rather than delay cutbacks and closures, any public measures should be aimed at facilitating readjustment, so that the resources liberated would come to renewed and better use.

Davidsson 1996, p. 6

The same researchers have studied developments during the 1990–93 recession and the 1994 recovery. Their new findings reinforce the conclusion drawn in the previous study: ‘Our most important single finding, however, is that the role of small firms as the foremost creators of new employment was not a temporary 1980’s or boom phenomenon. The relative role of small firms as creators of new employment is reinforced all through the recession and the 1994 upturn’ (ibid., p. 135).

The startling revival of small firms was accompanied by great revolutions in the structure, technology, and product ranges of the existing enterprises. In the big corporations too, Fordism had had its day. Rigid mechanisation, massive product standardisation, big hierarchies, the extremely specialised worker and the type of command organisation characterising the Fordist enterprise were replaced with flexible, decentralised solutions at all levels. Workers became associates, and their human capital and powers of initiative became vital for the success of the enterprise. In addition, many big corporations were slimmed down to their core activities. Quite simply, the big hierarchies had become technologically obsolete and often too expensive – inefficient – in relation to market transactions. Renewal became essential for competitive enterprise, and firms refusing to see the necessity of change soon found themselves in big trouble. In this respect it is interesting to note how Swedish enterprise moved in exactly the wrong direction at the beginning of the process. During the 1970’s there was a dramatic increase in corporate concentration. The so-called global enterprises of Scandinavian Airlines Systems and Volvo’s expansion into activities having nothing to do with motor manufacturing are illuminating examples of this movement against the tide, and the consequences of their mistakes became painfully apparent during the eighties. In addition, the industrial sector has displayed great inertia in assimilating post-Fordist methods of organisation. The transition to a model implying flatter organisations, job diversification, job rotation and teamwork is a phenomenon, which did not really catch on until the recession of the nineties (see Industriförbundet 1995).

The cause of the revolution in the world of enterprise and organisation, which we are talking about here, is of course the ground-breaking technological and institutional development, which the world has undergone since the 1970’s. Microelectronics and computerisation sum up the technical side of the change. Globalisation sums up the institutional side. These aspects are of course interconnected and add up to a completely different frame for the whole organisation of society. The death of the Fordist factory also spells the demise of the world of the classical industrial society. The world is being transformed into an integrated arena of production and communications, one vast innovation market where nearly everything changes from one day to the next. And survival in this global market requires speed, flexibility and receptivity to new impulses, capacity for change, and a zest for innovation which make immense demands on all of us and require an appropriate social organisation. The potentialities of this development are enormous, but the pressure of change is also painfully unsettling, and reluctance to change is simply disastrous.

Given this technological and organisational revolution, our social Fordism is also completely out of step with developments. Our state-monopolised, bureaucratised, uniform and

standardised way of organising social life has become both anachronistic and counter-productive. A considerable portion of our human resources and strategic growth sectors today are being organised in a way that belongs to history. We are living in a world of diversity and perpetual change, we need thousands of quick and decentralised decision-making centres, testing different possibilities in the global innovation market, vigorously experimenting, taking risks but also being richly rewarded for successful efforts. We are living in the age of the fox, but our structures often look like a miserable hybrid of elephant and hedgehog.

The second of *folkhemmet's* vital preconditions was an expanding industrial sector. I discussed this aspect earlier, showing how there were already signs in the 1960's of industry no longer being the mainspring of our development. But this situation was to radically worsen in the seventies, when the ongoing recession of industry accelerated in a way, which clearly highlights the built-in rigidities of the Swedish model. The seventies are the decade of concentration and mergers in Swedish industry. In the engineering industry, the average number of employees per plant practically doubled during this decade. At the same time, the self-employment share of employment and genuine start-ups both fell off almost as dramatically. Sweden's enterprise, with the whole of the public apparatus and the political elite behind it, enters into a defensive, last-ditch struggle, resulting in a locking-in of resources and creative potential into old industries at the expense of new ones.

It is strikingly clear from the statistics how, what had once been the locomotive of Swedish development is transformed into a resource-guzzling problem child during the second half of the seventies. Our growing industrial deficit in relation to other industrial nations, moreover, shows that this development has a substantial native component. Output growth, which between 1960 and 1965 had been a record 8.2 per cent per annum, fell between 1975 and 1980 by 0.4 per cent annually. The gap between industrial output in Sweden and the OECD average has steadily widened over the past 20 years. Our aggregate industrial growth between 1976 and 1994 was only one-third of the OECD average!

The third decisive change in *folkhemmet's* premises concerns the position and strength of the national state. As we have already seen, a strong state, with its outstanding capacity for shaping, controlling and unifying the nation, was one of Sweden's main historical idiosyncrasies from at least the 16th century. We also know that in this respect there was a distinct continuity between *folkhemmet* and the old Sweden. But the technological and institutional development outlined above has turned things upside down, not only in the world of enterprise but also as regards the given entities and attitudes of the world of politics. Almost traumatically, the potent nation state has, within a very short time, become more and more impotent. In Sweden's case, the EU referendum in 1994 was the formal capitulation of the national state to a new reality, which we are no longer capable of coping with nationally. The problem was that this necessary capitulation came practically without warning, after centuries of quite unique reliance on the goodness and power of the national state. Suddenly most representatives of government and parliament went forth proclaiming, as one voice, that the fairytale was ended: if we did not join the European project, we might as

well start digging our graves. But it is neither right nor very constructive to intimidate a people in this way into making such important political decisions, and the consequences of this procedure came as a bitter lesson to our political establishment in the first European parliamentary election in 1995. The problem, however, does not lie in EU integration or in this acknowledgement of the growing helplessness of the old national state. It lays in our earlier blindness to the consequences of the globalisation process and our steadfast we'll-go-it-alone/ we're-best-in-the-world attitude.

The problem has a very important socio-psychological dimension. The mature Sweden and, above all, its governing class, were born in a country where the security-creating, unifying and homogenising power of the nation state was greatest. The people who today must guide the country into the world of diversity and internationalisation were born and grew up somewhere in one of these hundreds of 'Middlebys' making up the Sweden of the 1940's and 1950's. They were born into an overwhelming ethnic and national community that was moving rapidly forward, they could see and be profoundly moved by the greatness of their own country, above all compared with the turbulence, backwardness and misery of other countries. They 'were taught that they were living in the best of all possible worlds' and they became proud 'of it actually being Swedish'. They belonged to a country, which was shaped for palpable national identity, not only through the heritage of history and the ministrations of schools. Modern mass media, first radio and then television, had an enormous impact on the socialisation of the Swedes at the time and the formation of their world picture. Uniformity and state management were unchallenged axioms, and, let it be said, not only to the Social Democrats. The mature Sweden of today was of course shaped by Tage Erlander, but also by the Swedish Broadcasting Corporation, its news broadcasts and commentaries, and its celebrities. It was one for all and all for one, and it was state-managed, neat and tidy, dependable, and, above all, Swedish. What a difference compared with the media world today and our children's socialisation in this post-modern reality, in the world of the Internet and MTV, in the global environment of the information highway!

It cannot be easy for the children of Middleby – presumably the most homogeneous generation that ever existed in a developed society – to lead the country into a future where all is change and diversity. And it hardly needs saying that here we have one of Sweden's biggest problems, namely a generation instinctively resorting to the uniform, the secure, the protected, the governmental, a generation which, despite an intellectual understanding of the predicament of the new world, longs for a world which forever belongs to the past. That which once gave strength to the country, the national uniformity shaped and secured by the state, is today one of our most fundamental weaknesses. We can see the proof of this before our very eyes, in districts of our towns and cities with large immigrant populations, these expanded islands of alienation and helplessness, which remind us that it is not only the world outside Sweden that has radically changed.

Folkhemmet's fourth prerequisite was governed by an outstanding ethnic homogeneity. The highly successful unitary project of the state in Sweden, with hardly any parallel among countries not founded on regular political terror, is closely bound up with this fact. And

to *folkhemmet's* founders, this ethnic or even national community, which they themselves frankly asserted, provided a natural foundation for the social and political community which it was their intention to build up.

Now the heavy immigration of recent decades – more than 2,5 million immigrants have come to Sweden since 1930, and there are now more than one million persons living here who were born abroad – has conspicuously changed this ethnic homogeneity. Imperceptibly at first, and then in a way, which has come as a shock to many, our streets and squares have come to be populated by all the world's children. Sweden no longer consists of people deeply rooted in Swedish soil and sharing a common cultural identity. The population has become multi-ethnic, and wherever we look we are struck by its diversity, but the institutional uniformity has survived. This uniform pattern, which at one time very effectively integrated most of the country's inhabitants in a viable national-ethnic community, has been turned into a firing line in an assimilation project which is not only doomed to failure but is downright destructive. How are we to tame this flood tide of human diversity in a world, which is straining more and more in the very direction of greater diversity? By what means shall we lash the sea to submission? And why should we persist in such a mad enterprise in the first place when the most important thing we need in order to survive in this world of the global market is in fact diversity?

We will simply have to learn to live with diversity and to allow it to flourish, encourage and facilitate it, and indeed support every civic initiative that seeks to transform the potential of diversity into really viable institutions. The alternative is alienation – the alienation of immigrants when confronted by a hard core of ethnic Swedishness, which will not open up to them, and Sweden's alienation in the world of diversity, the world which we have neither chosen nor can opt out of (I have addressed these themes in two of my earlier books and the interested reader is therefore referred to Rojas 1993 and 1995).

The old ethnic nation is now a thing of the past, the perspective of uniformity is no longer fruitful and we cannot go on indefinitely denying what we are or what sort of a world we are living in. *Folkhemmet* gave us a secure – and for most people – pleasant home for several decades, but now we have to move on. Paraphrasing the words of the poet Hjalmar Gullberg, one can say that we are no longer living in a long, narrow lay-by surrounded by the sea, and that our land of wild roses and whispering grass has acquired new colours and fragrances. We must learn to think of Sweden in a new way. This is the moment of sorrow, but also of birth. We have a heavy task ahead of us, it will require all our strength and we have very little more time to lose.

PART II: SWEDEN AFTER THE SWEDISH MODEL

From Tutorial State to Enabling State

INTRODUCTION

Sweden is internationally renowned for its Welfare State, the largest and most costly that ever existed. No democratic country in times of peace has matched its levels of public expenditure, tax burden, income transfers, and state monopoly of social security and basic services (health care, education, social assistance, child and eldercare). This is common knowledge and many people believe it is a model that other countries should adopt. The fact that Sweden itself has abandoned this tutorial or maximalist Welfare State model is not widely known.⁷ For over a decade now, Sweden has been on a comprehensive and promising quest for an alternative to its old Welfare State, wherein the state still plays an important role but does not exclude a number of social and economic players who can jointly create a welfare society that grants its citizens a solid base of social equality and security combined with genuine freedom of choice. The tutorial state of the past is in this way transforming itself into an enabling state, which creates possibilities rather than decides about the content of the welfare services the citizens get.

