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**WELFARE PROVISION IN SWEDEN AND
THE DOMINANT POSITION OF THE SAP**

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List of Abbreviations and acronyms

ATP	National Pensions Fund System (<i>Allmänna pensionfondens</i>) – there were ten funds in 1984-1991; three restricted to bonds to AO-Funds and five WEFs.
EFO	Economic model estimating justified wage increases according to sheltered and competitive sectors – named after the first initial of the three authors.
EMU	Economic and Monetary Union – introduction of a single currency, the Euro, between participating EU member states.
EU	The European Union, formerly The European Communities (EC).
LO	The Confederation of Swedish Trade Unions (<i>Landsorganisationen i Sverige</i>).
MBL	The Co-Determination (in Work) Act (1976).
RRV	The National Audit Bureau of Sweden (<i>Riksrevisionsverket</i>) – the government body that administers the state pension fund system.
SACO	The Swedish Confederation of Professional Associations (<i>Sveriges akademikers centralorganisation</i>).
SAF	Swedish Employers' Confederation (<i>Sveriges Arbetsgivareförbund</i>).
SAP	The Social Democratic Workers' Party of Sweden (<i>Sveriges Sökialdemokratiska Arbetarparti</i>).
SEB	<i>Skandinaviska Enskilda Banken</i>
SHB	<i>Handelsbanken</i>
SI	Confederation of Swedish Industries (<i>Sveriges Industriförbund</i>).
SNS	<i>Studiesförbundet näringslit samhälle</i> (Centre for Business and Policy Studies)

SPD	Sozialdemokratische Partei Deutschlands (Social Democratic Party of Germany)
TCO	The Swedish Confederation of Professional Employees (<i>Tjänstemännens Centralorganisation</i>).
TNCs	Trans-National Corporations.
TWEP	Third Way Economic Programme – the macroeconomic strategy implemented by the 1982-1991 SAP government.
VP	Left Party (Vänsterpartiet).
VF	<i>Verstadsindustriförbundet</i> (The Association of Swedish Engineering Industries).
WEFs	Wage Earner Funds (Löntagarfonderna).
AMS	<i>Arbetsmarknadsstyrelsen</i> (Swedish Labour Market Board)
CDU	<i>Christdemokratische Union</i> (Christian Democratic Union, Germany)
IUI	Industriens utredningsinstitut (The Industrial Institute for Economic and Social Research, Sweden)

CHAPTER 1

INTRODUCTION AND METHODOLOGY

1. Introduction

1.2. Literature Review

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3.1. Methodology: crucial case method and analytic induction

3.2. Crucial case method

1.1. Introduction

There have been almost fifty years since Harry Eckstein's classic monograph, *A Theory of Stable Democracy*¹, where he sketched out the basic tenets of the '*congruence theory*', which was to become one of the most important and innovative contributions to understanding democratic rule. His next work, *Division and Cohesion in Democracy* is designed to serve as a plausibility probe for this 'theory' and is a case study of a Northern democratic system, Norway². What is more, this line of his work best exemplifies the contribution Eckstein brought to the methodology of comparative politics through his seminal article, '*Case Study and Theory in*

¹ Eckstein, Harry. 1961. Center of International Studies, Woodrow Wilson School of Public and International Affairs, Princeton University, p 15

² Eckstein, Harry. 1966. *Division and Cohesion In Democracy: A Study of Norway*, Princeton University Press, p 35

Political Science'³, on the importance of the case study as an approach to empirical theory. This article demonstrates the special utility of '*crucial case studies*' in testing theory, thereby undermining the accepted wisdom in comparative research that the larger the number of cases the better.

Although not along the same lines, but shifting the case study unit of research, I intend to take up here the challenge and build upon an equally unique political system, the Swedish one. Bearing in mind the peculiarities of the Swedish political system, my unit of analysis is going to be further restricted to the Swedish Social Democratic Party, the Svenska Arbetare Partiet. However, my research stays within the methodological framework of the case study theory inasmuch as it focuses on a single political system and party.

The Swedish SAP endurance in government office and its electoral success throughout half a century⁴ are undeniably a performance no other Social Democrat party has yet achieved in democratic conditions. Therefore, it is legitimate to inquire about the exceptionality of this unique political power combination. Which were the different components of this dominance power position, which made possible for SAP's governmental office stamina? I will argue here that it was the end-product of a combination of multifarious factors such as a key position in the party system, strong party leadership and organization, a carefully designed strategy regarding class politics and welfare policy.

My research is divided into three main parts, the historical incursion, the 'welfare' part and the 'environment' part. The first part is a historical account of the main political events and issues, which are relevant for my case study. Chapter 2 is devoted to the historical events unfolding in the 1920-1960 period: the Saltsjöbaden Agreement, the series of workers' strikes in the 1920s and SAP's inception. It exposes SAP's ascent to power in the mid 1930s and the party's ensuing strategies for winning and keeping political office that is its economic program and key economic goals. The following chapter – chapter 3 – explores the next period, i.e. the period from 1960s to 1990s and covers the party's troubled political times, its peak and the beginnings of the decline. The 1960s are relevant for SAP's planning of a long term economic strategy – the Rehn Meidner model, a new way of macroeconomic steering, based on the Keynesian model, but adapted to the new economic realities of welfare capitalist societies.

The second and third parts of this study develop several hypotheses related to SAP's '*dominant position*' (endurance in politics and in office) and test them afterwards. Mainly, the twin issues of economics and environment are raised and their political relevance for the party analyzed. On one hand, globalization and its spillover effects over the Swedish

³ in Greenstein and Polsby, eds., 1975. *Handbook of Political Science*, New York, Freedom House, p 159

⁴ As of the 1991 election, there were about 56 years – more than half century – of interrupted social democratic 'reign' in Sweden.

welfare system are important causal factors in explaining the transformative social-economic challenges the party had to put up with. On the other hand, Europeanization and environmental change influenced to a great deal SAP's foreign policy choices and its domestic electoral strategies. The implications of globalization on the Swedish welfare system will make the subject of two chapters – chapters four and five, respectively, whereupon the Europeanization consequences will be treated at length in the third part of this work – chapters six and seven, respectively. Apparently, at first sight, the link between foreign policy and electoral strategy is difficult to prove and uncanny, in the least. However, in the SAP's case there is a bulk of literature and public opinion statistical data able to show that governmental domestic policy and party politics are in a tight dependence to foreign policy decisions and sovereignty issues. Again, these country characteristics and peculiar causal relationships are outlined in the first chapters and explained in the second and third parts.

The sixth chapter explores the presupposed relationship between Europeanization and environmental policy, on one hand, and SAP's environmental policy formulation and simultaneous agenda-setting at the international level, on the other hand. This chapter describes Swedish leadership in environmental policy formulation on two simultaneous fronts and across two different time spans.

The last chapter, chapter eight – while trying to develop a conclusion, explores the alternative theories plausible in explaining the outlined hypotheses and points out the reasons why these theories do not fit as valid alternative explanation to my systemic corporatism thesis as the main causal factor determining SAP's '*dominant position*'. Among the alternative theories, I would consider Traedgaardh L. and Bo Rothstein's historical exceptionalism thesis and the public opinion thesis, which alone are not able to explain the half century social democratic endurance in government in the Swedish case.

1.2. Literature Review

1.2.1. Theories of political parties and Scandinavian democracy: where does the SAP stand?

There are mainly 3 three different theoretical streams to studying the way political parties behave in relation to voters, to each other and to the institutions of the state. Ware classifies them as being founded on, respectively, sociological, institutional and competition or rational-choice explanations⁵. Because these approaches rest on conflicting theoretical starting points, they are difficult to reconcile and therefore mutually exclusive. The sociological approach has been most useful in identifying the social origins of political parties and, more indirectly, how this influences

⁵ Ware, Alan. 1996. *Political Parties and Party Systems*, New York, Oxford University Press, p 322

their contemporary behavior. Although, it has been evoked by many political science authors, this approach was most significantly expressed in the work of Lipset and Rokkan. The institutional theoretical stream deals less with parties' origins than with their internal organization and legal and political environment. But, it is the third approach, the competition-based approach associated with Downs (1957)⁶ and the rational-choice school that most influences the framework employed by this study. Much like the institutional approach, Downs's is more concerned with analyzing and predicting the behavior of parties rather than with explaining their genesis. But, unlike it, the downsian approach focuses on parties' relations with voters and, crucially, with other parties.

This in turn contains echoes of other important contributions to political science. Tsebelis's notion of '*nested games*' involves an attempt to explain apparently irrational behaviour. A political actor, he suggests, might be involved in different but simultaneous interaction with other actors, and the effects of juggling different objectives in different arenas could – if the observer was not aware of all the games being played, lead to what appears to be irrational behaviour⁷.

On the theory of party behaviour, the understanding that party leaders have different goals, and that these can sometimes come into conflict, is presented most clearly by Hamel and Janda. They envisage a party's leadership as having different goals: votes, in competition with other parties; unity between itself, its membership and its associated organizations; and policy implementation, which has at different times forced Social Democratic leaders to bid for support from other parties in order to build parliamentary majorities.

Based on Downs's spatial theory of political parties and statistical data, I develop a theoretical explanation of SAP's rise and decline, which combines ingredients of neo-corporatism, interest-group and policy network theory. The latter is especially employed here to explain the environmental or '*welfare provision*' dimension in chapters 6 and 7.

According to Lijphart A. (1999),⁸ Sweden is a consensual multiparty democracy with a dominant and factionalized Socialist party and a highly salient socio-economic dimension of partisan conflict. Therefore, taking into account the 3 three concepts relevant to the study of multiparty systems, '*the effective number of parties*' and '*factionalized or closely allied parties*' and '*issue dimensions of partisan conflict*', I develop an explanation of '*SAP's electoral success*' based on the concepts of '*dominant party within a multiparty system*' and '*socio-economic factionalized party*'⁹.

⁶ Downs, A. 1957. *An economic theory of democracy*. NY, Harper and Row, p 58

⁷ Tsebelis, George. *How political institutions work*. Princeton: PUP, 2002, p 11

⁸ Lijphart, Arend (1999). *Patterns of Democracy: Government Forms and Performance in Thirty-Six Countries*. New Haven, CT: Yale University Press, p 29-31

⁹ Blondel, J. 1968. '*Party systems and patterns of government in Western democracies*', in *Canadian J. of Political Science* 1: p180–203; Taagepera, R. 1979. '*Effective Number of*

In addition to the above concepts, Lijphardt introduces a third one, the '*issue dimensions of partisan conflict*', which takes into account those issues having relevance for the content and intensity of party programs and for what Downs terms the '*office-seeking function of parties*'. These are – in order of their importance: 1. the socio-economic, 2. the religious, 3. the cultural-ethnic, 4. the urban-rural, 5. the regime support, 6. the foreign policy and 7. The post-materialist support; they are '*salient issues*' not only for parties' office seeking, but also for their policy-making capabilities once in government¹⁰. The socio-economic issue is the most important of the issue dimensions inasmuch as it is present in every democratic debate. Being synonymous with the left/right dichotomy, it is a key point on the agenda of both leftist and rightist oriented parties and governments. Leftist governments have systematically produced a higher rate of growth of the public sector of the economy, larger central government budgets, more income equalization, greater efforts to reduce unemployment, and more emphasis on education, public health and social welfare spending than rightist governments.¹¹

The second most important issue dimension is the religious one and this is obvious – in Lijphardt's view – from the fact that the differences between religious and secular parties did not wane across Europe yet. However, as important as it may seem, I would not linger on over that because it would make the object for discussion in the last chapter where alternative explanations would be considered. Although the third dimension – the urban-rural dimension – does not rank so high as an issue, but only acquires medium salience in Sweden, it would nonetheless be treated here because of the importance of the Agrarian interests in Swedish politics. The distinction between this dimension and the following two is not clear and the literature is divided as to the precise meaning of each. The fourth and the fifth dimensions – to be considered in this research – are '*the foreign policy*' dimension and '*the materialist vs. post-materialist*' dimension. The foreign policy issue is not an issue in itself, but it is merged with the latter dimension in the sense that foreign policy choice is a matter of public

Parties: A Measure with Application to West Europe', Comparative Political Studies 12, p 3–27. It is Jean Blondel (1968) and then Rein Taagepera (1979) who introduced and elaborated '*the effective number of parliamentary parties*' as the optimal measure for how the number of parties in party systems should be counted. It is equally a classification of party systems based on the numbers and relative sizes of political parties, which are depicted as hypothetical seat shares, and an index based on the following formula $N=1/(S_i)(S_i)$ in which S_i is the proportion of seats of the i -th party. For instance, the effective number N of parties in Sweden is 3.5, which is the effective number in multiparty systems with only one dominant party. *It 'the effective number of parties' measures quantify the degree of power-sharing in multi-party systems.*

¹⁰ 'Salience' is the intensity which the above issues acquire across time and across the political spectrum; they are formative of the partisan conflict. Lijphardt makes a distinction between dimensions of high salience and those of medium intensity or those that varied between high and low intensity over time.

¹¹ Lijphardt, Arend. Patterns of democracy. New Haven: Yale University Press, 1999, p 79

opinion and materialist versus post-materialist individual options¹². These issue-dimensions revolve around the two issues of participatory democracy and environmentalism that both fit the cluster of values of what Ronald Inglehart has called ‘postmaterialism’¹³.

Post-materialism is a new source of partisan cleavage and it has become the source of a new dimension in only a few party systems. The explanation lies in the fact that it has emerged only in the more developed countries¹⁴ and only recently. The Swedish Center parties have made a smooth transition from old-fashioned rural to modern environmentalist values. But, these aspects are going to be tackled at length in chapters 6 six and 7 seven. However and without any doubt, it is certain that, in the Swedish case, the post-materialist dimension takes over the foreign policy issue having a medium degree of salience. Moreover, the urban-rural issue dimension is assimilated as disguising the post-materialist dimension by many specialists of Sweden.

I assume that any internal cleavage within the SAP on a particular issue is suddenly perceived by the large mass of voters and spreads itself in concentric circles (The farther it travels from the center, the more powerful it becomes.), thus becoming even more salient/relevant. Therefore, I am going to account for the cleavages internal to the SAP, which are presumed to be reflected in the final votes. This is due to another peculiarity of Swedish politics, i.e. there are almost differences between the party militants and sympathisers and the wider mass of voters, their cohesion is almost perfect. This is a contextual situation due to the historical intertwining between LO and SAP members, a unique political situation in the entire world.

1.2.2. Welfare state theory

The missing link between a party’s issue dimension and consensus democracy is the party’s performance in government, which in the Swedish case is synonymous with the welfare provision capacity of the SAP – as I operationalize the variable ‘*party’s performance in government*’. According to Lijphardt, there are four areas of government activity in which the qualities of consensus democracy are likely to manifest themselves: social welfare, the protection of the environment, criminal justice and foreign aid.

¹² For a distinction between ‘soft’ foreign policy and traditional foreign policy, see Kjellen, 2007. A new environmental diplomacy. London, Sage, p14

¹³ Inglehart found that, especially among middle class people in Western democracies, a high priority is accorded to goals like ‘*seeing that the people have more say in important government decisions*’. Moreover, in the richer nations the cluster of postmaterialist values also included the objective of ‘*trying to make our cities and countryside more beautiful*.’ This latter point is a key element in my argument of a factionalized SAP over the environmental problem, which is a double-edged element being both an endogenous and an exogenous dimension; Inglehardt, R. 1990. Culture shift in advanced industrial societies. Princeton, PUP, p 10-13

¹⁴ See Table A. The HDI Human Development Index in OECD countries in the appendix.

From the four, I am going to look upon only two of them, social welfare and protection of the environment, respectively. As to the *'foreign aid'* component, it will not be trespassed, but only reminded exhaustively in chapter six, where Swedish leadership in environmental policy is addressed.

The first indicator of the degree to which democracies are welfare states is Gosta Esping Andersen's (1990)¹⁵ comprehensive measure of 'decommodification' – that is, the degree to which welfare policies with regard to unemployment, disability, illness, and old age permit people to maintain decent living standards independent of pure market forces. Among the 18 OECD countries surveyed by Esping-Andersen in 1980, Sweden has the highest score of 39.1 points and Australia and the US the lowest – 13.0 and 13.8 points, respectively. Consensus democracy has a strong positive correlation with the welfare scores. Wealthy countries can afford to be more generous with welfare than less wealthy countries, but when the level of development is controlled for, the correlation between consensus democracy and welfare becomes even a bit stronger.

Another indicator of welfare statism is social expenditure as a percentage of GDP gross domestic product in the same eighteen OECD countries in 1992, analyzed by Manfred G. Schmidt (1997). Sweden is again the most-welfare oriented democracy with 37.1 percent social expenditure. The correlation with consensus democracy is again strong and significant, and it is not affected when the level of development is controlled for.

Esping Andersen's typology of welfare states (1990)¹⁶ assigns Sweden to the *'institutional redistributive welfare state model'*.

1.2.3. Neo-corporatism, policy networks and the role of ideas

The neo-corporatist phenomenon and the theoretical tool of 'policy networks' are going to be central to my analysis of the 'dominant position' of the SAP within the Swedish political spectrum. The existence of neo-corporatist societal relations and the relevance of policy networks in international policy framing represent the 'policy' factors whereby I explain a 'politics' reality. Both concepts are based on the activity and centrality of interest groups in the policy-making process, which influences political arrangements in a democratic system. Therefore, it is worth mentioning – at least exhaustively – Olson's theory of interest groups, their genesis and strategies of action in order to clarify their place in this research and its hypotheses. Afterwards, the relationship between 'policy' and 'politics' is explored through a summary of Wilson's and Lowi's typologies of public policies. Richardson, Jordan, Pierson and Bomberg are relevant here for their work on policy networks while Bouwen and Tsebelis for their analysis of veto points effects within the context of new institutional structures.

¹⁵ Esping-Andersen, Gosta. *The Three Worlds of Welfare Capitalism*. Princeton University Press, 1990, p 128-9

¹⁶ Esping-Andersen, Gosta. *The Three Worlds of Welfare Capitalism*. Princeton University Press, 1990, p 116-120

The issue of ‘*selective benefits*’ and the problem of the free-rider are crucial in understanding the formation of powerful lobbies having concertation strategies relative to the government structures (Grossman & Saurugger, 2006)¹⁷. Olson aims to explain the paradox of collective action by highlighting the difference between inclusive and exclusive groups and between selective and collective benefits. For a latent interest group to succeed, it must reward its adherents with selective incentives such as¹⁸ positive and negative incentives. These incentives are similar to the idea of selective benefits, or benefits which apply only to the constituent members of a group and not to the entire population like in the case of collective benefits. Positive incentives are those individual retributions which can be cut off lest members non-participation in collective actions organized by the group. In the latter case, the ‘*free-riders*’ are sanctioned and the cohesion is thus enforced. As well, the dichotomy between ‘rival’ and ‘non-rival’ goods, ‘excludable’ and ‘non-excludable’ goods, lays at the core of public action theory inasmuch as it defines its main characteristics and riddles. ‘Excludability’ entails that – once the benefits of the collective action have been secured, it is impossible to exclude the non-participants – who did not pay by their involvement in the successful collective action in the first place – from enjoying them. Second, collective goods are non-rival goods; that is, the marginal increase of their consumption (with one or more units) by one or more individuals does not decrease their availability or the quantity accessible for the others.

Among the modes of action pertinent to interest group activity, I would only mention negotiation, expertise and politisation as they are most practiced by Swedish interest groups. On the reasons of interest groups’ involvement in collective action, the question of their resources, incentives and modes of action... is relevant here not only because the study object is a Nordic stable democracy with powerful interest groups, but also on account of the fact that interest groups played a key role in Swedish neocorporatism.

In what concerned the Swedish model, Olson did not shrink from addressing issues of both national and international collective action problems connected with it. For instance, when comparing the US with Sweden, he observed that either may be market-augmenting if it provides

¹⁷ Grossman, Emiliano and Sabine Saurugger. ‘*Les groupes d’intérêt en France: transformation de rôles et enjeux politiques*’, *Revue Française de Science Politique*, 2006, ch4 and ch6

¹⁸ Olson distinguishes between small privileged groups, intermediate or medium sized groups and latent or big-sized interest groups. The first ones are the most successful regarding the end-result of their collective action, while the last two are subject to certain conditions in order to be effective. His typology wouldn’t be exhaustive without mentioning the distinction between ‘exclusive’ and ‘inclusive’ groups. The first ones are those ‘*rent-seeking*’ groups, which are able to achieve economic or rent advantages by means of ‘capture’ strategies. An example of such ‘*rent-seeking*’ and ‘capture’ strategy is the competition for a public good whose price and availability is fixed by the market such as the highest price for a certain good.

appropriate incentives and protects property rights or – in his own words – ‘*high-taxing encompassing governments as Sweden are not necessarily worse than low-taxing individualistic governments as the US*’¹⁹. Surveying Sweden in the 1980s, Olson observed that although its high-taxes did have the disincentive effects that neo-classical economists pointed to, these did not do nearly as much harm to the Swedish economy as protectionists special-interest groups would have done. Sweden did well because it was a small open economy²⁰. At the same time, however, he was beginning to have doubts about the argument for – and hence from – encompassing organizations in his work RADON. In a Scandinavian symposium on this book, he came close to acknowledging that his argument lacked micro-foundations. As the ‘*Swedish model*’ ran into serious trouble, with negative growth and high unemployment, beginning in the mid-1980s, Olson returned to the subject. He now conceded that ‘*at the time that RADON was written I had only an incomplete and partly intuitive understanding of the dynamics and stability conditions of encompassing interest organizations*’. Encompassing organisations of labor and capital were not necessarily either stable or as benign as he had earlier made them out to be. They might be captured internally by distributive coalitions of their own. The LO was – according to Olson – becoming the victim of its own special interests.

Olson’s view on interest group lobbying at the micro-level can be extrapolated at the international macro-level with single states as actors. In his book, ‘*The rise and decline of nations*’, he offers a plausible explanation for the importance of free trade and exchange mechanisms in Northern democracies. According to Olson, the recourse to free exchange is the only viable alternative to elude ‘*institutional sclerosis*’ in neo-corporatist democracies. ‘*Market and free exchange penalize those economic groups – under governmental protection – which capture rents from the public budget by exposing them to worldwide competition*’²¹. Institutional ‘*stability*’ of political regimes can become dangerous inasmuch as more stable a regime is, more permeated it becomes by interest groups. This situation is also known as Olson’s ‘*institutional sclerosis*’ hypothesis. Up to a certain point, one could rely on this explanation in the Swedish case, except that – since the 1995 EU entry – things have slightly changed. In any case, these particular aspects will make the subject of chapters 4 four and 5 five. Tsebelis (2002)²² has developed this theoretical perspective with a new concept, the concept of the ‘*veto points*’.

¹⁹ For Olson, good government is the same as ‘*market-augmenting government*’; see footnote below

²⁰ Olson, Mancur. *The rise and decline of Nations*, Harvard University Press, 1965, p 32

²¹ Grossman, Emiliano and Sabine Saurugger. ‘*Les groupes d’intérêt en France: transformation de rôles et enjeux politiques*’, *Revue Française de Science Politique*, 2006, p 101

²² Tsebelis, George. *Veto Players: How Political Institutions Work*. Princeton, NJ: Princeton University Press, 2002, p 13

After a brief discussion of the main concepts characterizing the relationship between the state and the non-state actors – public or private actors, I am going to take a look at the many possible types of this relationship and try to answer the question ‘*What is neo-corporatism?*’ The theory of neo-corporatism is historically and economically bound, that is, it has developed in the second half of the twentieth century to describe a new way of interest representation in economic sectors based on intensive negotiations. In his work on ‘*Trends towards corporatist intermediation*’, Schmitter (1979)²³ developed the theory of neo-corporatism by delimitating it from fascist authoritarian corporatism. He restates Manoilescu’s old differentiation between ‘*pure corporatism*’ and ‘*subordinated corporatism*’ into a new one, ‘*state corporatism*’ versus ‘*societal corporatism*’, both of them the result of economic transformation in pluralist societies, but along different paths²⁴. According to Schmitter, the two other precursors of neocorporatism as a theory are John M. Keynes and Andrew Shonfield. Not only is Keynes the architect of a new strand in economic theory-keynesian or welfare economics, but, in his essay, ‘*The end of laissez-faire*’, he traces up a new model of socio-economic organisation characterised by the increasing role of the state in steering the economy.

Therefore, neo-corporatism should be understood as a systemic response to the accruing demands of the societal actors towards the state and the state’s ensuing ‘overloading’. An important trait of neo-corporatism is that it entails employees’ responsibility in the production process by means of their active involvement economic policy and the public budget decisions.

Any discussion on the lobbying strategies of interest groups always ends with an examination of their lobbying and networking strategies, which prompt an in-depth study of the idea of ‘*policy networks*’. In order to bridge the gap between the alternative explanations on the genesis and role of interest groups in advanced Western democracies, a new strand of analysis has issued, which permits to bridge the gap between policy analysis and interest group theory. It is policy network analysis, which fills the missing link in the theoretical void left by ‘*the twilight*’ of neo-functional explanations of integration processes. While neo-corporatism is the independent variable which explains the decline of the social welfare component, policy networks make up for the other independent which explains leadership in environmental policy. On the other hand, foreign policy is the other variable which intervenes at the decision stage within the party when government foreign policy choices are questioned, but does not directly explain the dependent variable, electoral change. For this reason, I come up with a new variable, normative leadership, which is based on the

²³ Philippe C. Schmitter, Philippe C. and Gerhard Lehmbruch (editors). *Trends toward corporatist intermediation*, London ; Beverly Hills : Sage Publications, 1979

²⁴ Philippe C. Schmitter, Philippe C. and Gerhard Lehmbruch (editors). *Trends toward corporatist intermediation*, London ; Beverly Hills : Sage Publications, c1979, p 24-25

role of ideas in policy network building. Since Swedish environmental leadership is a function of normative influence – as I am going to show in the sixth chapter, and normative influence is the very foundation of foreign environmental policy, it follows then that European environmental policy can be explained – to a certain extent – by Swedish interests, foreign as well as domestic. That is why policy change as a series of different outcomes, expectations and forms of adaptation to exogenous pressures (Europeanization and globalization) is a key variable when explaining Swedish environmental leadership by dint of policy network building capability²⁵.

At this point, an exhaustive review of the literature on policy networks is necessary inasmuch as my conceptualization of the Swedish role on furthering environment as a new issue in international politics resides on the capacity of the Swedish government – in concert with its diplomacy – to build policy networks and coalitions in international for a such the UN and the EU. Precisely, policy network theory enables to refine the liberal intergovernmentalist assumption of states as only policy entrepreneurs and go into more detail on the role of individual actors within member states. Since I assume these individual actors' interests as explanatory of the national preference formation at the European and international level, I am indebted to seek affiliation to rational choice and liberal intergovernmentalist theoretical strands. However, in assuming so, I do not conceive of states as unitary actors, but as aggregates of different, conflict interests at the bottom of sovereign states. In an effort to aggregate the interests of these multiple actors, I call upon the agency stress of policy network theories, which, in addition to making sense of the '*nested games*'

²⁵ The concept of policy networks is a concept that is widely used today, but the roots of its development date back much earlier in time. In the United States this concept was already used in the 1960s to describe the role of a limited number of privileged groups with close relations with government, resulting in '*sub-government*'. Roughly speaking a distinction can be made between an Anglo-Saxon and a continental approach, although these divisions have become more blurred recently. The Anglo-Saxon approach is concerned with interest group representation. Networks are a specific type of relationship between interest groups and the state, marking a distinction from the pluralist and corporatist approach. Whereas pluralism and corporatism in essence define a specific type of relationship between interest groups and the state (either no fixed relationship, or preferential treatment), networks are concerned with various modes of relationships that differ across sectors in the polity. The continental approach instead does not regard networks as a change in analytical perspective, but a change in the structure of the polity (see Marsh, 1998, footnote below). Networks are a distinctive form of governance, a form of steering, contrasting to markets and hierarchies. Networks refer to governance structures that take the form of relatively stable sets of private and public organizations that negotiate in a horizontal and coordinating manner. Both approaches have a bias towards national policymaking, looking at the relationship between state and society within national boundaries. In an era where domestic policymaking increasingly takes place on other levels than the national such as the transnational and European level, networks need to be analyzed here too.

these many stakeholders play in the policy process (Tsebelis, 1990)²⁶, it explains the role of advice, consultation, expertise and technocratic rationality in the highly segmented nature of EU policy-making. A second reason for which I tend to attribute considerable weight to these actor-based approaches of policy-making theory is because norms, ideas, shared values and knowledge did indelibly play an important part into building Swedish international leadership over environmental issues since the beginning of the 1970s (Kjellen, 2007; Bolin, 2007)²⁷. As the literature on the Swedish role in prodding binding international agreements on clean air, climate change and chemicals proves, the Swedes relied to a high extent on the power of scientific persuasion. These observations alone are enough to justify my choice of liberal intergovernmentalism as the bedrock theoretical ground for my endeavor to account for SAP's electoral change over the years, but not enough to exclude policy network and communicative action theories out of my analysis of policy-making in European and international arenas. In explaining electoral variance, I use intergovernmentalist accounts of the domestic formation of national interests – what Moravcsik calls ‘the demand side’ of decision-making at the European level²⁸, and, finally, when considering the formation of policy decisions – the final policy output – at the supranational level, I rely on strategic bargaining of intergovernmental imprint *with a mix* of policy network and communicative action theories²⁹. However, institutions define and constrain the strategies the agents (actors) adopt in pursuit of their interests. He attributes rational state behavior to dynamic political processes in the domestic polity and political outcomes to institutional capacity to structure political situations. This view is akin to the historical institutionalist perspective, which regards structures – if not antecedent to actors' interests, then at least influencing them to a great deal. Surprisingly enough, my analysis of electoral change – an example of political output – cannot be insulated from sectoral analyzes of policy or policy network theory, which I hypothesize as being one of the independent variables explaining domestic preference formation in Sweden. Environmental strategies are set along in policy for as supranational exchanges take place and that is a reason to ask whether communicative action theory does not answer some of the questions on the influence of discourse and deliberation on policy decisions. In spite of it, the constructivist absolute stress on structure and agency as ‘*mutually*

²⁶ Tsebelis, George. *Veto Players: How Political Institutions Work*. Princeton, NJ: Princeton University Press, 2002, p 121

²⁷ Kjellen, Bo. *A new diplomacy for sustainable Development*, Routledge, London, 2007, p19-22

²⁸ Moravcsik, Andrew. ‘*Preferences and power in the European Community: a liberal intergovernmentalist approach*’, *Journal of Common Market Studies*, 1993, vol 31, no 4, p 483

²⁹ Rational choice and liberal intergovernmentalism regard preference formation as exogenous to the institutional structure and actors' interests are assumed to be held a priori.

constitutive' is not an option for this research case³⁰. It is Coleman (1999)³¹ who extends the network approach to the international environment and explores different positions of networks on a broader macro scale. His perspective is concerned with interest groups and how their position depends on the power of public institutions, both on the national and international level. Here, I am going to privilege Coleman's approach of policy networks since I deal with the interdependencies between a peculiar national system and another particular multi-level system of governance such as the EU. Not only is this approach conducive to a better understanding of the new relations between interest groups and new levels of (supranational) government, but the emphasis on multi-layeredness, reciprocity and complexity – inherent in Coleman's view – is consistent with an increasingly international environment where new conceptions of governance have come into being and new types of networks have been created. For instance, this is the case of national governments' policy networks engaging together on a certain issue such as environmental policy.

For the purposes of this research, it is also useful to remind here John Peterson's (1995; 1996)³² approach concerning the appropriateness of theoretical models for each level of policy within the EU system. In his view, in the case of a multi-level polity³³, the analysis must follow each stage of the decision-making process, that is, for each policy level, there are corresponding levels of analysis. In his view, for each level of the multi-level MLG in which decision-making takes place, there are corresponding levels of analysis. For instance, for analyzing the systemic or policy-setting level, the best analytical tool is new institutionalism while for the policy-shaping stage the most appropriate is policy network analysis. Nonetheless, the analysis is going to take into account only the meso-level inasmuch as the importance of '*policy networks*' as an analytical tool, is essential for the construction of environmental leadership. Hence the necessity to focus on this level for explaining Swedish environmental leadership. Certain of the fact that environmental leadership entails the use of a resources-set – also known as '*resource-dependencies*' – as a decisive variable in winning the policy game, Swedish control of agenda-setting in environmental policy represented an asset in asserting its foreign policy interests.

³⁰ Alongside constructivism, in order to account for the shaping capacities of institutions to influence actors' behavior, there are socialization theories which also have a say to that matter (Hall and Taylor, 1996. Hall, Peter A. and Rosemary C.R. Taylor. 1996. '*Political Science and the three new institutionalisms*' in Political Studies 44(5): p 936-957; Hay, C. (1995) '*Structure and Agency*' in Marsh, D and Stoker, G (1995) *Theory and Methods in Political Science* Hampshire: Macmillan Press, p 42-50

³¹ Coleman, WD and Perl, A. '*International Policy Environments and Policy. A Critical Review of the Network Approach*', Political Studies, 43, 1999, p 691-700

³² Peterson, John. 1995. Policy networks and European Union policy making: a reply to Kassim. West European Politics 18 (2): p 389-407

³³ EU as a MLG system. Liesbet Hooghe and Gary Marks, Multi-level governance and European Integration, Lanham,. Rowman & Littlefield Publishers Inc., 2001, p 10

In many ways, Richardson's approach is complementary to Peterson's, but, there is still a difference between them which consists in the separate usages of their theoretical proposals. Unlike Peterson, Jeremy Richardson separates the policy process into distinct stages proposing a particular theoretical tool for each, but both authors assume that alternative theories can coexist in the study of the European Union policy processes. For instance, by dint of Richardson's argument, there is possible to look to a varied theoretical toolkit to map the development of a piece of legislation or the emergence of European level policy competence in the environmental policy area. For the most part, Richardson's proposals are for the deployment of what he calls actor-based models (1996)³⁴ in a context of thinking beyond politics as a purely interest-driven process. His emphasis on ideas and knowledge is convergent to my stress upon the key role played by Swedish normative power in foreign as well as environmental policy. Moreover, his partition of the policy process in different stages runs closer to my interpretation of European environmental leadership as a sum of similar intersecting actions of more member state leaders, among which Sweden has a pivotal position.

Although it is certain that environmental leadership entails the use of a set of interdependent resources as a decisive variable in winning the policy game, the complexity and uncertainty characteristic of the EU policy process makes the analysis valuable if only one stage of integration is considered, namely the meso-level stage which is specific of environmental integration. That is why, from Peterson's triple partition, I would especially retain the sectoral level of analysis inasmuch it is the level where both welfare and environmental policies are included. However, using Richardson's model, the first phases of the policy process – namely the agenda-setting and the policy formulation phases – gain in viability and become more attractive to start with. The '*epistemic communities*' and the '*policy communities*' are theoretical tools, which best explain the agenda-setting and the policy formulation stages, respectively³⁵. Moreover, centering my analysis of this process on a single member state makes necessary the input of actor-based models as Richardson's who traces along the whole policy process from the beginning to the end emphasizing key variables such as 'actors' and 'resources'. Before accounting for the choice of one particular type of network for describing Swedish policy activity, I need to clarify the differences among them.

John Peterson describes a policy network as '*an arena for the mediation of the interests of government and interest groups*'³⁶. So, policy

³⁴ Richardson, Jeremy. *European Union: power and policy-making*, 1996, Routledge, London, p 225

³⁵ The other theoretical tools in which the policy process is explained are the epistemic communities, policy networks, institutional analysis and behavioral analysis.

³⁶ He states: The term 'network' implies that clusters of actors representing multiple organisations interact with one another and share information and resources. Mediation

networks are usually understood as venues for the pooling and exchange of information and resources. They are the common generic term and starting point for what is otherwise known as policy community, issue network, epistemic communities or advocacy coalition.

The distinction between them is centered on the concepts of affiliation, uncertainty and capital. The most widely used dichotomy is that between policy communities and issue networks, with policy communities varying on the variables of membership, integration, resources and power (Marsh, 1998)³⁷. In addition, policy communities are the most stable form of policy network. Here actors are bound together in a series of relations of dependency and networks/communities remain largely impenetrable to outside actors. Membership is ongoing/constant and policy outcomes reflect the stability of the community. Unlike policy communities, issue networks are characterized by unpredictable policy outcomes and they only operate in certain sectors such as those related to social and research policies. In these sectors, policy network analysis hypothesizes that open '*issue networks*' are the norm rather than the closed policy communities. These are characterized by a fluidity of members and permeable boundaries. Whether policy communities arise is dependent on the existence of resource dependencies among actors and their ability to perform some sort of closure on the access to the network. Both issue networks and policy communities are best working explanations for sectoral policy analysis in the formulation phase of the policy process.

Epistemic communities and advocacy coalitions bring actor-based analysis into the issue of agenda-setting, which is '*the first instance of the policy process*' (Lowi, 1988)³⁸. Epistemic communities are bound together by shared beliefs, shared understandings of cause and effect within their particular domain of knowledge and shared notions of what actually constitutes valid knowledge. Moreover, they are contexts of action with a

implies that the networks usually are settings for the playing of positive sum games: they facilitate reconciliation, settlement or compromise between different interests which have a stake in outcomes in a particular policy sector; Peterson, John. 1995. Policy networks and European Union policy making: a reply to Kassim. *West European Politics* 18 (2): p 391

³⁷ Policy communities are concerned with a limited number of people, with frequent contact, persistent membership and values over time, consensus on basic values, and a balance of power and resources among members. Issue networks are large, contact not so frequent, fluctuating membership, some agreement exists but conflicts are present and resources and power is not equally distributed. This approach can be criticised that it is unclear where the border is between the two, where an issue network ends and a policy community starts. Although the concepts are not clear categories, the variables distinguished are a useful starting point for analysis; Marsh, D. 1998. '*Issue networks and the environment: explaining European Union environmental policy*', in *Comparing Policy Networks*, Philadelphia, Open UP, p 167-184

³⁸ Lowi, Theodore J. '*Foreword: New Dimensions in Politics and Policies*', *Study of Community Conflict in Public Policymaking*. New York: Praeger, 1988, p 26

high level of expertise and a low degree of politicization³⁹. This knowledge not only helps to legitimize the decisions made by actors (by giving them an external source of ‘scientific’ authority), but it also helps to influence the interests of actors and to frame coherent positions for bargaining. Even if the crucial decisions are made through negotiations between national executives, Haas’s arguments suggest that there exist influential forms of non-state authority that acquire power through access to and expression of knowledge.) The advocacy-coalition approach looks at how aggregations of individuals with shared belief systems operate within policy-making. The epistemic community approach has in common with Sabatier’s advocacy coalitions the fact that they ask the prior question about the forms of knowledge upon which preferences and interests are based (Paul Sabatier, 1988)⁴⁰. Like with the epistemic communities’ approach, it is the knowledge-interest relationship which lies at the core of the advocacy-coalition framework, but, unlike the largely technocratic character of epistemic communities, advocacy coalitions purposefully seek policy goals. This is new in light of the distinction it operates when identifying a new form of influential non-state actor, but also because it rejects the idea that the influence of groups will be determined by their relative endowments of power. Rather, what Sabatier calls ‘policy oriented learning’ within and across coalitions is important (Radaelli, 1999)⁴¹. Moreover, these learning processes are likely to occur in environments where the prestige of expertise is acknowledged. For instance, the receptiveness of the Commission to external input may provide one such venue⁴².

It is useful reminding here the observation Peterson and Bomberg (1999) have brought, that is that these actor-based approaches have the effect of emphasizing the role of agency within the EU system, often deliberately at the expense of structural explanations of institutional development and change. Therefore, the distinction between structure and agency is blurred from the perspective of policy network theory, even though the emphasis on knowledge and ideas is central to it. It runs counter to some fairly formidable ontological and epistemological thresholds associated particularly with constructivist notions of social reality, which – unlike policy network theory and actor-based approaches – emphasize

³⁹ The literature on epistemic communities arose largely in International Relations circles. Peter Haas (1992) describes increasingly numerous networks of experts who supply knowledge to authoritative policy actors.

⁴⁰ Sabatier, Paul. An Advocacy Coalition Framework of Policy Change and the Role of Policy-oriented Learning Therein. *Policy Sciences*, 1988, p 129-168

⁴¹ Radaelli, Claudio M. ‘*The Public Policy of the European Union: Whither Politics of Expertise?*’ in European Union Studies Association (EUSA), Biennial Conference, 1999, Pittsburgh, p 20

⁴² Richardson, Jeremy. *European Union: power and policy-making*, 1996, Routledge, London, p 18

structure in the detriment of agency⁴³. Therein, structure preordains agency and agency influences structure. From what constitutes a circular argument, the idea that actors construe the world in which they operate and reality is a social construct whose implications are in terms of choices and constraints on action. Central to constructivism are discourses and ideas, which are cognitive institutions that shape the ‘*boundaries of the possible*’ for actors. Even if it can fit certain situations in the European context (Jachtenfuchs, 1997)⁴⁴, social constructivism remains a circular reasoning, where independent and dependent variables are difficult to identify. However, sociological constructivism is precluded from playing a part into the analysis because of its circular reasoning according to which institutions reproduce themselves by recreating pre-existent rules and supplying interests to actors. The fact that I rely to the same extent on communicative action theory as much as I do on rational choice strategic bargaining does not jeopardize the coherence of my overall analysis. There is no danger of inner-contradiction whatsoever in my body-analysis because I only borrow that aspect of sociological institutionalism which is connected to notions of communicative action, that is the stress on knowledge, shared norms, ideas and beliefs. Both actor-based approaches and communicative action theory are held together by the emphasis laid upon the binding power of normative consensus. For the purposes of analyzing Swedish contribution to environmental policy development, the ideational dimension of sociological institutionalism – communicative action theory – is indispensable since it focuses upon non-hierarchical processes of informal transnational exchange. The need to incorporate communicative strategies in the analysis springs up from the key role played by ideas, interests and norms in the Swedish construct of European environmental policy. As I explain largely in the subchapter ‘*Environment as a foreign policy issue*’, societal and constructivist approaches overlap to account for the Swedish role in environmental policy⁴⁵. It is my opinion that Swedish influence was based – first and foremost – on normative power and secondly, on the aggregation of societal interests through neocorporatist practices. However, the latter assumption is an instance of what Moravcsik introduced as an explanation of European integration, that is preference formation starting from the domestic level and reaching international echelons by means of intra-states strategic bargaining. My analysis is compatible with this liberal intergovernmentalist point of view according to which national preferences

⁴³ Sociological constructivism underlines the ‘*symbolic guidance function*’ of the institutions, which determine actors’ agency.