From my personal experience, I can vouch for the deep changes the Swedish society has undergone. When I arrived in Sweden in 1974, it would have been ludicrous to consider that citizens could choose their children's school, or what medical centre to go to. Only a very small and wealthy percentage of the population had the necessary net income (that is, after paying heavy taxes) to purchase these services privately. People would normally say that they "belonged" to a public hospital and that their children "belonged" to a specific public school, the one they had been assigned depending on where they lived. The Welfare State granted every citizen a relatively high level of well-being in return for a virtual lack of freedom of choice. This situation remained unaltered (or in fact worsened due to the heavier tax burden) until the beginning of the 1990's.

The situation is very different today. My daughter goes to an "independent school"⁸ (owned by a private foundation) and my son recently finished his basic studies at another independent school (in this case, owned by *Kunskapskolan AB*, a for-profit private limited company that manages about twenty schools). We were completely free to choose these schools which is paid for by the "school check," the State's way of assuring true and egalitarian freedom of choice (the same freedom of choice exists for public schools). The interesting fact is that my children are no exceptions. This country, that in 1990 only had a handful of schools outside the state monopoly, during the 2003-2004 school year had a total of 740 independent primary and secondary schools that educated almost 100,000 children and teenagers in an ever-growing pluralist system of public-private co-operation.⁹

The schooling situation is not the only aspect that has changed. If I were to fall ill today, I would undoubtedly go to the closest clinic, *Nacka Närsjukhus*, managed by a for-profit private limited company like many others in the province of Stockholm. I would have complete freedom of choice and would not have to pay more than if I had chosen to go to a public clinic. Moreover, if my illness were serious, I would most likely go to *St Göran* hospital, the largest private hospital in Western Europe that is also part of the network of public-private co-operation that is made up of almost three thousand private health care suppliers.

Examples like these abound. Currently, the citizens of Sweden have increasing freedom to choose who will take care of their children and elderly, who will supply their electricity or telecommunication services, in which funds they deposit part of their retirement savings, and which television channel or radio station they want to watch or listen to. Even the most traditional monopolies have been abolished, such as those that provided jobs and house-rentals, the railways and postal service. This was unthought-of in Sweden in 1990, and only lunatics back then could have imagined such changes.

The aim of this paper is to provide an explanation for such deep-rooted changes and discuss their future outlook. It is important to do so in an international context, since many countries still propose a Welfare State model that its own creators, the people of Sweden, have abandoned. In order to provide an adequate starting point, I will begin by briefly summarising the history and main features of the maximalist Welfare State that is now part of Sweden's history.

ORIGINS AND GROWTH OF THE WELFARE STATE

The emergence of the Swedish Welfare State can be traced back to the 1930's, but both its economic roots and preconditions go further back in time. A salient feature of Sweden's history is the close ties between a paternalistic, monarchist State and an ethnically homogeneous society dominated by free peasants. Key to this situation is the fusion of secular and spiritual power that rested in the hands of a highly centralised State, something that was already apparent in the middle of the 16th century during the reign of Gustav I (known in Sweden as *Gustav Vasa*), the first king of the Vasa dynasty. This absolutist State created a highly homogeneous institutional network, in which the State played a leading role, often through the National Swedish Church, which carried out important religious and administrative tasks. In this way, the fact can be established that in Sweden there was no such thing as a truly independent civil society, not even in the cities. These never achieved the degree of development nor the autonomy that other European cities had obtained. This led to a tradition of state intervention and paternalism that would prove to be decisive in the construction of the 20th century Welfare State, with its interventionist and monopolistic ambitions for the material and spiritual well-being of the population.¹⁰

An additional point that must be stressed is that the Welfare State rested on the solid foundations of a remarkably dynamic industrial sector that developed during what we could call the “Liberal Stage” of Sweden’s history, beginning with the declaration of free industry and commerce in 1864 and ending with the rise of Social Democracy in 1932. Sweden was at the forefront of industrial nations early on, and substantially improved its population’s living conditions before World War I¹¹. This economic basis provided the resources the Social Democrats needed to carry out their ambitious social reforms. Therefore, those who recommend adopting the “Swedish model” in countries that lack a similar economic structure are proposing a pipe dream. There can be neither welfare nor a Welfare State without first-rate capitalism; this is the basic lesson of Sweden’s modern development process.

These historical, cultural and economic conditions became the cornerstone of the Social Democratic hegemony that began in 1932 and survives to this day, despite showing signs of deterioration¹². At first, the Social Democratic project for economic and social reform was rather modest. Under the *folkhemmet* slogan, the party proposed developing a social security and basic services system and encouraged a series of agreements between trade unions and employers, ensuring a stable labour market on the one hand and higher salaries on the other. This careful reformism¹³ was the predominant Social Democratic line of thought back then, imposed by popular leaders who, at the time, were deeply involved with the workers’ movement. Simultaneously, a more utopian and radical wing was forming within the Social Democratic party. It was led by middle class intellectuals such as Alva and Gunnar Myrdal, who advocated the creation of a Welfare State with grand ambitions concerning the shaping of the population’s lives and ideas. This is the maximalist Welfare State program that was adopted after the Second World War and reached its climax in the 1970’s and 1980’s. The following passage, written in 1934 by future Noble laureates Alva and Gunnar Myrdal, illustrates this maximalist way of thinking concerning the Welfare State:

Social policy does not only provide a possibility of serving as a means of radical income equalisation with a view to distributing incomes more according to the true needs in society. The result of income equalisation is in fact more of a by-product. The most important task of social policy, its immediate purpose and objective, is to organise and guide national consumption along different lines from those which the so-called free choice of consumption otherwise follows within what are often, logistically, excessively small household units and under the pressure of suggestion and mass advertising ... And this matter will be seen to be all the more important as living standards nonetheless rise, for individual options regarding the use of income will then be concomitantly expanded. In the future it will not be a matter of social indifference what people do with their money: what standard of housing they maintain, what kind of food and clothing they buy and, above all, to what extent their children’s consumption is provided for. The tendency will at all events favour a socio-political organisation and control, not only of the distribution of incomes but also of the focus of consumption within families.¹⁴

The manifestation of this maximalist and openly socialising line of thought resulted in the creation of large state monopolies in the post-war decades and, as from the 1960’s,

increased taxation and expanded the public sector.¹⁵ At the same time, the Welfare State reinforced its economic and social security promises by guaranteeing protection from eventual losses of income due to illness or unemployment.¹⁶ Finally, a policy which assured that every citizen enjoyed a comparatively high standard of living, no matter his or her work contribution, was achieved.

However, the maximalist Welfare State's main feature and true essence was not the income guarantee it offered, but its aim of completely controlling institutions that provided crucial welfare services to citizens. A Welfare State of this kind is exclusive, and therefore incompatible with a truly pluralist welfare society. There was no room for compromises in this area, and all independent initiatives (mainly commercial ones) were systematically challenged. This process led to a State monopoly¹⁷ of the four fundamental functions of welfare services: demand, supply, financing and regulation/control. It produced a large welfare service sector that was highly politicised and hermetically sealed against any outside influence, especially the consumers' different preferences and competition from alternative service providers.

THE MATURE TUTORIAL STATE'S PROBLEMS

The process we briefly described has different consequences, all important for understanding the fall of the maximalist tutorial State at the beginning of the 1990's and the ensuing reform process we are still experiencing.

The most obvious economic consequence was the rapid growth of the planned economy at the expense of the market economy. In fact, the public sector accounted for all the net creation of jobs after 1950. This was to be expected as an industrial economy shifted to a service economy in a country where the State had a monopoly on the services that created most jobs. As a result, the society had to deal with problems that were typically associated with planned economies and monopolies, and this undoubtedly explains, to a certain extent, why Sweden now ranks significantly lower than other developed countries in terms of welfare. Sweden, which in 1970 was the fourth wealthiest country in terms of per capita income, in 2003 ranked 14 on the OECD listing.¹⁸

Another important economic consequence was that the public sector became increasingly vulnerable as it strove to ensure a high level of income and services for everyone. In order to keep this promise, it needed a high tax level and a favourable dependency ratio.

Taxes, especially labour taxes, are a well-known problem. A heavy tax burden, coupled with a social assistance system that offered relatively high incomes, soon created little or no incentive to work, especially among the lower-income population. Sweden started to experience this in the 1980's, and its total tax burden rose to 56.2 per cent of national income by 1989. The economically active population shouldered much of this burden, so workers paid taxes that, together with social contributions and indirect taxes, amounted

to more than 60 per cent of their income, regardless of their wage level. Moreover, such a system left little margin for a progressive tax system or further tax hikes.¹⁹

This tax problem was important because it put a straightjacket on the development of welfare services in a society that fundamentally relied on taxes to finance them. However, what is more important in the short and long term is the dependency ratio. Any sudden increase in passive population unleashes significant fiscal imbalances and triggers a debt spiral and instability, since raising taxes is not an option. Therefore, it could be said that the existence of a welfare model like Sweden's necessarily requires a context of full employment and a structurally positive demographic ratio. Shortly, we will see how both aspects are crucial to understanding Sweden's Welfare State crisis and the future of its welfare society.

The social consequence of the maximalist Welfare State is predictable: it widely politicised citizen's lives and severely restricted freedom of choice. It could be said that political factors greatly influenced every important decision taken by the Swedes. For example, this applied to decisions on forming families and the role assignment within the family (greatly influenced by the social assistance system and personalised taxation that ignores marital status), family planning (influenced by subsidies and post-natal leave), ambition to obtain a university education (discouraged by high taxes in the labour market and a flat wage scale that offers a very low additional return on each year of schooling), types of housing (highly dependent on the subsidised bank interest payment system, as well as on social assistance and a high housing construction tax), etc.

This influence on the population's most intimate and important decisions was reinforced by the state monopoly on the organisation of basic services such as education, health, social assistance, child and elderly care, etc. In line with the industrial system's logic at that time, we can say that the objective was to standardise citizens' living conditions; this idea meshed well with the egalitarian society that was being proposed and that regarded social diversity as an impediment in the creation of a true *Volksgemeinschaft* (a community based on its members' homogeneity). This is how Sweden became a paradise for mass production of cars, houses, education or health. A "Fordist society" in every sense of the word that significantly improved living conditions for its citizens at the expense of limiting their vital alternative choices.

The paradox or problem with a levelling process that attempts to place everyone in the same institutional mould is that it assumes a very homogenous society, since this is the only one that will agree to it without causing a lot of confrontation. Moreover, it assumes a society that is made up by individuals who are constantly prepared to sacrifice their freedom of choice and accept the politicisation of their everyday lives. These were precisely the conditions that ceased to exist in Sweden in the 1980's as a result of mass immigration, globalisation and the development of the Swedish society itself that began forming citizens less prepared to be treated like children by the Welfare State.

THE WELFARE STATE CRISIS

The maximalist Welfare State suffered a crisis and was abandoned during the 1990's. This can be understood by analyzing the economic, social and political-ideological factors that collectively explain the intensity of Sweden's transformation over recent years. I will briefly discuss each factor, starting with the economy because it undoubtedly triggered the change.

By the mid 1970's, it was obvious that Sweden had entered a phase of slow and difficult growth and was steadily losing ground to other industrialised countries. These difficulties help to explain the historic defeat of the Social Democrats in the 1976 elections and the formation of the first non-socialist government in the post-war era. This latent crisis exploded in 1990 when Sweden was hit by the worst economic crisis since the Great Depression. Over half a million jobs were lost between 1990 and 1994 (equivalent to 10 % of the workforce), putting an end to the long period of full employment that began during the Second World War. The unemployment rate climbed from 2.6 % in 1989 to 12.6 % in 1994. The crisis began in the private sector but quickly spread to the public sector once tax collection declined. In the midst of galloping unemployment, the public sector was forced to cut jobs and, as a result, its procyclical behaviour deepened the crisis. This process is interesting, because it clearly illustrates the fall of Keynesianism in mature Welfare States. The State loses its ability to balance the economic cycle and turns into a destabilising element of the utmost importance.

An immediate consequence of this pronounced increase in unemployment was a severe fiscal crisis. The unemployment compensation and other types of benefits, which the government had to pay, increased while tax revenue fell. Public spending skyrocketed and hit a record high of 72.8 % of GDP in 1993, while the tax burden, which was shouldered by the active population, could not be increased any further due to the already extreme levels it had reached before the crisis. The public deficit consequently exploded and was at 12.3 % of GDP in 1993, triggering a growing need for public debt as well as a loss of confidence in the Swedish economy, evident in vigorous speculation against the Swedish krona. The fixed exchange rate policy was abandoned in 1992, days after the National Bank of Sweden desperately increased the interest rates to 500 %!

This economic meltdown had widespread consequences. It immediately led to a long and harsh process of lowering public spending by cutting social benefits²¹ and jobs²² and increasing the effectiveness of fiscal services. For the first time in many years, cost controls were urgently needed, as well as opening up public services to a certain degree of internal or external competition. This resulted in a revolutionary internalisation of entrepreneurial spirit in a public sector that, up till then, had lived in the limbo of a planned economy without severe budget limitations. At the same time, it gave the private sector the opportunity, through bidding processes, to provide certain services that had previously been under direct state control.

The effects of the crisis were significant, but even more so was the psychological impact it created. In fact, the crisis was a major trauma for a country that thought its stability and full employment was the norm. But it also triggered a decisive loss of confidence in the Welfare State. Until then, the great majority of Swedes were convinced that the Welfare State would always keep its promises of assuring high levels of security and income. And now, just when they were most needed, the citizens came to realise that the promises were a bluff. This proved that the promises could be kept, only if a small fraction of the population demanded their “rights.” This was true during the long period of full-employment, when the Welfare State was created, and promises of “gold and green trees” (as the Swedes refer to this type of exaggerated promises²³) were made. The foundation of the Swedish model cracked and led to wider criticism of the basic mechanisms of a society that, like few others, had surrendered to the Welfare State.

This economic and confidence crisis would not, despite its magnitude, have led to the profound and permanent changes, which Sweden has recently experienced, had it not coincided with deeper transformations in the Swedish society. Principally, these have to do with a natural development process that creates better-educated and independent citizens who, as they prosper, want to diversify their consumption options and life styles. In short, the Welfare State’s proposal of better schooling, health, housing and social security in return for no freedom of choice was accepted by a society that was taking its first steps towards a Welfare State. However, once this stage was reached, it became increasingly difficult to tolerate the Swedish Welfare State’s extreme forms of monopoly and paternalism. Different opinion polls at the end of the 1980’s showed that the population was tired of the lack of freedom of choice, which was typical of the Welfare State organisation. At the same time, it seemed as if people were willing to accept new ways of organising the welfare area and different forms of privatisation and deregulation, and they made it clear by voting for non-socialist parties in 1991 under the slogan of “freedom of choice revolution.”²⁴

The citizens’ development process and search for a new State–society power relationship also coincided with serious fractures in the Swedish social structure. Mainly, pockets of social and ethnic exclusion began to appear and became common in large and medium-sized cities across the country.²⁵ This was new to Sweden because, historically, its society had been ethnically homogeneous and highly capable of integrating all its social classes and groups.²⁶ These marginal neighbourhoods and the growth of excluded population pockets reflected the Welfare State’s inability to offer what had always been its basic promise, that is, a sense of community based on very similar living conditions and a high level of equality. This new context shed a dramatic light on an underlying conflict between the maximalist Welfare State and the social, ethnic and cultural diversity, which is a result of increasing globalisation and transnational mobility.

As these social changes were occurring, important political and ideological changes, which also affected Sweden, were taking place internationally. We are referring to the rebirth of liberal thought and the crisis of statist socialism that took place in the 1980’s.

In Sweden, the rebirth of liberalism prompted criticism of the paternal State from a more individualistic and pro-market economy perspective. It was expressed through the gradual transformation of the Conservative Party²⁷ into a more liberal party and the breakdown of the, until then, wide consensus regarding the construction and development of the Welfare State. This criticism succeeded in ideologically articulating many people's dissatisfaction with the excessive paternalism of the Swedish Welfare State and also proposed an alternative to an increasingly regulated and planned society. This was the core of the political proposal that voted the young head of the Conservative Party, Carl Bildt, in as Prime Minister in the September 1991 elections. For the first time, a Social Democrat was defeated by a coalition that openly expressed their will to radically change the existing social system.

At the same time, the crisis of "real socialism" and the fall of the Berlin Wall rekindled a leftist criticism of the Swedish statist model, which was first made by popular movements that appeared in Sweden at the end of the 19th century. Now, this "socialism from below" criticised the lack of direct citizen participation in the organisation and direction of welfare services. At the beginning of the 1990's, this more libertarian socialism led the Young Social Democrats to advocate for the democratisation of the Welfare State around the idea of "own power"²⁸ or people having direct power over their everyday lives.

Towards the Enabling State and a Welfare Society

Carl Bildt's government (1991–1994) began the process of dismantling the maximalist Welfare State and the transformation of Sweden into a welfare society in the midst of an unprecedented economic slump. Bildt's brief term in office was outstanding in many ways, but the changes he initiated could have been a historical parenthesis had they not addressed problems that were deeply rooted in Swedish society. This was proven when the Social Democrats returned to office in September of 1994. Practically all the important reforms that had been passed in the recent years were confirmed and some were even intensified by a Social Democratic party that had matured as an opposition party, leaving behind the socialising dogmatism of the Olof Palme era.²⁹

It is not our intent to discuss in detail the sequence or exact implementation of the reforms during the 1990's. Instead, the following summary of their main achievements will be more useful so as to finish this paper with a discussion of the reform process' problems as well as its future outlook.

It is appropriate to begin by analyzing the economy, because the severe economic crisis that broke out at the beginning of the 1990's served as the catalyst for the whole reform process. There are a number of important successes in this area, even though the situation is still vulnerable in many ways. Over the past years, Sweden's public finances and economic growth have been among the most acceptable ones in a rather stagnant Europe.³⁰ Part of this success is attributed to a strict fiscal reorganisation program that reduced public spending from 70 per cent of GDP in 1993 to 54 per cent in 2001. As already mentioned, this was achieved by cutting back on social benefits and jobs and by increasing the effectiveness of public services through restructurings, biddings, privatisations and an overall increase in competition. All this, together with the economic recovery that began in 1994, helped generate a fiscal surplus in 1998 and lower the public debt and total tax burden.³¹

These achievements were, to a great extent, the work of Göran Persson, who became Head of the Social Democratic party and Prime Minister in 1996. Persson was able to implement a program of fiscal austerity that set a ceiling on public spending in 1997 and, as a result, put an end to the Swedish civil service's "soft budget" practice. Moreover, for years Persson showed that he was aware both of the unfeasibility of increasing the total tax burden any further and of the risks posed by the slightest hint of fiscal irresponsibility or redistributive populism for a small open economy like Sweden. This is the key lesson which the crisis of the 1990's taught, shattering the dream of a Welfare State with an ever-expanding economy.³²

The crisis and subsequent economic reforms shook not only the economic foundations of the Swedish public sector, but its internal structure and relationship with the rest of society. Awareness of the fact that the Welfare State had reached its expansion limit prompted an ongoing search for alternative solutions that entail radically new forms of participation of the business sector and civil society alike. It is best to analyze these aspects by considering each one of the four basic organisational functions of welfare services separately, namely demand, supply, financing, and regulation/control.

Regarding demand, a series of truly revolutionary changes have given citizens a degree of control over their basic consumption decisions that, until recently, was unimaginable. Freedom of choice has been recognised, despite some opposition³³, as a fundamental principle of a welfare society with “a human face,” that is, one that respects each individual’s right to make the most important decisions of his or her life. The most radical and outstanding expression of this freedom of choice is the education voucher or check system that was implemented in 1992 and now applies to all primary and secondary education. The system gives parents and children freedom to choose either a public or an independent school. At the same time, there is great freedom to set up independent schools and compete with the public sector on a rather level playing field. This voucher system has placed Sweden at the forefront of the international Welfare State reform movement, successfully combining freedom of choice with basic aspirations for equality and social justice.³⁴

This freedom of choice has created a wave of independent school start-ups. Today, independent school professors, students, and managers add up to more than a quarter million people. Public schools have also been affected by this freedom of choice and the pressure it exerts on them. Nowadays, every school in Sweden (regardless of being public or private) asks itself the same question about user satisfaction that every manufacturer, who depends on his customers’ voluntary decision, asks himself. Public schools have had to break their routine and change their typical monopolistic attitude towards customers who used to have no alternative choices.