⁴⁴ Jachtenfuchs, Markus. Democracy and Governance in the European Social Constructivism and European Integration in Wiener, A. e Diez, T. (editors), 1997, p 117-136

⁴⁵ John Barkdull and Paul G. Harris, ‘*Theories of Environmental Foreign Policy*’, in Paul G. Harris, ed., Environmental Change and Foreign Policy: Theory and Practice, 2002, p 63-91

arise in the context provided by their domestic politics and national interests represent consequences of state-society interaction. This chimes in with my view that interest group strength⁴⁶ at the national level was a key factor in steering the country's foreign policy choice whereby silencing the opposition inside the SAP and increasing government support for European integration through transnational cooperation at the European level⁴⁷.

In relation to the above mentioned actor-based approaches, I hypothesize a key role played by individual societal interests in the articulation of national institutional structures. The dependent variable in my case are the Swedish national political and institutional structures such as the party-system and the independent variables are represented by the societal interests which build up neocorporatist structures of governance. Following Hay's perspective of structure and agency⁴⁸, when we analyse transnational networks, we should also incorporate how the behaviour of individual actors inside networks influences national political and institutional structures. Just like agency is structured by the network contours, agency is also influenced by the national context in which the actor stands. This would imply a dual perspective on the influence of structures on agents, looking at both networks and domestic structures. It is therefore my duty to underline that – when I emphasize the role of domestic structures and national aggregation of interests in the same time, my analysis is based on an intergovernmentalist view of European politics and International Relations. Even if an intergovernmental framework is adopted here, this does not preclude taking into account the role of ideas and norms, which also pertain to institutionalist and policy network theories, rather than to sociological constructivism. More precisely, my focus on interests as exogenous and institutions as intervening variables – formal sets of rules that mediate the interaction of exogenously derived interests – belongs to the rational choice tradition. However, this falters somehow in light of the increasing importance of norms and expertise in shaping decisions, as consistent with policy network and communicative action theory. The complex aggregation of interests is conform with Moravcsik's view that '*national interests emerge... through domestic political conflict as societal groups compete for political influence, national and transnational coalitions form and new policy alternatives are recognized by governments*'. Once formulated at the domestic level, i.e. once the '*demand side*' constituted, the interests are bargained in an intergovernmental fashion and the supply side takes on. It is interesting to note Moravcsik's distinction between the demand and the supply side since it lies at the core of my empirical one case

⁴⁶ Interest group strength is explained as a consequence of neocorporatism embedded in state-industry relationships, which makes up for the uniqueness of Swedish polity.

⁴⁷ Greenwood, J. (ed.) *The Challenge of Change in EU Business Associations*, Basingstoke: Palgrave Macmillan, 2003, p 10-12

⁴⁸ Hay and D. Wincott, '*Structure agency and historical institutionalism*', *Political Studies*, 46, 5 1998, p 958-60

study of a single country in one policy making sector – the environmental sector. The demand side is a highly intricate process of national preference formation based on complex games whose nature vary. I try to shed light on the nature of these games inside the Swedish polity if not only because they represent the ‘assumed’ neocorporatist variables which explain electoral change and SAP’s governmental strength. On the other hand, Moravcsik’s supply side represents the particular bargaining environment of the EU about which he makes three core assumptions. Firstly, it is a non-coercive situation that states enter voluntarily, particularly since the major ‘*history-making*’ decisions are made by unanimity. Second, echoing institutionalism, interstate bargaining in the EU takes place in an information-rich setting; that is, there is widespread knowledge about the technicalities of EU policy-making and states have a clear idea of the preferences and constraints upon other states. Third, the transaction costs of EU bargaining are low because of the long timeframe of negotiations and the innumerable possibilities for issue linkages, trade-offs and sub-bargains⁴⁹.

I am going to use Moravcsik’s supply side as another independent variable to explain electoral change in Sweden. What for Moravcsik is a dependent variable, for me is another independent variable – or an intervenient one – which helps clarify my dependent. The reasons that thrust me into hypothesizing that EU policy-dynamics might also play a role in influencing domestic politics is the confirmed – by means of statistical data – division inside the SAP and the wider mass of voters. The rules of the EU game – whom Sweden’s foreign policy requisites made them hard to eschew – are crucial for understanding policy network dynamics. However, I am going to challenge Moravcsik’s second assumption inasmuch as I agree with policy network theory – especially with Garrett and Tsebelis’ nested games. On one hand, I recognize the merits of communicative action theories in explaining policy networks, while, on the other hand, do not fail to take into account the rational choice view according to which the simple aggregation of national interests at the European level has influenced the way these are conceived⁵⁰.

According to Tsebelis, ‘*the prevailing institutions (rules of the game) determine the behaviour of the actors, which in turn produces*

⁴⁹ Moravcsik, Andrew. ‘*Preferences and power in the European Community: a liberal intergovernmentalist approach*’, *Journal of Common Market Studies*, 1993, vol 31, no 4, p 498

⁵⁰ Moravcsik’s model of a demand and supply side of European integration draws upon Robert Putnam’s influential idea of two-level games. This is another metaphor to allude to the linkages between domestic politics and international relations. Putnam’s core point is that national executives play games in two arenas more or less simultaneously. At the domestic level, power-seeking enhancing office holders aim to build coalitions of support among domestic groups. At the international level, the same actors seek to bargain in ways that enhance their position/legitimacy domestically by meeting the demands of key domestic constituents.

political or social outcomes,⁵¹.

By the same token, Wessels introduces the ‘fusion hypothesis’ whereby he explains integration as a by-product of the self-regarding actions of nation-state actors. Governments seek integration as a way of solving problems that they have in common. These problems emanate from both citizen or interest groups demands in domestic politics and the imperatives set by global economic interdependence or globalization. Like Moravcsik, Wessels links the growth of the EU to fundamental alterations in the style and emphasis of governance that are occurring within the member states.

Furthermore, I would like to add that we should analyse what happens inside networks from another dimension, looking at the specific activities actors are engaged in inside the networks. This can for example be concerned with learning processes. Learning as activity can be carried out in many different ways, and will have an impact on the functioning of networks and their subsequent impact on outcomes. In connection, Hay analyzes the behavior of actors and networks from a dialectical stance, with the two mutually influencing each other. In his understanding, networks are ‘*strategic alliances forged around common agenda’s of mutual advantage through collective action*’. Agents pursue strategies, which in turn impact on the structures in which agency takes place. Moreover, they pursue strategies not in a static manner, but are involved in strategic learning, in a process of enhancing awareness of structures and constraints or opportunities they impose.

With these caveats in mind, it is useful to point out that the explanatory power of networks stretches beyond the mere description of the relationships between actors in the formulation stage, in a certain sector, and extends to explain political action and change. With policy networks as an important independent variable to explain processes and outcomes, it is demanded that we establish and characterize the variations between different networks in the same policy sector. For instance, the role played by the Swedish diplomats in the early stages of environmental agenda-setting and in different international fora – the UN and EU – is an example of differentiated networking to formulate key issues on the agenda and reach consensus. That is why it is important that theoretical analysis focus at the contours of the networks and at the integration of the members in the network in order to formulate policy issues. Whereas the focus on this dimension of networks has been rather strong (with the development of other concepts alongside, such as advocacy coalitions and epistemic communities), much less attention has been paid to what actually happens inside the network and how networks differ from each other here. Dowding (1995)⁵² points out that although networks are treated as the independent

⁵¹ Hay and D. Wincott, ‘*Structure agency and historical institutionalism*’, *Political Studies*, 46, 5 1998, p 952

⁵² Dowding, Keith. 1995. ‘*Model or Metaphor? A Critical Review of the Policy Network Approach*’, *Political Studies* XLIII, 1995, p 136-58

variable explaining policy outcomes, in essence it is the actors inside the network and their behaviour that really matters.

2. Research Design

Fig. 1 Research Design about here

The second and third parts, which make up for the bulk of my thesis are divided in two chapters each. The fourth and sixth chapters of the first and second part, respectively, formulate the research hypotheses and lay down the main variables and the relationships among them. Afterwards, the fifth and seventh chapters proceed to testing these hypotheses by using statistical data and inferences on the basis of the theoretical framework sketched out in the literature review. In these chapters, the relationships between the independent and the dependent variable stated in the previous chapters will be tested and controlled by means of the intervenient variable, i.e. by introducing another variable to search for the spuriousness of the main causality.

The presence of a third, intervening variable will be assessed and the existence – or not – of a relationship between neo-corporatist arrangements and SAP's power advantage, on one side, and between policy networks formation and SAP's dominant position in the political spectrum, on the other hand, verified. Since the intervening variables pertain to such international complex phenomena as Europeanization and globalization, these and their influence on the party's policy strategies – and on SAP's environmental policy strategy in particular – are assessed and analyzed in greater detail. In turn, the relationships between these global intervenient variables and SAP's 'dominant position' – the dependent variable – are tested. The key causal variables are all assumed to pertain to internal domestic politics and policy styles; they are derivatives of the neo-corporatist policy style characteristic of the Swedish societal system. Therefore, these 'testing' chapters are dedicated to the other two dimensions of the research, namely the politics and policy dimensions.

Along the triad polity, politics and policy, my analysis primarily focuses on the last two, policy and politics. The area of polity occupies a rather marginal place in my research and mainly involves the explanation of certain institutional changes and adjustments happened before and after 1995, the year of the Swedish entry in the EU. The politics dimension deals with the impact of certain actors (such as the other parties, the trade unions (right-left continuum and political game in a neo-corporatist democracy), the EU and the public opinion) on policy outcomes and how important decisions are reached within the SAP or SAP led governments. The policy (i.e. content of policy and different stages in the policy cycle) dimension of my study is relevant in so far as policy process and policy change influence electoral outcomes, certain political actors and processes. My focus on policy and politics renders policy network analysis and new institutionalism more plausible as theoretical choices in explaining the impact of actor

constellations, ideas and norms in the formulation and implementation of environmental and social policy. Neo-corporatism as a theoretical framework does share an interest in the politics dimension, but equally in the polity dimension, which makes it increasingly difficult to stay along the policy-politics dichotomy. However, since neo-corporatism best fits my research purposes, I would try to limit as much as possible the variation along its polity elements in an endeavour to simplify and reduce the number of independent variables, which could impact on my dependent.

The politics dimension will be structured along two different coordinates: the debates over the EU and the environment internal to the SAP, on one hand, and the political electoral conflict over the same issues in the competition with the other parties, on the other hand. The policy dimension analyzes the different policy initiatives undertaken by the SAP while in governmental office concerning social welfare and the environment. The policy side comes always first as it explains the politics part of my research wherein the dependent belongs. Therefore, the first chapters – chapters four and six – present the main policy aspects, formulate the hypotheses and describe the key overlapping points between policy and politics. Thereafter, the following chapters – chapters five and seven – proceed at testing the hypotheses formulated beforehand by locating the policy spillovers into the area of politics.

In this study, neo-corporatism has been chosen as a point of departure. This is only partly due to the restricted string of theoretical endeavours that tend to have their core competencies in my research area and that have the same research objectives, i.e. to explain the variance in SAP's electoral support over the years. First of all, I need to indicate the usefulness of neo-corporatist insights concerning this type of inquiry.

My choice to focus on two widely-known aspects of the Swedish polity, the social and the environment, has been prompted by empirical, theoretical and methodological grounds. Empirically, the two make for interesting cases. I will look at: first, one of the most successful model of social welfare ever in a Western democracy; second, a widely recognized leadership record of environmental protection and enforcement; and finally, the influence of these two policy indicators in the relative political advantage enjoyed by the SAP throughout the 20th century. The most important consideration for my selection of these two aspects was methodological. From a methodological perspective, my case has been selected in order to ensure variation on the dependent variable, that is to ascertain the effect the hypothesized independent variables have on the dependent in two different settings which do not influence each other, the social and the environment. As it will be further elaborated, this is important in order to avoid selection bias and to establish some degree of positive causality between hypothesized neo-corporatist pressures, environmental decision outcomes and electoral turnout or SAP political clout.

2.1 Research Objectives

The aim of this research is to make causal inferences. However, in order to make these, both description (collection of facts) and descriptive inferences (the process of using the facts we know to learn about the facts we do not know) are necessary. To make descriptive inferences in this study requires seeking to understand the degree to which certain hypothesized neo-corporatist practices and policy change outcomes (in the decision-making process) reflect either typical phenomena (systemic features) or exceptions. Description and descriptive inference set the stage for causal inferences – learning about causal effects from the data observed. Causal effects are the difference in outcomes when hypothesized dynamics vary in strength⁵³.

This study starts from a multiple causality assumption, according to which the same outcome can be caused by combinations of different factors⁵⁴. Dessler has defined cause as any factor conducive or necessary (though itself insufficient) for a conjuncture of conditions that is sufficient for the specified outcome. A cause is thus any factor that is an insufficient but conducive or necessary part of a sufficient but unnecessary condition. It is an unnecessary condition because a combination of other conditions can have the same effect⁵⁵. Strictly speaking, Dessler only talked about cause as a necessary factor (though itself insufficient) for a conjuncture of conditions that is sufficient for the specified outcome. In my view this notion of causality can be slightly modified by adding that it can be a necessary or conducive factor (though itself insufficient) for a conjuncture of conditions that is sufficient for the specified outcome.) This conception can capture phenomena produced by multiple causal sequences. In line with my epistemological position, causal relations are not viewed as deterministic, as they are in the natural sciences where causes inextricably connect entities and determine outcomes. Instead, in the social-political world, causes are conditioned and constituted by actors' interests, norms and identities and thus (merely) provide agents with direction and objectives for action, rather than 'determine' their behaviour⁵⁶.

There are two strands, points of view: I aim at explaining the policy-politics causality in Sweden by analyzing it in two different settings of policy-making: the socio-economic and the environment. To capture the

⁵³ For a definition of these terms see King, et al. 1994: p 8, p 26, p 81-2; King, Gary et al. (1994): *Designing Social Inquiry: Scientific Inference in Qualitative Research*, Princeton: Princeton University Press, p 34-74 & 150-230

⁵⁴ Cf. King et al (1994: p 87-9); idem

⁵⁵ Dessler, David. 1991. '*Beyond Correlations: Toward a Causal Theory of War*', *International Studies Quarterly*, Vol. 35, p 337-355

⁵⁶ For non-deterministic accounts of causality see e.g. Giddens (1984: p345), Adler (1997: p 329; Giddens, A. 1984. *The constitution of society, outline of the theory of structuration*. Glasgow, Bell and Bain, p345; Adler, E. '*Seizing the middle ground: Constructivism in world politics*', *European Journal of International Relations* 3(3): p 329

nature relationships between SAF, LO and the SAP, on one hand, and the impact of these type of relationship on SAP's social policy.

In what concerns environmental policy, my choice of it comes under the fact that it is a foreign policy strategy built by the SAP for reaching consensus domestically by means of international visibility; it is a conscious choice of foreign policy in order to extend the folkhemmet consensus from the second half of the 20th century. I am interested in the foreign policy feedback it had among voters and how this endorsement or rejection of foreign policy was translated into votes for the SAP. The strategies for building consensus are apparent in the development and continuous updating of the welfare and environmental policies. The public perception as a response to SAP's policy initiatives and implementation is conceived as stretching along three dimensions, which are as much as three interferent plans: internal domestic politics, internal party politics and international politics. The first and the last plan of inquiry both pass through the SAP's internal party politics plan since this is both agent and structure, i.e. SAP proposes and enacts a policy, which is then received either positively or negatively by the voters. If it is perceived as negatively, then SAP adopts a certain type of political response and electoral strategy; if it is perceived positively, then SAP endorses another (different) political behaviour in view of elections.

Causal inferences are used to test my hypotheses and to ascertain the degree to which certain hypothesized policy changes and neo-corporatist systematic pressures have caused progress on the formation of common positions among SAP leadership and its militant circles, the development of long term political strategies and agreement on foreign policy issues.

After the glorious 1960s and 1970s when welfare was successfully integrated in the '*people's home*', the special case of the environmental policy as a matter of consensus politics is tackled in this study as a peculiarity and contextual trait of Swedish polity. Albeit, there is not a Swedish uniqueness of '*environmental issues*'. Rather, environment and its aspects make up now for a worldwide consensus that action is needed on such matters as global warming, acidification, chemical pollution, etc. Nevertheless, it is somewhat unusual to include such a technical matter like the environment into the analysis of a political party. In my case study, I could not do without it because of its 'centrality' in Swedish politics. Not only was the environment a pressing citizen problem, but it has equally been a political construction by the SAP in an endeavour of extension of the old 'folkhemmet' consensus.

2.3.1. Specification of variables

1.3.2.1. The dependent variable

My dependent variable can be described as electoral outcome, electoral change or simply as public support for the SAP. It is not a matter of either policy or decision-making and therefore it belongs to the politics

dimension of my study. Also, it is not confined to a single political event, but can comprise a series of political events or developments throughout the period from 1970s till 2000. Since the independent variables – environment and policy networking, welfare and neo-corporatism – belong to the policy dimension, it means I hereby intend to explain politics by means of policy. It is not that I feel particularly indebted to follow Theodore Lowi's adage '*Policy makes politics*', but in the SAP's case, I think they are especially relevant inasmuch as in the Swedish neo-corporatist political system, political decisions are originated, formulated and agreed beforehand in policy settings particularly geared to the social and economic sectors.

What is really important to underline from the very beginning concerning the dependent variable is that internal cleavage within the SAP members is going to function as a proxy for final election results; in other words, electoral change is the same as party members' changing views on certain policy issues inasmuch as it is a close relationship⁵⁷ between SAP members and voters. In order to check if this approximation is exact or not, I am going to confront the final election results for the SAP with polls' results among party members on one or more policy issues. Although, it is difficult to account – methodologically speaking – for proxies in the structure of the dependent variable, I am going to perform cross-tabulations in order to verify the correlation strength between the two variables, i.e. the final votes for the SAP in Riksdag elections and the vote split within the SAP on social and environmental issues.

1.3.2.2. Independent variables or key causal variables

I hypothesize that the dependent variable is caused by 4 four explanatory variables. These key causal variables are: neo-corporatist practices, interest groups (other than the SAF/Naeringslivet and the LO) and the political game, policy change as a form of adaptation to exogenous pressures (Europeanization and globalization), policy networks or socialization, normative behaviour or leadership in international settings/cultivated spillover. They are described in detail and operationalized below. Neo-corporatist practices or arrangements are the materialization of a certain type of industrial relations aspects and revolve around employer-employee industrial relations.

The notion of interest groups is autonomous from the idea and reality of neo-corporatism. Although neo-corporatism presupposes the existence of strong interest and pressure groups, it is not synonymous with it inasmuch as interest groups can exist in the absence of neo-corporatism.

1.3.2.3. Control variables and intervening variables

'Control' variables are those independent variables which are not part of one's hypothesized key explanatory variables. 'Intervening'

⁵⁷ At least it was so till 1992. Before 1992, the LO members were also SAP members

variables are those standing in a causal sequence between the cause (independent variable) and the final effect (dependent variable). Both control and intervening variables – Europeanization and globalization – constitute a problem here because they tend to be manifold and they are difficult to hold constant. Given these similarities, and since they are often difficult to distinguish from one another in empirical research, control variables and intervening variables will be dealt with together here, without further attempts to differentiate between these categories.

Important control/intervening variables for this case study are represented by the exogenous factors of globalization and Europeanization in all their forms such as 1. economic integration, 2. increased competition, 3. change in trade flows between Sweden and its commercial partners, 4. public perception of SAP policy outcomes on social and environmental objectives or public opinion in the broad sense to be taken account of, but not voters' perception. Failure to hold the above variables constant biases one's estimate or perception of the effect of one's independent variables. However, it is impossible to control for all (or even most) intervening variables when selecting case studies, as a variation of such factors may only become obvious at a later stage. Yet, what can be done is to flag control/intervening variables when they occur, so that in the conclusion one is able to take the direction of any bias into account. For example, very fast-moving events or those which entail very high degrees of uncertainty and very incomplete information are likely to increase the influence of public opinion/supranational institutions such as the EU, UN in the SAP's decision-making process, as national experts and decision-makers tends to grant them more authority in such cases.

Two additional control/intervening variables will be highlighted: first, '*intergovernmental versus supranational decision-making*', and second, '*persistence versus termination of a policy in the event of non-decision*'. However, these will only be acknowledged as playing a role in the case of environmental policy as it takes on both a national and supranational dimension. As for the case of welfare policy, it remains bound in national considerations; after all, there is only talk of the '*Swedish model*' as the greatest welfare achievement from a nation-state to date. As far as these variables are concerned, there is variation in my cases, which, in the former case, was actively thought to probe the theory in diverse settings. One task of this research is to ascertain the conditions under which my hypothesized pressures/independents are likely to be effective or rather ineffective.

It is important to delimit between public opinion perception of a policy outcome and SAP's response to this public perception as a modification of this policy or of its political tactics or both. Before and after a policy outcome has been evaluated is an important timing in my analysis. I concentrate here more on the political game and life cycle of a policy, but, public opinion being such an important and inextricable matter in Swedish

politics, I cannot make without in my analysis. Nevertheless, I am going to focus on the political game and policy-making aspects while trying to integrate the general public opinion in the party members' views.

1.3.2.4. Operationalisation of independent variables

Translating hypotheses into a form that can be tested empirically mainly involves the specification of indicators or referents on which causal variables can be observed and measured. This is complemented here, at times by stating the different methods and techniques used to attain inferences in order to render my operationalisation more concrete and plausible. In view of my epistemological position and especially given the complexity of the issues analyzed, strict positivist standards regarding observation and measurement are preferred but not always possible to adhere to.

Indicators for intergovernmentalist explanations of electoral change in Sweden based on Europeanization include a range of basic assumptions. First, it is assumed that preference formation takes place domestically, at the nation state level. Industry trade unions relationships and interest group dynamics are central to an account of how transformation processes take place. In the specific Swedish case, there is the neo-corporatist variable which is responsible for system regulation and plays on other interest groups' games. Second, domestic structures must determine actors' interests and strategies in such a manner that affects foreign policy choices over time. Third, are there other alternative solutions – than domestic preference formation – to foreign policy choices. If yes, then it must be showed they do not work in this specific case⁵⁸.

In terms of exogenous pressures and consequent adaptation process or policy change, the specification of clear-cut indicators is even more difficult. For the development or pressure of an economic threat or adverse competition to the regional block from outside – what is commonly understood by Europeanization and globalization pressures, economic indicators such as trade balances can be drawn upon. The welfare system, the perceived threat of the high social and environmental were the main reasons for which the Swedish public distrust EU integration⁵⁹.

The increasing challenge of environmental changes in face of the limited capacities of individual member states is well noted as an emerging problem of governance in international agenda. An indicator of the governance potential of Sweden as a single nation state would be past

⁵⁸ For instance, the neo-functional assumption according to which there is an original goal which leads to functional pressures with the stated aim of assuring the achievement of that goal. Accordingly, domestic politics articulates the intergovernmentalist logic through pressure at the national level, except that this dynamics does not unfold according to a perceived goal.

⁵⁹ The campaign for the EMU in the 2003 Swedish referendum was fraught with debates about the social uncertainties of monetary integration

capabilities – welfare and environmental record prior to EU entry – conditioned by recent developments (Swedish contribution to the EU environmental policy shaping in terms of agenda-setting, formulation and decision facilitation – mobilizing and convincing procedures – in the Council of Ministers) compared with the growing scope of the problem.

However, although the above indicators give a preliminary idea of the general logic regarding these structural (i.e. domestic and exogenous) independent variables, there is an objective estimation concerning these referents, which are militants' perceptions taken as a proxy for polls' results or votes. This is to say that these variables⁶⁰ are cognitively and socially constructed. Therefore, they largely have to do with the perceptions of decision-makers, but not only⁶¹. The party militants are also a key estimator of the way these referents are formed. For the Swedish case, the analyst is rejoiced by the abundance of electoral and referenda data, which range from the intermediate to the final results. Therefore, the partial data from the party militants and sympathizers are going to be compared with the final electoral outcomes. The loss of dominance by the SAP is thus explained here inasmuch as this is the dependent variable, which measure electoral change. The aim is neither to make an in depth analysis of voting behavior in Swedish parliamentary elections and referenda past years nor to undertake a public opinion inquiry on how voters' perceptions translate into poll results, but to ascertain the fact that a well-informed explanation of a party metamorphosis should not only hinge on strict party system and electoral behavior analyzes. This analyzes of SAP electoral odds change does not take into account these aspects of politics, but mainly bases itself on other elements along a two dimensional structure of policy and politics.

'Indicators of institutional influence⁶² on political outcomes include firstly supranational institutions' actual effect on national decision-makers to foster support for their endeavors'. The second and most important

⁶⁰ The structural independent variables of this research include: neo-corporatist practices, interest groups and veto games, policy change

⁶¹ In order to ascertain – as far as possible -these perceptions, additional indicators and techniques are necessary: first, and perhaps most importantly, interviews, verified by cross-interview and triangulation across other sources, can reveal the true perceptions and action rationales of decision-makers. Moreover, the persuasive value and general influence of these independent variables or other structural arguments tends to be reflected through their frequent appearance in the policy discourse, i.e. in national party position papers, major political events, policy papers etc. Notwithstanding, it is true that manifestation in the policy discourse need not necessarily be a reflection of decision makers' true perception, but when these type of arguments – structural arguments – gain currency in the policy arena, they certainly have an impact on outcomes. This is the visible thread stretching through my theoretical approach, which reveals there is a link between the sociological constructivist aspects of communicative and rhetorical action – which characterize policy network theory – and the rational inter-governmentalist aspects like veto points, policy and institutional change, neo-corporatism and interest group theory.

⁶² Barkdull, John and Paul G. Harris. Environmental Change and Foreign Policy: A Survey of Theory. *Global Environmental Politics* , vol. 2, issue 2, 2002, p 63-91

indicator focuses on the output, rather than the input dimension of institutional influence. What is important here is whether the national decision-maker's interests, strategies or positions have changed towards the line taken by supranational institutions or vice versa. Having identified such change, its direction still has to be identified, i.e. if it was induced by supranational institutions or by national decision-makers. In the case of this research, there is a hypothesized direction of change from the national decision-makers towards the supranational institutions. Another referent combining elements of the first two would be the admittance on the part of national decision-makers and, alternatively, independent insiders involved in negotiations (such as the Council or UN Secretariat officials) that supranational preferences and positions changed towards those favored by national decision-makers because of the involvement of the latter.

Again, it is hypothesized here that structural independent variables such as were at stake and operated this change.

As for the operationalisation of societal interests, this key causal variable may appear problematic – as I have stated before the focus here is not on the polity dimension – in light of the neo-corporatist departing points.

I hypothesize that the dependent variable is caused by 4 four explanatory variables. These key causal variables are: neo-corporatist practices, interest groups (other than the SAF and the LO) and the veto game, policy change as a form of adaptation to exogenous pressures (Europeanization and globalization), policy networks or socialization, normative behavior or leadership in international settings/cultivated spillover. They are described in detail and operationalized below. Neo-corporatist practices or arrangements are the materialization of a certain type of industrial relations aspects and revolve around.

The notion of interest groups is autonomous from the idea and reality of neo-corporatism. Although neo-corporatism presupposes the existence of strong interest and pressure groups, it is not synonymous with it inasmuch as interest groups can exist in the absence of neo-corporatism. That is why, this research consider interest group theory separately from neo-corporatism.

In what concerns the second dimension, the 'uploading' part, there are a number of indicators that guide it and which also represent 'connecting bridges' towards the conceptualization of the national projection of environmental policy. This aspect of Europeanization can be summarized by the words '*national environmental policy of a member state affects and contributes to the development of a common European environmental policy*'. These indicators are: 1. State attempts to increase national influence in the world; 2. State has a domestic interest to upload environmental policy at the supranational level; 3. State attempts to influence the environmental policies of other member states; 4. State uses the EU as a cover umbrella; 5. The externalization of national environmental policy positions the member state onto the EU level, which touches upon that state's foreign policy

objectives.

Indicators of institutional influence on political outcomes include firstly supranational institutions' actual effect on national and other decision-makers to foster support for their endeavors. The second and most important indicator focuses on the output, rather than the input dimension of institutional influence.

Third, the degree of socialization can also be estimated. This ideally involves a comparison of actors and norms at different times, in order to be able to distinguish whether frequent and prolonged interaction in supranational arenas changed the initial course of the policy proposal. However, the present research does not insist too much on this latter point.

Normative influence is similar to the concept of cultivated spillover in neo-functional theory as it best captures the interference between the national and the supranational.

The hypotheses developed in the sixth chapter above describe introductory independent variables – the Europeanization and public opinion pressure from the environmentalist pressure groups and public concern regional level, the dependent variable, the environmental governmental strategy over the environmental and the intervening variable the international variable (i.e. policy style, policy structure and policy content), the polity variable (i.e. trends in PO public opinion and IG interest groups) and the politics variable (the electoral game and the pork/barrel/log/rolling so-called power polity between the parties).

In the Swedish case, because of SAP's longevity in power, the international structures and the 'politics' variables overlap each other. Therefore, the whole discussion on the impact of the intervening variables becomes a discussion of internal party politics.

However, the difference in the 1st hypothesis compared to the 2nd consists in the different formulation of the dependent variable. The dependent variable is conceived as environmental policy shaping and formulation phases at the international level. The variance in the dependent is the transformation of the environmental issue (from a simple environmental concern at the local level in Sweden with acidification) to the status of a policy with international ramifications. The observed variance in the dependent is accounted as progressive accumulation of meaning in the policy content, its successive technicalities adding up to each successive stage in international debate.

The dependent variable – the formulation of environmental policy – ends with the beginning of the 1990s; it is a time dependent variable because it begins and it stops with time. At the end of the 1990s, the dependent variable has already developed and became a full-fledged aspect of international affairs. The acquiring of different meaning and the full-development in the potentialities of the dependent variable enable us to speak about the process of the Europeanization of the environmental policy in Sweden in the 2nd hypothesis in the sixth chapter.

The change which took place is explained by a series of factors: Swedish national leadership in addressing the issue, international mobilization over the pub. Negotiation, agreement between public opinion (the rising and empowering of environmentalist groups) and governmental policy and their reciprocal influence. The golden idea is that at the time it existed an agreement between governmental elites and the public grassroots. The change which took place in the 1970s/1990s (1st phase) and it is called environmental conscientization. This change culminated with the Swedish accession to the EU and is called stepping-up. The whole environmental process which comprises Swedish involvement in international and European environmental negotiations stretches along 3 stages time dependent:

1. conscientization (1970s-1990s)
2. stepping-up (1990-1995) coinciding with the decision to enter the EU
3. uploading (1995-)

Bretherton & Vogler (2005)⁶³ mention-conceiving the international role of EU and its visibility on the international arena – 3 related conditions which combine in varying ways to shape the Union-s external activities: opportunity, presence and capability. Restraining the scope of this methodological framework to one country Sweden, one could easily adopt the same three conditions operating when considering Sweden-s international role as independent variable in the 1st hypothesis.

Opportunity is represented by the sudden emergence on the international agenda of the environmental issue as a ‘*window of opportunity*’, an opening for the regulation of the environment by both national and international bureaucrats and scientists. Presence is rep. by the development and final maturing of the environmental issue at the political EU level. Into an environmental policy at the EU level after a series of shy trials at the end of 1980s – SEA, etc) which brought up the foreign policy opportunity for Sweden to consider EU entry as a possible option.

1.3.2.5. ‘*Many variables*’ and ‘*big-n*’

In the area of international affairs researchers are facing the problem of having to cope with many variables, whereas one can usually only analyze a small number of cases. In order to make valid causal inferences and avoid indeterminate research results, it has been held that more observations are needed than independent variables, which is exactly the case of my research. Therefore, it is only logical – with a big-N, i.e. observations, and many variables – to use statistical inference and data analysis. It is a classical situation where there is no need to merge variables that exhibit an essentially similar underlying characteristic into a single

⁶³ Bretherton, Charlotte and John Vogler. *The European Union as a Global Actor*, Routledge, London, 2005, p 126

variable, although for simplification purposes this is always an advisable thing to do. Second, I have focused on ultimate outcomes rather than on process tracing techniques.

1.4. Methodology: the crucial case method and statistical induction

The correlation between the OECD country economic data along the period 1960s to 1990s and the SAP political vote in the same period is strong as indicated by the Pierson's coefficient, the chi-square. The cross-tabulations are performed for two time spans, the 1960s-1980s period and the 1980s-2000 period. These time series are repeated for the environmental hypothesis in chapters six and seven. Therewith, a comparative approach extends across a longer time period and across different time periods for the same political object, a political party.

For instance, the careful description and assessment (analysis from the point of view of principal agent theory Niskanen, 1999, i.e. government-diplomacy- interest groups-international organization) of the UN process – prior to the European Community's signing of the 1992 Rio Declaration and accompanying Conventions – in the environmental field in the period 1970s-1990s pertains to the purposes of this case study, i.e. the relationship between international developments, on one hand, and the change in the political '*good fortunes*' of a single party in one country, on the other hand. These considerations alone prompt the choice of the crucial case study theory as the main methodological tool of this research endeavor inasmuch as the case subject stays the same across different policy fields and time spans.

1.4.1. Methodology: crucial case method and analytic induction

My epistemological position can be located somewhere between positivist and interpretative extremes, probably leaning somewhat towards positivism. My work aims at causal relationships, but does not seek to produce general findings? The following sections will generate hypotheses which are to be tested, aspiring validation or falsification. However, I reject the extreme positivist view that all social phenomena can necessarily be objectively observed, clearly measured and directly compared. Instead, interpretative understanding is viewed here as an inherent, even though not exclusive, part of, and step towards, causal explanation. On the other hand, I endorse the relativist position which argues that context is everything, and that eventually no matters can be compared because they are embedded in unique contexts, thereby not allowing for the generation of legitimate generalizations. I thus acknowledge the importance of interpretative and contextual features in establishing causal relationships and embeddedness?

1.4.2. Crucial case method

The method employed here is what Eckstein called '*the intensive*' study of individual macrocosmic cases of political phenomena levels' such as this inquiry into the electoral evolution of a political party over time. Because of the specificity of the studied national system – where '*the party state*' was the embedded norm on the basis of democratic elections and a wide cross-class consensus, the analysis also traces a case study of national policy building environmental leadership. If one was talking about the Swedish model and '*welfare revolution*', now there is talk of '*environmental revolution*'. What is more, the case study method is most useful at that stage of theory building where '*least value is attached to them: the stage where candidate theories are tested*'. This argument springs up when Eckstein shows the 'virtues' of case studies as opposed to the '*conventional wisdom in political science*' – the comparatives paradigm.

Eckstein speaks out about his position on case studies in political theory after he exposes the two epistemological extremes in political science to date, namely Popper's falsibility approach and the 'soft' constructivist line. His stance is situated somewhere along the continuum between the 'hard' science approach and the soft constructivist line.

According to Eckstein, case studies are valuable at all stages of the theory-building process, but most valuable at that stage of theory building where least value is attached to them: the stage at which candidate theories are 'tested'. Against the comparative method, he argues for case studies as a means for theory-building especially in regard for those phenomena which the subfield of comparative politics is most associated with, that is macro-political phenomena, i.e. units of political study of considerable magnitude and complexity.

CHAPTER 2

THE 1930-1960 YEARS

A historical account of SAP's accession to government and its aftermath – the 1889-1930s and the 1930-1960 years

1. The first years, economic depression and stage one keynesianism

1.1. The first years and the first social-democratic program

1.2. Extending electoral consensus

1.3. New economic trends: welfare as productive investment

1.4. SAP first accession to power

1.5. Keynesianism and the Stockholm School

1.5.1. Pre-keynesianism

1.5.2. Stage one keynesianism and SAP accession to power

1.5.3. Stage two keynesianism or the Rehn-Meidner Model

2. A sketch of the Swedish model

3. Neocorporatism and the SA

3.1. The Saltsjöbaden Agreement and the beginning of neocorporatism

3.2. Full-fledged neocorporatism

3.3. The end of Swedish neocorporatism?

Before exploring the historical circumstances anterior to the installation into government of the SD SAP, one should bear in mind that, when, when studying the Swedish political system, the neutrality issue is a key concept. It should be well-stressed and explained as it had been the pre-condition which made possible the country's independence throughout the previous century and the whole post-war period of the Cold War. As in the first two world wars, the country has maintained an equidistant position from the two opposing blocks during the West-East confrontation of the twentieth century. This independence from political and economic alliances served Sweden well, both in terms of evading the destructive consequences of a geographical location placing the nation in between the Allies and Axis powers during the Second World War, and again between the NATO and the Warsaw Pact military blocs during the Cold War. While it has benefited the country both from a political and economic point of view, it cannot be considered as a necessary and sufficient condition of welfare and prosperity. However, foreign policy choices influenced Swedish positioning in regional alliances and participation in the EU, even if they were not the only ones.

The high trade barrier and measures of equivalent effect of 'Fortress Europe' did not curb Swedish pursuit of free trade and competition policies, combined with strict environmental standards. As Whyman observed 'historical ambivalence' and the foreign policy of neutrality enabled

Sweden to pursue its free trade policies, unhindered by considerations of ‘*Fortress Europe*’ protective measures enacted by protectionism behind high tariff walls. It also provided Sweden with a degree of international influence out of proportion to the nation’s size, economic or military power, based upon its professed identification with world development and environmental issues.

It additionally provided the opportunity for social-democratic policies to become embedded in the national consciousness. The strong society has been the ideological catchword behind the Social Democratic project, which sought to foster both growth and security into the people’s home.

The Scandinavian social democratic parties split with the revolutionary left in the aftermath of the Bolshevik revolution of 1917, and joined the Socialist International⁶⁴. From the 1920s, they have all, therefore, maintained an explicit commitment to the parliamentary, reformist route to socialism. With the advent of universal suffrage, the social democratic parties were able to increase their parliamentary representation substantially, and in some cases had formed short-lived minority governments before 1930. But the real breakthrough came in the 1930s, when all five Scandinavian social democratic parties were able to negotiate compromise agreements with agrarian parties, and thus secure the parliamentary support necessary to allow them to form majority governments, introduce welfare reforms and some degree of counter-cyclical economic policy.

The two decades after 1945 can with some justification be described as the ‘*golden age*’ of social democracy. Throughout Scandinavia, social democratic parties were in government for most of this period, and were the artisans of a new era, of high rates of economic growth, low unemployment and rising living standards. In concert with other west European social democratic parties, by 1945, the Scandinavian socialist parties had all but abandoned their programmatic commitment to Marxism. While some scholars argue that this amounted to extreme ideological pragmatism⁶⁵, others maintain that nonetheless some distinctive elements of Scandinavian social democratic ideology were retained. These include: commitment to equality and social solidarity through universal and comprehensive welfare benefits, and a redistributive taxation system, commitment to the mixed economy; toleration of a relatively large private sector, keynesian economic objectives such as full employment as the principal goal of economic policy and strong state viewed as benign and desirable in constructing ‘*good society*’ and maximising individual freedom.

For all three left parties, the core policy aims were therefore the maintenance of full employment, and the promotion of social justice and equality. The further development of an efficient industrial sector was a key

⁶⁴ The only exception here was the DNA D N A, which was a member of the Comintern from 1920-1927

⁶⁵ Whyman, 2003; Anderson, 2001

element of their implementation programmes, but the nationalisation of industry was never regarded as a major policy tool. In Sweden, the central economic policy was the so-called Rehn-Meidner model, which sought to promote economic efficiency and social justice by combining state intervention in the labour market with what is known as ‘solidaristic’ wage policy and ATP measures. The most celebrated aspect of social democratic policy however was the further expansion of the welfare state, and the related concept of the ‘*people’s home*’ folkhemmet, a founding concept at the basis of Swedish social democracy. There were clear influences from abroad in the development of Scandinavian welfare policy – the 1943 Beveridge Report in the UK, for example, but the writings and researches of a core group of social democratic intellectuals, especially in Sweden, began to attract widespread international attention from the 1930s on. These Swedish economists and social scientists were part of the Stockholm School, which is discussed later on in the subsection about Keynes.

At this point, the research begins by considering a rampant question, which predates the main issue problem of this research, the declining electoral support for the SAP after the 1990s. Before tackling it, though, one should ask why was social democracy so electorally dominant in post-war Sweden? Most political scientists have pointed to the ability of the social democratic parties to look beyond their ‘traditional’ constituency – i.e. industrial workers – for electoral support, and to forge cross-class alliances, most notably with agrarian interests. Notwithstanding, that ability has not been the only strategy, which contributed to SAP’s maintenance in office along the last century. The stress on environment and security, on one hand, and on growth and neutrality, on the other, were the basic ingredients for social democratic longevity in Sweden.

1. The first years, economic depression and stage one Keynesianism

1.1 The first years and the first social-democratic program

In 1897, the first Swedish social-democratic program by the hands of Axel Danielsson was inspired by the 1890 Erfurt program of the German SPD. He and Hjaelmar Branting were the first advocates of a gradualist and evolutionary approach to achieving socialism⁶⁶ – although in the Swedish debate of their time they were perceived as revolutionaries, who argued for a radical change of the society by dint of universal suffrage and self-education.

Though the beginnings were marked by innumerable hardships, the SAP and the LO did finally manage to win the 1932 elections by a majority of 41.7% and to form a coalition government with the Agrarians. However, were it not for its time-sealed alliance with the LO, the SAP would have

⁶⁶ Hamilton, M.B.1989. *Democratic socialism in Britain and Sweden*. London: Macmillan, p 156.

never achieved so stable and enduring a permanence in politics: it took more than a decade for the SAP to secure universal voting rights and yet another decade to join governmental office.