This breakthrough in the educational sector has been reproduced in different ways in other sectors. More and more municipalities are using the voucher system for a lot of services, especially those provided to pensioners and the elderly as well as child day care. Also, there is currently wide acceptance of the principle of consumer sovereignty in the health sector, in which medical and hospital care is becoming a system of national freedom of choice.³⁵

Pension funds are another area where freedom of choice has developed in an interesting way. Traditionally, the Swedish system, like many others, was a “pay as you go” system, financed by current taxes. It was modified at the end of the 1990’s, and each taxpayer was given ownership rights over part of his or her pension savings (equal to 2.5 per cent of gross salary) and the right to freely decide which of the alternative funds to invest it in. This has turned the Swedish people into one of the most capitalist societies in the world, creating an atypical popular interest in the stock market’s ups and downs.

These drastic changes concerning demand and citizens' freedom of choice have been accompanied by equally drastic changes in supply of production. A series of reforms has dismantled the State monopoly over the provision of a wide range of services. The reforms entail total or partial privatisations of large state-run companies (especially in areas like telecommunications, urban transport, infrastructure and energy), deregulation of other areas where state-run companies have had to open up for competition (mainly transport but also activities such as the provision of jobs or postal services), widespread bidding in the public sector and the freedom to set up schools, health centres and many other institutions where demand is regulated by the voucher system or by direct payments from the fiscal system.

These changes have had a greater effect in privatised and deregulated areas, where the existing public or semi-public providers are subject to the same operative methods as private firms. The levels of competition and private start-ups in the more traditional service sectors (health, education, child and elderly care) vary throughout the country. This variation primarily depends on the degree of urban density (with the province of Stockholm clearly leading the change) and the composition of political majorities at provincial and municipal levels, with regions that have stable leftist majorities usually falling behind those with shifting majorities and even further behind regions with liberal-conservative majorities. So, there are municipalities where all services for the elderly and child day-care are open to competition or have been privatised (by means of bidding or the voucher system) and others where no change has taken place. Nationwide, a rate of ten to twenty per cent of basic service privatisation is fairly common and is increasing for most services.

These drastic changes in demand and supply have not taken place, to the same extent, in the area of basic service financing. In this case, strict direct public financing (by means of budget allocation or payments to the contract holder) or indirect public financing (via vouchers) do not allow consumers to pay extra for preferential access or higher quality services. However, this does not exclude that the consumer has to pay a certain amount for services, like healthcare, but the fee has to be the same for everyone regardless of who provides the service. The declared aim of this principle is to guarantee relatively equal access to basic health, education and general welfare services.

This has not, however, prevented the creation of alternative access methods to health care services, for example, so as to avoid the inefficiencies and long waiting lists that are so typical of public services. Generally companies, but even the public sector, use these alternative access methods to benefit key employees (or in some cases, all employees). Few companies can risk having a strategic and irreplaceable employee out sick for months, so they pay private health insurance to guarantee quick access to private clinics. For example, when the Social Democratic Prime Minister, Göran Persson, fell ill a couple of years ago, he was treated at a private clinic where other government officials also go, because it would be insane to send them to a public health centre and run the risk of making them wait hours for a doctor's appointment. Ironically, the private clinic that treats the Social Democratic elite also treats a large part of the country's business elite. After the scandal that this inci-

dent provoked, the Prime Minister has had to accept to “wait his turn” for public services just like any normal citizen, although there is no doubt that the waiting list will move more quickly in this case.

There are broader complementary methods of financing for unemployment, health insurance, and pensions that trade unions, companies and insurance firms offer through private insurances. This has created a social security system that is losing its egalitarian trait but is offering larger sectors of society compensation for the levels of economic security that the Welfare State can no longer provide.

Lastly, the regulation and control function is showing an opposite trend to that of the aforementioned areas, because the role of the State and politics has clearly been strengthened.

The appearance of a large number of providers (many of which are private) that compete with each other requires a strengthening of the regulation function and, more importantly, the control function. This is the case of the School Superintendent’s Office, which has been assigned broad control functions over independent schools that, unfortunately, do not apply to public schools.

The growth of the political function of regulation and control may seem paradoxical, but it is actually an important part of every process that aims at creating competitive market conditions. Challenging a widespread belief, a free market is usually more regulated (by private or public law norms) than a state planned or monopoly system that, by nature, hates having its activities subject to controls and being held accountable.

These are the important changes that have gradually turned Sweden into a more human and free welfare society, where a great number of public and private players are providers and where consumers enjoy ever-growing freedom of choice. The State still carries out important tasks in this welfare society, but not in the exclusive and paternalistic way that was typical of the Welfare State of yesteryear, but as an enabling State, i.e. a State that empowers citizens to access a series of welfare services and guarantees their quality levels. However, a lot remains to be done, and there are a number of important problems yet to be solved in this transition from tutorial Welfare State to enabling state and a welfare society. The last two sections of this paper address this point by starting off with an economic view followed by a brief discussion of the problem of social cohesion in an increasingly heterogeneous society that offers its citizens ample possibilities of deciding freely for themselves.

UNRESOLVED ECONOMIC PROBLEMS

The key economic problem that must be solved (regardless of how the welfare system is organised) concerns the dependency ratio. This ratio is crucial in determining the population’s welfare level, particularly when more and more of that welfare depends on

access to interpersonal services. In Sweden, this ratio became a problem after the collapse of full employment at the beginning of the 1990's and will be exacerbated by the demographic trends that will soon affect Sweden and other developed countries.

In terms of employment, the collapse that began in 1990, hit rock bottom in 1994 and, despite the ensuing economic rebound, remained low until 1997. Total unemployment was above 12 per cent until then. There were signs of recovery between 1998 and 2001, with a steady increase in apparent employment and a parallel decrease in unemployment.³⁷ However, this recovery posed two important problems. The first problem is that the new employment level was nowhere near the pre-crisis level.³⁸ The second, and more serious, problem is that all the apparent employment profit was offset by health-related absenteeism. In fact, the truly active population remained almost constant between 1997 and 2001. This situation is alarming and unprecedented, especially since it coexisted with the culmination of a long economic boom that lasted from 1994 to 2001. As a result, the economic cycle peaked with the same effective employment rate as when the cycle was at its lowest point.³⁹

Employment has dropped once again since the 2002 economic downturn, to which must be added a continuation of health-related absenteeism plus a sharp increase in early retirements.⁴⁰ Additionally, demographic changes are going to impact labour supply and the distribution of population by age in the coming years. The amount of people leaving the labour market will outnumber those entering it, generating an annual deficit of 20,000 people (0.4 per cent of the work force) over the following decades. Also, it is estimated that the number of people over 65 years old will more than double and the ratio of active to passive population will drop considerably over the next thirty years.⁴¹

These trends are already putting pressure on the public budget. The 2005 budget supposes a deficit of 5.1 per cent that will increase the public debt by the equivalent of 5,500 million US dollars (using the exchange rate in effect at the end of March 2005). The deficit's most immediate and destabilising by-product is the hike in the cost of sickness benefits; during 2004, it absorbed no less than 16 per cent of the state budget and almost tripled the public debt interest payments.

The underlying causes for these budget strains (namely, the ratio of tax burden to national income as well as the ratio of active to passive population) lead us straight to the three most important dilemmas the Swedish society must solve over the coming years.

The first dilemma can be called the loyalty or trust relationship between citizens and the State. A country like Sweden that provides broad and generous social benefits, necessarily assumes that, on the one hand, its citizens are willing to work and contribute a high percentage of their income to the State coffers and, on the other hand, will not misuse or take advantage of the subsidy systems. It is simply assumed that the people and State build this relationship on a strong foundation of decency and social solidarity. However, this moral foundation is showing visible and worrying cracks. Sweden in general and social democ-

racy in particular are currently suffering what can be called a widespread moral crisis; this is reflected in a series of corruption scandals, which have shocked a country that had a very different idea of itself and of the Social Democratic Party.⁴²

Symbolically, these scandals are very significant, but even more distressing in terms of public finances and general welfare is the population's growing disposition to skip work or simply drop out of the active population. Ultimately, it reveals a different mindset regarding rights and obligations combined with a net wages versus subsidy relationship that does not encourage legal employment (rather, it provides important incentives for illegal employment). This problem is increasingly difficult to solve once "living off other peoples' work" becomes common practice in a society, where institutional and economic mechanisms are based on a strong work ethic and citizen responsibility.

Given the current framework, a cure for this "absenteeism epidemic" entails strengthening the State's control and sanction mechanisms to such an extent, that it would end up being an intrusive and harsh patron-State. This would not only be undesirable, but politically devastating for the party or parties willing to carry it out. A feasible alternative is to clearly re-establish the individuals' responsibility for personal social security as well as provide incentives to work instead of sponging off others. It will be difficult to stop the current wave of desertion from the workforce as long as many people receive the same, or marginally more, income by working than if they did nothing. In this case, it is the taxpayer who foots the bill. In perspective, we can foresee the implementation of highly personalised social security systems, with the State playing more of a regulatory role and only assuming welfare functions when dealing with people who cannot be responsible for their own welfare.⁴⁴

The second dilemma refers to the future financing of welfare services, considering that the Swedish State's taxation base has almost reached its limit. As already mentioned, this limit is the theoretical and actual evidence that any increase in the tax burden is detrimental. The dilemma itself is important, given a wealthy society's predisposition to consume more and more interpersonal services, especially in the health, education and elderly care sectors. In this way, Sweden can slowly turn into an underdeveloped country in terms of welfare services, if it insists on financing them with taxes. As already mentioned, this prospect has led to the design of alternative methods of financing, but many more are going to be needed in the future.

Demographic changes make this dilemma even more serious. It is obvious that the upsurge of the elderly and retired population is going to put tremendous pressure on the already-insufficient and vulnerable tax base. This could lead to an intergenerational struggle for public funds with uncertain consequences. Theoretically, the outcome of this struggle should favour the active population, in part because it will enjoy a privileged position in a structurally under-supplied labour market and will have the opportunity of earning higher net wages abroad. This prospect will no doubt drive labour taxes down and further intensify the problem of financing welfare services through the fiscal system.

The third dilemma stems from the previous two and has to do with alleviating the shortage of active population through immigration. This is one of the most debated issues in Sweden and Europe today. Sweden alone will need 750,000 new immigrants per year over the next 15 or 20 years.⁴⁵ Also, it is clear that the majority of these potential immigrants will have to come from other continents, because every European country (including those in Eastern Europe) is suffering from the same shortage.

The prospect of opening up to this type of immigration poses a real dilemma, considering that many immigrant minorities are already socially and ethnically excluded, and the level of hostility towards non-European immigrants in Europe. Sweden is one of the few countries in Western Europe that does not have an important xenophobic political party, something particularly remarkable given that both Norway and Denmark have influential parties that put “the immigration issue” high on their agendas. Therefore, Sweden’s political elite is concerned about the organisation of a political faction that can channel a large sector of the population’s blatant resentment towards immigrants, who they see as economic parasites and a cultural threat.

As we can see, opening up to this kind of immigration is a difficult decision to make.⁴⁷ Its political risks are evident and its real economic advantages are uncertain, unless methods of integrating immigrants to society ensure that they find a job quickly and are discouraged from using subsidies as a means of subsistence. The latter presupposes immigrants will either have a separate system that does not give them immediate access to social benefits, or that the whole Swedish welfare system will change and – like the United States after Bill Clinton’s famous reform – contributions will have to be made in exchange for social aid.⁴⁸ I believe both things will happen, given the need to increase the active population by employing idle sectors of the immigrant population and by attracting new immigrants.

THE GREAT DILEMMAS OF THE FUTURE

The transition towards a welfare society where citizens have different life styles and high levels of freedom poses difficult problems outside the economic sphere. Actually, it involves the delicate balance between different freedoms, choices and values, which can be positive and complementary, but can also be controversial and destructive if upheld in a unilateral way. This is an issue that goes way back and basically deals with choices, which every open society has to make, between freedom and equality, diversity and social cohesion and individuality and community. These choices are present in three ongoing debates over the future of the Welfare State in Sweden. The first debate refers to the limits of privatisation and profit-making, the second one focuses on the limits of socioeconomic inequality and the third debate concerns the limits of cultural diversity.

What can be privatised and how should it be done? Is it wise to allow profit-making and business practices to permeate the entire welfare sector? What levels of profit should be tolerated in the education and health sectors? These questions appear in newspaper

editorials, political debates, academic theses, and parliamentary investigations. We are far from a consensus, and the Social Democratic party is very ambivalent about these issues, often combining anti-private enterprise rhetoric with rather tolerant actions towards it. Regarding the health sector, for example, the not-for-profit privatisation of all hospitals was accepted, excluding less than ten hospitals that are associated with, or are part of, a university. No restriction of this nature is made for clinics or medical centres. The basic condition is that the privatised institutions remain exclusively inside the fiscally financed health system (in other words, they can not treat private patients). With regard to schooling, unrestricted start-ups of independent schools have, in theory, been authorised so far, as long as they comply with regulations that apply to public schools. This is creating widespread support for privatisations that entail an almost unrestricted entrance of different players (profit and non-profit), stricter operational regulations, and a few restraints that are mainly symbolic. This does not, of course, refer to public functions concerning the exercise of State authority itself.

The government is also investigating what level of profit these privatised basic services should be allowed to enjoy. No doubt the creation of a special type of public limited company will be proposed, setting a ceiling for owners' profits. The problem with such a ceiling is that it could discourage private investment in key welfare sectors. This would be detrimental, because there is a great need for complementary investments at present (and there will be a greater need in the future) due to the difficulties of increasing welfare service financing through taxes.

The limit of socioeconomic inequality is a delicate issue, because the idea of levelling has prevailed in Sweden for decades. The dilemma can be posed in the following way: no one wants people to live in absolute poverty in Sweden, but it is clear that the general level of welfare will decline unless there are more incentives to work and disincentives to "living off other people's work."

On the other hand, it is clear that greater differences in net income will inevitably lead to greater differences in access to welfare services, due to increases in private demand or of the private insurance sector. This dilemma can be posed in the following way: it is desirable to guarantee the entire population a base of social welfare and security, but it is also desirable that more available income be spent on welfare sectors, particularly on education, because it is strategic in terms of growth.⁵⁰ At the same time, growth cannot be achieved if better and more efficient services are not offered to people who are willing and able to pay extra for them. One of the important issues in Sweden's future will be whether to accept this inequality or not, and to what extent.

Finally, there is the issue of setting limits to cultural diversity, by far the hardest and most controversial problem in Sweden and other European countries.⁵¹ Sweden is arousing from a long, multicultural dream, in which it believed that all cultural expressions were compatible with each other and with an open society's core values. This poses two important dilemmas. The first dilemma refers to the level of religious freedom, especially when

dealing with religious practices that do not respect the secularisation of social life and, if totally accepted, could very well lead to the creation of a State within the State. The second dilemma addresses the potential conflict between group and individual freedom. The freedom of a certain group to choose its own life style can lead to sectarian aspirations if they intend to control their surroundings and members (especially children) in ways that defy the basic principles of freedom and individual integrity.

In Sweden, this conflict has surfaced in different ways, including the murder of two young women of Middle Eastern origin (who committed the “crime” of wanting to live freely, like any Swedish woman), reports on Imams who encourage or cover up female circumcision, and religious schools where both the syllabus as well as the way children are treated do not comply with national requirements. All these issues are associated with the ongoing international conflicts that confront Western democracies with Islamic fundamentalism. In essence, it involves the clashes between modernity and traditional forms of society, and individualism and collectivism that are typical of societies that are opening up.

These are the dilemmas Sweden will have to face in the years to come. The future organisation of the welfare society will depend, to a great extent, on how these problems are tackled in a freer and ever more globalised world. What we know for a fact is that we are leaving behind us the Welfare State of the past, that paternalistic Welfare State that offered handouts while imposing itself, and imposed itself by offering handouts. Despite what some people wanted to believe, it was neither the end of history nor the culmination of human development. In the end, just like every other product of history, the Welfare State was incompatible with the development of the society, which created it and therefore, it now belongs in the world of myths and memories.

Notes

1. I use the concept “tutorial state” to designate the Swedish modality of what is commonly called the Welfare State. The aim of the tutorial state is not only to care for the citizens’ welfare but to mould their lives through the creation of monopolistic welfare services.
2. Tingsten’s notion of a transformation of Social Democracy into a social-liberal party with nothing really socialist about it has been criticised in the above-mentioned work by Leif Lewin published in 1967.
3. The actual expression *folkhemmet* was coined by a farmer – Alfred Petersson of Påboda, M.P. and cabinet minister – and had previously been used by such right-wing radicals as Rudolf Kjellén and Manfred Björkquist.
4. For a detailed analysis of the affinity between the old Christian utopia and socialist thinking, see my doctoral dissertation, *Renovatio Mundi* (Rojas 1986).
5. Input data for the analysis in this and the following section have been taken from the following studies: Dahmén 1985a, Söderström 1990, Davidsson 1994, Eklund 1994, Holmlund 1994, Schön 1994, Industriförbundet 1995, Ingelstam 1995, NBER 1995, Wetterberg 1995, Davidsson 1996, Henrekson 1996, and Ringqvist 1996.
6. The scaling-down of health insurance benefits played an important role here which clearly illustrates the importance of institutional conditions in such a context.
7. What I mean by tutorial or maximalist Welfare State is an extreme type of Welfare State that intends to achieve a total monopoly on the services and institutions that form the life of citizens, that is, a monopoly on childcare, schooling, higher education, health, radio and television, social security, social assistance, eldercare and retirement. This monopoly refers to the type of services that are offered as well as to who supplies them, has access to them, finances them and finally, who regulates them and how it is done.
8. Independent schools (*friskolor*) are supervised by the School Superintendent’s Office and they enjoy a relatively high level of freedom to teach. These schools are run by private for- or not-for-profit organizations and are open to everyone. Unjustified discrimination in admissions is prohibited, as is receiving contributions other than the school check granted by the Municipality.
9. The exact figures for 2003–2004 were 506 primary schools with 65,039 students and 234 secondary schools with 33,521 students.
10. A short historical account of this peculiar development can be found in my book titled *The Rise and Fall of the Swedish Model*, published in London in 1998 by Social Market Foundation. Perry Anderson’s characterization of the development of Swedish absolutism (which he considers to be a historic anomaly) is interesting and can be found in his book *Lineages of the Absolutist State* (*El Estado Absolutista*, published in Spanish in 1985 by Siglo XXI).
11. During the 50 years prior to the outbreak of the First World War, the industrial hourly wage increased at a real ten-year period rate of 25 per cent and industrial workers’ income almost tripled.
12. The Social Democratic party was in power from 1932 to 1976 almost without interruption, came back from 1982 to 1991 and again in 1994 to date. Voter support for the party was always over 40 per cent between 1930 and 1988 and even passed the 50 per cent mark on four occasions. However, the Social Democratic party got less than 40 per cent of the votes in the 1991, 1998 and 2002 elections. At the beginning of 2005, opinion polls show that the Social Democratic Party, after a long series of corruption scandals, gathered just over 30 per cent of vote intentions.

13. A fact that was a key to the Social Democratic hegemony and “Swedish model” up to the end of the 1960’s was that private enterprise’s and the Welfare State’s tasks were clearly defined, where the Welfare State respected freedom of enterprise in industry, trade, and finance and the business community respected an unlimited state monopoly in the welfare areas.

14. Alva & Gunnar Myrdal, *Kris i befolkningsfrågan* (“Crisis in the Population Issue”), Bonniers, Stockholm 1934, p. 203.

15. The total tax burden doubled between 1960 and 1989, jumping from 28 to 56 per cent of GDP. This increased the tax burden gap that separated Sweden and from the OECD countries’ average until reaching 53 per cent in 1990. Also, public spending increased from 31 to 60 per cent of GDP between 1960 and 1980 and public employment tripled during this period.

16. This step from *grundtrygghet* (basic security in Swedish) to *inkomstbortfallskydd* (protection against loss of income) was fundamental for what the Social Democratic party itself referred to as the step towards a “strong society” (*det starka samhället*), really meaning a “strong State.”

17. It is useful to point out that the Swedish State is comprised of three levels, namely, the central, the provincial and the municipal administrations. Provinces play an important role in providing health care services and municipalities have an important role in providing educational and child and elderly care services. Municipalities are also responsible for social assistance, subsidies that are granted to the population that does not work and does not have access to other social services.

18. In terms of income per capita, Sweden is lagging behind all its Nordic neighbours (Denmark, Finland, Iceland and Norway), as well as countries like Ireland, Austria, Great Britain, Belgium and Holland. Also, countries that were comparatively poor, like Portugal and Greece, have narrowed the gap that previously separated them from Sweden by over 50 per cent. Sweden’s relative slowdown is apparent when comparing its absolute increase in national product with the United States’. The Swedish economy grew by 68 per cent between 1975 and 2003 whereas the United States’ economy grew by 141 per cent!

19. This is a typical problem that explains, for example, why the American tax system is much more progressive than Sweden’s. It also explains why Sweden has the highest taxes in the world on the lowest salaries, thwarting the creation of “entry jobs” to the labor market. Currently, the minimum total tax level for a full day employee is approximately 60 per cent of his or her income. Also, the highest total tax level is approximately 70 per cent of income, therefore, tax progression is very limited and there is no leeway for further tax increases.