In the beginnings, after its constitution as a party in 1889, the SAP took over the demand for universal franchise as its main priority since it was the prerequisite for the democratic control of the political life. One of the first and relatively effective weapons used for political pressure was the strike; in 1902, the SAP persuaded the LO to organize a general strike, involving 120,000 strikers in order to demand universal suffrage. After its defeat, the SAF was subsequently formed in order to offset increased labour movement strength and effective organization. Not even with the second 1905 strike, was there universal suffrage conceded, but only the so-called '*December Compromise*' signed in 1906. Its importance lies in the fact that there has been the first document which institutionalized dialogue between labour and industry, whereby both parties were '*mutually accepted as representatives for their respective members*'⁶⁷. In addition, two main principles lay at the basis of this compromise, the principle of collective bargaining and trade union recognition. These gains were not minor in that they paved the way for the SA and largely, for what have later been a characteristic of industrial relations in Sweden, precisely neo-corporatist arrangements. The contentious point in the document was contained in the paragraph 23, a clause added at the insistence of the SAF and accepted begrudgingly by the LO, which stipulated that employers had the right to '*freely appoint and dismiss employees, to assign jobs and to manage production*'⁶⁸. In return, the LO obtained that these employers' prerogatives – paragraph 23 – be exercised within the boundaries established by collective agreements and secured negotiating rights which it could use to expand membership. It is hard to say whether these achievements were consistent with the SAP-LO's initial expectations. What it clearly goes without saying is that there could have hardly emerged a different arrangement – tipped in favour of the labour movement – given the balance of power pertaining at that time. For that particular moment, from SAF's point of view, the best strategy was to try to centralize unions – so that they can only have one interlocutor – and to formalize industrial relations.

If the SAF believed that – with the '*December Compromise*' – it had institutionalized its ability to '*effectively combat and control*' organized labour by forcing trade unions to negotiate '*within the existing framework of society*'⁶⁹, then it had proved itself wrong. This false assumption – that conflict institutionalization would reduce industrial unrest – was infirmed soon afterwards, in 1908, when a third strike-wave began and the LO called for a general strike as a retaliation to employers' imposition of industry-wide lockouts. This time, in 1909, not only was there universal suffrage still

⁶⁷ Hufford, L. 1973. Sweden: the myth of the Socialism. London: Fabian Society, p 8.

⁶⁸ de Geer, H. 1992. The rise and fall of the Swedish Model. Chichester: Carden, p. 34.

⁶⁹ Hufford, L. 1973. Sweden: the myth of the Socialism. London: Fabian Society, p 8.

absent, but the outcome was a clear defeat for the union movement. However, the positive aspect was that it gave the LO – the right arm of the SAP – the possibility to undertake a serious restructuring of the union movement and to facilitate cohesion over its constituent sections. It had also been an opportunity to consolidate the organization after consequent drops in membership and to reassess its further strategy: by 1911, the LO adhered to industrial unionism as its ‘*main organizing principle*’. However, the foremost aim and political priority of the SAP – securing universal suffrage was still a beautiful dream; it would take almost another decade to convince the bourgeois coalition in office to give in.

Many authors agree to the fact that it was ultimately the looming threat coming from the East – the Russian Revolution, which forced the bourgeois parties to reluctantly concede universal suffrage. In their words, the menace created by the events unfolding in Bolshevik Russia instilled enough fear in the ‘*bourgeois subconscious*’ to make possible a reconsideration – preempted by the popularity of the Eastern Revolution and the increasing support for radical change amongst important sections of the Swedish working class, rather than the growing strength of liberal and social democrat parliamentary representation⁷⁰. When they had finally granted it, the road to political change was set for the next half of the century: the social democrats held office discontinuously for 44 years. From 1936 till 1990, there has been what certain analysts called the era of Social Democrat dominance over the Swedish political spectrum.

In what concerns the long term partnership between the LO and the SAP – not only was it a tactful response to political isolation from the bourgeois coalition in government, but also an attempt to advance on the political scene and prepare the ground for electoral competition. To ease SAP’s access to power, the LO strengthened its position as coordinator of union activity and as the preeminent think-tank for the labour movement.

The introduction of proportional representation and the moderate extension of the franchise did enable the SAP to gradually increase its parliamentary representation, gaining 28.5% of the popular vote in the 1911 general election, 36.4% in 1914 and 39.4% in 1917.

1.2. Extending electoral consensus: the concept of folkhemmet and political consolidation

Before coming to power with the 1932 elections, the SAP had yet to enlarge its electoral basis since it was clear that the working class was not a majority of the electorate and cross-class consensus over social-democratic ideas was still in the making. Using Duverger’s paradigm, the party had to reach beyond its inner circles of party militants and adherents, out to its potential sympathizers. It did so by appealing to the concept of folkhem, which implied national solidarity through a fully-fledged welfare system.

⁷⁰ Misgeld, K ed.1992, *Creating Social democracy*. Pennsylvania: PUP, p 451, p 16.

The concept of the people's home (folkhemmet) was introduced into social democratic ideology by the party leader Per Albin Hansson in a 1928 speech at the SAP congress. Actually, the people's home draws on an old conservative metaphor, which emphasizes a symbiotic and organic legacy of folk and nation. In the social democratic context, however, the notion resorts to a specific interpretation of national efficiency, one that stressed the interdependencies between economic and social advancement. The question of providing welfare for the Swedish people was not just a matter of social responsibility or solidarity; welfare was as well linked to progress and national development in the economic sense. Thus, the suggestion – according to which the concept of welfare had a strong link to the concept of efficiency – was clear enough.

The idea of people's home as the organising metaphor of social democratic ideology from the 1930s onwards captured the notion that social democracy had a responsibility for the national interest: an interest that was broader and not confined to a specific working class. Folkhemmet was the SAP's attempt to broaden its ideology from fractionary class politics to articulations of national unity, which aimed at eliminating the dividing lines between citizens by the creation of universal welfare rights. According to social democracy, the social and economic barriers – laying at the foundation of society – were the source of inequality and consequently, were to be abolished. Moreover, the concept brought with it the indirect suggestion that through the expanding egalitarian institutions of the state, the individual could be liberated from dependency on archaic and bourgeois institutions such as the family, the market or the patriarchal employer (Traedgaardh).

By the same token, the concept was also linked to the notion of *samhälle* (ett *samhälle*) that broadly means 'society' in Swedish, but which is also deeply connected to the concept of folk and denying both the dichotomy of market and state, as well as the troika of market, state and civil society in favour of the idea of a home where state and citizen are intrinsically linked. To this extent, Lars Traedgaardh points out to the complete fusion between the terms of 'nation', 'state' and 'society' which have the same meaning in Swedish. This has led to a peculiar understanding of the relationship between nation and state in a political tradition which considers them not only symbiotic but, to a great extent, unseparable⁷¹. In other words, Swedish national identity has come to be tightly linked to the welfare state, understood not simply as a set of institutions but as the realization of folkhemmet, the people's home, which unquestionably stood as the central organizing slogan of the Social Democrats.

However, at the very basis of the social democratic conception lies a dim ambiguity – which is barely observable, but nonetheless worth

⁷¹ Traedgaardh, L. 2007. State and civil society in Northern Europe: The Swedish model reconsidered. Oxford: Bergahn, p. 31.

mentioning; the idea of *folkhemmet* traces back its roots to a Conservatory conception of the sensible role of the state in a society merely ‘inhabited’ by it. On the background of the Swedish political culture and Social democratic permanence to government, the concept of *folkhemmet* gave birth to a social reality, which has been termed as ‘*statist individualism*’⁷². It comes down, implicitly, to a unique situation, in which the ‘*state is conceived as the liberator of the individual from the dependency ties imposed – paradoxically – by the civil society institutions of the family, churches and the private and voluntary charity organizations. The latter are not associated with pluralism and freedom, but with demeaning private charity, unequal patriarchal relations and informal (ab) uses of power*’⁷³.

The importance of *folkhemmet* for the ‘*Swedish Model*’ has been highlighted for the first time in the work of Rothstein⁷⁴. As later Traedgaardh, he claims that this model was characterized by ‘*a particular form of statism built on a vision of a social contract between a strong and good state, on the one hand, and emancipated and autonomous individuals, on the other*’. Once again, the institutions of the state are seen as liberating for the individual. Furthermore, the inequalities and dependencies associated with the opposing civil society institutions were to be replaced by an egalitarian social order.

The *folkhemmet* approach is important for understanding the electoral breakthrough of Swedish reformism, which rested on a privileged relationship between market and state. It introduced the idea that socialism could be advanced through social reforms inaugurated by the state in a period when the state seemed to be failing irremediably from several points of view (Olsen, 1992: 98). The image of national solidarity – made possible by the *folkhemmet* consensus – facilitated the coalition-building necessary to secure government.

1.3. New 1930S-1940s Economic Trends: welfare as productive investment

⁷² Traedgaardh, L. 2007. *State and civil society in Northern Europe: The Swedish model reconsidered*. Oxford: Bergahn, p. 31.

⁷³ Traedgaardh accurately observes, ‘...in Sweden, in sharp contrast to continental Europe, the social contract on which the welfare state was built is one between the individual and the state at the expense of the intermediary institutions of the civil society...’. However, this view privileges the branch of theory, which explains social democrat success in Sweden as a function of previous historical traditions. This research does not contrast with the latter view, but examines Swedish social democratic resilience as a function of welfare provision. Traedgaardh, L. 2007. *State and civil society in Northern Europe: The Swedish model reconsidered*. Oxford: Bergahn, p. 22.

⁷⁴ Regarding the Swedish political and cultural debate, Bo Rothstein (2003) observed that, before the half of the 20th century, in Sweden, novelty and inspiration used to come from Germany. This has changed ever since when the United States have taken up the lead to cultural hegemony and when mass culture became synonymous with Americanization.

However, certain steps were needed in order to prepare the ground before the eventual social-democratic acquisition of power. The inter-war conditions were not yet ripe for a reversal to socialist rule; harrowing times lay ahead for the SAP: the unemployment rate oscillating between soaring margins, with a lowest of 12.2% and a highest of 34%, the lack of a viable economic alternative to the prevalent laissez-faire liberalism called for a change. If social-democracy and economic policy of Keynesianist stem were to become the next *'parole d'ordre'* of national Swedish recovery, the maitrise by the SAP of the unstable political situation had yet to be grasped. Despite the SAP forming three minority governments between 1920 and 1932, the *'new economic strategy'* was only adopted by the SAP in a 1930 SAP Riksdag motion which stated out and loud that unemployment was a permanent feature of the business cycle. Till 1932 and the first social democrat electoral triumph – with the SAP securing for the first time a 41.7% share of the vote, were still two years to pass in which the social-democrats did a good job in campaigning for welfare through increased public spending, the new idea at the basis of economic management.

Ernst Wigforss and Gunnar Myrdal were the economic artisans behind the new economics strategy and the Crisis Package. Both have contributed to a great extent in advancing the new economic policy whose main aim was to reduce unemployment and both were members of the Unemployment Commission. Myrdal's approach to social policy as productive investment able to boost up demand was expressed in the seminal article *'Do social reforms cost money?'* which was published in the functionalist journal *Arkitektur och samhälle*. It fitted in well with the overarching ideology on the role of public expenditure and demand management contained in Wigforss's election pamphlet *'Can we afford to work?'* Their ideas completed each other to develop a political and economic proto-Keynesian strategy to win over the 1932 elections.

The added value of the SAP's economic alternative rested on a unique blend of social and economically profitable policies whose founders were the young generation economists of the NSS New Stockholm School. Among them, Gunnar Myrdal was the first who coined the phrase 'productive' or 'prophylactic' social policies to single out those structural policies with long-term effects on national efficiency. Social policy and welfare provision were understood as investment policies rather than as budget wasting, depletive policies. According to Myrdal, such a social policy, which would effectively solve social problems on the basis of structural economic engineering, should be understood as an investment, just like any other investment in production factors. The canny point of the entire theory was precisely the approach to social policy as a productive investment because it could be used as a disguise for the newly-envisaged role of welfare. Myrdal did not view his intervention as an ideological one, but rather as a scientific and economic one that set out a 'rational' role for social policy in a modern, planned economy. The theoretical contrivance

consisted in providing a discursive defence for the expanded role of social policy so as to endorse the idea of a need for individual security.

One should not overlook however the peculiar situation of the moment – i.e. of the 1930s – in Sweden which saw acrid confrontation between two ideological blocs – the Liberals and the Social-democrats – and the radicalization of the political debate. Against this background, the question of public expenditure, and particularly the question of the cost of the new social policies had become the key point of contestation, which split the political spectrum. For Myrdal, the close observation of the political game brought about his critique of orthodox economic thinking, which failed to appreciate the strategic roles of public expenditure and welfare reform for the modernization of the economy. In his well-known essay ‘*Do social reforms cost money?*’ he was adamantly opposed to the liberal view of social policy as a cost.

Myrdal promptly replied to the liberals and mainstream economists’ observation that social policy was burdensome and hard to manage in the long run. He retorted that social policy was not only concerned with the redistribution of resources, but with the actual creation of an economic surplus. Since the purpose of social policy was not only to create security but also to influence national revenues and create wealth, Myrdal argued that it could not be considered a cost. That is why the social democratic definition of social policy as a ‘*productive investment*’ – as opposed to the liberal standing, whose counter-argument of ‘*grueling social costs*’ Myrdal considered as irrational, unscientific and propagandistic – would be a more scientific argument, in line with modern economic thinking⁷⁵.

From the socialist standpoint, the question of whether or not social policy was a feasible alternative to stagnation and retraction had been wiped out as a reason for doubt as early as 1913 when it had been proclaimed as a political strategy. It was clearly the best approach not only for Myrdal or Wigforss, but also for the SAP’s leaders who were actively in favour of a pragmatic socio-economic attitude, which drew inspiration from Austrian Marxism, German Katedersocialismus and English Fabianism.

However, the doctrines of rationalization on the economic role of social policy – present in the socialist line – drew on a legacy of discourses concerned with social order and efficiency and in the same way as the notion of folkhemmet set roots from an elder conservative legacy of national unity. Without any fright of error, one might say that the link between the people’s home and ‘*social-democratic capitalism*’ was Gunnar Myrdal’s idea of social policy as productive investment.

⁷⁵ For Myrdal, to reject what was scientifically a possibility out of the crisis and economic depression represented a reprehensible blunder inasmuch as a failure to grasp it would set again the path for a repetition of past mistakes like the maintenance of the poor relief system, which was synonymous with the destruction of social capital. According to him, that was too high a price to pay for and consequently, the cost incurred to society was the waste of social destruction.

Against the background of postwar depression and polarization of the political debate, the concept of investment acquired valuable ideological currency in economics and politics. It was especially consistent with a 1930s social democratic world of ideas, which in many respects was not unlike the Enlightenment Age of the eighteenth century where reason was advocated as the primary source and legitimacy for authority. In the same way now, investment was the new 'catchphrase' with the emphasis on an overarching responsibility for economy and welfare inherent in the people's home (folkhem) concept; with functional socialism's preoccupation with consumption and social amelioration; and with the place of public consumption and demand management in the 'new economic ideas' of the party's main theorists Ernst Wigforss. What is more, Myrdal's notion of productive social policies or social policy as investment fitted in well with the ideas of universalism formulated in Gustav Moeller's discussion on comprehensive or 'general' social policies that would not stigmatize the working class as the poor relief system did, but provide security as a matter of right⁷⁶.

As to the relationship between Myrdal's productive investment and the subsequent development of the Swedish welfare model, Esping-Andersen and other observers have argued that the productivism of Swedish social policies was an important motivating factor for the universalism of the Swedish welfare state. A Swedish outlook on social policy as productive and as part of an overall socio-economic strategy meant that social policy was not, as in the liberal model, restricted to the residual role of dealing with the worst effects of capitalism on the social sphere, but was designed as an institutionally redistributive strategy for de-commodification and equality.

Swedish social-democracy can be conceived as a permanent trade-off between growth and security, whereby the two values are targeted in the long term, if not simultaneously as achievable goods, at least on an intentional basis. Unless the two were long-term goals, society would have been at a loss both from a social and economic point of view. The price incurred to society by maintaining insecurity in the social sphere was higher than by paying welfare benefits. This price was paid in direct budget expenses for social care instead of an indirect deterioration of competitive labor force, which contributed to the welfare state budget⁷⁷.

⁷⁶ Andersson, T et al. ed. 1996. *Multinational restructuring, internationalization and small economies: the Swedish case*. London: Routledge, p 8.

⁷⁷ In Andersson's (2006) words, '*The articulation of growth and security as ends in harmony can be seen as a central element in the hegemonic position of the SAP and of social democratic ideology in the post-war period. The ideological ability to tie together social security and economic efficiency (growth) was a vital component of social democratic ideology, of its capacity to create a consensus around the welfare state and entrench its values in Swedish political culture.*'

1.4. SAP's first accession to power and the forming of government

At a time when the questions of retraction or expansion were disputed as mutually exclusive solutions to the impasse, viable proof in favour of one of them became the key to electoral victory. The debate was not confined to the strict issue of the best strategy, but purported to reduce unemployment and political instability. Despite the SAP forming three minority governments, an electoral breakthrough was not achieved prior to 1932 when the SAP obtained a high score of 41.7%, an increased share of votes, which meant the socialist block received a majority of votes for the first time.

Before 1932, the shadow finance minister, Ernst Wigforss, used the forum of the Commission of Enquiry into Unemployment, which the shadow SAP government established in 1926 to develop a proto-keynesian strategy in conjunction with the group of young economists of '*The Stockholm School*'⁷⁸. The new economic strategy was publicly adopted by the SAP in a 1930 SAP Riksdag motion which asserted that unemployment was a permanent, not a temporary feature - as the classical economists and the bourgeois coalition held, of the business cycle⁷⁹.

However, when taking over with a majority of the votes, SAP was still in need of parliamentary support to form government because the upper Chamber of the Riksdag was dominated by the bourgeois parties. To implement its crisis programme and form government, the SAP was supposed to gain a parliamentary majority support in the bourgeois dominated Riksdag. But even before that, the SAP formed a minority government and appointed a new Commission on Unemployment, directed by the leading figures in the Stockholm School: Gunnar Myrdal, Bertil Ohlin and Dag Hammarskoeld. Their conclusions formed the basis of a 100 page motion placed before the Riksdag in 1932, which contained analysis, calculations and practical proposals to deal with the crisis. It can be rightly said that the resolution was the first macroeconomic programme to contain the kernel of the new Keynesian economics, which was yet to come four years later. If it was not exactly Keynes's '*General Theory of Interest and Money*', then it was akin to it on many points. These points and SAP economic programme per se are going to be explained at length in the next chapter, chapter three, while chapter four is going to detail the specificities of the Swedish welfare model, which were not necessarily macroeconomic, but rather a '*fine-tuning*' between social policies and keynesian macroeconomic policies⁸⁰.

⁷⁸ Uhr, C. G. 1977. 'Economists and policy-making: Sweden experience' in *History of Political Economy*: 9(1), p 92.

⁷⁹ Landgren, K.G. 1960. *The new Economics in Sweden*. Stockholm: Tidens, p 60-2.

⁸⁰ It is important to observe that although in the 1930s - the years of the New Deal and Keynesian economics - the Social Democrats were in power in Sweden, nowadays, at the beginning of the 1930s - when neo-neo-keynesianism is revived in the US and elsewhere

In 1932, the SAP was clearly in need of a coalition partner, which they found in the Agrarians. The Agrarian Party did not recoil from joining the SAP after six months of minority government and that resulted in the parliamentary stalemate being broken. In return for political support, the Agrarian Party negotiated a \$ 10 million in long term agricultural support and price stabilization. This political compromise between the SAP and the Agrarians became known as the *kohandel* or '*cow trade*'.

The SAP fought the 1932 election on its crisis programme aimed at reducing unemployment, which elicited vigorous opposition from bourgeois politicians, including the Liberals, as well as mainstream economists and bankers. This program was based on Keynesian economics, precisely on the core principle that loan-financed public works and welfare benefits increase demand and reduce unemployment. The successful adoption of Keynesianism furthermore laid the basis for continuing social democratic government and uprooted the mythology of Swedish social democracy as the savior of the nation. Thus, the crisis package was enacted by May 1933 with only slight concessions – such as minor reductions in expenditure plans and no initial agreement on unemployment insurance – which did not alter the fundamental Keynesian principle behind the measures.

The measures consisted of state money injection in public relief jobs such as construction, road building and forestry. One hundred and sixty million kroner were dedicated to it between 1932 and 1934, representing a two and a half fold increase in these programmes. Central government expenditure almost doubled in real terms between 1930 and 1939, whilst revenue was planned to rise more slowly, thereby relying upon deficit financing to stimulate aggregate demand.

Moreover, public works schemes began to pay market wage levels rather than the previous 15-25% below the going rate. The Keynesian multiplier effect clearly had an impact because it was calculated to stimulate the economy to the value of 300 million SEK or kronor and create approximately 90 000 jobs. Bergstrom argues that this budget was '*the first conscious implementation of Keynesian economic policy in the world*' and that it appeared to pay off according to the unemployment figures, which fell from 164 000 in 1933 to 36 000 by 1936 and 18 000 in 1937, one year later. Therefore, the SAP '*crisis programme*' was clearly Keynesian at its core. The question is whether these Keynesian ideas were the key variables which really helped Sweden out of the post 2nd WW depression. Was it not rather the export-led production high its main cause?

1.5. Keynesianism and the Stockholm School (Whyman and Miles article)

because of the crisis - in Sweden, the right wing government is enacting a combination of inflation targeting programmes to steer the economy.

Before exposing the economic practice of Swedish social democracy, one aspect of the Swedish social democratic tradition needs to be clarified: the relationship between Keynes and the SS. Which one should be credited as being the first who launched the idea of public spending in the economy as productive investment? If there is a difference between practice and theory, then the Swedish were the ones who implemented for the first time Keynes's ideas, long before his '*General Theory*' had been published in 1936, four years after SAP first social democratic government⁸¹.

Gunnar Myrdal and Ernst Wigforss belonged to the youngest generation of progressive economists of the Stockholm School who advocated for a new role of the state in economic management and saw in the Depression the best circumstance favouring it. It is worth mentioning that the ideas of the new Stockholm School on the role of public expenditure and demand management to achieve macroeconomic stability and a state of full employment preceded many of the thoughts Keynes put forward in his *General Theory*. Both Wigforss's and Myrdal's pamphlets preach ideas, which are in many respects akin to Keynes's. For instance, Wigforss's election pamphlet '*Har vi raad att arbeta?*'⁸² demonstrated that it was a deliberate Keynesian-type reflationary strategy which established the case for increased public spending to offset a shortfall in private investment and anticipated what later became known as the '*multiplier effect*'⁸³.

Because the SAP issued up the first '*new economics*' programme in 1930 – five years before the theoretical justification provided by John M. Keynes in his newly published '*General Theory of Unemployment, Interest and Money*' – a shade of doubt is still cast over the first real authors of Keynesianism as universal aggregate demand theory. However, it would be a mistake to assume that the first the Swedish economists were unaware of the Webbs' publication of the 1909 Minority Report, which recommended

⁸¹ It is important pointing out that there is still enough controversy over who had had first the idea and who had had put it first into practice. This question is not a chicken egg question, but rather a legitimate concern, which would enable scientist to better understand the differences between the Swedish SD 'keynesian' programme and the other variants of social democratic economic keynesianism.

⁸² Can we afford to work? Together with Ernst Wigforss, he was one of the most promising representatives of the New Stockholm School whose professor was Gustaf Cassel.

Wigforss, a member of the expansion-oriented younger Stockholm School and the Unemployment Commission, was writing polemically against the austerity measures demanded by the liberal older Stockholm School in the 1930s Depression. In fact, Wigforss's critique of the 'bourgeois concept of saving' took the form of a plea for a radical socialist expansionary economic policy centered on public works, extensive social policies and public consumption. His pamphlet '*Can we afford to work?*' (*Har vi raad att arbeta?*), which was published before the election in 1932, the same year that Gunnar Myrdal's article on productive social policies appeared, contained powerful economic arguments against viewing public consumption as 'unproductive' and a '*burden on industry*', and emphasized it as a central means of freeing productive capacity and recreating economic growth.

⁸³ Wigforss, E. 1941. From class conflict to cooperation. Stockholm: Tidens, p 304-20.

public works schemes to absorb the unemployed although the opposite might be more accurate. Besides, the first gist of governmental control of unemployment by fiscal leverage and public sector expansion were expressed as early as 1913 by the SAP leaders, Hjaelmar Branting and Gustav Moeller. There may not be mistaken to think that the British had the theoretical monopoly while the Swedish were the first who intuitively put into practice aggregate demand theory.

In addition to the chicken and egg question, there is also disagreement among economic historians concerning the impact of the 'keynesian' 1930s crisis measures upon the Swedish economy and the extent they helped Sweden escape the depression. Hufford (1973) argued the crisis programme '*played an important role in the recovery*' whilst Trehoerning (1993) considered its impact '*not entirely clear*'. Bergstroem (1992), Lindbeck (1975) and Trehoerning all believed it had had a limited impact compared with the export-led growth resulting from the maintenance of an undervalued currency throughout the 1930s. Unga (1976) argued the new policy was not consistently applied and that deficit-programmes were viewed as a necessary evil in an extraordinary situation, not as valuable in themselves to stimulate expansion.

Furthermore, whilst Hecllo and Madsen⁸⁴ agreed that the SAP had '*some Keynesian impulses*', they claimed that total public spending was too small to have a significant influence upon the economy. Central government budget expenditure almost doubled in real terms between 1930 and 1939, but as a percentage of GDP, this only represented an increase from 8% to 12%. Over the same period, government revenue rose from 8% to 9% of GDP only, signifying the SAP deliberately stimulated the economy through deficit financing, even though the sums were modest when spread over the decade.

When evaluating the contribution the crisis package made to Sweden's recovery, however, it is important to place the policies in context. Deficit financing was previously unknown in modern industrial economies and viewed with distrust by orthodox economists as akin to debasing the currency or depreciating it. Four years before Keynes published his General Theory and gave theoretical justification to the new economics, the SAP's programme represented a considerable achievement, particularly when compared to the 'ineptitude' of contemporary labour parties, including the British Labour parties in 1931. In this respect, the Swedish Social Democrats were fortunate to achieve power after the bourgeois parties had been forced off the Gold Standard and were consequently free to undertake economic experimentation during an acknowledged period of neo-liberal weakness.

⁸⁴ Hecllo and Madsen.H. 1987. Policy and Politics in Sweden: Principled Pragmatism. Philadelphia: Temple UP, p 12-22.

The dispute evoked above consists in whether it was the export-driven characteristic of the Swedish economy in that period or the new social democratic economic programme, which had held the key impact in bringing about the Swedish economic recovery. This research thesis is that both contributed in overcoming the depression ‘impasse’, but the social democratic programme had been decisive. Although a plethora of economic historians have their doubts, it is nevertheless a fact that the SAP had an appropriate strategy in place at that point. This is in itself an achievement of some significance taking into account that the primary implication of the crisis programme was ‘*the stable basis it laid for continuing social democratic governance*’ by legitimizing and institutionalizing active government policy to maintain full employment and promote welfare through the use of all available economic tools⁸⁵. In this sense, it mattered more that the SAP were seen to assert the power of government to defeat unemployment than what actually happened. Prior to the success of the 1932 crisis packages, the SAP had been unsure itself and feared office ‘*because it did not know what to do with it*’. Consolidating its successful crisis policies, the SAP claimed an ‘*undisputed leading position*’ in Swedish politics, thereby raising the standard of democracy in the process⁸⁶.

Furthermore, the successful adoption of keynesianism laid the basis for continuing social democratic government. The substantial support for the SAP programme resulted in a 46% share of the vote at the 1936 election and formation of a formal coalition government with the Agrarians. This provided a secure platform to develop keynesian economic policies and insulate its achievements from reversal after future elections. What is more, it gave the SAP a new ‘*ideological identity and a role in the country’s mythology*’ as ‘*the agents of Sweden’s delivery from Depression*’⁸⁷.

The overall picture of the Swedish economy at the beginning of the 2nd WWW in Europe may be deemed as following: while full employment was accepted as the prime economic policy goal, public works augmented by an under-valued, controlled-floating krona and low interest rates were combined with selective tax benefits to stimulate production and employment. Moreover, a more progressive taxation system with tax-based investments funds - intended to influence the timing of investment decisions - were designed to reinforce counter-cyclical macroeconomic policy. Under these policies, Sweden’s real aggregate GDP rose by over 40% between 1932 and 1940, whilst unemployment fell continually throughout the decade (Rock, 1986). Renewed prosperity ‘*helped to institutionalize the legitimacy of both active full employment policy and social democracy itself*’⁸⁸.

The exact date between SAP’s social/welfare program, the welfare theories of the new Stockholm School and Keynes’s General Theory of

⁸⁵ Olsson, A. S. 1991. *The Swedish wage negotiation system*. Dartmouth: Aldershot, p 11.

⁸⁶ Molin, K. ed 1992. *Creating Social Democracy*. Pennsylvania: PSUP, ch 12, p 375-408.

⁸⁷ Olsson, 1991.

⁸⁸ Esping Andersen, G. 1990. *Three Worlds of Welfare capitalism*. Cambridge: Polity, p 7.

money, interest... is disputable. Some argue that the Swedish economists were the first to devise the theoretical underpinnings of the postwar state driven intervention into the economy before Keynes received public recognition in UK.

1.5.1. Pre-keynesianism

Before tackling the Swedish economic model and its political ramification in the next chapter, it is important to remind some basic ideas of Keynesian economics. The theoretical assumptions of what is known as Keynesian economics are based on the IS-LM model, a positive linear dependence between Investment and Savings on the Demand curve and a negative one between Loan and Money on the Supply curve.

Fig 1 about here

Understanding the IS-LM model is compulsory since they represent the basic knowledge for any further comprehension of modern economic dynamics. Inflation, devaluation, the multiplier and the crowding-out effects, the profit squeeze and unemployment dynamics are all theoretical derivatives, which depart from simple Keynesian aggregate demand and supply theory. However, it was not Keynes himself which devised this useful '*classroom gadget*' to summarize the main concepts presented by Keynes in the '*General Theory*'. For instance, with the help of the IS-LM model - invented by John R Hicks, one can figure out the differences between inflation and devaluation, on one hand, and between reflation and deflation, on the other hand. Reflation and devaluation are the same kind of macroeconomic policies inasmuch as they are used interchangeably with the same objective, that of ensuring full employment or of reducing the rate of unemployment. Reflation could be easily mistaken for inflation, but it is actually the increase in government spending G . On the other hand, devaluation takes place when the national currency is maintained artificially at a low level to help increase exports and competitiveness. Reflation is a collateral effect of [an increase, it occurs in the same conditions as inflation, but is not the same with it. Markets automatically return to full employment through Price adjustments, equilibrium, disequilibrium,]

In the Keynesian programme the Postwar Keynesianism

After Keynes, Keynesian analysis was combined with neoclassical economics to produce what is generally termed the '*neoclassical synthesis*' which dominates mainstream macroeconomic thought. Though it was widely held that there was no strong automatic tendency to full employment, many believed that if government policy were used to ensure it, the economy would behave as classical or neoclassical theory predicted.

In the post-WWII years, Keynes's policy ideas were widely accepted. For the first time, governments prepared good quality economic statistics on an ongoing basis and had a theory that told them what to do. In this era of new liberalism and social democracy, most western

capitalist countries enjoyed low, stable unemployment and modest inflation.

As already mentioned fleetingly above, it was with John Hicks that Keynesian economics produced a clear model which policy-makers could use to attempt to understand and control economic activity. This model, the IS-LM model is nearly as influential as Keynes' original analysis in determining actual policy and economics education. It relates aggregate demand and employment to three exogenous quantities, i.e., the amount of money in circulation, the government budget, and the state of business expectations. This model was very popular with economists after WWII because it could be understood in terms of general equilibrium theory. This encouraged a much more static vision of macroeconomics than that described above.

The second main part of a Keynesian policy-maker's theoretical apparatus was the Phillips curve. This curve, which was more of an empirical observation than a theory, indicated that increased employment, and decreased unemployment, implied increased inflation. Keynes had only predicted that falling unemployment would cause a higher price, not a higher inflation rate. Thus, the economists could use the IS-LM model to predict, for example, that an increase in the money supply would raise output and employment and then use the Phillips curve to predict an increase in inflation.

Through the 1950s, moderate degrees of government demand leading industrial development, and use of fiscal and monetary counter-cyclical policies continued, and reached a peak in the 'go go' 1960s, where it seemed to many Keynesians that prosperity was now permanent. However, with the oil shock of 1973, and the economic problems of the 1970s, modern liberal economics began to fall out of favor. During this time, many economies experienced high and rising unemployment, coupled with high and rising inflation, contradicting the Phillips curve's prediction. This stagflation meant that the simultaneous application of expansionary (anti-recession) and contractionary (anti-inflation) policies appeared to be necessary, a clear impossibility. This dilemma led to the end of the Keynesian near-consensus of the 1960s, and the rise throughout the 1970s of ideas based upon more classical analysis, including monetarism, supply-side economics and new classical economics. At the same time, Keynesian economists began during the period to reorganize their thinking (some becoming associated with New Keynesian economics); one strategy, utilized also as a critique of the notably high unemployment and potentially disappointing GNP growth rates associated with the latter two theories by the mid-1980s, was to emphasize low unemployment and maximal economic growth at the cost of somewhat higher inflation⁸⁹.

⁸⁹ Its consequences kept in check by indexing and other methods, and its overall rate kept lower and steadier by such potential policies as Martin Weitzman's share economy.

Historical background

Keynes's macroeconomic theories were a response to mass unemployment in 1920s Britain and in 1930s America. In *'The Economic Consequences of Peace'*, Keynes dared to break with previous held theories on the issue of state involvement in monetary policy. His experience with the Treaty of Versailles entitled him to recant the general economics on which the Treaty was based and to develop the idea of monetary policy as something separate from merely maintaining currency against a fixed peg. He increasingly believed that economic systems would not automatically direct themselves to attain *'the optimal level of production'*. This is expressed in his famous quote, *'In the long run, we are all dead'*, implying that it does not matter that optimal production levels are attained in the long run, because it would be a very long run indeed. Keynes's 'recipes' were concerned with the problems plaguing the inter-war period, namely the high level of unemployment and the underutilization of production means.

Therefore, to put Keynes in context, one should pay heed to the political events of the late 1920s, when the world economic system began to break down and different answers - from the political realm - like fascism, nazism, communism and socialism were coming to fix it up back again. After the wobbly recovery that followed WWI, with the global drop in production, the acerbic critics of the gold standard, market self-correction, and production-driven paradigms of economics moved to the fore. Dozens of different schools contended for influence. Into this tumult stepped Keynes, promising not to institute revolution but to save capitalism. He circulated a simple thesis: there were more factories and transportation networks than could be used at the current ability of individuals to pay, i.e. that the problem was on the demand side. In the same time, with him or before him, the Swedish economists of the Stockholm School were trying to launch a new paradigm in economic thinking and policy. While Keynes theorized government spending, the Swedish economists actually offered to the Swedish Social Democrats the economic tools necessary to implement their political ideas⁹⁰.

Further, some pointed to the Soviet Union as a supposedly successful planned economy which had avoided the disasters of the capitalist world and argued for a move toward socialism. Others pointed to the success of fascism in Mussolini's Italy.

But many economists insisted that business confidence, not lack of demand, was the root of the problem, and that the correct course was to slash government expenditures and to cut wages to raise business confidence and willingness to hire unemployed workers. Yet others simply argued that *'nature would make its course'*, solving the Depression automatically by 'shaking out' unneeded productive capacity.

⁹⁰ It is hinted that the economic measures taken up in Sweden – were partly inspired from Germany and Russia.

Keynesian economics is an economic theory based on the ideas of twentieth-century British economist John Maynard Keynes, which were first exposed in the *'The General Theory of Employment, Interest and Money'*, published in 1936, 4 four years after the SAP first acceded to government. Keynesian economics seeks to provide solutions to what some consider failures of laissez-faire economic liberalism, which advocates that markets and the private sector operate best without state intervention. The state, according to Keynesian economics, can help maintain economic growth and stability in a mixed economy, in which both the public and private sectors play important roles.

In Keynes's view, some micro-level actions of individuals and firms can lead to aggregate macroeconomic outcomes in which the economy operates below its potential output and growth. Before him, many classical economists had believed in Say's law, that supply creates its own demand, so that a *'general glut'* would therefore be impossible⁹¹. Keynes contended that aggregate demand for goods might be insufficient during economic downturns, leading to unnecessarily high unemployment and losses of potential output. Keynes's trick consisted in suggesting that government policies could be used to increase aggregate demand, thus increasing economic activity and reducing high unemployment and deflation. He argued that the solution to depression was to stimulate the economy (*'inducement to invest'*) through some combination of two approaches: a reduction in interest rates and government investment in infrastructure – the injection of income results in more spending in the general economy, which in turn stimulates more production and investment involving still more income and spending and so forth. The initial stimulation starts a cascade of events, whose total increase in economic activity is a multiple of the original investment.

This latter idea lays at the basis of what is known as the *'multiplier effect'* in Keynesian economics. This effect relates interest rates to consumption and long term investment, which lie at the core of macroeconomic policy. There are two aspects of Keynes's model which had implications for policy. Firstly, there is the *'Keynesian multiplier'*, first developed by Richard F. Kahn in 1931. Exogenous increases in spending, such as an increase in government outlays, increases total spending by a multiple of that increase. A government could stimulate a great deal of new production with a modest outlay if two conditions are met. First, the people who receive this money then spend most on consumption goods and save the rest. Second, this extra spending allows businesses to hire more people and pay them, which in turn allows a further increase consumer spending. This process continues. At each step, the increase in spending is smaller than in the previous step, so that the multiplier process tapers off and allows the attainment of in equilibrium. This story is modified and moderated if we

⁹¹ Glut here means surplus of either labour or money supply.

move beyond a '*closed economy*' and bring in the role of taxation: the rise in imports and tax payments at each step reduces the amount of induced consumer spending and the size of the multiplier effect.

Secondly, a key point contained in the 'multiplier' is the effect of the interest rate on investment. In the classical model, the supply of funds (saving) determined the amount of fixed business investment. That is, since all savings was placed in banks, and all business investors in need of borrowed funds went to banks, the amount of savings determined the amount that was available to invest. To Keynes, the amount of investment was determined independently by long-term profit expectations and, to a lesser extent, the interest rate. The latter opens the possibility of regulating the economy through money supply changes, via monetary policy. Under conditions such as the Great Depression, Keynes argued that this approach would be relatively ineffective – as argued in classical economics – compared to fiscal policy. But during more 'normal' times, monetary expansion can stimulate the economy, mostly by encouraging construction of new housing.

Beside the multiplier effect, another key element of Keynesian economic theory is the concept of full employment. A central conclusion of Keynesian economics is that in some situations, no strong automatic mechanism moves output and employment towards full employment levels. This conclusion conflicts with economic approaches that assume a general tendency towards an equilibrium. In the '*neoclassical synthesis*', which combines Keynesian macro concepts with a micro foundation, the conditions of general equilibrium allow for price adjustment to achieve this goal. The New Classical Macroeconomics movement, which began in the late 1960s and early 1970s, criticized Keynesian theories, while '*New Keynesian*' economics have sought to base Keynes's idea on more rigorous theoretical foundations. More broadly, Keynes saw his as a general theory, in which utilization of resources could be high or low, whereas previous economics focused on the particular case of full utilization.

Related to the concept of full employment is the concept of excessive saving. To Keynes, excessive saving, i.e. saving beyond planned investment, was a serious problem, encouraging recession or even depression. Excessive saving results if investment falls, perhaps due to falling consumer demand, over-investment in earlier years, or pessimistic business expectations, and if saving does not immediately fall in step.

The classical economists argued that interest rates would fall due to the excess supply of '*loanable funds*'. The first diagram, adapted from the only graph in *The General Theory*, shows this process. (For simplicity, other sources of the demand for or supply of funds are ignored here.) Assume that fixed investment in capital goods falls from '*old I*' to '*new I*' (step a). Second (step b), the resulting excess of saving causes interest-rate cuts, abolishing the excess supply: so again we have savings (S) equal to investment. The interest-rate fall prevents that of production and

employment.

Keynes had a complex argument against this laissez-faire response. The graph below summarizes his argument, assuming again that fixed investment falls. First, saving does not fall much as interest rates fall, since the income and substitution effects of falling rates go in conflicting directions. Second, since planned fixed investment in plant and equipment is mostly based on long-term expectations of future profitability, that spending does not rise much as interest rates fall. So S and I are drawn as steep (inelastic) in the graph. Given the inelasticity of both demand and supply, a large interest-rate fall is needed to close the saving/investment gap. As drawn, this requires a negative interest rate at equilibrium (where the new I line would intersect the old S line). However, this negative interest rate is not necessary to Keynes's argument.

Third, Keynes argued that saving and investment are not the main determinants of interest rates, especially in the short run. Instead, the supply of and the demand for the stock of money determine interest rates in the short run. (This is not drawn in the graph.) Neither change quickly in response to excessive saving to allow fast interest-rate adjustment.

Finally, because of fear of capital losses on assets besides money, Keynes suggested that there may be a '*liquidity trap*' setting a floor under which interest rates cannot fall. (In this trap, bond-holders, fearing rises in interest rates (because rates are so low), fear capital losses on their bonds and thus try to sell them to attain money (liquidity).) Even economists who reject this liquidity trap now realize that nominal interest rates cannot fall below zero (or slightly higher). In the diagram, the equilibrium suggested by the new I line and the old S line cannot be reached, so that excess saving persists. Some (such as Paul Krugman, 2008 Nobel Prize in economics) see this latter kind of liquidity trap as prevailing in Japan in the 1990s.

Even if this 'trap' does not exist, there is a fourth element to Keynes's critique (perhaps the most important part). Saving involves not spending all of one's income. It thus means insufficient demand for business output, unless it is balanced by other sources of demand, such as fixed investment. Thus, excessive saving corresponds to an unwanted accumulation of inventories, or what classical economists called a general glut. This pile-up of unsold goods and materials encourages businesses to decrease both production and employment. This in turn lowers people's incomes – and saving, causing a leftward shift in the S line in the diagram (step B). For Keynes, the fall in income did most of the job ending excessive saving and allowing the loanable funds market to attain equilibrium. Instead of interest-rate adjustment solving the problem, a recession does so. Thus in the diagram, the interest-rate change is small.