20. “Fordism” refers to the methods of production and consumption patterns that characterised mass production in mature industrial societies. The essence of its philosophy was expressed by Henry Ford, when he declared that consumers were free to choose the car they preferred, as long as it was a black Ford-T.

21. The cut-back in benefits was primarily achieved by lowering or fixing payment and subsidy ceilings. This has resulted in a greater loss of income for large sectors of the middle class when ill or unemployed.

22. Around 187,000 public employees lost their jobs between 1991 and 1997.

23. The Swedish expression is “*Guld och gröna skogar*.”

24. The Swedish concept is *Valfrihetsrevolution*. The September 1991 elections caused a real public uproar, because voter support for the Social Democratic Party fell, for the first time in 60 years, under 40 per cent (it was 37.7 per cent to be exact).

25. A thorough investigation on social and ethnic exclusion in Sweden was published in December 2004. It reported the existence of more than 130 poor neighbourhoods in 2002, characterized by severe marginalization in terms of work, education and electoral participation. See *Utanförskapet karta* (“Map of Exclusion”), presented by the Liberal Party of Sweden.

26. This is not entirely correct, because Sweden has always had small marginalized groups of population, like the Lapps in the north or semi-nomad indigenous or Romany groups.
27. *Moderata samlingspartiet* is a party that, under the leadership of Gösta Bohman and young liberals such as future Prime Minister Carl Bildt, increasingly distanced itself from the conservative state paternalism.
28. *Egenmakt* in Swedish, meaning “own power.” Concepts or slogans such as “Consumer influence” (*brukarinflytande*) and others that reflected the demand for less statism and more citizen participation characterized the criticism of the system that emerged from within the Social Democratic movement itself.
29. Olof Palme was the leader of Social Democracy from 1969 to his assassination in 1986. His leadership reflected the political radicalization that affected Swedish society as of the end of the 1960’s and led to a Social Democracy that broke loose from its tradition of moderation and search for compromises mainly with the business sector.
30. Sweden’s accumulated increase in GDP was 18.4 per cent between 1997 and 2003 while the 15 countries of the European Union presented an accumulated increase of only 13.7 per cent.
31. The public debt dropped from 80 to 53 per cent of GDP between 1994 and 2000, and the total tax burden was about 50.5 per cent of GDP between 2000 and 2002, after having hit 56 per cent of GDP in 1989.
32. However, at the beginning of 2005, Persson abandoned his stance of tax realism and once again mentioned the need to further increase taxes. This political turnabout was a surprise and even generated remarkable opposition within the Social Democratic Party itself. Also, the aforementioned party’s fall in popularity in opinion polls has given Göran Persson something to think about.
33. The opposition comes from different sectors and is both ideological and pragmatic. The leftist sector with a Communist past, together with the more reactionary Social Democratic and labour union sectors head the ideological opposition. But the “pragmatic opposition” is still more important and comes from employees in the provincial and municipal civil service who, for budget or power reasons, try to complicate or directly stop citizens from exercising and/or extending their freedom of choice.
34. It is worth noting that the Swedish system of school choice has aroused great interest in the United States, mainly among Conservatives who consider the Swedish system should be taken as a model.
35. However, there are large regional differences in this case because, unlike schooling, this freedom of choice is not based on a national law but on decisions of provincial governments. Therefore, there is a stark contrast between the complete freedom of choice in the province of Stockholm (basically, health service providers are paid according to the principle that “the money follows the client”) and the virtual lack of freedom of choice in the northern region of the country, where the geographic dispersion of the population, together with strong leftist majorities, have succeeded in blocking the process.
36. Even so, some of these companies still receive preferential treatment in the event of a crisis. The State Railways is a useful recent example: its huge deficit would have made any private company go bankrupt, but in this case, political decision was made to save the company by covering its deficit.
37. The apparent employment rate increased from 73.4 to 78.2 per cent of the population between 20 and 64 years old and the total unemployment rate fell from 12.5 to 6.5 per cent between 1997 and 2001.
38. At the end of the 2001–2002 economic cycle, there were more than 200,000 jobs less than in 1990. Moreover, the employment rate for the population between 20 and 64 years old was 86 per cent in 1990 and only 78.2 per cent in 2001.
39. Effective employment (in this case, people between 20 and 65 years old who actually work) was 70.1 per cent in 1997 and 70.6 per cent in 2001.
40. The number of early retirees jumped from 350,000 in 1989 to 542,000 at the end of 2004.

41. It is estimated that between 2002 and 2032, the number of people over 65 years old will increase from 1.53 million to 2.33 million and the ratio of people between 25 and 64 years old to people over 65 years old will fall from 3.1 to 2.1.

42. One of the most important scandals that greatly affected the public sector's overall credibility involved about a hundred employees of the powerful state retail alcohol monopoly (*Systembolaget*), whose top manager happens to be the Prime Minister's wife. Even the king, *Carl XVI Gustaf*, mentioned these scandals in his 2003 Christmas speech: "It hurts to discover that the dreamland we lived in, and wanted to live in, was a breeding ground for frivolousness and greed." A series of scandals that were uncovered at the beginning of 2005 have directly affected the Social Democratic Party and the trade union movement. In this way, the party's political capital has been quickly reduced, confirming beyond a doubt that 'power corrupts' also goes for Sweden.

43. It is interesting to point out that this epidemic of health-related absenteeism and labour dropout has broken out among one of the healthiest societies in the world, but there is no trace of actual worsening general health conditions. Also, there are seemingly no remarkable changes in work conditions that justify this trend.

44. In Sweden, this personalized social security system has been proposed in the form of individual social security accounts or funds, including pensions.

45. This number has to be put into perspective by taking into account that Sweden's total population is just over 9 million inhabitants.

46. The reason why there is no xenophobic party in Sweden has nothing to do with the lack of potential support. A xenophobic party called New Democracy appeared in 1991 and did amazingly well in the elections that were held that September. However, the party later collapsed because it lacked clear leadership and internal organization. A whole generation of political activists were disillusioned and Sweden became, at least for a while, a Scandinavian exception.

47. This is a hot topic because the *Riksdag* (Parliament) has theoretically accepted this type of immigration, but the government has turned a deaf ear to this historic decision.

48. This could mean contributing work outside the normal labour market, possibly combined with hands-on experience, studies or other activities that aim at preventing the creation of a culture of dependency and passiveness on the one hand, and preventing people who have an illegal job from receiving a subsidy on the other. In February 2005, the Liberal Party issued a proposal along these lines (I am the author) and it caused a great political uproar.

49. In Sweden, the issue concerning socioeconomic equality is complex and controversial. There is a high degree of equality at the current net income level (from worker subsidies). At the same time, differences in accumulated wealth are larger than the differences that exist in the United States. Sweden's most peculiar trait is that it is almost impossible to make a fortune by working, given the high tax burden on income from labour. Therefore, economic mobility due to accumulated wealth is very limited and much less common than in the United States.

50. From a development point of view, it is ridiculous not to let people make extra contributions to the education check so they can assure that their children have a better education and, by doing so, increase society's total expenditure on education. As a result of this prohibition, the available income is spent on tourism, cars, clothes and other non-productive consumption goods. In this sense, the Chilean voucher system, that allows parent's additional contributions, seems much more rational and pro-development.

51. The debate in France over the use of the Islamic veil and other religious manifestations in public schools is a clear example of this type of dilemma that currently stirs reactions all over Europe, dividing both sides of the political spectrum and distancing conservatives, liberals, and socialists.

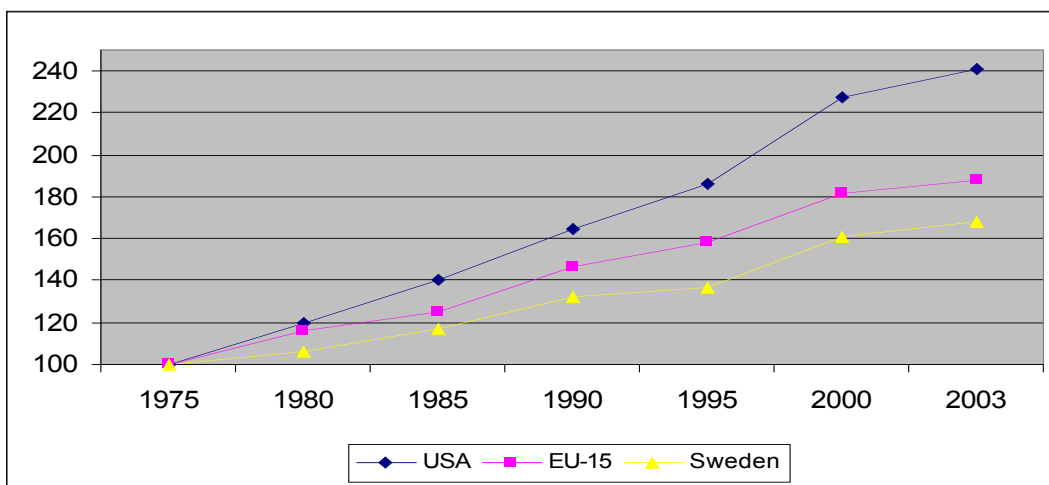
Statistical Appendix

Figure 1

Accumulated increase in Gross National Product, 1975–2003.

Sweden, European Union and the United States.

Index 1975 = 100



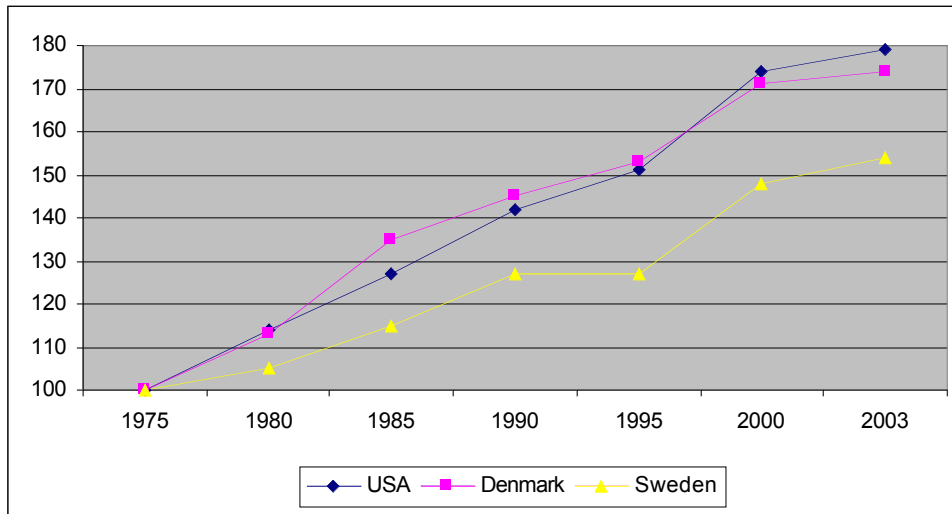
Source: Fakta om Sveriges ekonomi 2004. Svenskt näringsliv 2004.

Comment

This figure shows the significant lag in the Swedish economy as of the mid-70's, not only when compared to the dynamic economy of the United States, but also in relation to the European Union average (taking into account the 15 member states of the Union before its recent expansion). The United States' economy grew 141 per cent during the period in question, more than doubling the growth of Sweden, which only reached 68 per cent. Sweden's lag is apparent before the severe crisis at the beginning of the 90's. By 1990, the accumulated increase in the United States' GNP (65 per cent) doubled the Swedish increase (32 per cent). Therefore, the problems of the Swedish economy can by no means be considered circumstantial.

Figure 2

**Accumulated increase in Gross National Product per capita, 1975–2003.
Sweden, Denmark and the United States.
Index 1975 = 100**



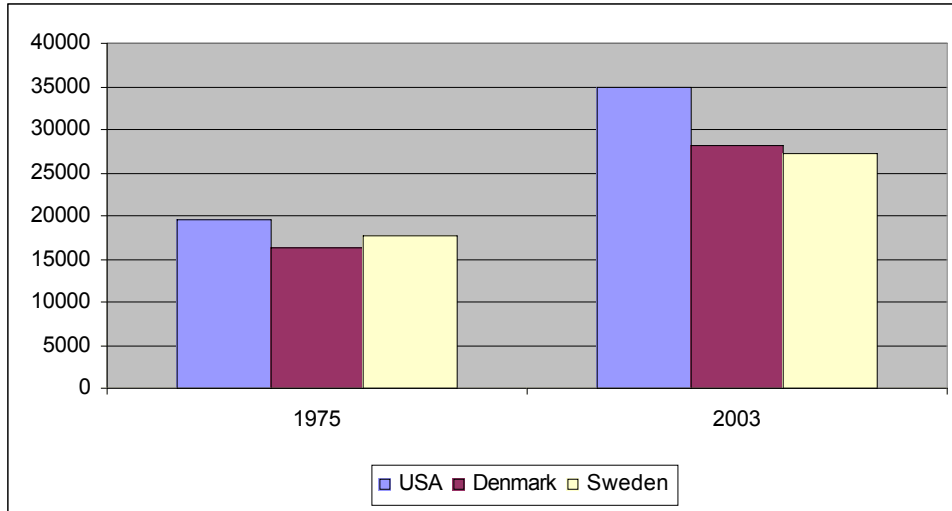
Source: *Comparative Real Gross Domestic Product Per Capita – Fourteen Countries, 1960–2003*.
U.S. Department of Labor, 2004.

Comment

Sweden's lag is slightly reduced when considering economic growth per inhabitant. This is due to the United States' strong demographic growth in comparison to Sweden's. Including Denmark in this graph allows us to compare Sweden with a small country with relatively similar cultural, social and demographic characteristics. We can note that, in terms of growth per capita, Denmark is similar to the United States. This is due to a combination of successful political reforms during the 80's and a much more flexible labour market than Sweden's, plus a business structure that has a significant component of small and medium-sized firms when compared to Sweden, where a small group of large transnational companies has been the backbone of the economy.

Figure 3

National Product per capita, 1975 and 2003.
In 1999 US Dollars, adjusted by purchasing power parity.
Sweden, Denmark and the United States.



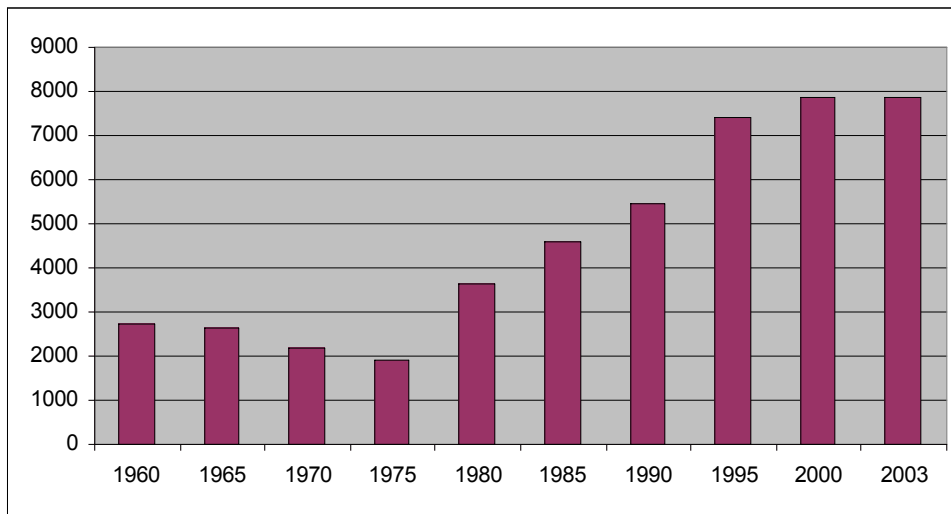
Source: *Comparative Real Gross Domestic Product Per Capita – Fourteen Countries, 1960–2003*.
U.S. Department of Labor 2004.

Comment

Figure 3 shows the real relation between the three countries' product per capita. We can see that the difference between Sweden and the United States was almost insignificant in 1975. The situation in 2003 is very different, and we can also see how Denmark pulls away from Sweden as a result of the development displayed in Figure 2. The same goes for Sweden's other Nordic neighbours: Norway and Finland.

Figure 4

**Difference between Sweden's and the United States' National Product per capita in 1999
US dollar terms, adjusted by purchasing power parity, 1975–2003.**



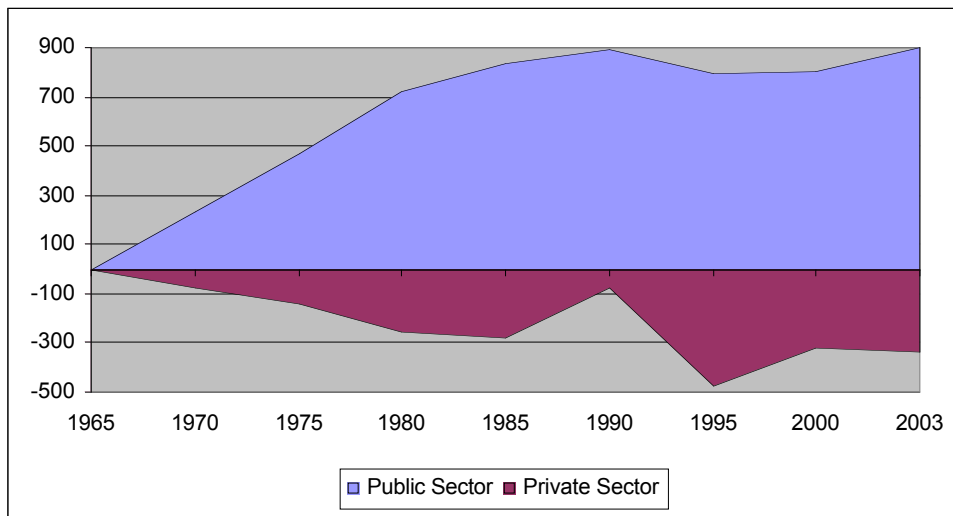
Source: *Comparative Real Gross Domestic Product Per Capita – Fourteen Countries, 1960–2003*.
U.S. Department of Labor 2004.

Comment

Figure 4 leaves no doubt as to the price every Swedish citizen pays for the country's economic lag. It entails no less than USD 6,000 per person each year. Figure 4 also reflects the change that Sweden experienced in the mid-70's in comparison to other developed economies. We can see how the difference between Sweden's and the United States' product per capita decreases up to 1975. This trend later reverses, making the average Swede poorer and poorer compared to his or her American counterpart.

Figure 5

Accumulated variation of employment in the private and public sectors between 1965 and 2003. Measured in thousands.



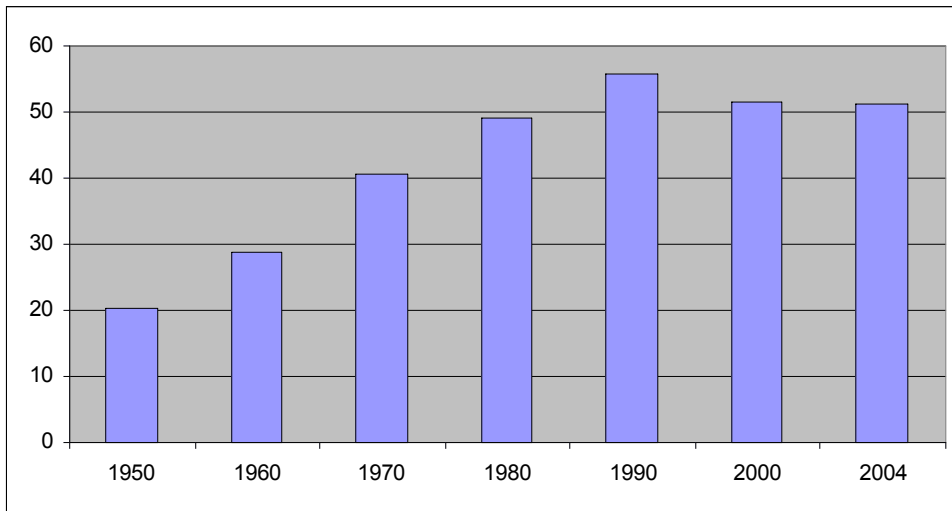
Source: Fakta om Sveriges ekonomi 2004. Svenskt näringsliv 2004.

Comment

This figure reflects one of the most characteristic traits of Sweden's development during the last four decades: the absolute loss of employment in the private sector and the remarkable parallel expansion in the public sector. In 2003, the private sector employed 300,000 less people than in 1965. At the same time, the public sector had expanded its employee base by no less than 900,000 jobs. This trend is particularly apparent between 1965 and 1985, two decades that witnessed the highpoint of the old Swedish model. As of 2000, we can once again note the diverging development of decreasing private employment and increasing public employment.

Figure 6

Total tax burden as a percentage of Gross National Product, 1950–2004.