Whereas the classical economists assumed that the level of output and income was constant and given at any one time (except for short-lived deviations), Keynes saw this as the key variable that adjusted to equate saving and investment.

Finally, a recession undermines the business incentive to engage in fixed investment. With falling incomes and demand for products, the desired demand for factories and equipment (not to mention housing) will fall. This accelerator effect would shift the 1 line to the left again, a change not shown in the diagram above. This recreates the problem of excessive saving and encourages the recession to continue.

In sum, to Keynes there is interaction between excess supplies in different markets, as unemployment in labor markets encourages excessive saving – and vice-versa. Rather than prices adjusting to attain equilibrium, the main story is one of quantity adjustment allowing recessions and possible attainment of underemployment equilibrium.

It is memorable Keynes's article, which he wrote in his early twenties, about a hydro-electric project. In his opinion it would have been better if the rewards of the project had gone to the worker-builders rather than to the investors who had financed the project. This alone tells a lot about Keynes's ideas on redistribution. Precisely, Keynesians believe that fiscal policy should be directed towards the lower-income segment of the population, because that segment is more likely to spend the money, contributing to demand, than to save it.

Keynes and the Classics

Keynes sought to distinguish his theories from '*classical economics*', by which he meant the economic theories of David Ricardo and his followers, including John Stuart Mill, Alfred Marshall, F.Y. Edgeworth, and A. Cecil Pigou. A central tenet of the classical view, according to which '*supply creates its own demand*'. Say's Law can be interpreted in two ways. First, the claim that the total value of output is equal to the sum of income earned in production is a result of a national income accounting identity, and is therefore indisputable. A second and stronger claim, however, that the '*costs of output are always covered in the aggregate by the sale-proceeds resulting from demand*' depends on how consumption and saving are linked to production and investment. In particular, Keynes argued that the second, strong form of Say's Law only holds if increases in individual savings exactly match an increase in aggregate investment⁹².

Keynes sought to develop a theory that would explain determinants of savings, consumption, investment and production. In that theory, the interaction of aggregate demand and aggregate supply determines the level of output and employment in the economy. Because of what he considered the failure of the '*Classical Theory*' in the 1930s, Keynes firmly objects its main theory – adjustments in prices would automatically make demand tend to the full employment level.

Neo-classical theory supports that the two main costs that shift

⁹² Keynes, J. M. 1936. *The General Theory of Interest and Money*. London: Routledge, ch 1, 2.

demand and supply are labor and money. Through the distribution of the monetary policy, demand and supply can be adjusted. If there were more labor than demand for it, wages would fall until hiring began again. If there was too much saving, and not enough consumption, then interest rates would fall until people either cut their savings rate or started borrowing.

Keynes's theory suggested that active government policy could be effective in managing the economy. Rather than seeing unbalanced government budgets as wrong, Keynes advocated what has been called counter-cyclical fiscal policies, that is policies which acted against the tide of the business cycle: deficit spending when a nation's economy suffers from recession or when recovery is long-delayed and unemployment is persistently high – and the suppression of inflation in boom times by either increasing taxes or cutting back on government outlays. He argued that governments should solve problems in the short run rather than waiting for market forces to do it in the long run, because '*in the long run, we are all dead*'.

As to active fiscal policy, Keynes's idea – contrary to the classical wisdom according, which wanted to balance government budget – was that it would exacerbate the underlying problem: following either policy would raise savings and thus lower the demand for both products and labor. For example, Keynesians see Herbert Hoover's June 1932 tax increase as making the Depression worse. Keynes's ideas influenced Franklin D. Roosevelt's view that insufficient buying-power caused the Depression. During his presidency, Roosevelt adopted some aspects of Keynesian economics, especially after 1937, when, in the depths of the Depression, the United States suffered from recession yet again following fiscal contraction. Something similar to Keynesian expansionary policies had been applied earlier by both social-democratic Sweden, and Nazi Germany. But to many the true success of Keynesian policy can be seen at the onset of WWII, which provided a kick to the world economy, removed uncertainty, and forced the rebuilding of destroyed capital. Keynesian ideas became almost official in social-democratic Europe after the war and in the U.S. in the 1960s.

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This contrasted with the classical and neo-classical economic

analysis of fiscal policy. Fiscal stimulus (deficit spending) could actuate production. But to these schools, there was no reason to believe that this stimulation would outrun the side-effects that ‘*crowd out*’ private investment: first, it would increase the demand for labor and raise wages, hurting profitability; Second, a government deficit increases the stock of government bonds, reducing their market price and encouraging high interest rates, making it more expensive for business to finance fixed investment. Thus, efforts to stimulate the economy would be self-defeating.

The Keynesian response is that such fiscal policy is only appropriate when unemployment is persistently high, above what is now termed the Non-Accelerating Inflation Rate of Unemployment, or NAIRU. In that case, crowding out is minimal. Further, private investment can be ‘*crowded in*’: fiscal stimulus raises the market for business output, raising cash flow and profitability, spurring business optimism. To Keynes, this accelerator effect meant that government and business could be complements rather than substitutes in this situation. Second, as the stimulus occurs, the GDP rises, raising the amount of saving, helping to finance the increase in fixed investment. Finally, government outlays need not always be wasteful: government investment in public goods that will not be provided by profit-seekers will encourage the private sector’s growth. That is, government spending on such things as basic research, public health, education, and infrastructure could help the long-term growth of potential output.

Invoking public choice theory, classical and neoclassical economists doubt that the government will ever be this beneficial and suggest that its policies will typically be dominated by special interest groups, including the government bureaucracy. Thus, they use their political theory to reject Keynes’ economic theory.

A Keynesian economist might point out that classical and neoclassical theory does not explain why firms acting as ‘*special interests*’ to influence government policy are assumed to produce a negative outcome, while those same firms acting with the same motivations outside of the government are supposed to produce positive outcomes.

In Keynes’ theory, there must be significant slack in the labour market before fiscal expansion is justified. Both conservative and some neoliberal economists question this assumption, unless labor unions or the government ‘*meddle*’ in the free market, creating persistent supply-side or classical unemployment. Their solution is to increase labor-market flexibility, e.g., by cutting wages, busting unions, and deregulating business.

Wages and spending

Deficit spending is not Keynesianism. Governments had long used deficits to finance wars. Keynesianism recommends counter-cyclical policies to smooth out fluctuations in the business cycle. For example, raising taxes to cool the economy and to prevent inflation when there is abundant demand-side growth, and engaging in deficit spending on labor-

intensive infrastructure projects to stimulate employment and stabilize wages during economic downturns. Classical economics, on the other hand, argues that one should cut taxes when there are budget surpluses, and cut spending – or, less likely, increase taxes – during economic downturns. Keynesian economists believe that adding to profits and incomes during boom cycles through tax cuts, and removing income and profits from the economy through cuts in spending and/or increased taxes during downturns, tends to exacerbate the negative effects of the business cycle.

During the Great Depression, the classical theory defined economic collapse as simply a lost incentive to produce. Mass unemployment was caused only by high and rigid real wages.

To Keynes, the determination of wages is more complicated. First, he argued that it is not real but nominal wages that are set in negotiations between employers and workers, as opposed to a barter relationship. First, nominal wage cuts would be difficult to put into effect because of laws and wage contracts. Even classical economists admitted that these exist; unlike Keynes, they advocated abolishing minimum wages, unions, and long-term contracts, increasing labor-market flexibility. However, to Keynes, people will resist nominal wage reductions, even without unions, until they see other wages falling and a general fall of prices.

He also argued that to boost employment, real wages had to go down: nominal wages would have to fall more than prices. However, doing so would reduce consumer demand, so that the aggregate demand for goods would drop. This would in turn reduce business sales revenues and expected profits. Investment in new plants and equipment – perhaps already discouraged by previous excesses – would then become more risky, less likely. Instead of raising business expectations, wage cuts could make matters much worse.

Further, if wages and prices were falling, people would start to expect them to fall. This could make the economy spiral downward as those who had money would simply wait as falling prices made it more valuable – rather than spending. As Irving Fisher argued in 1933, in his Debt-Deflation Theory of Great Depressions, deflation (falling prices) can make a depression deeper as falling prices and wages made pre-existing nominal debts more valuable in real terms.

1.5.2. Stage one keynesianism

While the *'Cord Deal'* was an example of SAP political consolidation, full employment was its main economic objective. It had been achieved by simple keynesian demand management and deficit financed reflation, all of which provided an economic policy framework aimed at restoring and maintaining full employment. Once in power, for the SAP, the crux of the problem was how to give in to Keynes's vocal criticism of economic orthodoxy, which came much tainted with the after war failure, and in the meantime enact economic policies which were functional.

Politically, the SAP had sufficient strength to apply Keynesian policy and implement the Stockholm School's ideas in a manner respectful of the realities of the country. However, simple Keynesian demand management was not designed to respond to unexpected inflationary pressures caused by excess demand in the aftermath of the 2nd WW. Consequently, wartime emergency controls over foreign exchange and imports, the rationing of scarce commodities, together with wage and price controls were reintroduced in the short term to repress inflationary pressures without eliminating their causes.

However, the LO rejected long term reliance upon income policy as unacceptable and unsustainable in the overheated post war period. The reason for which they opposed income policy was because it required trade unions to persuade their members to accept increases beneath those determined by market forces. Thereupon the social democratic programme consisted not only in the simultaneous leverages of reflation and full employment, but also in the consensus and consent of a powerful trade union movement.

As voluntary organisations, whose stated aim is to secure the best possible wages and working conditions for their members, continued wage restraint, which may redistribute income from labour to capital, strains union organizational cohesion and threatens membership support. In these circumstances, the union dilemma is either to pursue a militant wage policy with inflationary consequences or lose its members' confidence⁹³.

Full employment fundamentally increases the bargaining power of labour. Therefore, persuading or compelling workers to refrain from securing an increased share of national income under such conditions is futile. For unions to accept unconditional responsibility for economic stability would destroy their organizational authority. Yet, without solving inflationary instability, full employment might be threatened. Indeed, Meidner (1987) argued that *'there can be no strong labour movements unless the government guarantees full employment'*. Thus, the trade union movement can only *'survive as an independent and democratic organization'* whilst full employment is maintained by means compatible with a stable currency and free collective bargaining.

However, economic recovery increased the difficulty of SAP's competition for power. The first measure SAP stepped up was to bridge the

⁹³ Wigforss stated the problem as follows: *'Nothing can prevent a whole population from granting increased monetary income - nothing except the realization that it will not necessarily lead to a real rise in living standards. The difficulty with allowing such an insight to determine actions lies not least in the difficulty of finding one amongst all the recognised norms for a just distribution of the national income. Striving for social/economic balance is thus conjoined with attempts to find such mechanisms within economic life which take account of the need to promote enterprise and thrift, and at the same time, give various groups of citizens the feeling of receiving their just proportion of the results of production'*. See footnote above. Wigforss, E. 1941. *From class Conflict to Cooperation*. Stockholm: Tidens, p 10.

electoral gap and to build cross-class support for the socialist ideas. As a second measure, were it to enlarge the masses support, the presentation of a new economic package to stand out as an option to liberal economics would be compulsory. For instance, in the quest to ensure a political survival to the economic campaign, SAP devised an economic plan to win over full employment without giving up on inflation and wage centralization⁹⁴.

Inflationary pressure associated with ‘bastardised’ keynesian policy in action, had unintentional effects upon distribution, thereby itself causing tensions between different groups of wage earners and thereby threatening the internal cohesion of the Swedish labour movement. Thus, the long-term health and vitality of the labour movement depended upon the maintenance of full employment by means other than those which presupposed ‘*having to discipline their own working-class base to the degree that political support is lost*’⁹⁵. This was the basis behind the Rehn-Meidner Model developed by LO economists.

To conclude, the economic deal presented by the LO-SAP alliance rested on the use of the tools of reflation and deflation simultaneously in order to ensure increased exports and high rates of employment, an impossibility from the view point of classical economics, which regards the two as mutually excludable. Stage one keynesianism consisted in shunning the trade off between reflation and full employment on the basis of a strong trade union consensus and support of the SD programme.

The electoral competition was not to be too hard for the bourgeois parties in office were already tired off by the series of failures characterizing the beginning of the century.

2. A sketch of the Swedish Model: growth and security as mutually enforcing

The relationship between growth (tillvaext) and security (trygghet) was conceived as a positive relationship in the Swedish social-democratic outlook of society. It actually represented the crux of the Social Democrats’ ideology, whereby it defined itself as the vehicle to achieving welfare through gradual reformism and the assisted transformation of the capitalist model. This relationship lays at the core of the later Swedish model inasmuch as it underlines a bi-univocal dependence between productivism and efficiency on one hand, and productivism and social rights, on the other.

The concept of security was a reminiscence of the earlier 1930s debates on the people’s home. It had started out as a derivative of the values of solidarity, respect and mutual recognition – on which the folkhemmet was to be built – and it took out more and more the shape of a bedrock idea at the basis of the social democratic edifice in the mid-1950s. Social security

⁹⁴ Saltsjöbaden Agreement.

⁹⁵ Esping Andersen, G. 1990. *Three worlds of Welfare Capitalism*. Cambridge: Polity, p 23.

was supposed to complete then the strong society discourse, which launched as a safety valve for the social engineering project of the Swedish model.

In postwar party discourse, with its heavy emphasis on technological advancement, modernization and rapid economic transformations, the concept of security became also a reference to social democracy's capacity to accommodate individual needs in the process of change. It was actually an allusion to the party's will and ability to protect the individual from the harmful effects of structural transformations.

The picture – on the centrality of the concept of security within SAP's ideology – would not be complete were it not for its close association to efficiency or economic growth. More precisely, security played a direct influence on efficiency as a precondition for change and for the successful creation of the industrial society. The attempt hinged on a wider strategy, which envisaged the continued expansion of the welfare state at the scale of the entire society. Everything was in close connection to the underlying theory of the Swedish model, which rested on a careful balance between social and economic objectives. Economic policy had social welfare ends and vice versa, welfare policy had to be devised in accordance with economic efficiency considerations.

Through socio-political measures, one could intervene in production, protect the individual from the negative effects of market conditions and bring about the efficient allocation of labor resources, thereby increasing the quantity and quality of the workforce, facilitating the participation of individuals in production and increasing the demand and purchasing power through allowances and transfers.

The Swedish mixed economy – with its emphasis on planning and rationalization – embodied the idea that economic and social progress drew on each other in the ineluctable way in which the modern economy needed a high degree of planning to create gains in efficiency for social welfare purposes. Economic policy had social welfare ends. The objectives and means of social policy were formulated in a close interaction with active market labour policies and contributed to what has been described as a supply-side orientation that focused on the labour market's need for labour (see Whyman). Sweden has been rightly regarded as a pioneer in active labor market policies (including measures for increasing labor mobility and for vocational training). These labor policies were intended to be a basis for attaining full employment and for a solidaristic wage policy. The economic achievements due to efficient management...

The balance between economic and social objectives took the form of a discourse in which economic concepts such as efficiency or productivity were vested with social content, while the vice versa was also true. The concepts denoting the social sphere were also embedded in – sometimes too much of – an economic approach to society. For instance, the expression '*samhaellsekonomisk effektivitet*' became the current

idiomatic usage to design efficiency with a double-edged meaning, i.e. in both the economic and social sense.

The ideological premises of the model include a reliance on a vacillating mixture of elements from both capitalism and socialism. The propensity of the Socialists to work for the transformation of the existing system included a strategic plan aiming at welfare and full employment through stabilization policy (Lundberg) while preserving the conditions of an expansive free-market economy.

There is important to stress the dependence between growth and security because it is illustrative of the postwar social democratic approach to growth: only by means of security, that is preserving intact the need for security as an integral element for an efficient industrial society. In this manner, security was articulated as not only compatible with, but necessary for growth.

Likewise, there is equally important to attract attention upon the possibility that there perhaps was an essential connection between growth and security, which lay the foundation for the subsequent evolution of the Swedish system into a typical neocorporatist economy. What is more, neocorporatist relations characterized the actual configuration of the Swedish Model as it was enacted by the Social Democrats.

The Social Democrats' long term strategy was based on a policy mix issued out from Myrdal's ideas on productive social policies, i.e. policies which are supposed to have had an impact on the security of the productive workers. This articulation of growth and security as ends in harmony can be considered as a central element in the hegemonic position of the SAP and of social-democratic ideology in Sweden in the postwar period.

3. Neocorporatism and the Saltsjöbaden Agreement

3.1. The Saltsjöbaden Agreement and the beginning of neocorporatism

The recent SAP coming to power and winning elections made headway for the signing of an important document, which is to be remembered throughout the century as the formalization of labour-industry relations in a democratic neo-corporatist environment. As one recalls from the early strike series of the 1905-1909 years, the '*December Compromise*' consisted in legalizing trade unions participation in the workplace decisions, along with the SAF. Moreover, consolidation of SAP executive power and two decades of uninterrupted trade union membership growth reduced labour's relative power resource disadvantage versus capital. However, it additionally provided an alternative means for trade unions to seek a more egalitarian distribution of income rather than through the strike weapon. The pursuit of wage militancy had already made Sweden the country most prone to industrial conflict in the years up to the mid- 1930s, and yet the unions

knew that their gains were subject to the maintenance of union strength which could dramatically diminish if mass unemployment returned. Thus, the new political and economic environment had created conditions favourable to the agreement of a new class compromise.

LO recognition that SAP control of the executive could ensure sustained full employment and transfer the distributional struggle into the fiscal system made it willing to discipline its own constituent unions to prevent industrial action undermining the SAP Keynesian full employment programme. Thus, the LO accepted the principle of wage moderation to enhance international competitiveness if accompanied by SAP economic and social reforms; in effect to put '*society first*' rather than promoting sectional interests. Likewise, the SAP required the continuation of economic success in order to maintain its electoral support. This relied upon a stable labor market and minimal industrial disruption to secure its ability to manage the economy effectively and deliver the jobs that would determine its ultimate political future.

Domestically-oriented capital was equally prepared to cooperate with labor if it produced wage moderation, a stable labor market and higher profitability due to Keynesian reflation⁹⁶. The LO's new moderation and '*society first*'/security strategy strengthened the position of the SAF's new leadership, who released the dangers inherent to the continuation of their militant opposition to social democratic government. The threat that a hostile social democratic government could pose to organized capital caused the SAF leadership to prudently adopt political neutrality in order to avoid unwelcome government intervention in the labor market. Thus, all actors recognized their mutual interest in avoiding zero-sum conflicts in favor of increased welfare through enhanced productivity and economic growth.

The precise form of the labor market cooperation was established by the 1935 SAP-appointed Mammoth Commission Mammutedningen Report, which economic performance and material welfare. With the SAF and the LO preferring to avoid government intervention in industrial relations, they forged a formal framework for rule-based collective negotiations, the 1938 Saltsjobaden '*basic agreement*' or Huvudavtal.

Despite its symbolic importance, the document was '*surprisingly modest*' since it largely codified existing labor market practices, establishing rules and procedures for negotiations and regulating strikes and lockouts. The SAF accepted negotiations over a greater range of issues as long as the LO did not utilize its political influence to achieve by legislation what it could not get through bargaining, thereby confirming the primacy of negotiation.

The new class compromise resulted from a decrease in the power differential between capital and labor primarily due to the retrenchment of

⁹⁶ Different factions of capital disagreed over the optimal allocation strategy for the SAF... de Geer.1992. The rise and fall of the Swedish Model. Chichester: Carden, p 85.

the SAP in government. It relied upon both sides being ‘*willing and able to assume responsibility for developments on the labor market*’⁹⁷. However, it not only institutionalized conflict resolution but also recognized the advantage in avoiding zero-sum conflicts in favor of increased welfare through economic growth.

Centralization of wage bargaining empowered the LO relative to its constituent unions and made ‘*the strike weapon an instrument of the labor movement as a whole*’⁹⁸. Moreover, workers, through association, could negotiate about wages and working conditions. However, management retained the right to manage and Keynesianism favored capital by providing conditions for investment and expansion of production. Thus, the class compromise was founded upon an assumed ‘*stable division of economic power between opposing classes*’ whereby capital institutionalized its power superiority so that any challenge to it would be difficult within the Saltsjöbaden system⁹⁹.

3.2. Full-fledged neo-corporatism

Even if the beginnings of Swedish corporatism can be traced to the feudal ‘*bruks*’, neo-corporatism in Sweden at the end of the last century is less the product of cultural-historical specificities than the by-product of the Swedish political and party system as well as of the peculiar economic circumstances. Swedish neo-corporatism was working at its best in the period between 1960 and 1980, during the wage earner solidarity model¹⁰⁰. As I will show in the next chapter, this model was based on a plan for the reformulation of economic policy, which embodied a combination of measures.

⁹⁷ Korpi, W. 1981. ‘Sweden: Conflict, Power and Politics in Industrial Relations’ in Doeringer, P. B. ed. *Industrial relations*. London: Macmillan, p 195.

⁹⁸ Gourevitch et al, ed. 1984. *Unions and economic crisis: Britain, West Germany and Sweden*. London: George Allen, p 199.

Swenson, P. 1999. *Fair Shares: unions, pay and politics in Sweden and West Germany*. Ithaca: Cornell, p 51.

⁹⁹ Korpi, W. 1983. *The democratic class struggle*. London: Routledge, p 47, p 48.

¹⁰⁰ Colin Crouch describes the general outline of the Swedish Model as follows: The central feature was ‘*solidaristic wage policy*’. The unions accepted the central determination of increases in wages, aimed at something between what the most and the least efficient firms could afford to pay. The intended effect of this was to squeeze the less profitable so that they either improved productivity or went out of business. At the same time surplus profits would accumulate in the efficient firms, enabling them to increase investment and expand capacity. The transfer of labour from the less to the more profitable sectors was not left to the market but was assisted by the government through a range of active manpower changes directly aided efficiency, making investment in industry attractive to capital and leading to an increase in employment which was additionally guaranteed and encouraged in specific sectors by the state. The government also adopted further interventionist policies, such as the investment reserve fund, which ensured a stable flow of funds to sectors important to national economic strategy. Such a combination of policies made possible further cooperation by the unions to generate a virtuous spiral of investment and labor cooperation (Crouch, 2002, p 125).

Therefore, solidaristic wage policy lay at the basis of Swedish neocorporatism and it was its very spine. The LO adhered to it and adopted solidaristic wage bargaining because it embodied the trade unionistic aim, that of lowering wage differentials between workers. Its complement was *'the active labour market policy'*. Additionally, labour-owners relations were based on the national wage contract, which, in turn was to be based on stronger more profitable industries. The major vehicle for its implementation was the AMS (Arbetsmarknadsstyrelsen), a corporatist institution composed of employer representatives, trade union and public representatives.

Although it is not possible to determine exactly what role the Rehn-Meidner model played, it is nevertheless certain that Sweden experienced unprecedented economic growth during the period the model was being enacted. As predicted in the model, the most efficient companies made tremendous profits¹⁰¹, as the solidaristic wage policy prevented workers from maximizing their wage demands in these industries. However, this 'ideal' neo-corporatist model began to weaken in the late 1960s and was clearly failing around 1970. The growth rate and productivity increase rate began to fall behind the OECD average, partly as a result of trying to pursue economic growth and equality simultaneously¹⁰².

3.3. The end of Swedish neo-corporatism?

The Swedish corporatist structure avoided total collapse, although it was severely shaken by the strikes and crises of the 1970s and 80s, and it is much more fragmented and chaotic than during the 'golden' 1960s. As already mentioned, both employer and union solidarity are highly developed in Sweden. The SAF or the Swedish Employer Federation fines member companies for paying rises in excess of agreements and was largely responsible for causing the unions to organize into disciplined organizations, rather than vice versa. Special features of the Swedish system of industrial relations were employer solidarity, four decades of Social Democrat rule and the strength of a highly rationalized trade union movement committed to the principle of industrial unionism.

Esping-Andersen¹⁰³ notes that *'...Not surprisingly, the Social Democratic Party soon after abandoned its 'little people' rhetoric and began to label itself the 'wage earners' party'*. The observation is pertinent for what the sap had become, a catch-all party rather than a social democrat party (see chapter seven). Moreover, Esping-Andersen considers that as a catalyst for the welfare state transformation, i.e. notions of equality were

¹⁰¹ These profits were also known as *'excess profits'* in the union vocabulary.

¹⁰² The trade-off between growth and security or between growth and equality is dealt with at the beginning of this chapter and it underlines the idea that the two goals are indelible features of the Swedish social democratic society.

¹⁰³ Esping Andersen, G. 1990. *Three worlds of Welfare Capitalism*. Cambridge: polity, p 10.

surrendered for the new cross-class solidarity¹⁰⁴.

The abandonment of redistribution for universalism based on middle class standards caused social expenditures grow very rapidly in the 1960s and 1970s. In addition, the end-result was also a massive expansion of public employment, but the advantage is that '*a genuinely universalistic middle class welfare state would crowd out the private welfare market*', lessening both '*powerful pressure on the government to grant tax privileges to private welfare plans... and middle class exit form the welfare state...*'¹⁰⁵.

4. The Rehn-Meidner Model or stage two Keynesianism

In hindsight, doubt has emerged regarding the long term effects of the Swedish model and its likelihood to last, but nobody has yet disputed its inspiring range. The core of the model lies in its neo-corporatist functioning and in the model within the model, i.e. the Rehn-Meidner model. The latter one consisted of a mix of solidarity wage and selective labour market policies on the background of neo-corporatist labour-patronage industrial relations.

Next, I am going to detail the RM model and assess its advantages and disadvantages in the long run for the Swedish Social Democrats and the society as a whole. The combination of full employment strategies with demand policies was uniquely targeted with the RM model by means of labour market instruments. All of them worked in the context of wage centralization agreements, the foundation of Swedish neo-corporatism.

¹⁰⁴ It is now the middle classes that define the yardstick for status equality. Universalism and solidarity are thus preserved, but at the price of differentiating benefits. (Esping Andersen, 2007:43)

¹⁰⁵ Esping Andersen, G. 1990. *Three worlds of Welfare Capitalism*. Cambridge: polity, p 89.

CHAPTER 3 THE 1960s-1980s YEARS

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Last chapter exposed the economic, social transformations brought about by keynesianism in Sweden. I have explained at length the differences, the peculiarities and the difficulties met when applying keynesian economic policies in Sweden. The Stockholm School was struggling at it throughout the period 1930-1960s and it has managed to put into practice what has been known since as '*the Swedish model*'. The combination of aggregate demand management – Keynesian style – and a competitive exchange rate proved successful in reducing Sweden's unemployment rate when implemented during a period of international recession.¹⁰⁶ However, this was only the first stage keynesianism for the

¹⁰⁶ For Sweden, the interwar and after war periods were not particularly prosperous, but - while everybody else was experiencing wartime hardship - the country enjoyed the advantage of neutrality. More exactly, Sweden has not experienced another major war since the 1709 Poltava battle against Peter the Great's imperial Russia. Since the time of the Napoleonic Wars, Sweden has not initiated any direct armed combat, but, in exchange, Sweden's military and government have been involved in major peacekeeping actions and other military support functions around the world.

Swedish economy and ‘*the hardest*’ phase of the economic engineering process was yet to come. The so-called ‘*Rehn-Meidner model*’ was actually stage two keynesianism, a phase where economic development did not depend any longer on boosting demand and ensuring full employment, but, rather meant the ‘*fine-tuning*’ of labour and investment policies together.

In parallel, I am treating the main economic developments accompanying the SD political programming during the two periods which form the Golden Age of the Swedish Model, i.e. the Early Golden Age and the Late Golden Age of economic prosperity. In addition to explaining the key economic variables, a general hypothesis summarizing the crux of the model is offered below and then demonstrated.

Hypothesis 1 The Swedish Model consisted of 3 three different stages, the first stage keynesianism, the first stage and the second stage of the Rehn-Meidner model. All these periods were characterized by a ‘fine-tuned’ policy mix between labor and monetary policies, which stimulated, on one hand, innovation and competitiveness – sustainable growth – in the industrial sector, and, on the other hand, full employment and welfare on the market.

1.1. The Rehn-Meidner Model

As soon as the long-lasting problem of full-employment – that brought the Social Democrats in power – was surpassed, the Swedish economy had yet to lift off with regard to the new problems created by an economy already at or near full employment. International examples of institutional reform intended to accommodate the new pressures have included income policies and wage bargaining coordination, industrial policies and the socialization of investment through public ownership.

At any rate, in none of the above cases did institutional reform go as far as in Sweden where, at the initiative of the trade union movement, the first attempt was made to devise a truly ‘*post-Keynesian*’ solution.

Thus, whilst maintaining full employment as the over-riding goal of public policy, and endorsing the need for a sufficient level of aggregate demand to prevent involuntary unemployment, the burden placed upon simple demand management was mitigated by the introduction of a range of additional policy instruments, which concentrated on the double objective of maintaining a low inflation rate and high employment levels. The new policy approach was a combination of labour and wage policies with long term investment policies, which was to be tackled as a ‘*self-reinforcing new strategy*’. It forms the basis of what it has been termed as ‘*the Swedish Model*’ outside Sweden. This economic-industrial strategy has been designated as ‘*the Rehn Meidner Model*’ after its two principal architects Goesta Rehn and Rudolf Meidner, two Swedish economists of the Stockholm School.

For full employment to be maintained, the inflationary instability had to be contained. Therefore, despite full employment being a goal in itself

and the main pillar of the Swedish model, its preservation was difficult to achieve unless simultaneous with a stable currency and free collective bargaining – even if centralized. Meidner argued that ‘*there can be no strong labor movement unless the government guarantees full employment*’¹⁰⁷. The long-term health and vitality of the labor movement depended upon the maintenance of full employment by means other than those which presupposed ‘*having to discipline their own working-class base to the degree that political support is lost*’¹⁰⁸. These ideas formed the socio-economic base of the Rehn-Meidner model as developed by the LO economists, Goesta Rehn and Rudolf Meidner. The danger was not to expose the cohesion of the Swedish labor movement to tensions created by the distribution effects of inflationary growth.

1.1.1. The theoretical elements of the model

The fact that Rehn-Meidner model was devised during a period characterized by an over-heated economy, helped to determine its fundamental tendencies. What Rehn and Meidner argued was that maintaining full employment requires a different combination of policies than the policy mix required by ‘simple’ Keynesian demand management to end mass unemployment.¹⁰⁹

The Rehn-Meidner model contains four essential components: 1. restrictive aggregate demand which squeezes profits, 2. selective labour market policy promoting structural adjustment, 3. solidarity wage policy favouring the competitive sector, 4. increased public savings compensating for the profits squeeze. These instruments are intended to be complementary in terms of their ability to secure social democratic goals of full employment, compatible with low rates of inflation and inequality and all contributing towards enhancing economic growth.

1.1.2. Restrictive Demand Policy

Restrictive demand policy – unlike simple aggregate demand or classical keynesian policy – is meant to reduce pockets of excessive demand in combination with selective measures such as demand management, inflation targeting and ‘*profit squeeze*’. That is so because limited short-term mobility and bottlenecks in labor and product supply imply that maintenance of full employment solely by demand management results in inflationary pressures and ‘unavoidable’ wage explosions. The unintended effect of maintaining full employment at all costs in an economy is excess demand for labor in highly profitable activities. Sufficient aggregate demand

¹⁰⁷ Meidner, 1987 interview

¹⁰⁸ Esping-Andersen. 1985. Politics against markets. Princeton: PUP, p193

¹⁰⁹ The simple keynesian policy mix is the fiscal and monetary instruments used in a simple keynesian adjustment policy. The reason for increasing money growth, in Keynesian analysis, was to get a proper mix of fiscal and monetary policy.

in the least profitable sectors and full employment in the most efficient sectors are incompatible with full employment over the whole economy.

Restrictive aggregate demand was intended to squeeze profits to prevent inflationary wage increases triggered by over-tight labour markets or distributional concerns¹¹⁰. The two most important variables in the deductive diagram wages – labor – unemployment – growth are the companies' profits and wage demand as low average profits encourage employers to resist inflationary wage demands. Since the scope for price rises is small, restrictive demand prevents excessive competition for scarce labour. Likewise, past profits '*increase worker demands for pay rises regardless of other economic circumstances*'¹¹¹

Bargaining theory – of which Olsson is the outmost representative – predicts that trade unions will seek to share economic rents accruing to their company, and which would otherwise be declared as high profits and part distributed to shareholders. Thus, higher profits may encourage higher union wage claims¹¹². Therefore, in the medium and long run, it is essential that profits be constrained in order to exert continual restrictive pressure on inflationary tendencies¹¹³. This was the conclusion reached by the SS economists led by Goesta Rehn and Rudolf Meidner. However, in the absence of wage formation in the interests of society, this may still prove insufficient to ensure non-inflationary wage growth.¹¹⁴

In addition, the profit squeeze is crucial in macroeconomic management as it was intended to enhance industrial rationalisation and provide the incentive for companies to innovate, in terms of product and work organisation, in order to reduce possible inefficiencies and thereby maintain competitiveness. The profit squeeze would, therefore, contribute towards structural change in the economy and hence towards higher and higher levels of economic growth.

Hence, restrictive demand management has a double-edged effect that of creating the need to use active labour market policy in order to reduce pockets of unemployment and also contributing towards its success by enhancing structural transformation.

It is important to point that neither Rehn nor Meidner did not rule out the eventual adoption of a traditional, counter-cyclical Keynesian response to periods of prolonged recession in spite of their envisaging of restrictive demand strategy as best solution to the economic stalemate after stage one

¹¹⁰ Rehn G. 1987. State, economic policy and industrial relations in the 1980s. *Journal of Economic and industrial democracy*. 8(1): 61-79

¹¹¹ Olsson, A.S. 1991. *The Swedish Wage Negotiation System*. Dartmouth: Aldershot, p92-3

¹¹² Blanchflower et al. 1996. Wages, Profits and Rent-sharing. *The Quarterly Journal of Economics*. no.111: p 227-251

¹¹³ Erixon, L. 2001. 'A Swedish Economic Policy' in Milner H. and Wadensjoe, E. ed. *Goesta Rehn, the Swedish Model and Labor Market Policies*. Ashgate: London.

¹¹⁴ In orthodox economic theory, it is commonplace that a high wage share of national income was considered essential to shun inflationary wage demands.

keynesianism. Moreover, the Rehn-Meidner strategy viewed labour market policy as a useful tool around the output margin, but it was still the place of the Finance Minister to ensure a sufficient level of demand in the economy just short of the full employment level. Therefore, given these circumstances, the more targeted, restrictive demand policy – Rehn and Meidner had in mind – should prove a more efficient tool in restraining inflation both during economic boom or recession periods.

In macroeconomic theory, especially in the classical keynesian demand management, it is well known that long-term investment is dependent upon future expectations and consequently upon the general orientation of macroeconomic policies. Since, the correlation between long-term investment and long-run growth is obvious, the question remains as to the relationship among these three distinct variables: restrictive demand policy, purchasing power and unemployment. As Goesta Rehn used to remark, *‘Purchasing power should be pumped away so that the demand surface sinks. The islands of unemployment which then must appear must not be flooded over again by re-raising the demand-surface’*.¹¹⁵

1.1.3. The Labour Market policy mix

By labour market policies, one should acknowledge the existence of both demand and supply side measures¹¹⁶. The former reinforce counter-cyclical stabilisation, whilst the latter ease market adjustment by achieving a higher employment level at a given rate of inflation and promote structural change by reducing structural rigidities, search and transaction costs.¹¹⁷

By contrast, supply-side measures ease the market adjustment process by achieving a higher employment level at a given rate of inflation, whilst simultaneously accommodating structural change. These measures consist of reducing the transaction costs associated with lack of comprehensive information in the labour market competition, alleviating the job search process through an efficient labour exchange service, providing incentives for workers who transfer to activities or localities where they are most required and providing extensive training and retraining services to facilitate voluntary movement to new activities.

1.1.3.1. Criticism of manpower policies

¹¹⁵ Rehn, G. 1952. *‘The problem of stability: an analysis and some policy proposals’* in R. Turvey. ed. *Wages Policy under full employment*. London: William Hodge, p 34

¹¹⁶ Concerning the place of labour market measures in the overall economic policy, Meidner (1985:2) states that, whilst *‘it is obvious that the task to realise the full employment commitment is mainly the responsibility of general economic policy’*, selective manpower strategies, applied locally, are *‘supporting and complementary’*; Meidner, R. 1985. *‘The role of manpower policies in the Swedish model’*, Berlin Conference, 1-3 October, p 2

¹¹⁷ Johansson, J. and Niklasson, H. 1974. *Att utvärdera arbetsmarknadspolitik* [Evaluating labor market policy]. Stockholm: Allmaenna foerlaget, p252-264

The dynamic nature of the labour market effects into constantly changing stocks and flows of vacancies and workers, whilst adjustment measures are lessened by job heterogeneity and segmentation of the labor market.

In the meantime, criticisms of manpower policies focus upon displacement and *dead-weight effects*. It is argued that employment creation measures misplace labour elsewhere in the economy or substitute for other workers in the same firm or sector. There is of course an inherent assumption contained in this criticisms, that that demand for labour is limited.¹¹⁸

An additional criticism of manpower measures claims that they are inflationary since they prevent the open unemployment necessary to reduce wage costs¹¹⁹. Such studies indicate that, at very low levels of unemployment, labour market policies may empower ‘insiders’ by lowering the threat of unemployment and thereby tolerate more wage pressure than a rise in open unemployment¹²⁰.

1.1.3.2. Employment policies and globalization

I hereby leap forward to briefly introduce an issue which is going to make the subject of the fifth chapter, the chapter on the economic consequences of globalization on the Swedish model and ultimately on the SAP. Katzenstein (1985)¹²¹ argues that small open economies need greater flexibility to international market changes than larger nations.

What is more important, these small open economies need a flexible structure, which counteracts international economic shocks or disruptions in the demand-supply market equilibria. Moreover, uncertainty and cost dispersion in the economy should be contained as they undermine the very possibility of brushing off recessions or economic lows. Reducing uncertainty and socializing costs borne by those affected by changing employment patterns diminishes opposition to modernization¹²². According to the 1963 OECD Report (1963: 20),¹²³ active labour market policy is a ‘*necessary element of an economic policy that aims at full employment, stable money and a higher standard of living.*’ The role of trade unions comes up not as a supplement, but as a necessary ingredient into the general economic policy by actively promoting modernization to increase productivity and hence maintaining full employment and rising living standards.

¹¹⁸ Layard et al. 1994. *The Unemployment Crisis*. Oxford: OUP, p58

¹¹⁹ Calmfors, L. 1990. *Wage formation and macroeconomic policy in the Nordic countries: a summary*. Calmfors, L. ed. Oxford: OUP, p 11-60

¹²⁰ Newell and Symons, J. 1987. ‘*Corporatism, laissez-faire and the Rise of Unemployment*’ in *European Economic Review*. 3(31): p 567-614

¹²¹ Katzenstein, P. 1985. *Small states in world markets*. NY: Cornell UP, p 211

¹²² Rock, C. P. 1986. *Economic democracy and Sweden*. Cornell: CUP, p 193

¹²³ OECD Report 1963: p 20

1.1.3.3. Scientific conclusions on labour market efficiency

Labour market policies increase flexibility, facilitating adaptation to structural and industrial change. Without attentive promotion of structural mobility, commitment to preserve jobs at all costs could result in economic stagnation, which would impede adjustments necessary to maintain international competitiveness. The explanation lies in the fact that labour mobility moderates the wage rises otherwise necessary to attract scarce labour to sectors experiencing high demand and bottlenecks in the supply of skilled labour. Therefore, labour market policy should lead to an inflation-dampening effect.

However, as labour market policy stops unemployment from rising, it may thereby limit wage reductions during recession. The overall impact of labour market policy upon inflation is, therefore, unclear and depends upon which one of these two effects predominates in practice¹²⁴.

1.1.4. Solidarity wages policy SWP

Solidarity wages policy has been an old idea in Sweden; it was first launched at the 1936 LO Congress as one possible proposal for achieving the ultimate goal of the labour movement, '*equal pay for equal work*' irrespective of the employing firm's ability to pay¹²⁵. Based upon the assumption that an unjust distribution is inherently unstable, rational wage policy requires unions to internalize a generally acceptable range of differentials according to skill, hardship or training¹²⁶. This has been the aim of the 1936 LO Report whereby equality in earnings was the main goal of the labor movement all other things equal. In Sweden, it coincided with the policies and instruments employed by the Stockholm School economists to achieve long-run growth.

Down to real business, formulating a 'just' distribution of wages proved far too difficult for the Swedish trade union movement, especially when including professional and white-collar income differentials. In its absence, the solidarity wages policy promoted preferential treatment for low paid workers who, '*almost by definition*', cannot benefit from decentralised bargaining.

Economic theorists appreciate that solidarity wage policy is a positive tool, which can promote economic efficiency in three ways. The first way whereby solidarity wage policy can contribute to economic stability, pertains to its positive effect when trying to reach the right trade-off between inflation and unemployment along the Laffer's curve. Bjoerklund

¹²⁴ Erixon, L. 2001. Den Svenska modellen i motgang. [The Swedish Model in Adversity]. Nordisk Tidsskrift for Politisk Ekonomi. No15-16, p 20

¹²⁵ Oehman, B. 1985. Collective workers's avings and industrial democracy. Oerebro: Oerebro UP, p 31

¹²⁶ Robinson, D. 1973. Income Policy and Capital sharing in Europe. London: Croom Helm, p 48

(1988)¹²⁷ argues that a comprehensive union organisation, capable of influencing the entire economy, has a greater vested interest in achieving efficient wage settlements. Unlike a fragmented wage bargaining framework containing multiple small unions, each only bargaining for a small proportion of the industry or craft-skill base, a monopoly union organisation cannot ignore the impact on jobs and inflation resulting from its wage bargaining demands. That is why centralised wage bargaining is more likely to be associated with a superior trade-off between inflation and unemployment.¹²⁸

The second way in which SWP reinforces active labour market policy is by promoting structural change and labour market mobility. Elimination of 'wage dumping' means inefficient firms are not subsidized by paying lower wages to their employees for equivalent work to higher-waged posts in other firms in the industry.¹²⁹ Moreover, moderate wage-cost pressure increases the substitution of capital for labour, accelerating business restructuring and rapid introduction of new technology,¹³⁰ thereby stimulating greater labour and capital productivity.¹³¹

It is interesting to note Rehn's view on SW, especially his opinion on narrow wage differentials as an impulse to labour mobility. He explains that leveled wages aid mobility policies by minimizing the loss of earning when workers decide to transfer from a high to a low wage sector.