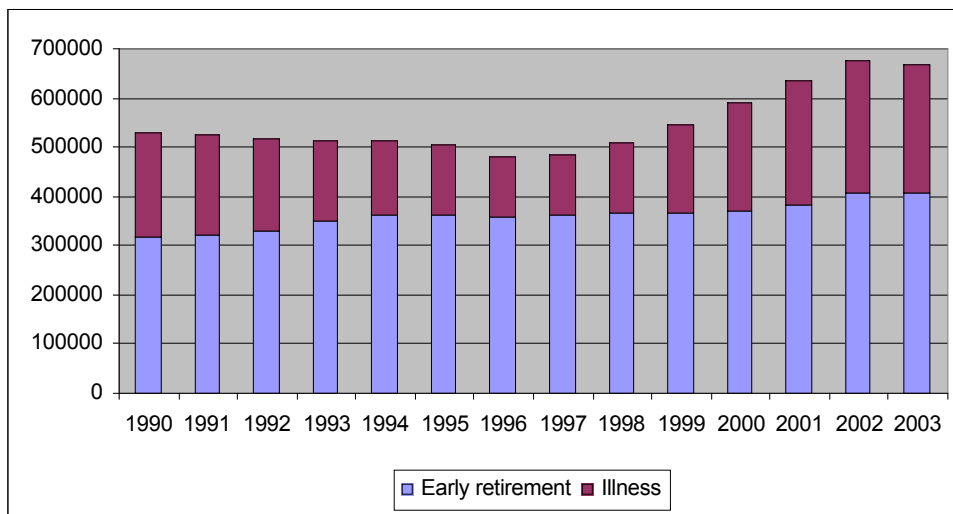
Source: *Skattetryckets utveckling 1950–2004*. Skattebetalarnas förening 2005.

Comment

Figure 6 denotes another trait of Sweden's development over the past decades: the significant increase in total tax burden. We can see how, up to 1960, Sweden was a country with rather moderate taxes and did not present major differences with other developed countries. The important tax expansion took place between 1960 and 1980, with a new hike at the end of the 80's. At that moment, the Swedish tax burden doubled the United States' and was 20 per cent higher than the OECD countries' average. Evidently, this is one of the fundamental causes for the Swedish economic crisis at the beginning of the 90's and the subsequent struggle to ease the tax burden to some extent.

Figure 7

Variation in the number of full working days that are lost per year due to early retirement from the workforce and illness, 1990–2003.



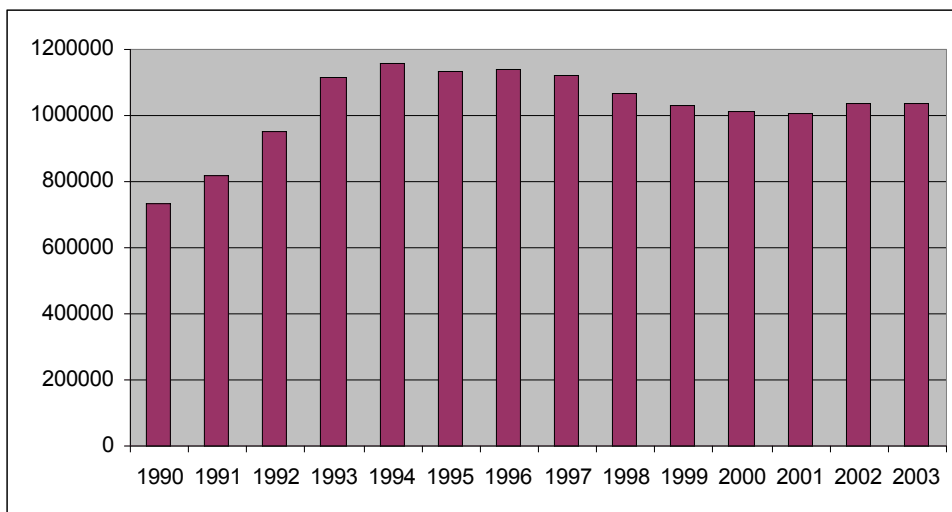
Source: *Beräkning av antalet personer som försörjs med sociala ersättningar och bidrag, 1990–2003.* SCB (Central Office of Statistics, Sweden) 2004.

Comment

Figure 7 shows one of the most troubling, recent trends that affect the Swedish social security system. It entails the fast increase in permanent or temporary absenteeism of a large percentage of the workforce due to illness-related issues. We can see how the process begins in 1998 and increases absenteeism from 485,000 annual working days to 678,000 over a 5-year time span. So, for instance, the 270,000 annual working days that were lost due to temporary illness in 2003 are a result of the absenteeism of more than 800,000 people during part of that year. The increase in absenteeism due to illness-related issues coincides with the rebound in the level of employment as of 1998.

Figure 8

Population between 20 and 64 years of age that lives off some sort of aid or social security system during the entire year, 1990–2003.



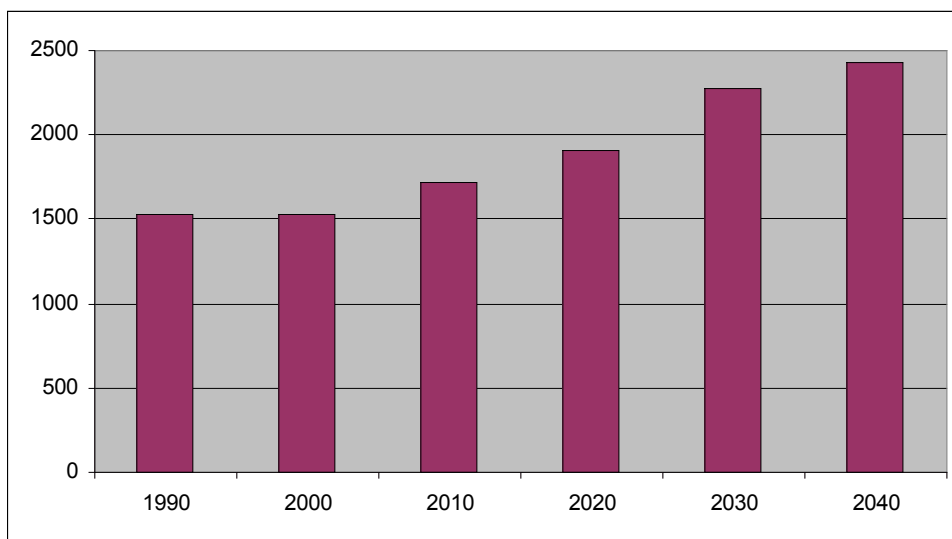
Source: *Beräkning av antalet personer som försörjs med sociala ersättningar och bidrag, 1990–2003.*
SCB (Central Office of Statistics, Sweden) 2004.

Comment

This figure summarises the most immediate threat to the Swedish welfare system. It has to do with the significant increase in the number of people belonging to the active population that live off fiscal transfers. We are dealing with annual equivalents. The real number of people between 20 and 64 years of age who, during part of the year, lived off some type of fiscal transfer was over 1,800,000 people; this is an outstanding number considering the total population in that age group was 5.2 million people.

Figure 9

Real increase in the population over 64 years of age between 1990–2000 and its projection to 2040. Measured in thousands.



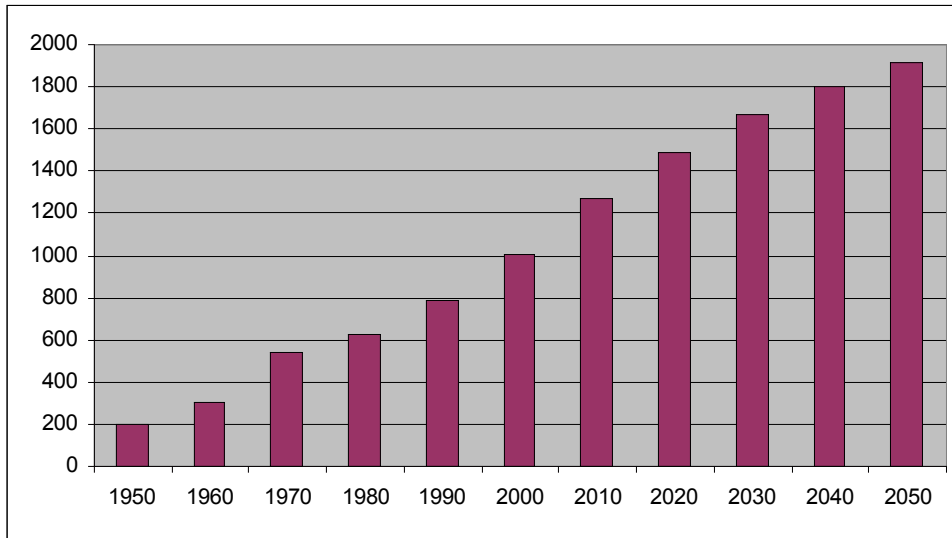
Source: *Sveriges framtida befolkning 2004–2050*. SCB (Central Office of Statistics, Sweden), 2004.

Comment

Figure 9 reflects the estimated increase in the population over 64 years of age. There is a rapid increase as of 2000 and it is greatly reinforced between 2020 and 2030. During this decade, the age group in question is expected to increase by 20 per cent (377,000 people) while the population between 20 and 64 years of age should decrease by 2 per cent (98,000 people). This projection assumes that there is a relatively high fertility rate: 1.85 children per woman and that the mother gives birth to her first child at the average age of 30. Another factor, which is taken into account is an annual immigration of 59,000 non-Swedish born people and an emigration of 29,000 people from the same group, leaving an annual surplus of 30,000 people. Regarding Swedish-born people, a net migration deficit of 6,000 people is considered.

Figure 10

Number of non-Swedish born residents in the country between 1950 and 2000 and its estimate for 2000–2050. Measured in thousands.



Source: *Sveriges framtida befolkning 2004–2050*. SCB (Central Office of Statistics, Sweden) 2004.

Comment

This final figure shows one of the most significant aspects of Sweden's post- Second World War development: the large wave of immigration that broke out after 1940 and, according to estimates, will continue intensely. In 1950, 2.8 per cent of the Swedish population were immigrants. In 2000, they reached 10.6 per cent and in 2004 they had already passed the 12 per cent mark. If we add immigrants' children, in 2004 the figure rises to 20 per cent of the population of Sweden. As seen in the figure, immigration will continue to rise in the future. The projection, carried out by the Central Office of Statistics of Sweden (SCB) and based on the assumptions mentioned in the previous comment, shows that the net increase will equal 800,000 immigrants up to 2050, raising the number of immigrants to 18 per cent of the country's population. If we add the so-called "second generation," the figure comes close to 40 per cent of the Swedish population. This completes the transformation of what was recently one of the most ethnically homogeneous countries in the world into a multi-ethnic society. Finally, it is interesting to note that despite the high level of immigration used in the assumptions, the current demographic balance between people over 64 years of age and the rest of the population could not be maintained.

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