Last but not least, the third way whereby SW favours the Laffer curve's trade-off between inflation and unemployment is by creating a less inflationary economic environment. Basically, SWP is less inflationary than the available alternative, namely a reliance upon wage differentials to encourage labour to transfer to areas of skill shortage. The Rehn-Meidner's endorsement of SWP rested on their belief that the development of 'fair wages' would minimise the inflationary wage spirals that often arise given big wage differentials.

Inertia in job preferences and time lags involved in training programs contribute to make wage differentials already large so that they can successfully attract employees from other sectors of production or to re-join

¹²⁷ Bjoerklund, A. ed. 1988. 90-talets arbetsmarknad. Srockholm: Allmaenna foerlaget.

¹²⁸ This conclusion is also congruous with Calmfors and Driffill (1988) study. Calmfors and Driffill prove how centralized wage bargaining is a protective measure ensuring stability on the labor market and overall growth. Calmfors and Driffill. 1988. 'Bargaining structure, corporatism and macroeconomic performance' in Economic policy. no.6, p 12-61

¹²⁹ This situation was the common practice in communist economies save for the fact that these other firms, which payed higher wages simply did not exist.

¹³⁰ Bergstroem, V. 1982. Studies in Swedish post-war industrial investments. Stockholm: Almqvist & Wicksell, p 87-90

¹³¹ In the specialized literature, the efficiency-wages hypothesis proves that firms and industries might at sometime find it profitable to pay wages exceeding those that clear the labour market because the wage, or total compensation stimulates productivity (Leibenstein, H. 1957. 'The theory of unemployment in backward countries' in Journal of Political economy. vol 65: p 91-103)

the labour market from education, childcare and retirement. However, such large differentials would anyway cause greater social inequality and hence may create additional inflationary pressures due to the resultant distributional conflict between groups of workers.

To conclude, SWP should be a constraint upon inflation.

1.1.5. Increased public savings and investment or collective savings policy

The rapid modernization of Swedish industry envisaged by the Rehn-Meidner model depended upon an enhanced supply of risk capital to compensate for lower self-financing caused by the profits squeeze. Government ineffectiveness in altering private savings patterns and the high levels of tax required to fund labour market policies and welfare state expansion mean that household savings are unlikely to fill this gap¹³².

Rehn even suggested a fund creation that incorporates a supplementary pension scheme to finance housing and stimulate economic growth since the increase in the national wealth must only be the result of collective saving done by the masses through high wages and high taxes. According to him, this is the only way to achieve a healthy non-inflationary growth, i.e. to avoid inflationary wage increases. After all, he suggests that *'the membership of trade unions cannot be expected to accept private capitalists as the owners of all new capital'*.¹³³

Bosworth and Rivlin¹³⁴ calculated that reliance upon collective saving to finance productive investment, warranted a 4% budget surplus to ensure adequate growth in long-run Swedish capital stock investment. Thus, the Rehn-Meidner strategy required a mechanism to steer investment allocation *'as part of the role of accumulation would be transferred to public agencies'*.

The precise form of collective capital formation was the subject of debate in the following years. To this respect, Rehn advocated a supplementary pension scheme, whose funds were to finance housing construction and productive material investment and thereby contribute to the stimulation of economic growth.

Alternative forms of collective capital formation were advocated, by Meidner, at subsequent LO Congresses, but it was not until the late 1960s that the issue became a significant feature of macroeconomic debate¹³⁵.

¹³² Bosworth and Rivlin, A. 1986. *The Swedish economy*. Washington: Brookings, p 107-110

¹³³ Although one cannot accuse Rehn of Marxism, his intention is to ensure labor stability as a protective measure, which could avoid inflationary growth.

¹³⁴ see note 25 above

¹³⁵ Tilton, T. 1990. *The Political theory of Swedish social democracy*. Oxford: OUP, p 203; Pontusson, J. 1992. *The limits of Social democracy: Investment politics in Sweden*. London: Cornell UP, p 61-62

1.2. The Rehn-Meidner Plan Implementation - an overview

An important event – which cannot be looked over – is the reverse from decentralised wage bargaining to centralised wage bargaining. It happened as the SAF progressively forced a reluctant LO into central negotiations¹³⁶. The decentralisation of wage bargaining soon after the signing of the Saltsjöbaden was not favourable to the implementation of the new strategy. That was the crucial event which facilitated the application of the new Rehn-Meidner strategy – the centralization of wage bargaining – prompted also by a change in the mode of industrial relations. Before, the conditions were not yet ripe for the Rehn-Meidner to be implemented according to the initial time table.¹³⁷

In addition, the Minister of Finance – Per Edvin Skoeld – strongly opposed the program¹³⁸ and the Agrarians withdrew their support from the parliamentary coalition which sustained the government. Therefore, the implementation of stage two keynesianism was delayed for some time.¹³⁹

The return to decentralised wage bargaining after wartime regulation was marked by large wage demands and increased instability as repressed labour frustration was worsened by the international inflationary pressures of the 1950s. Therefore, centralised bargaining, for employers, presented the best available method of achieving moderate wage demands and ensuring a low level of industrial conflict. It also interfered less with ‘*managerial prerogative at the point of production*’ than workplace negotiation¹⁴⁰.

Centralized bargaining, however, additionally provided the LO’s leadership with the opportunity to implement its solidarity wage policy, demanded by the low paid unions, strengthening the centre against shop floor organizations and reinforcing the ‘*primacy of the «external» over the «internal» union*’.

Moreover, central negotiations, undertaken on behalf of all affiliated unions, enabled the LO to embody a shared collectivity, enhancing electoral support for the SAP from a psychological point of view¹⁴¹. Bargaining coordination also reduced the risk of unforeseen wage explosions undermining the SAP’s stabilisation measures. Accordingly, from the 1958-1959 wage round onwards, a degree of solidarity in wage increases was

¹³⁶ Pontusson, J. 1992. The limits of Social democracy: Investment politics in Sweden. London: Cornell UP, p 64

¹³⁷ Earlier on, the historical discussion was related to the type of industrial relations which characterize one period or another; industrial relations have swerved from the medieval guild system to taylorism, fordism and post-fordism.

¹³⁸ Wadensjö, E. 2001. Goesta Rehn: the Swedish Model and Labor Market Policies. Aldershot: Ashgate, p 8

¹³⁹ The constraint of centralised wage bargaining was consequently relaxed throughout the 1950s.

¹⁴⁰ Streeck and Schmitter, P. 1992. Studies of Industrial Relations in Advanced Capitalist Economies. London: Sage, p 2-3

¹⁴¹ Martin, A. 1992. The Political Implications of the end of central negotiations. Stockholm: FIEF, p 16-20

secured in return for a degree of moderation. Through these agreements, the LO enhanced its reputation amongst its members, the employers stabilised the labour market through one agreement and the government benefited from the removal of labour market uncertainty.

Securing the political consensus needed for the adoption of the Rehn-Meidner model required the extension of the SAP electoral support to enable the party to govern without the continuation of the coalition with the Agrarian Party. The latter remained very critical of the expansion of public spending and ‘*big government*’ associated with the keynesian approach to macroeconomic management.¹⁴²

Stung by rising criticism, the decline of the rural vote and haemorrhaging electoral support, the Agrarian Party sought a new policy profile. Whilst the SAP wanted to attract sufficient white-collar support to facilitate implementation of a distinctive range of policies, the Agrarian Party sought radical change and was even ready for an ideological upturn. Thus, both coalition partners concluded that they were damaged by their close association¹⁴³. As a consequence, following the Agrarians withdrawal from the coalition in 1957, the SAP responded aggressively by pursuing an electoral strategy which sought to create a wage earners front (loentagare) around second stage keynesianism, together with a series of social reforms aimed to appeal at white-collar workers¹⁴⁴.

The main issue which facilitated a major increase in SAP support concerned the struggle for comprehensive earnings-related pensions. Fifteen years of government commissions, a referendum and a deadlocked parliament was only narrowly overcome to introduce the National Pension Fund System (Allmaenna pensionsfondens or ATP). The support for the ATP by the white-collar trade union confederation TCO, proved crucial and a majority of both lower and middle-level white collar voters supported the SAP in the 1960 election, which proved a resounding success for the party. It received 48% of the vote and a one-seat majority over the bourgeois block, enabling the party to govern with the acquiescence of the VPK.

LO pressure and a strengthened electoral base empowered the SAP and, due to the gradual conversion of Prime Minister Tage Erlander, these factors facilitated the implementation of the Rehn-Meidner model.¹⁴⁵

1.2.1. The Rehn Meidner Model in action – the facts

The recession of 1957-8 provided the opportunity for the SAP to expand labour market programmes rather than providing a general boost to aggregate demand as in ‘bastard’ keynesian management. This policy

¹⁴² Wadensjoe, E. 2001. Goesta Rehn: the Swedish Model and Labor Market Policies. Aldershot: Ashgate, p 6

¹⁴³ Gourevitch et al. 1984. Unions and economic crisis: Britain, West Germany and Sweden. London: George Allen, p215-217

¹⁴⁴ Misgeld, K. ed. 1988. Socialdemokratins samhalle. Stockholm: Tiden, p 22

¹⁴⁵ Tage Erlander, 1976 interview

switch was also facilitated by the newly appointed Director General of the National Labour Market Board, Bertil Ohlsson, who strongly favoured an expansion of active labour market policies to target temporary increases in unemployment, rather than an indiscriminate increase in the overall level of aggregate demand¹⁴⁶.

1.2.1.1. Labour Market policy

Public works schemes lie at the core of labour market policy and are its main tool of implementation. Consequently, they were expanded times eight and certain targeted programmes for training and life-long learning times four¹⁴⁷. Thus, it is clear the importance borne by targeted manpower programmes, which proved that the reorientation in macroeconomic policy was unambiguous. During the period 1961-73, the share of labor financed measures as GNP and government spending continued to expand progressively.

On the other hand, on the supply side, various programmes were steadily developed to include marginalized social categories in the labor force such as women and disadvantaged groups especially. By dint of these programmes, Sweden achieved the highest labour force participation in the world¹⁴⁸. In the same vein, labor mobility was encouraged through a series of grants – also known as the ‘*moving van policy*’, a policy which sought to persuade people to relocate to profitable, efficient companies.

Thus, as I have stressed before, full employment in the most efficient sectors but less than full employment over the whole economy was pursued as a desirable end in economic policy. These kind of active measures helped to curb structural problems in the Swedish economy, whilst increasing the range of labor opportunities for the traditionally passive.

Criticism of labour market policies consisted of two main remarks. The first was of a macroeconomic nature and stipulated that devaluation combined with the expansion of public sector employment has a stronger effect in maintaining full employment in Sweden than labour market policies. However, this is only a general – if not truistic – statement because it is accurate irrespective of circumstances. For instance, in the Swedish case, it somewhat misunderstands that labour market policy was intended to supplement, not displace, macroeconomic strategy. Nevertheless, according to some authors, devaluation and expanding public sector employment were the most significant factors in fostering full employment in Sweden.

The second criticism holds that manpower measures cause inflation because they prevent the open unemployment, which inevitably reduces

¹⁴⁶ Wadensjoe, E. 2001. Goesta Rehn: the Swedish Model and Labor Market Policies. Aldershot: Ashgate, p9

¹⁴⁷ Rehn, G. 1985. ‘*Swedish Active Labor Market Policy*’ in Economic and Industrial democracy. 8(1): p 70

¹⁴⁸ Trehoerning, P. 1993. Measures to combat unemployment in Sweden. Stockholm: SI, p 29

wage costs. However, this criticism implies that unemployment should be increased to reduce inflation which is at odds with the full employment goal upon which the Rehn-Meidner model is based.

Since full employment lay at the core of Swedish governmental policy, the question was whether the RM model efficiently achieves it in concert with rapid economic growth and low inflation.

It is therefore at least probable that Sweden's adaptation to economic change was facilitated by manpower policy, preventing mass unemployment and labour market rigidity undergone by other European countries¹⁴⁹. Moreover, the efficacy of these policies was indisputable since the money amount spent on active and passive measures was no higher than the European average.

For instance, Meidner¹⁵⁰ pointed out that labor market policies played a key role in reducing unemployment over the economy as a whole despite the limited volume of labour force accommodation of only 3-4%, particularly during periods of recession. Hence, insistence upon manpower measures would inevitably reduce their effectiveness¹⁵¹. Nevertheless, even so, labour market policies contributed towards the avoidance of long-term unemployment and thereby prevented the process of hysteresis from maintaining high levels of unemployment, together with ultimate exclusion from the labour market.

1.2.1.2. Solidarity wage policy

The expansion of labour market measures activated the necessary conditions for the LO to pursue a solidaristic wage policy during repeated negotiations with the SAF. Proponents of the solidarity wages policy advocated that by reconciling '*divergent interests within the labour movement*', LO could exercise voluntary wage restraint without incurring organisational disintegration¹⁵². This strategy offered a degree of wage moderation and labour market stability in return.

The attitude of the main two trade unions, TCO and LO, towards the solidaristic wage policy was similar and constructive. Solidaristic wages became an '*integral part of LO's entire strategy of conflict, a rallying principle*' and increased efforts were made to improve the relative wages of

¹⁴⁹ The Economist, 1987 December issue

¹⁵⁰ Meidner, R.1997. '*The Swedish Model in an era of mass unemployment*' in Economic and Industrial Democracy. 18(1): p 95-6

¹⁵¹ Forslund and Krueger, 1995. '*An Evaluation of the Swedish Active Labor Market Policy: New and Received Wisdom*' in Freeman, R., Swedenborg, B. and Topel, R. ed. Reforming the Welfare state: the Swedish model in transition. Chicago: Chicago UP, p 290; Jackman, R. 1994. '*What can active labor market policy do?*' in Swedish Economic Policy Review. 1(2): p 221-257

¹⁵² Higgins and Apple, N. 1983. '*How limited is reformism?*' in Theory and Society. 12(5): p 603-630

low-paid workers¹⁵³. Likewise, TCO bargaining cartels typically followed LO's lead on this issue because most trade union leaders shared '*a deep ideological commitment to equality*'¹⁵⁴.

The three arguments used in the Swedish case to respond to the critics of solidarity wage formation rely upon the idea according to which wages not necessarily depend on local and skill differences. Conversely, the critics argue that relative wages are distorted by not reflecting these conditions, thereby hampering economic efficiency and labour mobility. However, this can be rejected on three main grounds. First, Sweden's inter-industry wage structure replicates neo-classical norms more closely than the decentralised, largely non-bargaining, labour market of the USA. Secondly, labour mobility is enhanced '*precisely because the wage structure had become so compressed*' since firms benefit from relatively cheap skilled workers. Thirdly, because real wage flexibility is synonymous with the degree of centralisation in wage bargaining.

The pioneering study by Calmfors and Driffill (1988)¹⁵⁵ found that high – as well as low-centralised structures adapted more flexibly to market conditions, leading to a superior inflation-employment trade off. This result was largely confirmed by ¹⁵⁶Amoroso and Jespersen and ¹⁵⁷Calmfors and Nymoén. However, a number of other studies suggested a more linear relationship, with higher levels of corporatism, centralised and coordinated wage bargaining internalizing negative externalities, reducing social conflict and assisting economic performance.¹⁵⁸ A subsequent study undertaken by Iversen (1999)¹⁵⁹ claimed that the macroeconomic impact of the degree of coordination of wage bargaining depended upon its interaction with the

¹⁵³ Olsson, A. S. 1991. *The Swedish Wage Negotiation system*. Dartmouth: Aldershot, p 112

¹⁵⁴ Hibbs, D. A. 1990. '*Wage compression under solidarity bargaining in Sweden*' in FIEF Economic Research no. 30. Stockholm: FIEF, p 20

¹⁵⁵ Calmfors and Driffill, J. 1988. '*Bargaining structure, corporatism and macroeconomic performance*' in Economic Policy. No 6: p 13-62

¹⁵⁶ Amoroso and Jespersen, J. 1992. *Macroeconomic theories and policies for the 1990s: a Scandinavian perspective*. London: Macmillan, p 79-80

¹⁵⁷ Calmfors, L. and Nymoén, R. 1990. '*Real wage adjustment and employment policies in the Nordic countries*', *Economic Policy*, No. 11: p 432-433

¹⁵⁸ In addition to Schmitter and Streeck, which are the founding-authors of corporatism, the corporatist literature also includes Cameron (1984), Bruno and Sachs (1985), Crouch (1979), Henley and Tsakalotos (1993);

Cameron, D. R. 1984. '*Social democracy, corporatism, labor quiescence and the representation of economic interest in advanced capitalist society*' in Goldthorpe, J. H. ed. *Order and Conflict in contemporary capitalism*. Oxford: Clarendon, p 143-178; Bruno and Sachs, J. 1985. *Economics of worldwide stagflation*. Boston: Harvard UP, p 25; Crouch, C. 1979. *State and economy in contemporary capitalism*. London: Croom Helm, p 250; Henley and Tsakalotos, E. 1993. *Corporatism and economic performance: a comparative analysis of market economies*. Aldershot: Edward Elgar, 35-7

¹⁵⁹ Iversen, T. 1999. *Contested Economic Institutions: the politics of macroeconomics and wage bargaining in advanced democracies*. Cambridge: CUP, p 114

extent to which the national monetary authority pursued an accommodating or non-accommodating policy stance.

Sweden's wage bargaining system kept real wage increases close to productivity gains, achieving the lowest level of Western industrial conflict outside Switzerland, and enhanced a superior inflation-unemployment trade-off.¹⁶⁰

1.2.1.3. The relationship between investment and public savings

The state earnings-related pensions system¹⁶¹ included three buffer stock 'AP-funds' which initially fulfilled collective savings requirements. They accounted for a majority of equity capital and long term credit, and for 35% of the total credit at their peak between 1970 and 1973.¹⁶² The public sector's share of total savings increased faster than in any other OECD country between 1962 and 1972, rising from 35% to 44%.¹⁶³ However, as pension payments grew, the significance of the funds declined. Moreover, the legal restriction to funds' use only in the bond market prevented them being used as instruments of industrial policy and investment steering. Rigorous foreign exchange controls were likewise employed to secure that excess profits and savings were reinvested in the Swedish economy rather than seeking higher returns in other countries.¹⁶⁴ Nevertheless, by definition, restrictions are a blunt instrument when seeking affirmative action.

1.2.1.4. Investment funds

A 1955 SAP achievement was to completely overhaul and reform the tax-exempt investment funds, which Wigforss introduced in 1938. According to this measure, corporations could deposit up to 40% of their annual profits in these funds, 40% of which remained in a blocked, interest free account of the Central Bank in order to lower liquidity during boom periods. Since depreciation allowances were narrow, investment funds became the most efficient way for tax avoidance. Therefore, considerable corporate funds became deposited within this system.

Between 1956 and 1965, the number of firms with investment funds rose from 640 to 2566, whilst their total volume increased from 2.5 bn krona to 3.3 bn krona. Moreover, investment funds were extremely favourable for capital, reducing effective corporate tax rate considerably below the

¹⁶⁰ Soederstroem (1985) concludes that stabilisation of employment in exchange for union wage moderation is beneficial to long-term productivity under reduced inflation. Soederstroem, H. 1985. 'Union militancy, external shocks and the accommodation dilemma' in *Scandinavian Journal of Economics*. 87(2): p 335-351

¹⁶¹ ATP or Allmaenna pensionsfondens

¹⁶² Pontusson, J. 1992. *The limits of social democracy: investment politics in Sweden*. London: Cornell, p 80

¹⁶³ Erixon, L. 2001. *Den Svenska modellen i motgang*. [The Swedish Model in Adversity]. *Nordisk Tidsskrift for Politisk Ekonomi*. No15-16, p 28

¹⁶⁴ Amoroso and Jespersen, J. 1992. *Macroeconomic theories and policies for the 1990s: a Scandinavian perspective*. London: Macmillan, p 82

statutory rate. Whilst total taxes set by local and central government rose from 26% of GDP in 1955 to 41% in 1970 and 52% in 1979, taxes levied upon corporate profits fell from 11% in 1955 to 3% in 1970 and 1979. If corporations managed to reinvest their profits, then they were favored with regard to taxation and mostly exempted from the harsh taxation regime for the amount reinvested.

Investment funds were released during the recessions of 1957-8, 1962-3 and 1967-8, for counter-cyclical stabilization. Even if the first release was delayed until the recovery had already begun, Pontusson¹⁶⁵ admitted that during the 1960s the investment fund system '*appears to have been effective as an instrument of macroeconomic management*'.

In addition, Henning¹⁶⁶ found that a majority of Swedish corporations informally and surreptitiously negotiated with the government for special releases of investment funds. For instance, in 1968, the releases from investment funds constituted only 25% from total industrial investment. Also, investment funds were not an efficient tool for steering investment and stimulating the overall economy view that they represented only 12% of gross capital formation. As Pontusson¹⁶⁷ once remarked, these funds were never used as such by the government, i.e. for their original purposes of regional and industrial investment. Their usage and their effectiveness was limited by their dependence upon voluntary business participation.

1.2.2. The Macroeconomic stance

Compared to other industrialized economies, the general configuration of the Swedish economy was good throughout the first two decades of the RM model, with a high productivity growth of the manufacturing industry.¹⁶⁸ Two important indicators proved that Swedish economy was doing well: manufacturing productivity averaged 7.5% per annum between 1964-9 and its value-added rose by over 5%¹⁶⁹. Also, structural change in Swedish manufacturing was remarkably rapid during the 1960s and the first half of the 1970s, especially when compared to the larger industrialised economies¹⁷⁰.

Clearly, the performance was incredible with GDP per capita steadily increasing and reaching the second place in Europe after Switzerland during the first period of the RM model. The export coefficient claimed an

¹⁶⁵ Pontusson, J. 1992. *The limits of Social democracy: Investment politics in Sweden*. London: Cornell UP, p 78

¹⁶⁶ Henning, R.1977. *Foertagen i politiken: om selektiv politik och industrins med staten*. Stockholm: Studieförbundet, p 76-82

¹⁶⁷ Pontusson, J. 1992. *The limits of social democracy: investment politics in Sweden*. London: Cornell, p 79

¹⁶⁸ Erixon, L. 2001. *Den Svenska modellen i motgång. [The Swedish Model in Adversity]*. Nordisk Tidsskrift for Politisk Ekonomi. No15-16, p 26

¹⁶⁹ According to the Ministry of Finance, 1990.

¹⁷⁰ Andersson et al. 1996. *Multinational restructuring, internationalization and small economies: the Swedish case*. London: Routledge, p 20

increasing proportion of world trade, which was highly disproportionate to Sweden's population size. In 1970, calculated in terms of PPP purchasing power parities, Sweden's GDP per capita ranked third amongst OECD nations, 8% above the average.

Sweden's performance became the subject of praiseworthy articles in *The Economist* where it was said that Sweden had achieved '*one of the best trade-offs between unemployment and inflation of any industrial economy*'. Unemployment remained low, whilst inflation rates were certainly no worse than the average for EU countries.

The goal of stage two keynesian policy or RM model was to achieve sustainable full employment while preserving labour movement coherence. This scope was clearly attained in that economic success reinforced continuous SAP government and LO membership expansion. It also provided the labour movement with a coherent approach to economic management and established the LO's '*pivotal role*' within the '*success of labour reformism in Sweden*'.¹⁷¹ At the high point of stage two policy, the SAP received 50% of the vote in the 1969 election.¹⁷² Thus, the link between economic performance and SAP electoral score in the hypothesis is now proved as the Swedish model contributed towards the maintenance of the political support essential for the furtherance of its social democratic goals.

Despite its economic success, the Rehn-Meidner second stage keynesian strategy was not duly implemented. This was mainly due to the fact that the SAP found it more difficult to enforce fiscal restraint than to expand welfare and public services¹⁷³. Tax increases were often wrongly timed, not applied sufficiently early in economic upswings and occasionally accompanied by a trace of '*vulgar keynesianism*'¹⁷⁴.

According to Erixon¹⁷⁵, the deflationary effects of macroeconomic policy happened during the 1966-8 and 1970-2 mini-recessions were rather indebted to the '*difficulties of implementing keynesian fine-tuning*' than to the reliance upon the restrictive aggregate demand portion of the Rehn-Meidner model.

The profit squeeze demanded by the Rehn-Meidner strategy was not respected and the necessary decrease in general profit levels was due more

¹⁷¹ Pontusson, J. 1992. *The limits of social democracy: investment politics in Sweden*. London: Cornell, p 96

¹⁷² Rehn, G. 1985. 'Swedish Active labour market policy: retrospect and prospect' in *Industrial Relations*. 24(1), p80

¹⁷³ Meidner, R.1987a. A third way – the concept of the Swedish labor movement. Ottawa: Ottawa UP, p 7; Olsen, G. M. 1992. *The struggle for economic democracy in Sweden*. Avebury: Aldershot, p 105

¹⁷⁴ Pontusson, Rehn and Soederstroem; for Pontusson and Rehn, see footnote above; Soederstroem, H. T. 1985. '*Union Militancy, external shocks and the accommodation dilemma*' in *Scandinavian Journal of Economics*. 87(2): p 335-351

¹⁷⁵ Erixon, L. 2001. *Den Svenska modellen i motgang*. [The Swedish Model in Adversity]. *Nordisk Tidsskrift for Politisk Ekonomi*. No15-16, p 29

to an increase in international competition rather than by a careful observance of the Rehn-Meidner strategy¹⁷⁶. Moreover, Rehn¹⁷⁷ stated labour market policy suffered from ‘*ideological lags*’ and that insufficient consideration was taken to design programmes to be ‘*effective instruments against inflation*’.

2. Swenson’s trilemma: neocorporatism and the RM model

There was quite a long time that Swedish economists wondered whether things went along smoothly or whether there weren’t any improvements to be operated within the model. For instance, was it necessary to strengthen or to reduce neocorporatism? To tighten or to loose the Rehn-Meidner model’s parameters? The first and most obvious solution to the problems facing the Swedish economy during the early 1970s would have been to implement the Rehn-Meidner model in its entirety. Till example, inflationary pressures would have been more easily to control if the restrictive aggregate demand management policy had been fully operational. A tighter fiscal and monetary policy would have accelerated the profits squeeze and thereby removed one main cause of the inflationary pressures.

Thus, negotiations over wage rises would have had more modest results and the tax-based incomes strategy would not have imposed so large an increase in the non-wage costs experienced by the Swedish industry. In other words, the full implementation of the Rehn-Meidner strategy would have prevented many of the worst problems facing the Swedish economy.

However, the solution to the other significant macroeconomic problem, namely the insufficient level of domestic risk capital and productive investment necessary for the preservation of full employment, should not have proved so easy to attain.

Indeed, in neo-classical theory, the argument for relaxing the profits squeeze relied on the supposition that accumulated profits provide a considerable proportion of the source of finance for industrial investment. Therefore, profits should be allowed flexibility in order to rise to stimulate entrepreneurs to invest, thereby removing the structural shortfall. However, this ran the risk of reintroducing inflationary pressures and tensions in the system of wage formation.

An interesting fact to be addressed here is the Swenson’s trilemma – also known as the LO trilemma, because it highlights the importance of trade union militancy and solidarity wage strategy upon employment growth. By dint of a combination of policy instruments, wage share maximization is maintained and inter-union wage compression is achieved.

¹⁷⁶ Soedersten, B. 1971. *Marknad och Politik* [Market and politics]. Lund: Diaglos, p 324-9;

¹⁷⁷ Pontusson, J. 1992. *The limits of social democracy: investment politics in Sweden*. London: Cornell, p 82

Employee militancy during a period of declining investment provided the LO with what Swenson (1989)¹⁷⁸ describes as a 'trilemma'. This puzzle or '*neocorporatist trilemma*' is about how to pursue egalitarian objectives of wage levelling and a larger wage-share of national income without endangering full employment, the chief objective. Under normal economic circumstances, only two of the three objectives can be pursued simultaneously through wage regulation alone.

On the other hand, solidarity wage strategy could reduce differentials within the LO's sphere of influence whilst facilitating macroeconomic employment policy. However, that could only happen only as long as the government maintained a profit squeeze and thereby ensured a high wage share of national income. Failure to withstand this element of the Rehn-Meidner model - solidarity wage policy - in the early 1970s had weakened grassroots acceptance of the solidaristic strategy.

Increasing inter-union competition meant that, unless the LO extended the scope of its pay bargaining to include the increasingly assertive white-collar unions, the solidarity strategy would result in wider differentials between skilled LO members and white-collar workers. White-collar union membership growth reduced the LO's relative importance from 81.5% of all organized employees in 1950 to 78% in 1960, 71% in 1970 and 64% by 1980¹⁷⁹. The problem in following the solidarity tactics consisted in the fact that it was impossible to abandon either internal wage levelling or support for employment generation to achieve inter-union wage compression. With the trilemma unresolved, the LO's wage strategy oscillated uneasily between solidarity and wage militancy throughout the mid 1970s¹⁸⁰.

Organized labor is in a '*prisoners' dilemma*' due to the extent that, asymmetry of information and 'noise' can lead to sub-optimal solutions. Thus, whilst unions can squeeze profits until the point where investment declines, they cannot guarantee that wage moderation leads to increased investment¹⁸¹. Lancaster (1973) called this the '*dynamic efficiency of capitalism*'.¹⁸²

If unions increase immediate consumption, future consumption is automatically reduced in the long run and investment levels may be too low to sustain full employment. If, however, the vice versa happens and they restrain immediate consumption to free greater resources for productive

¹⁷⁸ Swenson, P. 1989. Fair shares: unions, pay and politics in Sweden and West Germany. Ithaca: Cornell UP, p 105-107

¹⁷⁹ Micheletti, M. 1985. '*Organizing interest and organized protest*' in Stockholm Studies in Politics. no. 29, p 30

¹⁸⁰ Swenson, P. 1989. Fair shares: unions, pay and politics in Sweden and West Germany. Ithaca: Cornell UP, p 106

¹⁸¹ Martin, A. 1992. Wage bargaining and Swedish politics. Stockholm: FIEF, p 25-26

¹⁸² Lancaster, Kelvin, 1973. 'The Dynamic Inefficiency of Capitalism' in Journal of Political Economy. 81(5): p 1092-1109

investment, they cannot ensure these will not be used for capitalist consumption and not necessarily for growth through full employment¹⁸³.

Otherwise, a similar dilemma is created when capitalistic consumption reduces future growth, but the additional wealth thus created by the capitalists – through increased investment – may be claimed by workers as a right. Thus, a paradox looms at large: that according to which workers can be powerful and yet powerless simultaneously; controlling political power and determining present consumption, yet remaining powerless whilst capitalists retain power to determine investment. This highlights the asymmetry of union power.

Two optimizing solutions are available for labor; firstly, to collaborate with capital to achieve sufficient investment in return for a restricted wage share or secondly to take control over investment.¹⁸⁴ The alternative is inflationary pressure resulting from wage misunderstanding between labor and capital.¹⁸⁵

Increased labor power resources and the SAF's unwillingness to concede a further class compromise, which moved beyond Saltsjoebaden, forced the LO to demand government action to achieve the redistribution of wealth and power it could not secure through labor market bargaining.

The Rehn-Meidner model represented an evolution or adaptation of Keynesian theory and strategy. In so far as it was ever fully implemented, the objective of the Rehn-Meidner approach was to use a wider range of instruments in order to target interventions on the supply side which resulted in frequent bottlenecks. That objective added to a second objective inherent in the model, the demand management intended to maintain a high, but not quite full, level of employment, consistent with a low rate of inflation and the maintenance of international competitiveness.

The tensions in the model were popping up within an environment where contributing factors were present. These factors were mainly three and they were democratic, macroeconomic and egalitarian. The democratic factors were related to demand for workplace influence, which weakened the Saltsjoebaden approach and its impact on labor stability. The macroeconomic factor meant that insufficient industrial investment to sustain full employment in the long term, combined with insufficient

¹⁸³ Esping-Andersen, G. 1990. *The three worlds of welfare capitalism*. Cambridge: Polity Press, p 187

¹⁸⁴ Hyman, S. 1975. '*International politics and international economics: a radical approach*' in Lindberg, L. N. ed. *Stress and Contradiction in modern capitalism*. London: Lexington Books, p 368

¹⁸⁵ It was an obvious rider to '*The General Theory*' that if we are to enjoy continuous near-full employment without changing the institutions and habits of industrial bargaining, we shall suffer from inflation. It is neither the fault of the trade unions, who are fulfilling their proper function of demanding their fair share in rising profits nor of businessmen trying to preserve profits by raising prices when costs go up. It is the fault of an economic system inappropriate to the state of development of the economy;

restraint upon inflation, entailed constrained investment and limits to redistribution.

Rationalization, high occupational and geographical mobility, together with an intensification of work, imposed unanticipated '*substantial burdens*' on many workers and fuelled demands for improved working conditions.¹⁸⁶ Second stage Keynesianism had secured '*substantial gains*' for employees but '*at a high cost to workers themselves*'.¹⁸⁷ Employees were increasingly frustrated with the limitations placed upon their influence over their working lives within their immediate working environment, due to their continued acceptance of the terms of the 1930s class compromise and the centralization of bargaining in the hands of a remote union bureaucracy¹⁸⁸. Affluence and sustained full employment empowered labor and hence encouraged demands for an improved working environment and greater work fulfilment.

Discontent was dramatically manifested by a wave of wildcat strikes which swept over Sweden in 1970, with 250 recorded disputes causing 155 000 lost working days compared to only 35 thirty five in 1967. Unionists' dissatisfaction was articulated during the dispute by perceptions of a distant and unresponsive union bureaucracy.

The two specific demands made by the strikers, namely for higher wages (in order to narrow differentials with white-collar workers) and increasing employee influence within the workplace, both created problems for a union movement content to operate within the Saltsjöbaden class compromise. This held that managers had the right to manage at local level, restrained only by the increasing scope of negotiated agreements.

On the occasion of the strike, the essential point was that LO unions were incapable of ensuring a narrowing of differentials with white-collar workers without demanding substantial wage rises for the highest paid blue collar workers. Were that strategy to be pursued, it would have been untenable because it undermined the solidarity wages policy by increasing inequality within the LO sphere.¹⁸⁹

3. Stage three keynesianism: WEF and economic democracy

There were four principal types of WEF; firm-centred, regional or industry-based, competing and centralized funds. Each fulfilled different propensities: to stimulate labor productivity, enhance factor mobility, increase employee tolerance to profitability, minimize risk and maximize

¹⁸⁶ Haas, A. 1983. '*The aftermath of Sweden's codetermination law*' in Economic and Industrial democracy. 4(1): p 19-46; Hamilton, M. B.1989. Democratic socialism in Britain and Sweden. London: Macmillan, p 38; for Rosenblum, 1980 see above

¹⁸⁷ Esping-Andersen, G. 1992. '*The making of a social democratic welfare state*' in Misgeld, K. ed. Creating social democracy. Pennsylvania: PSUP, p 60

¹⁸⁸ Ahrne and Clement, W. 1992. '*A new regime? Class representation within the Swedish state*' in Economic and industrial democracy. no.13: p 455-479

¹⁸⁹ Swenson, P. 1989. Fair Shares: unions, pay and politics in Sweden. Ithaca: Cornell, p 89

democratic influence, respectively.¹⁹⁰ Later, the Meidner Report sought to secure what it considered to be an optimum mix. The WEF institutional architecture was composed of a central clearing comprehensive fund, which administered and allocated dividend income. Its membership was drawn from national union nominees and representatives of the public interest to enhance social solidarity.

The initial 20% of corporate influence accruing through WEF ownership was delegated to local unions, supported by sector funds to which additional voting rights would be transferred thereby avoiding over-centralization. The central fund is therefore a largely powerless body, administering assets which can never be realized and distributing dividends according to the democratic wishes of concerned employees. Membership plurality reduces group egotism and narrows group self-interest whilst the central fund provides the necessary coordination for the efficient operation of the fund system.

Tensions within the second stage Keynesianism, grassroots demands for increased workplace influence as well as an egalitarian distribution of income and wealth forced the LO to promote an active investment policy in order to increase productive investment without regressive distributional consequences. This strategy was different from the traditional solution of increasing profits to raise investment because it would only worsen inequality.

Thus, socialization of investment through the WEF scheme appeared as the right solution to achieve economic democracy, especially since organized labor's power resources had grown enough to challenge core capitalist prerogatives.¹⁹¹

Economic democracy can be distinguished from industrial democracy since the former seeks to achieve control over the productive sector for labor and/or the community whilst the latter attempts to increase employee influence over their immediate work process. Whereas industrial democracy involves expanding microeconomic restrictions upon management's right to manage arbitrarily, economic democracy seeks macroeconomic influence over the productive sphere through collective ownership. Economic democracy therefore complements and supplements industrial democracy.

The LO sought to achieve economic democracy through two principal means. Firstly, they demanded that the ATP funds be freed to invest in equity which would increase the supply of risk capital, lowering its cost, thereby creating favorable conditions for raising investment without increasing inequality.

Opposition from the SAF led to a compromise solution with the establishment of a fourth pension fund in January 1974, which could

¹⁹⁰ OECD Report, 1970: p 27

¹⁹¹ Ahrne, G. 1978. 'Middle Way Sweden at a cross-roads: problems, actors and outcomes', in *Acta Sociologica*. 21(4): p 317-340; Korpi, W. 1983. *The democratic class struggle*. London: Routledge, p 212

purchase equity up to 5% of total pension fund capital. However, despite delegating a maximum 60% of its voting rights to local union representatives, this reform proved insufficient to satisfy trade union democratic objectives. Consequently, the LO decided to develop its own strategy to achieve economic democracy. The WEF wage earner funds constituted one method of its attainment.

A series of factors greatly challenged the Swedish labor movement at the beginning of the 1980s. Among them, there were the macroeconomic problems stemming from the implementation of the Rehn-Meidner model together with the political necessity to intensify redistributive policy objectives, imposed by the SAP endurance in government office and by its political objectives. The increasingly vehement demands made by employees for greater participation in work related matters at the local workplace faced the LO with an ambiguous dilemma .

However, reluctance to fully implement the Rehn-Meidner model had partially unravelled the initial combination of institutions and policy instruments. Consequently, a new initiative was required.

The expected response came no later than the decision taken at the 1971 LO Congress to establish an 'expert' group, chaired by the former Head of the LO's Economics Division, Rudolph Meidner. He was in charge with investigating the possibility of reinforcing the solidarity wage policy through collective capital formation, via pension funds or an alternative approach. This working group came to be later known as the Meidner Group. Following its conclusions, the working group was mandated to prepare a technical feasibility report for the 1976 SAP Congress.

4. Crisis Keynesianism and Neo-monetarism

In addition to SAF's opposition to the WEF scheme, TCO neutrality with respect to WEF is another case in point, which is illustrative of the tensioned relationship between trade unions and the SAP. The fact that the SAP had lost the 1976 general election by the narrowest of margins was a shock to the entire Swedish political system. The SAP became a tautologous reality in Sweden: it had been in office for 44 years and their values had become almost synonymous with bedrock perceptions of Swedish society. Despite changes in the Swedish constitution had weakened the dominance of the largest political party by increasing the proportionality of the electoral system, the SAP defeat was still largely unexpected.

The bourgeois coalition that replaced it in government comprised the Liberal, Centre and Moderate parties – the latter being the conservative party in Sweden. This coalition was led by Thorbjørn Faellidin, the ex-farmer leader of the Centre Party whose popularity owed much to his principled stance against Sweden's continuation of nuclear power generation, a crucial issue in Swedish politics which triggered an important

cleavage, the environmental one.¹⁹² This issue is important because it proved problematic for the SAP and affected its electoral score. The SD Social Democrats' support for economic growth, to facilitate full employment and finance welfare programmes, became associated by many as forming a 'cosy' relationship with Sweden's large and powerful corporations.

The change of government, however, led to an inexperienced coalition government taking office at a time of international economic crisis. The raw material supply shock to the international economy, caused by a sharp rise in oil prices, destabilized the Swedish economy and caused a wage-cost eruption between 1974 and 1976.¹⁹³ This weakened the coherence of the wage bargaining system and presented a difficult choice for the Rehn-Meidner strategy. The dilemma consisted in having to intensify '*the profit squeeze*' or in having to stimulate profit margins to facilitate a higher level of investment necessary to maintain full employment and international competitiveness in the long term.

By the time the bourgeois government had actually assumed office, the Swedish economy had experienced a downturn and, consequently, the increases in non-wage tax costs implemented by the previous government had contributed to a profitability crisis, which lasted for several years and had a severe impact on exports, production and investment. Moreover, in the aftermath of the sharp deterioration in international competitiveness caused by the sudden increase in wage-cost push inflation, the Swedish crown became grossly overvalued.

¹⁹² This issue is offered special attention in the sixth and seventh chapters.

¹⁹³ Lundberg, E. F. 1985. '*The rise and fall of the Swedish model*' in *Journal of Economic Literature*, 23(1), p 1-36

CHAPTER 4 THE WELFARE STATE IN SWEDEN – A SHORT DESCRIPTION

1. Reflections on the Swedish welfare system
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1. Reflections on the Swedish welfare system

The Erlander years (1946-68) encompassed sweeping reforms in education, health care, housing, pensions, and taxation, to cite only the most prominent examples. In all of these spheres the Social Democrats manifested their commitment to expanding individual welfare and freedom through collective action¹⁹⁴.

If one attempts to summarize social policy developments in the Erlander-Palme era, five tendencies stand out. *First*, universal services of a high standard as a basic right (and unrelated to social class) remained the norm, in education, health care, pensions, child benefit; indeed the norm found more consistent application than ever before. *Second*, poor relief declined sharply as a constitutive element of welfare policy; increasingly it came to be seen as an indicator of failures in the insurance schemes rather than the first line of defence. *Third*, the system moved away from the

¹⁹⁴ For good comprehensive treatments of social welfare provisions, see Wilson, D. 1979. *The welfare state in Sweden*. London: Heinemann, p140; Olsson, M. 1987. *A new approach to the economics of health care*. Washington: AEI Press, p 250

provision of a minimum standard to an effort to secure existing standards of living. The *inkomstbortfallprincip* in pensions and sickness insurance sought to guarantee against a decline in living standards. From one perspective this approach simply perpetuated existing inequalities; from a more charitable view it limited the range of inequality, which in itself had been narrowed substantially by economic growth and solidaristic wage policy. *Fourth*, the system increasingly became an integrated whole. *Fifth*, the system enjoyed wide public acceptance. Benefits were visible and substantial; they seemed a reasonable return on an unusually high rate of taxation.

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

For Erlander and for Palme, as for the vast majority of the Social Democratic party, it was axiomatic that the state (including local government operating according to national standards) was the prime instrument of popular purposes. Unlike Wigforss, they showed little enthusiasm for the syndicalist and localist currents within the socialist tradition. Central government action or regulation avoided the regional variations and inequities that might result from more decentralized control – this was the operative assumption of Swedish Social Democracy well into the 1970s. The state, having been democratized at the close of the First World War, could serve as the transmission belt of popular wishes, by which they increasingly meant the wishes of the population at large rather than the working class or even the Social Democratic movement alone. Essentially untroubled by concerns about the quality of representation, ‘government failure’, or the difficulty of policy ‘implementation’¹⁹⁵, they wielded the state as the fundamental democratic tool.

None the less the extension of the public sphere raised anew the questions of democratic control. Increasingly the catch-all rubric of ‘corporatism’ appeared in the discussion. Disturbingly negative in its connotations because of its previous application to Fascist structures and breathtakingly vague in its empirical denotation, the term did little to clarify debate, but it did draw attention to genuine problems of democratic governance. In the new welfare statist dispensation interest organizations increasingly penetrated and exercised public authority¹⁹⁶. This new role for organizations posed two fundamental issues: could these organizations

¹⁹⁵ Pressman and Wildavsky, 1973. Implementation. Berkeley: California UP, p 31

¹⁹⁶ Discussions of corporatism often neglect the fact that in earlier periods capitalists exercised the very same authority privately with no accountability to the citizenry.

represent society at large and did the leadership of these organizations accurately reflect the wishes or interests of their members?

In the late 1930s Wigforss had proposed regular co-operation and consultation between government and industry, but the war quashed this scheme, although it simultaneously stimulated the formation of commissions with representation from government and major interest groups. The great debate over economic planning in the late 1940s delayed corporatist development, but in the 1950s there arose the co-operation among business, labour, and government that for a time gave Sweden the reputation of a harmonious society where consultation, compromise, and tranquillity prevailed. Following the 1948 election Erlander helped organize the so-called '*Thursday Club*' in which representatives of the major economic interest organizations (including agriculture and both blue and white-collar unions) discussed political and economic issues. These fortnightly meetings died out in the mid-1950s to be replaced from 1955 to 1964 by a series of conferences at Harpsund, the country estate of the Swedish prime minister. Erlander insisted that these meetings represented a form of '*consultative democracy*' in which extensive discussion but no decision-making took place. Nevertheless, these assemblies provoked criticism from both right and left. In the early 1960s Bertil Ohlin, the leader of the Liberal party and Erlander's chief rival, coined the term '*Harpsund democracy*' and sharply criticized the government for bypassing the parliament and ignoring the duly-elected opposition: '*Is it possible that we shall gradually get a new corporatist chamber that meets at Harpsund? For liberalism it is urgent to work to prevent the mixing together of democratic popular representation and the activity of large organizations.*'¹⁹⁷

Shortly thereafter the emerging Swedish '*new left*' assailed the Harpsund gatherings as a capitulation by Social Democrats to the power of finance and the central bureaucracy. These criticisms certainly contributed to the demise of the Harpsund consultations in 1964, but the issue they raised remains. In the economic planning council (from 1962) and an increasing variety of other settings the influence of interest organizations ramified within the state apparatus¹⁹⁸.

As organizations' power expanded, the question as to how well their leaders reflected the wishes of their members grew in importance and prominence. A useful debate, centring on the classic issues raised by Michels and G. D. H. Cole¹⁹⁹. In an investigation of the legitimacy of LO's

¹⁹⁷ Ruin, O. 1986. I vaelfaerdstatens tjænst. Tage Erlander 1946-1969. Stockholm: Tiden, p 273

¹⁹⁸ Ruin, O. 1996. 'Sweden: From Stability to Instability?' in Blondel, J., and Cotta, M. ed. *Party and Government. An Inquiry into the Relationship between Governments and Supporting Parties in Liberal Democracies*. NY: Saint Martins Press, p 61-77

¹⁹⁹ Michels, R. 1959. *Political Parties. A sociological study of the oligarchic tendencies of modern democracy*. NY: Dover, p22; Cole, G. D. H. 1920a. *Social Theory*. London: Methuen, p 56

leadership, Leif Lewin pointed to substantial congruence between the views of the rank-and-file and the leaders²⁰⁰. The direction in which influence flowed remained less certain; LO complemented its enormous educational efforts with attempts to gauge members' views through consultative circles (rådslag). The new left's celebration of participatory democracy also made an impact on the Swedish discussion. In a series of newspaper articles Sten Johansson, a prominent Social Democratic sociologist, contended that consonance between public opinion and public policy was an inadequate criterion for democratic governance²⁰¹. Such agreement could be forced rather than autonomously generated. An adequate theory of democracy must stipulate popular participation in the formation of opinion and policy. The level of living surveys in the late 1960s suggested that such participation was far from universal. Finally, the Centre party's critique of the '*concrete society*', urban, bureaucratic, and anomic, and their celebration of rural and small town local communities called centralization into question. The Centre and the Liberals pushed experiments with greater autonomy for local governments and gradually the Social Democrats, too, undertook initiatives with more local self-government in towns like Örebro.

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

If issues of democracy and representation pose the first test for Erlander's and Palme's views, the question of where to draw the bounds of the public and private spheres is the second. Critics of the Swedish welfare state like Roland Huntford²⁰² who proceed from classic liberal assumptions deplore what they regard as the over-extension and intrusion of the public sphere into what they consider ought to be an inviolable private realm.

²⁰⁰ Lewin, Leif. 1977. *Hur styrs facket?: om demokratins inom fackfoereningsroerelsen*. Stockholm: Raben&Sjoegren, p 32-33

²⁰¹ Johansson, S. 1973. 'The 1968 level of living survey in Sweden' in *Acta sociologica*. 16(3): p 211-224

²⁰² Huntford. 1972. *The New Totalitarians*. London: Allen Lane, 1971, p 22

Erlander himself was explicitly vague, terming the issue a practical one rather than one of principle, at least in a democratic society:

*Isn't there then a boundary for society's efforts that ought not to be overstepped? Certainly in each particular stage of development there is a point which represents the best possible balance between private and public activities. The essential point, however, is not to allow this limit to be determined by theoretical discussions about static chalk lines [kritstreck] (where, for example, one seeks to bind the public sector to a certain percentage of the national income) or by a starting-point within a dogmatic social conception of a bourgeois sort. It can only be determined by practical experience under the guidance of people's wishes in a rapidly changing society and by the method we choose to solve the new problems that will meet us in the future which we have such difficulty foreseeing.*²⁰³

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

When the public sector expands, society still must decide how to organize it – and that is the third question one must put to the Erlander-Palme scheme. This question received relatively little attention between 1946 and 1976. The Social Democrats left the greater part of the economy to operate according to market principles; education, health care, social insurance, social assistance, and day care they organized, with trivial exceptions, as public monopolies. Indeed there was a concerted effort to reduce the role of philanthropy, volunteerism, and private provisions as demeaning and erratic in their impact. In areas like agriculture and housing the Social Democrats came closest to their more ambitious conceptions of economic planning and steered the market, particularly on the supply side. These hybrids indicate clearly that ‘politics’ and ‘markets’ are not the only two choices²⁰⁴, pace Lindblom (1977), as does the general use of ‘framework’ legislation and economic policy. As indicated in Chapter 9, the real genius of Swedish Social Democracy lies not merely in using ‘*politics against markets*’²⁰⁵, but also in using politics to make markets work ‘better’; that is, more to the advantage of the less well off.

²⁰³ Erlander, T. 1976. *Tage Erlander 1955-60*. Stockholm: Tidens, p 83

²⁰⁴ Lindblom, C. E. 1977. *Politics and markets: the world's political economic systems*. NY: Basic Books, p 295-6

²⁰⁵ Esping-Andersen. 1985. *Politics against markets: the social democratic road to power*. New Jersey: Princeton, p 71

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

Erlander and Palme steered the construction of the welfare state and celebrated its achievements as Social Democratic triumphs. They argued for the expansion of the public sector as a democratic means of eliminating misery, breaking down class barriers, and meeting '*the discontent of rising expectations*' that came with growing affluence. Erlander, at least, was able to structure reforms, particularly the supplementary pension reform, to attract growing numbers of white-collar voters, a necessity if the party were not to decline as the percentage of industrial workers in the work-force declined. Both political conditions and their own understanding of Social Democracy led Erlander and Palme to play down notions of public ownership or redistribution of the national wealth and to base their practical policies on an expanding public sector and their theoretical arguments on the notion of property as a bundle of rights. This approach engendered debates on the nature of democracy, the proper balance of public and private spheres, and the relative roles of politics and markets. Even before 1968 a

reaction to this conception of Social Democracy was brewing, one that would eventually reassert the traditional socialist themes of industrial democracy and socialization.

2. Family policy

2.1. Family facilities and welfare

During the ‘*Golden Age*’ of the welfare state, different aspects of the Swedish family policy had been developed to a degree that the Swedish welfare state was internationally recognized as the one which offered the most generous entitlements to families²⁰⁶. By different kinds of supportive measures, the Social Democrats pursued two major goals: first, they provided equal opportunities for children from all social classes to make a career, independently of their parents’ income; second, they enabled women to enter the labour market. Different aspects of family policy programs provided enough benefits and services to families to ensure that young couples would not hesitate to combine a career with having children. With one caveat in mind, precisely that family policy was largely saved from the 1990s retrenchments, it must be said that, the economic crisis also impacted on different programs of family policy. Since the crisis also changed the level of all welfare entitlements, the family facilities – provided by the welfare programs – was also relatively diminished, but to a lesser extent.

The broad support for the family policy arrangements was crucial because these programs themselves were crucial inasmuch as they could support those families whose breadwinners (whether women or men) were victims to market failures. As family benefits are generally of two different types – either in relation to birth or maternity, or for the care of young children, this section would cover both aspects, which contain key elements such as parental leave, housing subsidies and child allowances. The declared aim was to support the breadwinner, that is that family member whose wages supply its livelihood.

2.2. Parental benefits

In the 1990s, extending policy arrangements to facilitate parental leave has been top priority and identifiable in the policy trends of many European countries²⁰⁷. Sweden was once again in the lead position in this aspect. By increasing the duration of leave through parental insurance in 1990 to 15 months, Sweden has developed its policies on parental leave more generously than other OECD countries. Since 1995, at least one month of parental leave had to be taken by the parent who does not take primary responsibility for childcare. This policy is regarded as a measure to

²⁰⁶ Axelsson, Ch. 1992. *Hemmafrun som foersvann: oevergaangen till lonearbete bland gifta kvinnor i Sverige 1968-81*. Stockholm: Swedish Institute for Social Research, p 57

²⁰⁷ Daly, M. 1997. ‘Welfare state under pressure’ in *Journal of European Social Policy*. no.7: p 129-46

encourage fathers to stay at home with their young children. So parental leave in Sweden – and other Scandinavian countries – has not only been treated as paid leave, but its duration has been increased to over one year in the present²⁰⁸. The reasons of this progressive increase are to be sought for in the governmental programs of aid to families in difficulty during economic crises.

However, at the beginning of the 1990s – when the welfare cuts started being enacted, the parental leave benefits have also been negatively affected because of the concomitant decrease in wage replacement levels. Precisely, there is a general trend which is confirmed by a direct relationship, i.e. with a decrease in wage and work force replacement, there is a decrease in welfare benefits. For example, in the 1980s, the value of transfers was increased with the replacement rates for absence due to the care of a sick child, which went up to a 100 percent wage replacement rate.

However, in the 1990s, this trend was reversed. Not only were waiting days for sickness and unemployment benefits reintroduced and labor-market criteria ceased to qualify on their own for disability benefits, but also replacement rates into all social insurance schemes were reduced to 75 percent since 1996 (after which they increased again to 80 percent after 1998). Replacement rates for parental insurance were the latest benefits to be cut. Nevertheless, these specific replacement rates for parental insurance were the latest benefits to be cut. Moreover, the two main political blocks were both determined to avoid cuts in family policy, but it was realized that differences in the level of benefits would encourage abuse of the system. For instance, parents who were ill themselves preferred to claim parental leave in order to care for their sick child because more profitable in economic terms. By doing so, they were left in receipt of their full wage, rather than with only the sickness benefit. That is partly why the parental leave replacement rate was reduced from 90 percent to 80 percent and then in 1996 to 75 percent - again increasing to 80 percent in an attempt to harmonize this level with other benefits.

Further ahead, in 1996, the replacement rates in all social insurance schemes were reduced to a uniform level, i.e. 75 percent²⁰⁹. Despite this deterioration in replacement rates in all Scandinavian countries²¹⁰ they still have the highest rates among OECD countries.

2.3. Child allowance

The general child allowances – the other key element of family policy – have increased marginally during the 1990s. The amount of child benefits, which increased slowly during the difficult years of the early

²⁰⁸ Bjoenberg and Bjork Eydal, G. 1995. 'Family obligations in Sweden' in Millar and Warman, A. ed. *Defining family obligation in Europe*. Bath: University of Bath, p 213

²⁰⁹ Budget proposal, 1994/95: p 17

²¹⁰ The replacement rates for parental leave decreased at about 80 percent in Norway and Sweden and at 60 percent in Denmark

1990s, was raised suddenly towards the end of the 1990s as a result of the temporary economic upswing²¹¹.

For families with children, the generous norms in the social assistance field have been of great importance. This was so because a significant part of households were unable to obtain a reasonable living standard on grounds of their low revenues. In other words, their after-tax earnings from work were below the social assistance, which entitled them to different kinds of allowances. This fact triggered the tax reform of 1991 whereby an increase in child allowance was addressed as an instrument which would compensate the abolition of the redistributive effects partly abolished by the tax reform²¹².

Child and housing allowances in particular were decisive allowances, which ensured that household incomes would reach the social assistance norm²¹³. In the austere years of the 1990s, nearly one third of the households in the lower social strata increased their incomes to above the norm because of these allowances. The rest had to be covered by the social assistance benefits administered by local authorities²¹⁴. But, because of the generosity of the system and precisely due to it, certain measures have been devised to prevent misuse and abuse. For instance, families who applied for child allowances had to realize their accumulative savings before accessing social allowances²¹⁵.

In 1993, the average duration of social assistance was 4.5 months and 7.5 per cent of the population received cash assistance at least once during the year²¹⁶. Until 1997, the design, the content and the levels of support were decided by the municipalities, which gave discretion to local authorities to adapt these levels to local circumstances. A survey made in 1994 shows that politicians at the local level tend to reduce the rate of social assistance, when there is a need for budget savings in the municipalities, thereby ignoring the norms decided by the Riksdag²¹⁷. As a result, around 75 per cent of local municipalities ignored the centrally-provided norms and adopted lower levels. In 1997, by imposing a nation-wide norm on most

²¹¹ Child allowance was nominally 7680 crowns per child in 1997 and up to 9000 crowns in 1999

²¹² In 1991, among married or cohabiting couples with three or more children, more than half earned below the norm. While among the couples with two children, this percentage was 30, among single parents with two children, the percentage was 90. Furthermore, among the parents with one child, 70 per cent earned below the norm Palme, O. 2000, p 78

²¹³ Statistics Sweden SOU, 2001: p 57

²¹⁴ It is well-known that the Swedish administration functions locally and that, consequently, welfare benefits are administered at the local level

²¹⁵ Behind the generosity of the welfare system, there was the macroeconomic rationale of household accumulation, which encouraged private savings for an increase in investments. It is well-known that, in Keynesian economics, an increase in private and public savings ensures long term macroeconomic stability.

²¹⁶ OECD Report, 1997: p 96-7

²¹⁷ Bergmark, Aa. 1995. Prioriteringar i socialtjänsten: rättvisa och ekonomi. Stockholm: Stockholm Universitet, p 51

components of the support system, the central government has restricted the room for local discretion and thereby prevented income loss for households.

Thus, the total financial support to families has actually decreased as a result of limited savings in all the social assistance programmes despite the fact that their structures have remained unchanged throughout the 1990s²¹⁸. The only programmes which have shown an increase in total costs, were those related to parental leave expenditures²¹⁹. Childcare services, which, together with elderly care services, form the core of social care services, were improved considerably during the 1990s. For instance, between 1990 and 1997, the rate of children aged 1-2 years with access to child care services increased from 44 to 57 per cent. For children aged 3 to 6, the rate increased from 64 to 76 per cent. Despite that, the municipalities were not successful in providing schooling for all children aged 1 to 12 years.

Overall, the family policy area has experienced smaller changes than other policy areas. The most notable change was in the level of child allowances, which decreased from 750 to 640 crowns in 1996 and then increased again to 750 in 1998 soon after the financial recovery. The change was significant because it was the first time in the history of the Swedish welfare system that the nominal value of child allowances decreased. Together with child allowances, parental insurances were another family benefit, which was saved from retrenchment up to 1996. It seems that the main objective of family policy was to save different kinds of allowances and benefits, which were addressed to families, from retrenchment. In consequence, benefits would ensure that the economic differences between families with children and other families would remain constant and, if possible, even decrease.

Moreover, family policy enabled - to an increasing extent - both parents to combine a working career with parenting. Despite this deliberate policy of preventing the deterioration of families' economic situation, the welfare of families with children underwent great changes during the 1990s²²⁰. However, after 1997, the process of deterioration rather held off and, consequently, the living standards of families started to improve again. In the recent years, increased employment and diminishing taxes have compensated families with children for obvious deterioration of their living standard. Also, changes were made in the rules relating to family allowances, hereby favoring the worse off²²¹.

Among the Swedish political parties, there is widespread consensus

²¹⁸ Gaehler, M. 2001. 'Bara en mor' in Bergmark, Aa, ed. Ofaerd i vaelfaerden. Stockholm: Fritzes, p 99

²¹⁹ During the 1990s, these rose from 15.7 to 19 billion crowns

²²⁰ Gaehler, M. 2001. 'Bara en mor' in Bergmark, Aa, ed. Ofaerd i vaelfaerden. Stockholm: Fritzes, p 89

²²¹ Hoem, B. 2000. 'Utan jobb - inga barn? Fruktansamhetsutvecklingen under 1990-talet' in Vaelfaerdens foerutsaettningar: arbetsmarknad, demografi och segregation. Stockholm: Vaelfaerdsbokslut, p 119-144

about keeping family policy safe from seasonal changes. Across the whole political spectrum, there is the perception that family policy should not be understood as an insurance system, but supported no matter what transient economic indicators show. Even the two bourgeois parties stressed on keeping welfare benefits for families with children. As the pensions' case revealed, there was a real consensus over family and elderly policy. Esping Andersen (2001)²²² observed that with the existing low fertility rate in Sweden, there are strong reasons to believe that some of the benefits be extended.

2.4. Housing subsidies

Housing has been one of the more controversial areas of Swedish welfare policy. For years Sweden suffered from a severe housing shortage despite one of the highest rates of construction in the world. The Social Democrats attributed their defeat in the 1966 local elections to dissatisfaction with the housing situation and promptly embarked on a programme to build a million dwelling units (most in-the form of massive apartment complexes) over the following decade – an extraordinary undertaking for a nation of eight million. Since 1948 state-subsidized long-term and low-interest loans have been a major instrument for promoting housing construction, albeit one of decreasing importance. In addition, the government subsidizes housing costs through interest subsidies, tax credits for owner-occupiers, and housing allowances for low-income households. Social Democratic governments have supported public planning of land use, the provision of collective amenities, and relatively classless residential patterns, but in the 1980s there has been a growing sense of policy failure. Middle- and upper-income owner-occupiers now benefit disproportionately and stronger class-related differences in accommodations are threatening to emerge.

Another important element of family policy is housing, not least because the aim of a generous welfare policy is to provide high quality housing by subsidizing rent costs. In 1988, Sweden was ranked second – after the Netherlands – in subsidizing housing. At that time, housing subsidies had increased housing demand by all income groups but particularly by low-income families. As a result, the number of households who were living in overcrowded conditions decreased substantially²²³.

Even in this field, the system kept its universalist features. By interest

²²² Esping Andersen, G. 2007. Public lecture in the conference about the balance sheet for Swedish welfare during the 1990s. Stockholm, October

²²³ By 1987, this number was estimated at only 2 percent, which was far below the level of most other developed countries. It is also worth noting that the greatest part of this percent were represented by recent immigrant families and that the criterium for overcrowding is more than two persons per bedroom, meaning that a family with a child living in one bedroom qualifies as overcrowded; Boverket, 1993. *Framtidens vaegvisare*. Stockholm: KarlsCrowns

subsidies, the system has also favored high-income families who normally own more expensive houses and therefore gain more concerning interest subsidies. During the 1990s, housing support to families with low incomes remained quite intact. For high-income families, interest subsidies were reduced from 40 percent to 30 percent. However, a series of changes were introduced in housing subsidies, which led to a tightening up of both levels of benefit and the area covered by them.

As stressed in the balance sheet of the Welfare Commission²²⁴, during the economic crisis of the 1990s, housing subsidies had been given the character of a family policy measure in order to reduce the financial pressure on the social groups affected. For instance, while, in 1995, the number of households drawing housing subsidies was 328 000, the rate of unemployment was at the highest level²²⁵.

Perhaps the most significant innovations in welfare policy came in the area of housing. Like agriculture, housing became a sphere of the economy where notions of economic planning were applied. The state did not nationalize the construction industry, but it planned, organized, and subsidized the provision of housing to the point that in 1982 public-sector housing accounted for 20 per cent of the total housing stock and co-operative housing for another 14 per cent²²⁶. The Social Democrats felt compelled to intervene powerfully because private enterprise had failed to solve Sweden's acute housing shortage. Just before the Second World War 54 per cent of all apartments in Stockholm consisted of one room and a kitchen; in Gothenburg the figure was close to 58 per cent, in Malmö 48 per cent, and in the other cities with a population over 30,000 or 55 per cent. Over half of these housed more than two people. One hundred and sixty thousand apartments still lacked running water and sewage. Under these circumstances, Möller argued, Sweden required a new '*social housing*' policy that placed social considerations – and here he clearly envisioned a person's right to decent housing – above the economic considerations of the market-place and the scope it allowed for property speculation and a building industry biased against the poor.

Simply making housing a matter of public policy – conceiving of it as the right of citizens and the business of government – was a novel departure. In the 1930s the measures taken were, as in other fields, relatively modest but important beginnings. In 1933 the government initiated subsidies and loans for improvements to rural workers' housing. More important measures followed in 1935. The state established rental allowances for urban families with three or more children and began to support the activities of municipal housing corporations through special loans to provide new and modern

²²⁴ Statistics Sweden SOU 2000, p 40

²²⁵ The unemployment rate was 556 000 unemployed persons in 1995, a Swedish highest in the last 10 years

²²⁶ Lundqvist, L. et al. ed. 1990. Housing policy in Sweden: still a success story? Stockholm: Nordstedts, p 224

rental housing. In 1938 similar benefits were extended to owner-occupied housing. Subsidies for pensioners' homes and special loan arrangements also originated in the 1930s.

Modern Swedish '*social housing policy*' however, dates from 1946 – 7. It set ambitious targets for new housing construction and improved standards, especially for the poor and families with children. It sought to restrain housing costs. As with pensions and health care, the responsibility for administering housing policy fell largely to local authorities. No longer, Möller wrote, would it be left to chance as to whether an area had adequate housing or not²²⁷. Municipal housing corporations and cooperatives would assume a much larger role in the provision and ownership of housing. Rather than underwrite private speculation Social Democratic policy would encourage public ownership of land. It would discriminate in favour of not-for-profit public and co-operative housing firms through special loans and subsidies that would reduce the cost of public housing relative to private housing.

In 1945 public-sector housing rental units numbered 30,000 or about 4 per cent of the housing stock; by 1975 the number of units had risen to 700,000, about 20 per cent of the total²²⁸. Lennart Lundqvist describes the success of Swedish housing policy this way:

*'In many countries, public housing is a problem child. Low standards, lack of amenities, negative selection of tenants leading to segregation, poor surroundings and chronic financial crisis are all familiar problems. In most of these respects, Swedish public housing has a remarkably favourable record. Except for space, dwellings in public housing have a standard equal to the rest of the housing stock. During the record production years from 1965 to 1974, 370,000 new dwellings were added to public housing. Since then, there has been a continuous effort to improve the surroundings and provide more and better facilities. Since there is no means-test to obtain a public dwelling from the start, neither stigma nor segregation was built in.'*²²⁹

At present the financial difficulties of public-sector housing, squeezed between the budgetary stringency of the state and the political clout of tenants who oppose rent increases, are serious, but the improvement in the quantity and quality of Swedish housing has been enormous. Social housing policy has also sought to ensure the affordability of public-sector housing. The special subsidies and loans for lowering the original cost of public-sector housing accomplished part of this task. In addition means-tested

²²⁷ Möller, G. 1975. *Revolution och socialism*. Stockholm: Tiden, p 333

²²⁸ Lundqvist, L. et al. ed. 1990. *Housing policy in Sweden: still a success story?* Stockholm: Nordstedts, p 224

²²⁹ Lundqvist, L. et al. ed. 1990. *Housing policy in Sweden: still a success story?* Stockholm: Nordstedts, p 215

housing allowances paid to individuals were adjusted upwards and extended more broadly. In combination these measures created a sphere of the economy where not-for-profit corporations hired private contractors to fulfil public objectives, established a high standard of public-sector housing provision that strictly private-sector housing had to match, and subsidized housing costs in a way that made decent housing a basic right.

2.5. Education

The school system Social Democrats inherited divided students at an early age into those pursuing university education and those pursuing vocational education. The gymnasium catered to a narrow upper-class élite; the *realskola* to the vast majority. The 1946 School Commission, which issued its final report in 1948, laid out the plans for a unitary, comprehensive school system. In 1950 the nation launched a ten-year experiment with nine years of compulsory schooling. In 1962 the Riksdag took the final decision to introduce a nine-year comprehensive school for all children aged 7-16. In the mid-1960s the gymnasium and the *realskola* were merged into an integrated high school. Along with the effort to break down class barriers within the school system, the government greatly expanded spending on education. The average number of years of schooling rose from seven in the late 1950s to eleven in the early 1970s.

In the 1930s, as the result of the Myrdals' popularization of the population question, the Social Democrats had legislated modest assistance to families with children. Families with three or more children received rent allowances, modest payments were made to mothers at childbirth, virtually free delivery was provided as well as preventive pre- and postnatal care. After the Second World War the recommendations of the Population Commission received more serious attention. Möller proclaimed the more ambitious goal of ensuring that families with children would suffer no decline in living standards relative to childless families or, in other words, that the choice to rear children would not impose economic burdens²³⁰. In place of the previous tax deduction for children (the benefits of which varied from 31 crowns for a family with a taxable income of 2,000 crowns to 435 crowns for family with an income of 50,000!) Möller instituted children's allowances of 200 crowns per child. In addition such '*in-kind*' benefits as free school meals and means-tested housing allowances and vacations became public policy.

3. Sickness benefits and health insurance

Sweden introduced compulsory health insurance in 1955 after a lengthy period of discussion and debate. Care was provided in county-run hospitals. The goal of universal access, always important, was further underlined in 1969 with the passage of the '*seven-crown reform*', the

²³⁰ Möller, G. 1975. *Revolution och socialism*. Stockholm: Tiden, p 203-4

establishment of a low, uniform fee for outpatient care. In 1974 dental insurance, previously limited to young children and new and expectant mothers, was expanded to cover the entire population. The 1955 reform also established a compulsory sickness insurance scheme, replacing the previous voluntary system administered by local friendly societies. In 1963 payments became earnings-related rather than flat-rate. After improvements in 1967 and 1974, benefits covered 90 per cent of earnings, starting with the first day of illness. The costs of the health care system rose rapidly, but access by the poor, life expectancy, and infant mortality statistics all improved as well²³¹.

Sickness insurance has always been one of the key targets of the neo-liberals who believe that the generosity of the system decreases the incentive to work. The deterioration – in the early 1990s – of the Swedish welfare system and of the Swedish economy as such provided critics with a rationale for demanding changes in the social security system. Sickness insurance was the first among the welfare benefits to be targeted because the first change neo-liberal policy undertakes, touches upon the reduction in universal health expenditure, which is considered too costly and unnecessary.

As late as 1987, a generous system of sickness benefit had been in operation for almost 40 years²³². The Social Democratic government abolished the qualifying day and introduced a benefit system based on 90 percent and in some cases 100 percent of previous incomes or even more. After this reform, the cost of sickness benefits rose dramatically from 23 billion krona in 1987 to 35 billion in 1990 and the average figure of absence from work increased from 20 days per year in 1987 to 24.4 in 1989²³³. This situation could not be sustained in the long run, reason for which the Social Democratic government – in an attempt to reduce the cost of health insurance and absence from work – reduced the compensation levels for the three first days of sickness from 90 to 75 percent in 1990. This modification aside, the 90 percent level was applied as before from the fourth day of illness until the end of the second week²³⁴. As a result, after a year, the costs of health insurance were reduced by 10 percent.

On its second coming to power, the right-wing government pursued budget savings and reintroduced the qualifying day. As a result, the costs of the health insurance system decreased by one third between 1991 and 1993²³⁵. Even after the change of government in 1994, the Social Democrats

²³¹ Erikson and Åberg, R. 1984. *Vaelfaerd i foeraendring*. Arloev: Institutet for social forskning, p 5; Olsson, 1987. p 20-1 and p 45-8

²³² See Statistics SOU, 2000, p 47

²³³ Budgetpropositionen, 1990/91

²³⁴ Sjoeborg and Baeckman, O. 2001. 'Incitament och arbetsutbud - en diskussion och kunskapsöversikt' in Fritzell och Palme, J. *Vaelfaerdens finansiering*. Stockholm: Fritzes, p 256

²³⁵ See Statistics SOU, 2000, p 72

continued the same policy. Another reform in sickness benefits was to give the task of administration of the first fourteen days of sickness benefits to employers, which should be regarded as an attempt of tightening eligibility and progressive elimination. According to the bourgeois coalition, employers' involvement would increase their interest in ensuring that employees remain healthy and also lead to closer monitoring of absence from work (OECD, 1994:95). For the remaining period, as long as certain medical criteria were satisfied, sickness benefits were paid by social insurance without any upper limit. Long-term benefit was fixed at 80 percent of the level of previous earnings. However, for most employees, this is topped up by 10 percent for a period of up to 90 days by contributions from the employer. After that, the level decreases to 80 percent until the end of the first year when it is further reduced to 70 percent²³⁶.

The growth of social insurance expenditure, which was strikingly high between 1987-1991, seems to have been the main reason for cuts in sickness benefits. According to the government budget bill (Budgetpropositionen, 1988-2000), between 1990 and 1993 the costs of social insurance declined by 25 percent. In other words, there is a strong relation between generous compensation levels and use of insurance resources. As a result of this reduction in compensation levels during sickness periods, the average figure for absenteeism has again declined significantly, from 25.7 days/year in 1989 to 18.5 in 1994. As in the case of unemployment insurance, the replacement rate and number of waiting days applying to sickness benefits had had an obvious impact on the effective labour supply via absence from work. In Sweden, this kind of absence – including children's sickness – had historically been around 15 percent of the total labour force.

As a result of decreasing compensation levels and a tougher insurance policy, which led to a decrease in the absentee rate, the public's health seems to have suffered considerably. Many people who were suffering from illness chose not to stay at home because of considerable reductions in their income. However, they seem to have increasingly suffered from illness in the next decade and, consequently, the absentee rate increased sharply in 1999. For those who were sick for more than 30 days, the average figure of absenteeism almost doubled between 1997 and 2000. Moreover, the number of those taking early retirement increased by 30 percent during the first half of 2000. According to analysts, the tightening of eligibility rules has created a situation in which many people who experience long-term illness are waiting to be classified as early retirees in the coming years.

Overall, at the beginning of the period, as a consequence of the economic crisis, the generosity of sickness benefits has sharply diminished.

²³⁶ Olsson Hort, S. E. 1995. 'Sickness and unemployment insurance in Sweden' in Brunsdon and May, M. ed. Swedish welfare: policy and provision. London: London Guildhall, p 5

The rate of sickness benefits has decreased to 80 percent of income and a waiting day has been reintroduced. The changes caused a remarkable reduction of health insurance costs in the middle of the period, but as economic conditions have improved, the severity of eligibility criteria for health insurance has been reduced and the number of persons sick for periods of more than 30 days has increased. Moreover, the number of early retirees has increased considerably.

In his 1928 brochure Möller had treated the question of compulsory or voluntary sickness insurance as a matter for further study (1928: 213). By 1946 he was committed to an obligatory basic minimum with the possibility of voluntary supplements. He favoured a strict application of Beveridge's principle of flat-rate contributions and benefits, reserving the possibility for people with higher wages or higher living expenses to purchase additional insurance. Employees would draw benefits from the fourth day of illness; the self-employed, from the fourth week. This difference Möller justified on the ground of the employee's greater dependence on his wage – and lower premiums for the self-employed. A waiting period worked no real hardship, he reckoned, because only longer illnesses created real financial distress.

Möller eventually lost his battle for flat-rate sickness insurance as the party decided for an income-related scheme. The essential shape of the health care system, however, took the form that he recommended. In order to achieve administrative simplicity, economy, and classless provision Möller replaced a complicated insurance system based on the sickness benefit societies with a provision for direct state payment of hospital care and of the major portion of drug costs. Ernst Michanek describes the intentions of the constructors of the health system well when he writes (of social assistance reform in general)²³⁷.

It was vital, in our opinion, to do away once and for all with the idea – widespread in the days of the old poor relief – that social assistance was something shameful, something of a personal disgrace to the recipient. So we tried to tie the special benefits [for low-income recipients] to certain objective criteria in the same way as under the social insurance system: a certain age, certain dwelling standards, a certain number of children or a certain income gave the right to a certain benefit. We tried to restrict to a minimum any discretion in the assessment of the individual's need for help and also to lessen the room for arbitrariness on the part of the public authorities concerned. We tried to do away with stinginess in the aid measures, to provide what might be termed as '*help towards self-help*', and to restrict to a minimum the necessary control. We tried to get rid of the discrimination against needy persons that had created an animosity towards society among her less fortunate children, and which had made both public and private welfare activities despised by many of those who depended thereon. 'Help' and '*subsistence aid*' were replaced by words such as

²³⁷ see footnote below

‘benefit’ or ‘allowance’²³⁸.

Health care, like a secure old age, thus became a basic right, provided outside the market by the public sector.

4. Pensions

Pensions in Sweden as elsewhere constitute one of the pillars of the welfare state. In 1948 the government tripled the value of the previous national pension. It maintained the principle of universal-ism; all citizens, not merely employees, would be eligible. Means-tested elements were eliminated, although income-tested housing allowances for pensioners were introduced in 1954. The great change in pension provision came in 1959 with the beginnings of the supplementary pension system (ATP), a compulsory, earnings-related addition to the basic national pension. ATP was controversial. It sought to extend to blue-collar workers the same kind of pension protection that white-collar workers enjoyed. It rested on a funded system that amassed great quantities of capital in public hands. In an effort to lure white-collar supporters to SAP, ATP treated them generously in the calculation of benefits. Services to pensioners have become increasingly important. The government provides geriatric homes, pensioners’ apartment blocks, and home help services. Most elderly Swedes live in ordinary housing. Home help services (cooking, cleaning, etc.) assist over a quarter of the aged living at home. The objective is to allow pensioners to live in their accustomed fashion rather than warehouse them in nursing homes.

The proliferation of social policy programmes and the expansion of existing ones naturally entailed an enormous increase in public expenditure. The increased costs of public policy required regular tax increases in addition to the growth in public receipts produced by the rapid economic advances of the 1950s and 1960s. The income tax became an inadequate source and leading Social Democrats faced up to the need for new sources of revenue. They determined that programmes with broad benefits would require broad financing. They decided on a turnover tax (*oms*, later a value added tax, *moms*) and on employer contributions rather than taxes on corporate earnings. The new taxes were roughly proportional and on top of them the progressive income tax (at least in theory) rested. These changes had the effect of charging the bulk of taxpayers with the costs of the welfare state and to some extent reducing the ‘visibility’ of taxation by including it in the price of goods.

Möller’s primary objective in pension reform was to secure the elderly sufficient resources so that they would not have to resort to means-tested public welfare. This goal mandated setting the basic pension sum at a generous level, a strategy calculated to increase substantially the costs of what was already the most expensive social welfare programme. The Social

²³⁸ Michanek, E. 1966. *Socialboken*. Stockholm: Tiden, p 10

Welfare committee had presented three different possible levels of funding in its report in 1945. Prime Minister Per Albin Hansson and Finance Minister Ernst Wigforss leaned towards a lower basic pension and means-tested supplements, but the parliamentary party supported Möller, who argued that means-testing would discourage the elderly from working, that it would encourage dishonesty in the reporting of resources, and above all that *'old age pensions ought to be changed to a citizen's right rather than a charitable gift from society'*²³⁹.

Even the basic pension would not ensure a minimum standard in all cases. To compensate for regional variations in the cost of living special supplements were added for high-cost areas like Stockholm. Pensioners could obtain means-tested housing allowance if necessary. New provisions for widows, wives, and sickness benefits were included. Special provisions were made for the blind and for invalids. Administration was decentralized so that local offices made fundamental decisions and pensioners gained a right of appeal to the Social Department in case of problems.

5. Social care in transition

5.1. Political trends in social care management

Regarding the direction of the welfare system, during the 1990s, the ideal type of the Nordic model, the Swedish model, experienced two reverse trends. At the beginning of the decade (1990-1993), there was a shift from public services to transfers with pensions and other benefits being increased. Apparently, one major reason for the change had been the need for budget savings on the part of the local authorities, which took over the responsibility for social care services for the elderly after the 1992 *'Aedelreform'*. The second half of the period saw expenditure on services increase faster than expenditure on transfers and cash benefits. In other words, the welfare system focused once again on public services. These two trends clearly show the difference between the bourgeois parties and the Social Democrats' ideology. While the former aimed at reducing the size of the public sector by emphasizing *'freedom of choice'*, the latter were concerned to keep the public service as a strong institution. According to those in the labor movement, the worse-off would lose from the privatization of care services.

Thus, the development of elderly care has moved away from the traditional model in which home help and other similar services set the Nordic model apart from the rest of Europe. By heavy increases in user fees, the access to services of the people in the lowest income strata decreased. This fact is surely an indication that services in Sweden lost their original character as the epitome of the caring state. As Kautto and Szebehely

²³⁹ Möller, G. 1971. *'Hågkomster'* in Wedin, Aa. *Arbetarrörelsens Årsbok*. Stockholm: Prisma, p 181

stress²⁴⁰, the degree of universalism in the pension and elderly care has decreased as a result of these changes.

5.2. Transformation in the Swedish welfare system

I will focus here on the changes in social policy, which took place in social policy. Since social policy constitutes the major part of the public budget, governments looked to make savings here in order to balance the budget. There are, however, different ways of cutting welfare. Some techniques, such as indexation, are difficult for the public to detect, and therefore they are preferred by governments for political reasons, but when the need for cuts becomes urgent, then reductions in cash benefits are considered to be the most efficient way to reduce spending. As the major part of reductions occurred through cuts in cash benefits, the second part of this chapter focuses on changes in cash transfers and their pattern of occurrence during the period from 1990s on.

The argument is that - as long as the Social Democrats were in office and economic conditions were appropriate, the Swedish welfare system not only remained intact but gradually expanded. Retrenchments of the benefit system in the 1990s started when employment rose dramatically and the budget deficit increased considerably as a result.

5.3. Techniques of welfare reduction

Reducing welfare spending is not an easy task for governments²⁴¹. Welfare cuts are always unpopular and, regardless of the areas in which governments chose to make cuts, they risk losing the support of groups who would be negatively affected by retrenchment. Moreover, if the need for saving is large, the number of recipients affected is also large. Reducing benefit levels by a limited amount is therefore preferable, even though this would affect the entire population and therefore be generally unpopular. Targeted saving, which directs the resources from the existing programme to groups in greater need, is another technique for welfare reduction which normally favours families and the young unemployed.

Social policy analysts use different methods to measure changes in welfare spending. Some studies mainly focus on changes in welfare expenditure²⁴² while others like Daly²⁴³ examine changes in cash benefits

²⁴⁰ Kautto, M. et al. 1999. *Nordic Social Policy: changing welfare states*. London: Routledge, p 208; Szebehely, M. ed. 2000. *Vaelfaerd, vaard och omsorg*. Stockholm: Fritzes, p 130

²⁴¹ Pierson, P. 1996. 'The new politics of the welfare state' in *World Politics*. 48(2): p 143-179

²⁴² OECD Report, 1999, p 54

²⁴³ Daly, M. 1997. 'Welfare state under pressure' in *Journal of European Social Policy*. no.7: p 140

over time or examine other approaches to welfare reduction²⁴⁴.

Modifying the indexation of welfare programs means that the social security index, which previously varied with the cost of the living index, no longer followed this pattern, but changed at a slower pace. Most households, but particularly full-time welfare recipients such as old-age and invalidity pensioners as well as certain groups of the long term sick, lost a certain amount of their income. On the other hand, slower indexation is perceived as the fairest approach to welfare cuts because it distributes the cuts across social groups and across most benefits. Moreover, it has reasonable saving effects and also neutral effects on basic welfare principles²⁴⁵.

Income-tests, or means tests, are a technique, which allocates public benefits only to those in need. In other words, the better off are deemed not to need benefits and therefore, by introducing selective policies, the welfare system will, for the same amount of public spending, contribute a more equal distribution of income²⁴⁶. The income-test technique has traditionally been understood as a shift from universal towards selective welfare²⁴⁷.

Increased service fees and decreased subsidies are other techniques, which have been used to moderate public spending. These techniques have particularly been used in the health system, in which individual fees for medical services have increased while subsidies – in particular pharmaceuticals, AIDS and handicapped appliances' subsidies – have decreased²⁴⁸.

The fourth technique involves freezing benefit levels, which means that governments and other central bodies avoid the increase of welfare spending through delaying decisions about increases in areas in which the level of benefits are adjusted annually. Housing and family policies are

²⁴⁴ The latter authors, i.e. Marklund and Tarschys, point out 5 five major methods of welfare cuts, which according to them have been used in the Nordic countries. At a more general level, these five methods, in Marklund' s words, are: *'modification of indexation rules, introduction of income-tests, increased service fees, benefit freeze and reduced compensation levels.'* Marklund 1988. Paradise lost? The Nordic welfare states and the recession 1975-1985. Lund: Arkiv, p 35; Tarschys, D. 1985. *'Curbing public expenditure: current trends'* in Journal of Public Policy. 5(1): p 23-67

²⁴⁵ Marklund 1988. Paradise lost? The Nordic welfare states and the recession 1975-1985. Lund: Arkiv, p 146

²⁴⁶ Titmuss, R. M. 1974. Social policy. London: Allen and Urwin, p 231

²⁴⁷ While conservative parties have always tended to support income-tested welfare policies, labour movements have argued in favor of universal public benefits such as public pensions, invalidity pensions and child allowances because universalism not only ensures a fair distribution, but also a greater 'reach'. (Marklund 1988. Paradise lost? The Nordic welfare states and the recession 1975-1985. Lund: Arkiv, p 147

²⁴⁸ In the Nordic welfare model, increased fees for these services have not been seen as a source of income, but as a means of avoiding their unnecessary use. The actual amount of money received as fees for health services, comprises only a little percentage of the total expenditure for the provision of services. (Marklund 1988. Paradise lost? The Nordic welfare states and the recession 1975-1985. Lund: Arkiv, p 149)

among those areas²⁴⁹.

Reduced compensation level is the fifth technique for governments to save welfare expenditure. This method is the most direct and obvious way – meaning that is easier to spot by the average voter – of saving because the level of earnings' replacement decreases or payment is delayed for a certain amount of time. This method has mainly affected the health insurance system, but has also been used in other systems such as unemployment benefits systems and pre-pensions systems. However, this method does not normally affect the majority of the citizenry because, in the case of sick leave, for example, the average number of days is low. On the other hand, many groups in the labour market are protected by different kinds of negotiated insurance. The system has also adopted measures to protect those people who are often or chronically sick.

Unlike other social scientists who inquired about the nature and structure of welfare systems, these researchers²⁵⁰ have focused on one or more program areas like old-age pensions, unemployment benefits, family policies and benefits to children, provisions for caring for the handicapped and the elderly, sickness benefits and means-tested social assistance benefits. It is of the utmost importance to focus on the changes in cash benefits along a longer time-span because it better captures the level of generosity of the system. According to Daly (1997), one of the main advantages to sift through the cash benefits system is its power to reveal the nature and quality of social rights. Daly (1997) also holds that the broader referents of change have been the boundaries between the state and the market on the one hand, and the family on the other. In the Swedish case, it is better to focus on the boundaries between the state and the market in order to explain decreasing welfare expenditure.

6. Changes in the welfare system

6.1. Changes in unemployment insurance

Unemployment benefits in Sweden are divided into two major parts; one concerns investment in activation measures through subsidisation of employment and vocational training of the unemployed and, the second concerns cash benefits.

²⁴⁹ For instance, by not adding the child benefits to the social security index, governments in Nordic countries have effectively limited increases to below the rate of inflation. (Marklund 1988. Paradise lost? The Nordic welfare states and the recession 1975-1985. Lund: Arkiv, p 48)

²⁵⁰ The researchers who have studied the development of welfare states in European countries over the past two decades are Stephens (1979), Daly (1997), Korpi (1992), Palme (1990); Stephens, J. D. 1979. The Transition from capitalism to socialism. London: Macmillan, p 28-29; Daly, M. 1997. 'Welfare state under pressure' in Journal of European Social Policy. no.7: p129-46; Korpi, W. 1992. Halkar Sverige efter? Stockholm: Carlssons, p 45; Palme, J. 1990. Pension rights in welfare capitalism. Stockholm: Swedish Institute Social Research

At the beginning of the 1990s, the dramatic rise in unemployment led to an equally dramatic rise in public expenditure. Consequently, the government decided to reduce the level of unemployment benefit, which formed the major component of the state budget. As late as 1989, when unemployment was still at its lowest level and the state budget was still in surplus, the Social Democratic government extended welfare measures for the unemployed²⁵¹. The Social Democratic Party, supported by the labour movement, promised that with victory in the September 1994 election, it would return to the old system and the compensation level would increase to the same level as before. However, in practice, the compensation level was reduced to 75 percent. The government's main argument was that continuing financial problems made change impossible²⁵².

As it has been illustrated, in fighting the rapid increase in unemployment, Social Democratic governments used the old weapon of activating and training the unemployed rather than simply paying cash benefits. While these measures expanded at almost the same pace as unemployment rose, cash benefits were reduced in two steps by a sum of 15 percent. Despite suggestions from the employers and the bourgeois parties to further cut cash benefits, the Social Democrats avoided further decreases. These measures received support from the representatives in the unions who advocated continuity of the generous system but there were critics in the labour movement who blamed the party for changes in its traditional policy. The former chairman of the LO was one of the critics, who at the turn of the 1990s, criticised the Social Democratic government for overestimating the threats caused by exogenous factors like globalisation, thereby rejecting the traditional labour policy.

There is no doubt that at the turn of the 1990s the SAP was in the middle of an ideological crisis because essential elements of the traditional welfare system were targeted for reform. The traditional active labour policy was one of the areas which received most attention by the advocates of change. Some of the modernisers in the Party were openly criticizing low efficiency levels in the public sector and thereby advocating 'downsizing'

²⁵¹ For example, the loss of income by the unemployed has been reduced to the minimum level, meaning that the level benefit has been increased to 90 percent of wages. Furthermore, in the same year, the minimum level of compensation was increased by 25 percent according to the Government Budget Bill, 1988/89. However, in an effort to control the cost of the scheme, a five-day waiting period was reintroduced in 1993 and the compensation level reduced from 90 percent to 80 percent of previous earnings. On the other hand, the formal duration of the compensation period remained unchanged at 300 days and 450 days, respectively, for workers elder than 55. Benefits could also be extended through participation in active labour market policies. Likewise, membership of government-financed and trade-union administered unemployment insurance funds was opened to all members of the labour force. It was possible to claim benefits of these funds after 12 months of membership and 80 days of work within any five months period, subject to a willingness to work requirement of 17 hours per week and also a waiting period of five days.

²⁵² In 1994, and in 1992, respectively

the public sector. They regarded redundancies in the public sector as necessary because the production of services in the sector had to be as efficient as in the private sector.

Despite the ideological changes, the Social Democrats did not initiate the process of redundancies in the Swedish labour market. The process had been initiated by private sector firms during the government period of the bourgeois coalition. When the SAP undertook large scale redundancies in the public sector, the economic crisis was already widespread and the party could blame the bourgeois government for the enormous budget deficits it had left behind. That forced the Social Democrats into large scale savings. However, as one left coalition party leader stated, *'the large scale redundancies in the public sector and subsequent deterioration in unemployment insurance, were the major factors that caused anger and resentment among the traditional supporters of the SAP.'* Persistence among supporters forced the party to reconsider its position and made the social democratic leaders avoid further retrenchments with a view to reestablish traditional labour policy. For instance, by announcing a goal of reducing the unemployment rate to 4 percent by the year 2000, the social democrats tried to convince the labour movement that the traditional full employment policy had been readopted.

As stated thus far, it is possible to conclude that the rate of employment was the only area, which was mainly affected by global pressures. In the other three areas of pensions, health and sickness insurance and family policy, changes were not due to crucial transformations resulting directly from globalisation but as a consequence of the high budget deficit caused by unemployment. Therefore one can conclude that the globalization had an indirect effect on most of the changes in different welfare programmes. In the case of pensions, an area where change has definitely occurred, of course, pessimistic prognoses about long term crisis were the main reason for reform. Changes in the demographic trends are regarded as the major reason, which made changes in the pension system inevitable.

6.2. Changes in sickness insurance policy

During the 1990s, the sickness benefit was a subject for change at least eight times²⁵³. Moreover, it was the first target for retrenchment by the right coalition. As soon as there was a need for cuts in social expenditure, the governments addressed either parts of the sickness insurance scheme for savings. Among the areas that have been affected in various ways, there were the compensation levels, the rules governing income on which benefit entitlement was based and the qualification requirements. Among other changes were the reintroduction of an initial unpaid waiting day and a

²⁵³ (Sjoberg and Baeckman, O. 2001. *'Incitament och arbetsutbud'* in Fritzell och Palme, J. Vaelfaerdersfinansiering. Stockholm: Fritzes, p 300; SOU, 2001: p 57)

change in introducing the two-week employer period²⁵⁴.

While the generous benefits system compensated more than 90 percent of the employees' income when they were sick, one could understand why the absenteeism rate due to sickness increased so rapidly. It resulted in the various criticisms suggesting that the generous benefits only encouraged widespread abuse of the system. The number of sick leave cases fell sharply by around 20 percent between 1990 and 1995. Hence, the costs of the sickness insurance also decreased enormously.

However, when the economic crisis of the early 1990s recovered and the widespread anxiety over unemployment disappeared, the absentee rate increased dramatically again and without any considerable improvement has been made in the sickness benefits. Between 1995 and 1999, the number of sick leave cases increased by almost 60 percent. These two trends appear to indicate that – while in a poor economic situation, the deterioration in sickness benefits compels the sick people not to stay at home but to go to work. Consequently, the amount of absenteeism due to sickness decreases, while in a more secure economic condition, the decreasing benefit levels cannot prevent the sick people from staying at home. In other words, it is not the level of sickness benefits, which has crucial impacts on the level of leave due to sickness, but the increasing threat of becoming unemployed in a time of economic woe.

The high amount of absenteeism due to sickness has also increased the concern about this trend and, at the beginning of the 2000, the problem received great attention²⁵⁵. Among the interviewees representing the political parties, there have been 3 three major approaches. Firstly, those who rejected further cuts in the sickness insurance, stressed instead the importance of a more effective rehabilitation programme in order to incentive the sick to return to the labour market. Secondly, those who advocated a real reduction in the benefits suggested instead a minimal protection – a basic insurance system. Thirdly, those who wanted to keep the existing benefit system based on compensation of the income loss but suggested further reduction in replacement rates.

The SD S D and its supporting party in the Parliament (the Left Party) advocated the first approach. These parties – exactly like the trade unions – seemed to believe that the increasing rate of poor health had to do with the severe conditions caused by the economic crisis of the early 1990s. Therefore, it should not be handled by a deterioration in benefits. They were not interested in further cuts in entitlements. On the contrary, these parties advocated further reforms. One of the most debated issues was the increase in the level of the social insurance ceiling, i.e. the maximum amount of

²⁵⁴ A noteworthy fact, which has had hidden implications in the aftermath of the reform or rather, before the beginning of the reform, is the high amount of absenteeism due to sickness. It has been the main reason for which the sickness benefit was subject to changes and acrid criticism from the right.

²⁵⁵ Sjöberg and Baeckman, 2001. *idem*, p 253

income on which a sickness benefit may be assessed²⁵⁶. For a long period of time, the ceiling has remained stable, at 7.5 times the base amount, which was only adjusted with consumer prices²⁵⁷. Therefore, the number of employees with an income higher than the ceiling increased rapidly while the real wages increased more than consumer prices during the 1990s.

An interesting and rather controversial point is that all left-wing parties – including the Left Party – demanded an increase of the ceiling, which would increase the compensation level for those with high incomes. The concern of the Left Party and of the SAP S D in increasing the level of this ceiling has to do with the increasing volume of private insurances. As a consequence of being paid less compensation in the event of illness, increasing numbers of wage earners with high incomes in the private sector made agreement-linked insurance in order to compensate their loss of income. Between 1990 and 1999, the number of individual health insurance policies rose from 170.000 to 395.000 in four major companies in the private insurance sector. The Center Party and the Green Party, which only advocated a basic insurance system, suggested no increase in the ceilings or in the levels of benefits. Conversely, these parties ask for efficiency in the treatment of sick people and a more efficient rehabilitation program.

The SAF experts point to the high level of costs for sickness insurance as the single largest cost for the enterprises in Sweden. In this respect, it has also been argued that, by involving high levels of taxation, the welfare state erodes the very incentive to work, save and invest, which cause market distortion in the long run. At the time of the reform, the Confederation suggested not only a reduction of the benefit levels, but also a tightening up on the definitions of sickness.

The third approach has been launched by the Conservatives and - to some extent – even by the liberals who suggest a second waiting day, before which the benefit could be claimed. According to this perspective, the existing system is too generous and the level of excess insurance too small. The end argument is that such generosity reduces the incentive to work. The loss of income has to be greater for the individual because otherwise, the level of absenteeism would remain too high.

Despite the resistance from the Social Democrats to avoid changes in the basic principles of the sickness insurance system, it seems that the mounting financial challenges would finally force them to make some minor changes into the system. The cost of sickness insurance, especially for those cases of at least 30 days' duration, has increased consistently since the end

²⁵⁶ Ds Dagens Nyheter, 2002. p 32

²⁵⁷ The ceiling favored the members of LO because only 1.7 percent of women and 8 percent of men among this group had an income above the ceiling. Among the members of the TCO, the corresponding figure was 6.8 and 40 percent whereas among the members of SACO, only 27.5 percent of women and 61.5 of men earned above the ceiling; Palme and Wennemo. 1998. Swedish social security in the 1990s. Stockholm: Riksdag Publishing, p 75

of the 1990s²⁵⁸. Apart from reducing the level of sickness benefits, which can always be an option for governments in the era of spending cuts, another measure could be the role of the employers in the task of administration of sickness benefit increases from 14 days, which has been the case until the start of the 2003, to 4 four weeks. Such a requirement could increase the pressure on the companies to tighten the eligibility.

6.3. Changes in the old age pension system

Since the pension reform of 1958 and the development of the ATP system – in addition to demographic trends towards an elder population and some major changes in the Swedish economy, have caused serious financial problems for the system²⁵⁹, the high inflation and reduced economic growth, which characterized the 1970s and 1980s, together with high unemployment in the 1990s, have prevented a rapid income progression in Sweden. Knowing that in the pay-as-you-go system PAYG, pensions are financed by the succeeding generation, such economic problems would have consequences for the financing of pensions.

The aging population seemed to have been the major threat for the financial stability of the system²⁶⁰. When ATP was introduced, the number of old-age and early retirement pensioners was quite low. Therefore, the working population was able to finance the costs of the pension system. As noted in chapter five, demographic changes have dramatically changed the ratio between the number of people in the working population and the number of old age and early-retired pensioners. In 1990 the ratio was 2.38, but in 2005 this ratio dwindled to 1.78, which meant that each member of the working population had to finance more than half of one pension²⁶¹.

Furthermore, after three decades of the ATP, other weaknesses had been identified. These were summarized by Staahlberg into five major points. First, in the ATP system, pensioners' standards of living did not follow the changes in those of the working population. When, as a result of economic growth, the living standards of the working population increased, pensioners' standards declined. Viceversa, when the living standards of the working population declined, those of the pensioners increased. Second, the principle of compensation for loss of income, which was an essential element when the system was constructed, had been eroded. Third, the ratio between the amounts a person paid into the system and what she/he got back in the form of pension was rather weak. This might have had a negative

²⁵⁸ Socialstyrelsen [Social Leadership], 2002, p 122

²⁵⁹ Statistics Sweden SOU, 1994, p21; Palmer, E. 2001. 'Swedish Pension Reform' in Feldstein and Siebert, H. ed. Copying with the pension crisis: where does Europe stand? Chicago: CUP, p 45

²⁶⁰ Fehr, H. 2000. 'Pension reform during the demographic transition' in Scandinavian Journal of Economics. 102(3): p 421

²⁶¹ Staahlberg, A. 1995. 'The Swedish pension system: past, present and future' in Brunsdon and May, M. ed. Swedish welfare: policy and provision. London: Guildhall, p 8

impact on the people's incentive to work. The pattern of income distribution had become, as a result of the pensions' regulations, more unsystematic. This is in sheer contrast to the purpose of the traditional income distribution policy. Finally, in the PAYG system, the incentive to save has decreased, because, with the existing generous public pension system, there is no need for contribution to private pension funds. It seems that in a funded system – as opposed to the PAYG system, as a result of more savings, the contribution to investment and economic growth would also increase.

Moreover, the rate of pension in the ATP system was determined by an individual's previous income. It was related to the '*base amount*' (about 20 percent of the average industrial wage) and therefore, protected against inflation. In other words, changes in real wages in the labour market or in the productivity of the economy did not affect the rate of pensions. The rate of growth in productivity, however, had a decisive impact on the pension levy, paid by the working population. As long as there was reasonable economic growth and real wages rose, then the total wage sum, out of which the pension was to be paid, increased, and as a result, the pension levy remained low. However, low real wage growth meant that the working population had to pay larger amounts in contributions. As shown in the table below, predictions about the future demonstrated that if the average annual growth rate was 1 percent, pension levies for the national basic pension and ATP would amount to nearly 33 percent in 2015, and if there were no growth at all, the levy would have to be 48 percent of total wages.

The end result of the Swedish pension system – under Social Democratic governments, was that the living standards of pensioners was above the level of welfare benefits, even for those who did not receive benefits from the supplementary ATP pension. Furthermore, the generosity of the national '*basic pension*', which is paid to all who have been residents in the country for at least five years time, has ensured that the risk of poverty is virtually non-existent for pensioners, compared to systems in which public pensions are related to previous income. According to²⁶², as a result of this policy, the average risk of poverty was 5.3 percent in Sweden, whereas in eight other OECD countries the average percentage was 9.7; however, financial problems in the pension system, mainly caused by the PAYG arrangement, have made reform inevitable. A central budgetary issue was the large tax wedge associated with the 40 year old system of government provision²⁶³.

At the end of the 1980s, renewal was in the air regarding what seemed as inevitable: a long-awaited reform of the pension system. In the early stages, the political discussion on the possible scenarios for changes differed radically between the two political blocs. While the bourgeois parties suggested systemic changes in order to harmonize the pension

²⁶² Barr, N. 1992. '*Economic theory and the welfare state: a survey and interpretation*' in *Journal of economic literature*, p 56

²⁶³ OECD Report 1999, p 54

system to the neo-liberal model, which stressed funded pensions, the social-democrats defended the essence of the PAYG system mainly because it would retain the redistributive elements of the system²⁶⁴. In the initial debates, the Social Democrats maintained a defensive policy, which intended to keep the existing system and focused its efforts on trying to find new financing sources for the famous ATP system.

Despite the 1990s globalization crisis and welfare cuts in the benefits, the levels of Swedish retiring scheme, public services and family facilities remained the highest in the world. The level of Swedish pensions has been generous when compared with other countries. Internationally, the Nordic welfare states are exceptional for their unique scope of publicly provided services as some commentators stress²⁶⁵. For instance, in 1997, the share of social and health services from total social expenditure was 41 percent in Sweden, which means that services took up a significant portion of GDP. Compared to other welfare states, services in the Nordic model have been of high quality, run by professional staff and have catered to the needs of those resident in the country. However, care services for the elderly, which form the core of social care services together with childcare services, have increased since 1993. Following considerable reductions between 1991 and 1993, in 1993, expenditures related to old age increased continuously in Sweden. According to the Ministry of Health and Social Affairs, the share of services to the elderly was 22 percent of the total old-age expenditures²⁶⁶.

In the particular Swedish case, the higher levels of expenditure for the elderly explain the high care workers' wage and staff ratio. Therefore, one should stress that a great deal of the elderly care services' expenditure are personnel costs²⁶⁷. Between 1990 and 1998, these costs have decreased because the number of personnel in the elderly care, care for the handicapped and the health care sectors were reduced by 94 000 people²⁶⁸. As a result of this downsizing, Sweden's favorable position in providing elderly care services diminished relative to other welfare states²⁶⁹.

In the figure, the number of personnel in the health and elderly care sector has decreased by 15 percent in the same period. Meanwhile, the

²⁶⁴ Lundborg, P. 2000. 'Vilka foerlorade jobbet under 1990-talet?' in J. Fritzell ed. *Vaelfaerdens foerutsaettningar, arbetsmaknad, demografi och segregation*. Stockholm: Fritzes, p 77

²⁶⁵ Castles, F. G.1998. *Comparative public policy: patterns of post-war transformation*. Cheltenham: Edward Elgar, p 35; Birch Sorenson, P. 1998. *Tax policy in the Nordic countries*. London: Macmillan, p 29

²⁶⁶ Kautto, 2000. *idem*, p 83 (see footnote above)

²⁶⁷ Statistics Sweden SOU 2000, p 38

²⁶⁸ Szebehely, M. ed. 2000. *Vaelfaerd, vaard och omsorg*. Stockholm: Fritzes, p 198

²⁶⁹ Although in 1998 the trend of personnel in elderly care showed an increase, this was explained by the growth in state subsidies to the municipalities, a political move by the regions and a logical consequence of regional policy changes, rather than by 'redressement'.

number of old people who needed more services increased by 17 percent between 1990 and 1998. Consequently, the care services were reduced to the groups who were in greater need. Further, the services to elderly changed their scope, from being destined for the elderly in need of support in their everyday life to being geared for those who are in urgent need of sophisticated medical services²⁷⁰.

7. Organizational issues of welfare reform

The organization of this enormous expansion of state activities posed a gigantic problem of public administration. Novel undertakings, for which the existing state apparatus was unprepared, had to be set in motion. As the current literature in political science on 'implementation' demonstrates, the best intentions go for naught unless they can be transformed into workable institutions. Successful social welfare policy requires not only financing, but skilful administration.

Per Nyström and Bo Rothstein have emphasized Möller's contribution in devising effective administrative arrangements outside the hierarchical national bureaucracy. Both regard Möller as a critic of traditional bureaucratic structures. Nyström, who worked with Möller, cites his '*marked distrust of the old administrative apparatus*'. Consequently, Nyström argues, Möller built the administration of the welfare state on local government and a series of new district authorities. He relied upon local politicians rather than traditional bureaucrats and the district *landshövdingar*. The hospitals, pensioners' homes, children's clinics, and housing agencies were built up and administered locally; through state grants the government in Stockholm got local government to yield its traditional parsimoniousness. New district organs for labour market policy, housing, agriculture, and maternal assistance bypassed the existing structures of-district organization. Recruitment to these new positions proceeded outside traditional civil service procedures. Trade union officials, for example, were recruited to the labour employment and retraining offices on the theory that prospective clients would feel more comfortable dealing with them, a view borne out by West German difficulties in gaining acceptance for similar programmes staffed by traditional civil servants. It was this emphasis on local administration and on central-local co-operation that inspired Möller, in Nyström's view; he wanted authority '*where the shoe pinches more directly than when the pain is mediated through bureaucratic channels*'²⁷¹.

Rothstein's case builds largely on Nyström's. He argues that Möller developed five different administrative strategies: universal rather than means-tested policies; trusting local and popularly established organizations

²⁷⁰ SOU, 2000. p 38

²⁷¹ Nyström, P. 1983. '*Välfärdsstaten och dess styrningsmekanismer*' in Nyström, P. I Folkets Tjänst. Stockholm: Ordfront, p 233

with public administrative tasks; reducing the power of the judicial state apparatus by making the Ministry of Social Affairs the channel of appeal; closing down old and building up new state apparatuses, for example, closing the old Unemployment Commission and establishing the Labour Market Board; recruiting union cadres as ‘street level’ bureaucrats for the new ‘*reform bureaucracies*’²⁷². By pushing power down to the local level, Rothstein argues, even where it was not in Social Democratic hands, Möller co-opted his enemies by investing them with a stake in the welfare state’s success²⁷³.

The arguments of Nyström and Rothstein do show Möller’s penchant for decentralized solutions, but they tend to ignore the strong central direction which Möller retained. If Möller could find the expertise he needed within the bureaucracy, he was prepared to use it; if not, then he created a structure with the skill required. Once new structures were established, Möller ran them largely on Weberian lines – and, as Rothstein points out, his successors altered his work in more centralist directions. Nor did Möller wholly abolish means-testing. Housing allowances in particular, but other smaller programmes as well, retained this feature. The Swedish welfare state contains much universal provision of a high standard, for which Möller among others deserves great credit, but the system still contains means-testing.

Gustav Möller never saw the socialization he theorized about in his early writings, but through his own work in social welfare policy he helped create ‘*security for Sweden’s people*’. Retrospectively, he traced three stages in the development of social policy – first, traditional poor law arrangements with their humiliating means tests; then the phase of social insurance with its general rules retaining some element of means-testing (here he seems to have had in mind the early pension and sickness insurance schemes with their inadequate benefits); and finally the period of social benefits as general citizen rights. He proudly cited pensions, child benefit, school meals and books, hospital care, and sickness insurance as notable examples of such rights. During his tenure as Minister of Social Affairs, the concept of citizenship had broadened remarkably and, true to his Social Democratic convictions, Möller hoped for further extensions.

²⁷² Rothstein, B. 1985. *Just institutions matter*. Cambridge: CUP, p 157

²⁷³ Intriguing evidence for the success of this tactic came in the aftermath of the 1985 election. Local conservative politicians, shocked by their party’s debacle, criticized their central leadership for advocating substantial cuts in welfare provision.

CHAPTER 5 THE WITHERING WELFARE SYSTEM: NEOCORPORATISM AND EUROPEANIZATION

1. The independent variables explaining welfare state decline
 - 1.1. Europeanization and globalization
 - 1.2. The neocorporatist factor in Europe and in Sweden
 - 1.3. The constitutional factor
2. The relationship between neocorporatism and welfare state
 - 2.1. Early Swedish neo-corporatism and the impact of interest groups on the welfare system
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 - 3.1. The Emergence of encompassing organizations
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 - 3.4. Public attitudes towards the welfare system
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1. The independent variables explaining welfare state decline
 - 1.1. Europeanization and globalization

Globalization was the main intervenient factor which triggered the changes in welfare benefits because the welfare system became economically unsustainable and prone to frequent abuse. In the meantime, the neocorporatist system of labour industrial relations disintegrated simultaneously with the cuts in welfare benefits. The parallelism should be understood as a tendency of replacement of national corporatism by corporatism at the supranational levels of power, a tendency recently documented in political research. However, Europeanization is the symptom of globalization, not its immediate effect²⁷⁴.

In the era of globalization, the ‘*Keynesian consensus*’, which

²⁷⁴ The two independent variables of this research - neocorporatism and Europeanization - are used to explain the transformation of the Swedish welfare system. These are the crucial variables, which help reduce variance in the dependent variable, the withering electoral success of the SAP by outlining explanatory patterns. See Saurugger and Grossman, E. 2006. *Les groupes d’interet*. Paris: Armand Colin, p 151-160

prevented any trade-off between social security and economic growth, could not resist the pressure from the globalization of the world economy. The decline in industrial employment created a situation in which – in Nordic countries like Sweden – full employment could only be attained via services. The consensus became fragile when the left began to criticize welfare states because of their lack of efficiency and the right attacked the expansion of public sector costs, which was held to undermine economic growth. In this respect, neo-liberals argued that by involving high levels of taxation, the welfare state erodes incentives to work, save and invest, which caused ‘*market distortion*’²⁷⁵. Moreover, by pulling human and capital resources away from industries and into the public sector, it ‘*crowded out*’ private sector alternatives. In other words, there existed a new and fundamental trade-off between egalitarianism and employment.

1.2. The neocorporatist factor in Europe and in Sweden

Some contemporary political scientists use the term neo-corporatism to describe a process of bargaining between labor, capital, and government identified as occurring in some small, open economies (particularly in Europe) as a means of distinguishing their observations from popular pejorative usage and to highlight ties to classical theories. In the recent literature of social science, corporatism (or neo-corporatism) lacks negative connotation. In the writings of Philippe Schmitter, Gerhard Lehmbruch, and their followers, ‘*neo-corporatism*’ refers to social arrangements dominated by tri-partite bargaining between unions, the private sector (capital), and government. Such bargaining is oriented toward (a) dividing the productivity gains created in the economy ‘fairly’ among the social partners and (b) gaining wage restraint in recessionary or inflationary periods.

Most political economists believe that such neo-corporatist arrangements are only possible in societies in which labor is highly organized and various labor unions are hierarchically organized in a single labor federation. Such ‘encompassing’ unions bargain on behalf of all workers, and they have a strong incentive to balance the employment cost of high wages against the real income consequences of small wage gains. Many of the small, open European economies, such as Finland, Sweden, Austria, Norway, Belgium and the Netherlands fit this classification. In the work of some scholars, such as Peter J. Katzenstein, neo-corporatist arrangements enable small open economies to effectively manage their relationship with the global economy. The adjustment to trade shocks occurs through a bargaining process in which the costs of adjustment are distributed evenly (‘fairly’) among the social partners.

From all, Sweden and Austria are the ‘purest’ forms of neo-corporatist societies and exhibit the characteristics of tripartite neo-corporatist arrangements where state, business and labor negotiate every single aspect

²⁷⁵ Esping-Andersen, G. 1996a. *Welfare states in transition*. London: Sage, p 29

of the economic reality, thereby instituting a form of private interest government²⁷⁶. According to the author, '*neocorporatism is government by the private interests in agreement with the labor interests*'. In the peculiar Swedish case, neocorporatism was based on voluntary central collective bargaining, well-coordinated labor market and income policies. The SA S A was reached between the SAF and the LO under the threat of legislation, thereby restricting the independence of collective bargaining. However, after a general strike in 1980, the system of centralized bargaining between the SAF and the LO broke down.

Most theorists agree that traditional neo-corporatism is undergoing a crisis²⁷⁷. In many classically corporatist countries, traditional bargaining is on the retreat. This crisis is often attributed to globalization, with increasing labour mobility and competition from developing countries²⁷⁸.

1.3. The Constitutional Factor

Some of the questions left unanswered by Olson require, I believe,

²⁷⁶ Schmitter, P. 1983. '*Democratic Theory and Neocorporatist Practice*', European University Institute Working Paper No. 74. Also published as '*Democratic Theory and Neo-Corporatist Practice*' in *Social Research*. 50(4): 885-928; Schmitter, P. 1985. Ed. (with Wolfgang Streeck). *Private Interest Government and Public Policy*. London: Sage; Schmitter, P. 1988. '*Five Reflections on the Future of the Welfare State*' in *Politics & Society*. (16) 4: p 503-515

²⁷⁷ Corporatism is also used to describe a condition of corporate-dominated globalization. Points enumerated by users of the term in this sense include the prevalence of very large, multinational corporations that freely move operations around the world in response to corporate, rather than public, needs; the push by the corporate world to introduce legislation and treaties which would restrict the abilities of individual nations to restrict corporate activity; and similar measures to allow corporations to sue nations over 'restrictive' policies, such as a nation's environmental regulations that would restrict corporate activities. For instance, in the United States, corporations representing many different sectors are involved in attempts to influence legislation through lobbying including many non-business groups, unions, membership organizations, and non-profits. While these groups have no official membership in any legislative body, they can often wield considerable power over law-makers. In recent times, the profusion of lobby groups and the increase in campaign contributions has led to widespread controversy and the McCain-Feingold Act. Many critics of free market theories, such as George Orwell, have argued that corporatism (in the sense of an economic system dominated by massive corporations) is the natural result of free market capitalism. Critics of capitalism often argue that any form of capitalism would eventually devolve into corporatism, due to the concentration of wealth in fewer and fewer hands. A permutation of this term is corporate globalism. John Ralston Saul argues that most Western societies are best described as corporatist states, run by a small elite of professional and interest groups, that exclude political participation from the citizenry. Other critics say that they are pro-capitalist, but anti-corporatist. They support capitalism but only when corporate power is separated from state power. These critics can be from both the right and the left. Other critics, namely Mancur Olson in '*The Logic of Collective Action*', argue that corporatist arrangements exclude some groups, notably the unemployed, and are thus responsible for high unemployment; Olson, M. 1965. *The logic of collective action*. Cambridge: Harvard UP

²⁷⁸ This is a common phenomenon associated with globalization also known as outsourcing.

some constitutional facts to be taken into account. Sweden has a parliamentary constitution with proportional representation. This determines the character of the political parties and therefore, as we shall see, is also relevant for the problems discussed here.

Parliamentarism is a method for appointing the executive, according to which the people first elect the legislature, which in turn appoints the executive. The legislature and the executive are thus, in a sense, appointed in the same popular elections. In a pure parliamentary system, the executive can furthermore remain in office only as long as it enjoys the confidence of a majority in the legislature, and this requirement is therefore often referred to as the parliamentary principle. The other main system is the presidential one, which uses separate popular elections for appointing a president and thereby also the rest of the executive.

A parliamentary system depends, for its functioning, on the existence of stable, centralized, and disciplined political parties in a way that a presidential system does not. The reason is that the parliament's confidence in the executive, in order to be reliable and lasting, cannot be ad hoc, accidental, or anonymous. The confidence expressed by a transient majority of individual members of the legislature cannot, it is easy to realize, have much value. The confidence has to be expressed by one or a few stable and identifiable actors, which, in effect, means consolidated political parties. A parliamentary system however is not dependent only on such parties; conversely, I submit, it also gives strong incentives for the formation of that kind of parties; and sometimes also for forming big parties. The reason is that centralized leadership, stability, and discipline enhance a negotiating party's credibility and reliability and thereby its chances of becoming a member of the executive, a membership that often is quite attractive, or even lucrative.

The proportional electoral system with multi-member constituencies can be compared with a plurality system with single-member constituencies (first past the post). The choice here affects the parties in two ways. First, the plurality system has a strong tendency to reduce the number of parties, in the extreme to two parties, whereas there are no such reductive forces operating in the proportional system. Second, in contrast to the plurality system, the proportional system puts strong means for enhancing discipline, and thus for the creation of stable and cohesive parties, in the hands of the party leaderships. The main factor here is that the candidates for the legislature are largely dependent on the party leadership, both for nomination and for campaigning.

Now, I submit, these mechanisms can be used for explaining the character of the Swedish party system. There are seven parties, which on the whole are disciplined, stable, and cohesive. There are no strong forces reducing the number of parties. The Social Democratic party is quite big. The incentives to discipline come from the parliamentarism, and the means from the proportionalism. As a contrasting example, we one think about the

United States with a mix of presidentialism and plurality. There, as we should expect, we find two main parties with low discipline.

These matters affect the distribution of power. In the Swedish system the consolidated and disciplined parties can, as an approximation, be considered as unitary actors. The power is concentrated to the hierarchical summits of the parties. This does not mean, of course, that individuals are not important. It does however mean that the individuals almost exclusively play their roles within the parties. The individuals have a say in determining the party positions, and more so the higher up they are in the party hierarchy. When it comes to dealings with actors outside the party, for example with other parties, or with the electorate in campaigns, or with lobbying organizations, it is however usually the party as such, or the party leadership, that acts. Furthermore, during the current election period, the governmental power is held by the very few parties belonging to the executive or to the parliamentary majority supporting the executive. The US pattern is quite different. There, the party restrictions on the behavior of the president, and on the members of the Congress, are very weak indeed. All these individuals – several hundred – can therefore be considered as fairly independent actors. The power is spread out not only between the president and the Congress, but also among all the members of the Congress. These different patterns should be of great importance. It thus seems likely that the transaction costs of political processes depend critically on the number of independent actors taking part. The number of independent actors is likely to affect the possibilities of building decisive majorities or blocking minorities, the character of the lobbying processes, and the expediency of various strategies in the political competition.

One particular aspect likely to be affected by the patterns described is the relation between voters (the principals) and the political main actors (the agents), whether these are parties or individuals. Two types of such relation are particularly interesting: the one may be called delegation, the other instruction.

Delegation is, in a way, the simpler of the two and many people are familiar with it from experiences in ordinary clubs and the like. When people in such associations elect presidents, secretaries, and so on, they usually do not require more than that they have confidence in the persons elected. They just want to be able to rely on them to act in accordance with common sense in the interests of the club. Feeling such confidence, they are happy to delegate the decision-making to the people elected. For the most part such a system works well, but if, for some reason, a delegate starts to act in ways of which the members disapprove, there are usually provisions in the club's charter for displacing the functionary. This rather simple kind of relation occurs not only in clubs, but also in politics.

Instruction, on the other hand, prevails when the voters do not limit themselves to picking representatives in which they have confidence, but also require that they shall execute a certain program, which may be worked

out in a rather detailed way. Therefore, at the same time as people are elected, a program that those elected are obliged to implement is, in fact, adopted. The program may very well be, and often is, formulated by the candidates who want to get elected. Different candidates for political positions thus offer to carry through different programs if they are elected. This, however, is fully consistent with the view that, once a candidate is elected, the program can be considered as an instruction from the voters to the elected.

It is easy to see that in reality, mixtures of delegation and instruction often occur. This, however, does not preclude the fact that sometimes the element of delegation dominates and sometimes the element of instruction. My hypothesis is that the Swedish system has a tendency towards instruction, whereas the US system has a tendency towards delegation.

The reason is simple. In a parliamentary system a campaigner, which in that case is a party, will be able to fulfill its promises if its electoral success is big enough. If, for example, a party alone gets more than 50 percent of the seats in the legislature, it can, by itself, form an executive and implement all its promises immediately. A presidential system is, in this respect, different. Imagine a person running for the presidency, or for a seat in the Congress. In both cases everybody knows that the person, after the election, and however great the electoral success, will not, without further cumbersome and yet uncertain negotiations, be in a position to deliver on his or her campaign proposals. Exactly for that reason, it would not be particularly clever, and perhaps even a bit ridiculous, to let detailed proposals, or instructions, dominate the campaign. It seems more expedient for the candidate to emphasize his or her own personal qualities, thereby indicating a capacity for prudent action in various future situations which, at the moment of the election, are impossible to foresee. That, on the whole, is what such candidates seem to do, and their resulting relation to the voters, therefore, is primarily one of delegation.

2. The relationship between neo-corporatism and the welfare state

2.1. Early Swedish neo-corporatism and the impact of interest groups on the welfare system

So far, it has been suggested that the corporate structure of the Swedish political system has undergone structural problems. Neo-corporatism's great impact on interest groups' active involvement in the formation of social welfare policy is considered to have been triggered by the organizational strength of trade unions and the close ties between the Social Democrats' party government and the LO. It has also been suggested that the only part of the neo-corporatist structure which independently wanted to break with the neo-corporatist tradition was the SAF, which was determined to take advantage of the globalization phenomenon. The labor

unions were weakened and the employers were tempted to take advantage of such changing power balance.

In other words, the neo-corporatist institutions of the Harpsund democracy was no longer as secure as before²⁷⁹. Since the start of the turbulence in the Swedish economy and the ensuing changes in the relations among the 3 three major pillars of the system, the broad consensus on the reliability of the system corporate structure has been eroded. Many observers have recently questioned the consistency of the system corporate structure and claimed that an irreversible process of de-corporatizing the Swedish polity has started. Conversely, Hofer (1996)²⁸⁰ rejects the idea that the Swedish system is irrevocably on the descending path of de-corporatization.

In the 1991, for a short time span, the neoliberals (the coalition of right wing parties) came back to power. It followed a tense period of difficult financing and neoliberal policies. The major argument concerning the de-corporatization of the system is that the balance between organized interests and the state, which characterized the Swedish model of neo-corporatism, is considered to be a thing of the past²⁸¹. This conclusion is based on Micheletti's definition of neo-corporatism as '*an integral relationship for decision-making and implementation between state and encompassing interest organizations. Encompassing interest organizations represent the greater part of the collective which they can organize as members (1991: 148). Micheletti adds some other characteristics to the Swedish experience of neo-corporatism, i.e. 'the incorporation of antagonistic, encompassing interests in the state policy making.'*

According to Schmitter (1989)²⁸², globalization and Europeanization seem to have caused the weakness of neo-corporatist arrangements, which has led to the decreasing importance of the national state. As Sweden joined the EU, many decisions, which had been taken by the national state, became the responsibility of the European community. Consequently, as the space for national policy determination has decreased, the interest groups have found the space for influencing the process of decision-making increasingly deteriorating. Changes in labor legislation, mainly in the collective agreements, were the main conditions for the SAF to enter into negotiations with the LO. Jonsson referred to the obvious unwillingness of the SAF to join bilateral negotiations with the LO. Accordingly, it seems that neo-

²⁷⁹ The Harpsund democracy was the decisive factor which cushioned peace in the labor market and gave stability to the Swedish model.

²⁸⁰ Hofer, R. 1996. '*Swedish corporatism in social welfare policy*' in Scandinavian political studies. 19(1): p 123-219

²⁸¹ Micheletti, 1991. '*Swedish corporatism at crossroads*' in West European Politics. 14(3): p 148

²⁸² Schmitter & Streeck, W. 1991. '*From National Corporatism to Transnational Pluralism: Organized Interests*', p 133-164 and '*Organized Interests and the Europe of 1992*', in N. J. Ornstein and M. Perlman ed. Political Power and Social Change. The United States Faces the United Europe. Washington, D.C.: The AEI Press, p 46-67

corporatist cooperation, which has been an integral part of a rational strategy to protect prior policies in the labor market, has lost its importance for the employers.

As a result of increasing globalization, the existing integration among the three major actors in the neo-corporatist system has decreased considerably. As the Swedish companies – In the newly deregulated financial market – have moved their capital abroad, the power relation between the Swedish Confederation of Employers SAF and the trade union federation LO and the government, on one hand, and the trade union federation LO and the government, on the other hand, has dwindled considerably. There is now less need for the Confederation of Swedish Enterprises – the former SAF – to join negotiations with its neo-corporatist counterparts to reach agreements on regulations concerning the labor market, wages, etc. Bertil Jonsson, the former LO chairman, said that *'...since the beginning of the 1980s, the LO had had a weaker position in relation to the SAF. Capital has got a stronger position in relation to labor. This circumstance made the SAF reluctant to cooperate with the LO. The SAF seemed to believe that the 'season of harvests' has begun for them in which they would have the best opportunity to carry on a policy based on their ideological ground. During the 1990s, the frosty relationship between the SAF and the LO encouraged the SAF to dictate its conditions to the labor movement'*²⁸³. After the establishment of welfare-statism, the labor movement saw itself in such a strong position that it demanded greater industrial and economic democracy. Politically, the LO demanded trade unions' rights to co-determination in company management. Since the LO and SAF failed to reach an agreement on the extension of industrial democracy, the LO used its influence on the party and put pressure on the government to pass a law, the Codetermination Act of 1976. This law gave trade unions the right to take part in company decision-making. In the same way, the LO put forward the proposal for the creation of wage-earner funds. According to the original design, all enterprises of a certain size would pay 20 percent of their profits to these funds, which were controlled by trade unions and would gradually increase their stakes in the firms. These measures have been understood by employers and non-socialist parties as a move from capitalism towards democratic socialism. Not only did the idea of wage earner funds deteriorate relations between the SAF and the LO, but also united the forces of the center-right in Swedish politics. Consequently, as Aylott²⁸⁴ emphasizes, *'Swedish employers considered that the labor*

²⁸³ The changing attitude of the Swedish employers towards the labor movements has its roots in the 1970s political conflict between these two interest groups; Aylott, N. 1999. *'The Swedish Social Democratic Party'* in Ladrech ed. *Social Democratic Parties in the EU*. London: Macmillan, p189-203; Gould, A.1993. *Capitalist welfare systems*. London: Longman, p 123

²⁸⁴ Aylott, N. 1999. *'The Swedish Social Democratic Party'* in Ladrech ed. *Social Democratic Parties in the EU*. London: Macmillan, p 199

movement had breached the terms of the country's class compromise. Centralized, peak-level wage bargaining began to lose its beneficial impact, that of keeping wages in check.'

Thirdly, the move towards the privatization of social services accelerated during the 1990s. As it is widely known, the Swedish SAP SD have traditionally emphasized the notion that social services for common human needs should be provided on a non-profit-based administration²⁸⁵. However, some private services were, to a limited degree, permitted in medical and child-care services. By the same token, the size of government became a target for change and the bourgeois parties and the federation of employers called for the partial decentralization of the public sector. As Rothstein (1988)²⁸⁶ emphasizes, as far back as the 1980s, the SAF had no active policy for decreasing the size of governmental programs, which had consistently been raising the budget for social welfare services. Such a policy had to be understood as part of the neo-corporatist arrangement in Swedish politics, which resulted in widespread consensus between the SAF and the social democratic governments.

However, during the 1980s the policy of decentralization initiated by the SD governments, suggested an obvious change in the ideology of welfare statism. The removal of regulations in social services, health care and planning, on one hand, and the provision of greater autonomy for municipalities to control the finance and the organization of services on the other, were among the crucial changes made in that direction²⁸⁷. As Sven Hort stresses, such a move has weakened the position of the '*strong state*' on which the SD welfare model was based. By contrast, Sven Hort like other commentators, such as Hoefler (1996) and Rothstein (1998), rejects the conclusion according to which neocorporatism is dead in Sweden. He criticizes those authors who generalize '*a few minor changes to the whole neo-corporatist system*' and who – without any behavioral or empirical testing of neo-corporatist theories, claim that neo-corporatism in Sweden has ended. According to Hoefler, '*... if Sweden becomes less corporatist, one should expect to see changes in certain behavior exhibited by government and interest groups. These changes are not happening to the degree one would expect if the literature on the neo-corporatist system in Sweden were correct*'²⁸⁸.

Hoefler (1996) examines the level of neo-corporatism in Sweden by analyzing the information collected from a survey about the Swedish

²⁸⁵ Hoefler, R.1988. '*Post-materialism at work in social welfare policy: the Swedish case*' in Social Service Review. no. 63: p 383-395

²⁸⁶ Rothstein, B. 1998. Just institutions matter. Cambridge: CUP, p 13

²⁸⁷ Elander and Montin, S. 1990. '*Decentralization and control: central-local government relations in Sweden*' in Politics and Policy. no. 18, p3; Gould, A. 1993. Capitalist welfare systems. London: Longman, p 172

²⁸⁸ Hoefler, R.1996. '*Swedish corporatism in social welfare policy*' in Scandinavian political studies. 19(1): p 69

interest groups' participation in the process of policy-making – mainly in social welfare issues – in 1986 and 1994. The study confirmed that the use of compromise and consensus in policy making did not decline. Likewise, the role of encompassing organizations did not diminish. Interest group-government relations are still strong and the conflict and competition among interest groups is not increasing. Further, the group leaders' influence in the process of law-making is almost the same as it was before.

Hoefer's finding in his empirical study is that there were few, if any, grounds supporting the suggestion that a process of demise of neo-corporatism in Sweden is occurring. His study presents interesting findings, although it may be too optimistic to assume that this process does not happen in Sweden. As pointed out by the former LO chairman, Bertil Jonsson, *'the worsening of the relationship between the LO and SAF is a fact which had had widespread effects on labor market relations'*. One of the consequences of such a trend is that fragmented bargaining, which was suggested and initiated by employers had had an impact on wage rates in general and on the public sector in particular. Apart from it, despite initiatives by trade unions to cooperate with employers, capital mobility from Sweden has increased considerably²⁸⁹.

In opposition to the political elite, which adhered to the 'consensus' by keeping to the major course of welfare strategy, there has been an obvious split in the labor market. The neo-corporatist system is undoubtedly experiencing its deepest crisis since the 1930s and 'de-corporatization' is likely to have an impact on the nature of the welfare regime. Nevertheless, the essential impact is that the climate of mutual understanding, which was crucial for the introduction of progressive tax policy, had vanished. Likewise, the building up of the modern Swedish welfare state depended on the trade-off between growth policies and economic security designs.

The commitment to full employment, which was also crucial for the expansion of a successful universalist welfare state, could also suffer from the lack of consensus between key actors in the labor market. Although the crisis of the neo-corporatist system has weakened the underpinnings of the regime, it has not yet destroyed it.

2.2. The corporatist system in crisis (lobbying perspectives)

Olson's lack of detailed ideas about how lobbying organizations influence government is, as I see it, a salient deficiency in his argument. In order to highlight this lacuna, we can consider a society with no lobbying organizations at all. From one point of view, such a society may be thought of as an extremely flexible and effective market economy, suffering from no sclerosis whatsoever. It is, however, also possible to think about all the individuals in the society as an equal number of organizations, which, then,

²⁸⁹ Lindvall, 2002. *'Economic policy, social purposes, macro-economic management in Sweden 1997-2000'*. Stockholm: The Council of economic Studies, p 46

are as narrow, and thereby as irresponsible, as they could possibly be. From this point of view, the society would be sclerotic in the extreme. This latter position is, of course, absurd, for the very simple reason that the individuals, considered as organizations, could not hope to influence the politicians. In spite of this, there is hardly anything in Olson's works that excludes this last position, since they do not contain, or refer to, any theory of influence. If, however, we take the constitutional setting into account, the outlines of such a theory become visible. I am thinking about two points in particular.

First, the obvious targets for the lobbyists are the centers of political power, which, in a parliamentary system, means the party leaderships. The lobbying will thus be concentrated at the summits of the political hierarchies. In a presidential system, on the contrary, the lobbyists will approach individual members of the legislature, or perhaps small occasional groups of such members. Thus, in a parliamentary system the lobbyists' counterparts are few and powerful, whereas in a presidential system they are numerous and, individually, much less powerful.

Second, the lobbyists are likely to ask for what they can get. In the parliamentary setting, with its inclination towards instruction, the lobbyists are therefore, to a large extent, likely to ask for various new reforms. Such demands are, without any value attached to the words, constructive or creative. In the presidential situation, with its tendency towards delegation, the demands will have a different tendency. Since the mechanism of instruction works badly, the lobbyists are more likely to play a negative, or a blocking, role. They will probably find it difficult to induce the politicians to bring in specified new reforms, but will find it easy to tell the politicians what not to do, and the politicians are likely to find that information valuable.

These ideas may be related to the widespread opinion that lobbying is a characteristic trait of the political life in the United States, and that lobbying there is more developed, and more influential, than in other democracies. This, I think, is wrong. Rather, I think that lobbying in the United States, where the targets are so many and so dispersed, cannot be restricted to a few closed rooms as in a parliamentary system, but unavoidably becomes open and visible to everybody. It is also, for the same reasons, less effective, and requires more resources, than lobbying in parliamentary countries. This view is compatible not only with the well known, and well published, lobbying activities on Capitol Hill, but also with the relatively slow development of the public expenditures in the USA, and the country's good long-term economic growth.

2.3. Withering neo-corporatism

Political stability in Sweden still remains intact and political support to the existing welfare arrangements is still very extensive. The second feature of the Swedish system has been the stability of the labor market resulting from the so-called '*historic compromise*' reached in 1938 among

the 3 three neo-corporatist institutions: the business alliance, trade unions and government. While the SAP Social Democrats Party cushioned the continuity of welfare policies through its moderation in the political arena, the labor unions safeguarded the stability of the labor market by reaching an agreement with the employer's central organization. Not only did this agreement cover a range of economic and labor market issues, but also produced a climate of mutual understanding on which other strategic issues concerning the introduction of progressive taxation – as well as the establishment of the modern Swedish welfare state – could be provided and supported by the major interest groups representing both labor and capital²⁹⁰.

In the labor market, the changes seem to have been more extensive. The major change occurred when the rate of unemployment experienced an unprecedented rise in the early 1990s. For many analysts, the commitment to full employment and a relatively high tax level were the two main pre-conditions of establishing universal welfare states²⁹¹. The very low unemployment rate and high labor force participation had a double-edged effect: on one hand, it reduced the costs for unemployment compensation, but, on the other hand, it increased the state revenue. As a result, the government was able to pay generous benefits and subsidize services to all citizens. On the other hand, by advocating high tax levels, the state could develop measures to achieve the political-industrial structure, which could secure an active labor market policy, rather than income replacement for those displaced in the labor market. The rise in unemployment in a labor market which, since the WWII, has not faced such high unemployment, is a clear signal proving that industrial relations in Sweden are under threat. It appeared as if the era of '*historic compromise*' had come to an end and that major social changes loomed to the horizon as a consequence of the labor market mutations brought about by alterations in neo-corporatist arrangements.

The other condition, which made the neo-corporatist system working in Sweden was the strength of the 3 three institutional parts forming the golden triangle. Each of these three bodies had strong support in both society and the labor market. The Social Democratic Party won more than 40 percent of the votes in all elections between 1932 and 1976. In some elections, public support was around 50 percent. In the labor market, the federation of employers, the SAF, included some of the world's best-known multinational companies – VOLVO, SAAB, Electrolux, and Ericsson. On the other hand, the LO, the federation of manual trade unions, organised

²⁹⁰ Micheletti, 1991. '*Swedish corporatism at crossroads*' in West European Politics. 14(3): p148 Micheletti, 1991.

²⁹¹ Brunsdon and May, M. 1995. Swedish welfare: policy and provision. London: Guildhall, p18; Stephens, 1996. '*The Scandinavian welfare states: achievements, crisis and prospects*' in G. Esping Andersen ed. Welfare states in transition, national adaptations in global economies. London: Sage, p 32-66

more than 90 percent of all blue-collar workers while the affiliation of the LO members to SAP was compulsory. By the same token, 80 percent of the white-collar workers was also unionized²⁹². The strength of these three institutions provided exceptional conditions for successful centralized negotiations. Not only could representatives of the labor market organizations deal with the level of wages and the conditions in the labor market, but also play a major role in the decisions concerning the government's social and economic policies.

These conditions have gradually changed since the early 1980s. The major change was related to the power balance between the three main parties, which has altered. First, support for the Social Democrats decreased to 36-38 percent. Second, as a result of the decreasing share of blue-collar workers in manufacturing, the number of LO members declined considerably. Third, the internationalization of the economy determined Swedish companies 'outsourcing' and moving abroad since Swedish employers too lost their domestic market share to inward investors. During the 1990s, the three components of the Swedish neo-corporatist system have weakened and the era of their incontestable dominance in the Swedish labor market became gradually blurred.

Despite the changes, there was still strong public support for the universal welfare state; also, the trade unions still retained a strong grip over white-collar workers and blue-collar workers undergirded LO. Even though manufacturing employment has decreased, the number of workers in the service sector steadily increased and is the new base of trade union support. Compared to the other labor movements, the Swedish trade union association is still the strongest and continues to influence the political process despite the fact that the Swedish neocorporate system is now weaker than in the early 1980s. The strength of the labor unions is explained by three main factors, the high membership percentage, the union's crucial impact on industrial relations and the close relationship with the Social Democratic Party.

Other authors such as Pontusson (1992), Pestoff (1991), Stephens (1996)²⁹³ identify the weakening of the various elements of the national labor market and the structural changes as causes of the Swedish labor movement influence. They seem to have had an impact on the attitude of employer's organization towards negotiations at the national level. These authors emphasize the internationalization of the Swedish economy, which

²⁹² Gould, A. 1996. 'Sweden: the last bastion of social democracy' in P. Taylor-Gooby and V. George ed. *European Welfare policy: squaring the welfare cycle*. London: Macmillan, p 72-94

²⁹³ Pontusson, J. 1992. 'At the end of the third road: Swedish social democracy in crisis' in *Politics and society*. no. 20, p 59; Pestoff, V. 1991. *Between markets and politics: cooperatives in Sweden*. London: Campus West view, p 92; Stephens, 1996. 'The Scandinavian welfare states: achievements, crisis and prospects' in G. Esping Andersen ed. *Welfare states in transition, national adaptations in global economies*. London: Sage, p 32-66

increased the volume of trade, of financial transactions, prompted the ‘*multi-nationalization*’ of enterprises and successively undermined the old distributive strategy. As a result, the Swedish industry, which since the 1970s had become increasingly multinational and export oriented, also became less interested in a compromise with labor unions at the domestic level. Several commentators have pointed out the changing character of the Swedish business, which was brought about by the increasing strength of capital and transformation of its interests.

During the 1990s, Swedish business and bourgeois parties intensified their criticism of the Swedish public sector and welfare state expenditure by advocating privatization, deregulation and tax cuts as best methods for containing state spending. According to Bertil Jonsson, the former chairman of the union (1993-2000), the SAF terminated central bargaining in the mid 1990s and weakened the position of the trade unions.

In a further move, the SAF withdrew the representatives from the boards of all state agencies in 1991. The employers were so enabled to avoid the compression of wages between low and high paid work and give in to LO requirements. Also, they have managed to completely ignore the solidaristic wage policy and to obtain the introduction of wage ‘dispersion’²⁹⁴. The SAF explained its new standpoint by arguing that solidaristic wage policy had led to a wage drift which threatened business competitiveness²⁹⁵. The experts in the SAF Confederation of Swedish Enterprises do not hesitate to point out their intention to weaken the strong neo-corporatist agreement in the Swedish polity. They motivated their intention by economic reasons, suggesting that an end to central bargaining would favor expansive sectors, which in turn would provide a good future for the Swedish economy. There were a number of trends in the international economy which aggravated the situation: the collapse of fixed but flexible exchange rates, the oil crisis and the increase in oil prices, the deficit spending and the increased international interest rates²⁹⁶. What is more, the deregulation of financial markets reduced the government’s ability to control economic development at the national level.

However, these changes had a negative impact on employers because the end of centralized wage-bargaining made wage restraint more difficult, which disadvantaged Swedish enterprises. Several commentators²⁹⁷ have

²⁹⁴ Stephens, 1996. ‘*The Scandinavian welfare states: achievements, crisis and prospects*’ in G. Esping Andersen ed. *Welfare states in transition, national adaptations in global economies*. London: Sage, p 55

²⁹⁵ Rehn & Viklund, B. 1990. 1990. ‘*Changes in the Swedish model*’ in Baglioni and Crouch, C. ed. *European industrial relations - the challenge of flexibility*. London: Sage, p 148

²⁹⁶ Many governments attempted to fight the 1980s recession by creating budget deficit and increasing spending

²⁹⁷ Stephens, 1996. ‘*The Scandinavian welfare states: achievements, crisis and prospects*’ in G. Esping Andersen ed. *Welfare states in transition, national adaptations in global*

indicated that the real reason for ending wage-bargaining was that employers wanted to weaken the LO, both economically and politically. The unions' attempts to extend economic democracy during the 1970s and 1980s – through the Rehn-Meidner plans – seemed to be the key motive which sparked SAF's measures against them²⁹⁸. Meidner believes the changes made in the Swedish welfare regimes have been largely enough to mean that the basic pillars of the 'folkhemmet' policy are now changed (not what they were anymore in the past). The initial system and the Swedish model has experienced a kind of 'system shift'.

The enterprise flexibility in Sweden – which depended on wage flexibility – has not led to the expected degree of decentralization in wage bargaining. According to the OECD report²⁹⁹, only a small number of companies had opted for a decentralized wage settlement. As a result of these changes in Sweden's neo-corporatist structure, which was mainly the result of a 'counter offensive' by SAF and the employers against welfare capitalism, the domino pieces/card started to fall and certain changes started to set off. For instance, one of the most important measures against the universalist welfare system was the expansion of occupational and private provisions. As Kangas & Palme (1993)³⁰⁰ have pointed out, company and private pension schemes grew considerably at the upper end of the labor market. Occupational and private provision could not threaten the universal welfare system in the short term, but it could lower the demand for state provision and therefore reduce the public willingness to fund it. Moreover, occupational provision would mean a shift to 'enterprise welfare', which could effect into binding individuals to their companies rather than to the universalist provision. The changes suggested by the advocates of the federation of employers refer to replacing state provisions by the private sector but also indicate a new design for welfare arrangements with new priorities from the present system which stress a high level of benefits to another system in which replacement rates (in welfare benefits) should be lowered and, instead, the welfare system should mainly focus on services to groups who are in need.

During the 1990s, although the employers were determined to ignore the solidaristic wage policy, the labor movement did not change its attitude towards cooperation in the labor market. While the end of centralized wage bargaining would make wage restraint more difficult, it would be at the disadvantage of the employers. Therefore, the trade unions avoided conflict in the labor market by not demanding a wage growth higher than that to

economies. London: Sage, p32-66; Martin, A.1991. Wage bargaining and Swedish politics. Stockholm: FIEF, p 92

²⁹⁸ Brunson and May, M. 1995. Swedish welfare: policy and provision. London: Guildhall, p 48

²⁹⁹ OECD report, 1999: p 148

³⁰⁰ Kangas & Palme, J. 1993. 'Eroding statism - challenges to the Scandinavian models' in R. Eriksson et al. ed. Welfare trends in the Scandinavian countries. NY: Sharpe, p 3-24

which the employers would agree. Hence, unions followed the traditional pattern in favoring the national interest in a period of economic crisis.

By this strategy, the LO could survive the increasing pressure from employers and gain political support from the Social Democratic governments. Apart from the consensus strategy advocated by the LO, the fact that the union could keep itself united, determined the employers to try to fragment the union. However, the employers' move against the unions proved to be unsuccessful. Although the SAF initiated wage flexibility and advocated decentralized wage bargaining, there were only a few companies who decided to undertake a decentralized wage settlement. The federation of employers seem to have realized that long-term 'cooperation' with the unions in wage bargaining was a crucial factor for keeping the relationship with labor stable. Therefore, despite the ideological reasons for advocating a decentralized wage bargain, there was implicitly accepted that wage settlement take place at central level. For this reason, employers and unions in the industrial sector agreed to set up a private mediation institute, which worked as a voluntary substitute for income policy³⁰¹. Such 'cooperation' would prevent – on a voluntary basis – the intervention of the state in labor market relations.

3. Possible explanations to welfare state legitimacy

3.1. The Emergence of Encompassing Organizations

We can now return to the mechanisms behind the encompassing Swedish lobbying organizations, and the rise of the welfare state. In doing so I will at first emphasize that these things, obviously, cannot be given an exclusively constitutional explanation: other factors, such as people's ideas, certainly matter as well. But even if the constitution is not a sufficient condition for the encompassing organizations, it may nonetheless be a necessary one for the welfare state. I find it difficult to imagine Swedish society in another constitutional setting.

As for the issue of encompassedness, it may first be noted that some of the Swedish organizations are closely linked with political parties. In particular, the blue-collar workers' national confederation of trade unions, in Swedish Landsorganisationen or just 'LO,' is closely related to the Social Democratic Party, not only ideologically, but also in a technical and organizational sense. In fact, it is common to talk about the unions and the party as the two branches of the labor movement. Similar, though not equally close, relations exist between the farmers' national organization and the Center Party, which is strong in the countryside. These close relationships presuppose that both parties are reasonably consolidated, and that they have lasting and clear identities. It is difficult to imagine similar relations between a consolidated organization such as the Swedish LO and

³⁰¹ Elvander, 2002. The new Swedish regime for collective bargaining and conflict. Stockholm: Liber Foerlag, p 53

loose conglomerates such as the Democratic and Republican Parties in the United States. Thus, there is a constitutional background here.

The unions engage in two important activities: bargaining for wages and other conditions of employment, and lobbying the governmental power (which often means the Social Democratic Party) on a wide range of societal issues, including legislation for the labor market. It seems likely that the unions, in their roles as bargainers, have a wish to control the labor markets and the supply of labor, and that these goals are more easily satisfied the more encompassing, and the more centralized, the union movement is. Consequently the unions are also likely to lobby for laws facilitating the fulfillment of these ambitions. The Social Democratic Party, in turn, is likely to welcome encompassing unions able to provide campaign funds and mobilize voters. In Sweden, with its prevailing political ideas and its constitution tuned for 'instruction,' the emergence of encompassing organizations should therefore not come as a surprise. This tendency toward encompassedness, however, is also likely to have been stimulated by the Labor Movement's socialism. Certainly a socialist movement, with its inclination toward centralism and planning, will build encompassing organizations rather than narrow ones when able to do so.

3.2. The nature of the political debate on the Swedish welfare system: retaining the universalistic system

The takeover of the bourgeois coalition in 1991 meant that the advocates of private arrangements – the liberals, represented by the Liberal Party, and the neocons, represented by the Moderate Party, had the opportunity to establish a system shift intended to gradually replace the PAYG system, which was supported and introduced by the Social Democrats.

Apart from the consensual and neocorporatist tradition in the Swedish political system, there were a couple of factors, which led the bourgeois government to prefer an all-party agreement. Firstly, the structure of welfare arrangements was the major obstacle to this kind of agreement because it prevented far-reaching changes to the existing arrangements. The pension system was a typical arrangement in which previous institutional choices limited the space for decision-makers to adopt such far-reaching changes³⁰².

The initiative to establish an all-party working group was partly due to the need of sharing the responsibilities of retrenchment, a burden for both political blocks. Apart from this, the Swedish political establishment had, over a long period of time, developed a consensual mode of decision-making which had resulted in a welfare system and which was supported by virtually all political actors. In this vein, the policy of retrenchment should

³⁰² As the old-age pension arrangement was based on the PAYG system in which current employees' contribution financed the previous generation's pensions, the political establishment would have had limited options for making essential changes to the system.

not endanger programs, which would cause the protest of large groups within society, within particular target groups such as the middle class, the age groups and the pensioners. In the case of pension reform, it should not threaten the interests of those who already were of pensionable age or would reach the pension age in the near future³⁰³. Drastic changes in the benefit system, for instance in the pension system, would make the powerful interest organizations such as the PRO Pensionaerernas Riks Organisationen Central Retirees Organizations. With the support of hundreds of thousands of pensioners who were dependent on public pensions, the organization was in a position to position to stop every attempt, which would jeopardize the existing universal pension program.

Apart from the consensual tradition in the Swedish political system, there were other factors, which were crucial to the bourgeois government's ambition for an all-party agreement. Firstly, the structure of welfare arrangements was the major obstacle because it would prevent far-reaching changes to the existing arrangements. The pension system was a typical arrangement in which previous institutional choices limited the space for decision makers to adopt such far-reaching changes. As old-age pension was based on a PAYG system in which current employees' contribution financed the previous generation's pensions, the political establishment would have limited options for making essential changes to the system. Therefore, every one-sided attempt by the bourgeois parties to shift from public funded to privately-funded arrangements were bound to face institutional problems.

Apart from those areas of the Swedish welfare system which this study has explored, other studies, which comprehensively examined the development of the Swedish welfare system also came to the conclusion that despite some changes in different arrangements the essential parts of the system are still intact. However, the study stressed that the living conditions in Sweden have experienced some crucial changes and that the share of people who suffer from different kinds of misfortune resulting from the changes in the economic conditions, has increased³⁰⁴. Rapid increases in the unemployment rate are considered to be the major root of the problems³⁰⁵. Beyond that, the deterioration of conditions for the labor force meant growing mental stresses caused by the decrease in labor market security. More people were wrestling with economic problems and lower income levels, which increased their long-term dependency on social allowances³⁰⁶.

The balance sheet has also pointed to some improvements, some of which occurred during the 1990s. The most important one is the rapid increase in wage levels, which rose faster than in the earlier decades³⁰⁷.

³⁰³ Lars Bergendahl interview, 2009

³⁰⁴ SOU, 2000: p 41

³⁰⁵ SOU, 2001: p 53

³⁰⁶ SOU, 2000: p 40

³⁰⁷ Le Grand et al. 2001. *Vaelfaerd och arbetsloshetens aartionde*. Stockholm: Fritzes, p 171

Among other improvements were increasing literacy rates and decreasing mortality – especially infant mortality. In other significant areas, such as the population's disposable income, the figure rose to the same level as it was in 1990. Differences in class and gender were another issue, which has not changed particularly during the period. However, by widening wage differences between the public and private sector, one could argue that the economic situation for women, who were over-represented in the public sector, worsened. According to the balance sheet, as the number of redundancies in the public sector increased, so the number of employees in the public services had to be increased.

Three groups are pointed out as the major victims of the economic crisis of the 1990s. Single mothers – who were increasingly dependent on different kinds of social contributions, non-Nordic ethnic minorities and young people had great difficulties entering into the labor market³⁰⁸. Apart from these three groups, the balance sheet put the emphasis on children and families as other victims of the 1990s who needed some additional support from the welfare system to avoid the property trap. Despite the fact that, during the 1990s, long-term poverty has increased, in Sweden, the measures taken by the strong welfare system in supporting these vulnerable groups saved them from declining further into poverty.

Futhermore, the balance sheet emphasizes on the resilience characteristic of different benefits, which decreased when the economic conditions deteriorated and went up when the crisis was overcome – although not to the same level at which they had previously stood. In other aspects, the sheet also stresses some changes in the institution of welfare, which diverged from the historical pattern. At the beginning of the period, a process of decentralization in the provision of welfare services started, but it did not last. In the second half of the period, once again, the state's role was increased by certain initiatives, which aimed at adjusting the increasing differences among the municipalities. The second significant divergence in welfare institutions was a tendency towards privatization in the delivery of services within a framework of public financing³⁰⁹. Although, during the period, private initiatives increased in most of service areas, the changes have been modest and by the end of the 1990s, the majority of the services were still provided by the public sector.

Overall, the balance sheet stressed some structural changes, which have occurred in the Swedish society, which are likely to have a crucial impact on the future of the welfare system. The first change is the demographic change, which is caused by both falling patterns of fertility and the ageing of the population, has markedly changed the composition of the population in Sweden. The second change is the labor market change, which entailed the emergence of new forms of production, mainly in high-

³⁰⁸ SOU, 2001: p 54

³⁰⁹ Statistics Sweden SOU, 2001: p 52

technology areas, which are in the process of replacing more traditional industries³¹⁰. This transformation is clearly in the direction of de-industrialization since the companies have called for greater deregulation in the economy to facilitate the mobility of both capital and parts of production. Apart from the two major structural changes, which are a resource of both endogenous and exogenous factors, the verdict of the senior members of the Committee, which provided 'the balance sheet for Swedish welfare during the 1990s' was that, despite the crisis of the 1990s, the Swedish welfare system remains intact regardless of contrary tendencies. The judgement about the high standard of the system was based on some important features. The first feature is that unemployment and sickness insurance are still high despite the decrease in different benefits replacement rates. The duration of eligibility in the above mentioned benefits makes the Swedish system so distinct since most other countries have only upper limits. However, while 80 percent income replacement seems still high, these benefits are taxable³¹¹. Secondly, as a result of the extensive use of income-supplement programs, the coverage of the main social protection programs among the working-age population is much higher than in most other OECD countries. Thirdly, the Swedish labor market is workforce-friendly because rigid employment protection and industrial relations legislation. The system has also a double safety net because it secures both income and jobs. However, the generosity of the social system, in the matter of job security, had had a negative impact on the flexibility of Swedish multinational enterprises and on their international competitiveness.

According to OECD³¹², while reforms to the insurance system undertaken during the 1990s have rendered it more sustainable, the eligibility criteria for different benefits are still very generous, which confers instability and disincentive effects to the system in the long run. The social insurance system in Sweden is institutional as it belongs to the category of '*universal welfare model*' according to Esping Andersen welfare typology³¹³. Therefore, regardless of the citizens' contribution, they are all eligible for some of the major benefits (health, education), which leads to the impossibility for the government to rise social expenditure without increasing tax levels. Even in the case of unemployment insurance premiums, which are paid by the workers, the mechanism is based on a given level of unemployment.

However, any changes from a certain level have to be financed by the government. Therefore, OECD economists³¹⁴ believe that a stronger link

³¹⁰ Naeringslivet Bulletin, 12/09/01

³¹¹ Olsson-Hort et al, 1993. Social security in Sweden and other European countries. Stockholm: Finance Dept., p 51

³¹² OECD Report, 1999, p 126

³¹³ Esping Andersen, G. 1990. Three worlds of welfare capitalism. Cambridge: Polity Press, p 19

³¹⁴ OECD, 1997: p 101

between social insurance expenditure, employee and employers contribution has to be established. These having been said, the question is whether the alterations to the system purport that the Swedish welfare regime has indeed changed to a less institutionalized version of the post-war welfare system or whether it is simply left unchanged, 'frozen' in its traditional post-war form. Analysts³¹⁵ noticed that the level of cash benefits has decreased and that there have been cuts in most of the welfare services. Also, there have been some serious attempts towards decentralization and privatization of welfare services. However, comparing the actual changes that occurred during the period with the amount of pressure generated by economic problems, one could conclude that the system has remained largely intact. According to Esping-Andersen (2001)³¹⁶, if the Swedish crisis had occurred in central European countries, the outcome would have been harrowing. By contrast, the Swedish social-economic system is constituted by strong institutions, which can resist pressure caused by both economic crisis and other changes that threaten its foundations. Despite a weakening base of political support for the system through the weak support to the SAP Social Democratic Party in the elections in 1991 and 1998 elections, the weakening base of organized labor, welfare institutions have yet survived relatively intact³¹⁷.

Analysis of the changes in Swedish welfare arrangements in the 1990s implies they had a programmatic rather than a systemic character - meaning that the level of benefits were subject to changes, rather than the nature of benefits themselves. The only exception is the pension system, which experienced far-reaching changes. Also, in the case of services, the qualitative change of service provision – such as the liberalization and privatization in the delivery of services – was quite limited and the framework of public financing has never been questioned. Moreover, the distributive characteristics of the welfare system and its legitimacy are still strong³¹⁸. While the means to achieve the goals of the welfare system have changed in certain respects, these goals, as an institution, remain intact. Further, the impact of globalization has been less marked than might have been imagined. Strong political commitment and strong civil society, with social movements as their major agents, prevented radical changes in both replacement rates and provision of services.

As the welfare state is mainly a social democratic project, historically supported by social democratic and political movements (trade unions, social democratic parties and acquiescent businesses), its future is equally

³¹⁵ Kautto, M. et al. 1999. *Nordic Social Policy: changing welfare states*. London: Routledge, p221; Gould, A. 2001. *Developments in Swedish social policy: resisting Dionysus*. Hampshire: Palgrave.

³¹⁶ Esping Andersen, G. *idem*, p 223

³¹⁷ However, the time period of all social entitlements and facilities has perceptibly shortened and eligibility is more and more difficult to obtain.

³¹⁸ Holmberg and Weibull, L. 1997. *Trends in Swedish opinion*. Goeteborg: SOM Institute, p 175

mainly dependent on the strength and support of the existing power resources such as the public and political establishment and the labor movement. Therefore, the existing attitudes of the key social and political groups towards the functioning and development of the universalistic welfare state should be mapped out in order to explain its demise.

Contemporary debates about the Swedish welfare system are clearly related to the key challenges, which have threatened its universal character. In this regard, internal factors such as demographic challenges and external factors - caused by the process of economic globalization, have received most attention. However, it is important to treat the structural and institutional threats to the continuity of the system. These challenges come mainly from rising uncertainty among certain social and political actors who, in the era of welfare state expansion, supported the process, but who, in an era of crisis, harbor doubts about the system's capacity to survive and advocate structural changes to the system.

Apart from cuts in general welfare spending and different kinds of benefits, the advocates of structural change suggest far-reaching changes in the delivery of public services, which involve far-reaching privatizations. Bearing in mind that in the Social Democratic welfare system, public delivery of services was the bedrock foundation of the system, the privatization issue had had a crucial impact on the system's future. However, despite some privatization initiatives, changes in this area have been modest and the major part of service provision continues to be in the hands of the public sector.

The strong political consensus between the Social Democrats and the non-socialist parties about the foundation of the generous welfare system has become fragile. Likewise, the historical compromise between the labor movement and the federation of employers has been virtually forgotten. Furthermore, among scholars, most Swedish economists have seriously questioned the inexorably rising welfare expenditure without paying attention to the importance of the system's legitimacy. In discussing the future of the welfare state, the economists tend to emphasize economic rather than social factors. On the contrary, some authors argue the real threats against the universal welfare model seem to come from changing attitudes towards the redistributive welfare system rather than from economic problems or demographic changes.

However, despite rising criticisms of welfare universalism by leading economists, which led to growing uncertainty among political and academic elites, other factors have favored continuity. Public support for the generous welfare system remained quite strong throughout the decade of crisis. In the political sphere, despite frequent calls for changes from the neo-liberal intelligentsia and some doubts voiced by the Social Democratic 'modernizers', the leftist bloc retained the necessary strength in the political arena to continue its universal welfare policy. Moreover, the strong institutions, which have been created by the welfare system, came to its aid.

The system has effectively resisted any attempts to change made by the non-socialist governments such as the far-reaching privatization of public services.

There are four main crucial issues which are likely to influence the future of the Swedish welfare regime: first, the state of the political support for the SAP Social Democratic Party as the architects of the universalist welfare model; second, the future of the '*neo-corporatist*' arrangements and the strength of the labor movement and unions; third, the legitimacy of the welfare state and the public support of the welfare state; fourth, the impact of the entrance of private competition into service delivery on the role of the public sector. During the expansion of the welfare system and subsequently during the '*Golden Age*', political stability, the stability of the labor market and the stability of central and local institutions in administering social policy and delivering services were crucial. For as long as the essential characteristics of these institutions are still the same as before, the system – from an institutional point of view – will survive.

3.3. The wavering political support for the welfare state - within wide public and within the SAP

The stable political situation maintained by the long-standing political domination of the Social Democrats is probably the major characteristic of the Swedish welfare system. Apart from the presence of a strong labor party in power, the consistency of Swedish politics had to do with the consensus, which was established among political parties about the crucial elements of social policy. As a result, all political parties have shown loyalty to the introduction of progressive income taxation, which made it possible to introduce social legislation. One of the reasons behind such political consensus was the Swedish election system, which is a pluralistic system and did not allow for one-party governmental dominance but for governmental coalition³¹⁹. Since almost all Social Democratic governments were in minority and needed compromise to get support from some 'middle' parties (either the Centre or the Liberal Party), they were compelled to compromise about each policy to win a parliamentary majority³²⁰. Accordingly, a kind of consensus has been developed, which covered tax policy and tax-financed social protection through redistributive social policy.

However, the need for compromise has not stopped the Social Democrats from expanding the redistributive welfare system, but it provided a base on which they could reach sustainable agreements with the middle

³¹⁹ Groenegaard Christensen, J. 1997. '*The Scandinavian welfare state: the institutions of growth, governance and reform*' in Scandinavian Political Studies. 20(4): p 367-386

³²⁰ As Groenegaard Christensen (1997) emphasizes '*lack of majority...induced the Social Democrats to show moderation*' in Groenegaard Christensen, J. 1997. '*The Scandinavian welfare state: the institutions of growth, governance and reform*' in Scandinavian Political Studies. 20(4): p 373

parties about a range of economic and labor market issues. As a result of such sustainable compromises, the Swedish welfare state was marked by considerable stability.

Concerning political support for the welfare state, it must be said that electoral apathy is absent in Sweden. Participation in elections has remained high and stable even during the recession. Comparatively, on a European comparative scale, the Swedes' attitudes towards their welfare system is highly positive. In a 1983 survey among Western European nations, 62 percent of the young Swedes answered they took pride in their country's social welfare system as compared to 42 percent in the UK, 31 percent in Germany and 23 percent in Switzerland.

Characteristic for all the reported time-series on welfare attitudes, i.e. opinion polls on welfare attitudes, is that people seem to be slightly less satisfied with the workings of the welfare state in the late 1970s and early 1980s. However, the election survey emphasizes that the waiting days in sickness insurance were crucial for the Social Democratic victory in 1982. Overall, the relative stability in opinions expressed over the years is palpable. Although not the only aspect of such a far-reaching concept, this might indicate that the crisis of legitimacy either does not exist or is not a new phenomenon.

In mapping out the future direction of the Swedish welfare system, one should focus on the political parties' perception about the future development of the political system. One of the most striking features of the Swedish social democracy is that the party, i.e. the SAP, has been successful in keeping the unity among different sections and groups within the Social Democratic movement. On one hand, there has been a strong labor union with advanced redistributive demands and on the other hand, a large middle class with various interests. The Social Democratic Party, which for this reason should be regarded as a '*political front*' consisting of groups with conflicting demands, could survive the past two decades of political changes with relatively limited internal conflicts. However, the two major factions responded differently to the process of change.

While the traditionalists have had a more defensive approach to calls for change, the modernizers seemed to have had the role of '*new thinkers*' who have intended to design both the ideological shift in the perception of the '*strong welfare state*' and also to design the adaptation of the welfare state to the new social and political order.

3.4. Public attitudes towards the welfare system

Although the problems caused by endogenous and exogenous factors tended to erode the support of the employers for the welfare state, the support of the other actors – such as the trade unions and political parties in the left-wing bloc to the welfare system, is still intact. This leads to the conclusion that democratic institutions, which are highly anxious about the public opinion, cannot deviate from the dominating standpoints among the

public concerning the welfare state. Democratic wisdom seems to suggest that short-term changes – caused, among others, by economic crises – may legitimize periodic retrenchments. However, suggestions for profound institutional changes are likely to be rejected by those who benefit from the system. In other words, the long-term trends in public opinion, which occur over decades and are in favor of the welfare state, are critical³²¹. The more social groups are dependent on the benefits and services provided by the system, the more widespread the reactions to the changes will be³²².

Public opinion is not united in supporting the welfare state. Different social groups hold different views about social policy arrangements. Although the labor movement was the major driving force of the welfare system and initially defended the interest of the people who suffered most from the risks connected to the market economy, it soon realized that the continuity of the system needed a broader support. The advocates of welfare in Nordic countries were therefore keen to develop a system based on far-reaching consensus among the key political forces. Apart from social classes, the Nordic welfare states – by initiating women-friendly policies, which increasingly integrated women in the labor market and thereby provided full citizenship status for Scandinavian women – also widened social support for welfare to the maximum³²³.

Therefore, the Swedish welfare state has, since its formation, aimed to provide a broadly accepted and legitimate framework for the extension of social justice. For the Social Democratic Party and labor unions – as the main architects of the system, only the institutionalization of the welfare system could secure a considerable degree of ‘*social justice*’. This is because, from the very beginning, these bodies pursued the institutionalization of welfare reforms. The real aims of the institutional parameters were security, decommodification, labor training, mobilization and redistribution of resources.

Citizen welfare has been provided by certain key features of the system such as high replacement rates for most transfers, liberal qualifying conditions for benefits, the broad scope of citizenship rights, comprehensiveness and service intensity. Because of the emphasis on ‘decommodification’, the basis for entitlements to income or publicly provided goods in the Swedish welfare system has been citizenship status rather than market participation or market position. These measures constitute the system’s source of legitimacy because they have been viewed as the central means of achieving the essential goal of the welfare system – distributive justice. Considering that such a goal has been achieved by the state’s active intervention in the distribution of social and economic welfare,

³²¹ Svallfors, S. 1996. *Vaelfaerdstatens moraliska ekonomi*. Umeaa: Borea, p 221-9

³²² Pierson, P. 1996. ‘*The new politics of the welfare state*’ in *World Politics*. 48(2): p 143-179

³²³ Karvonen and Selle, P. ed. 1995. *Women in Nordic politics: closing the gap*. Aldershot: Dartmouth

state interference has also been legitimized as the guarantor of continuity in welfare provision³²⁴.

3.5. Legitimacy concerns over high spending and taxing levels in the ‘nanny-state’

Based on long-term development of welfare state legitimacy, the argument is that the support of the public opinion to the system has been crucial to the continuity of the system. As long as support for the institutions of the system remains strong, the political actors avoid undertaking efforts of retrenchment lest they might clash with the will of the public. One of the major issues in the recent debates about the crisis of the Swedish welfare state has been the erosion of public support for the system. Ever since the late 1970s, critics of the system have argued that ambitious welfare policies and increased state expenditure will inevitably evoke resistance to the high-taxing, high-spending state and thereby undermine support for a public welfare state³²⁵. Later in the 1990s, with increasing debates about ‘post-modernism’, others stressed the growth of middle-class life-styles – alongside increasing individualism – as the factors which tended to erode the support for the welfare state. Such resistance would cause a crisis of public legitimacy for the welfare system and change political priorities among the public. According to Musgrave (1990), Ingelhart (1990)³²⁶, along the post-materialism wave, the changing attitudes have clearly been recognized in the wave of tax reforms, which have swept over many western welfare states in the 1980s.

By contrast, this view was rejected by the advocates of the institutional approach³²⁷ who pointed out that the changing attitudes have occurred in residual welfare states, but not in universal welfare states such as the Scandinavian states, which are de-commodified because almost anybody had potentially the right to benefit from these welfare arrangements³²⁸. It is widely known that in Nordic universal welfare states –

³²⁴ Economists like Lindbeck (1997) and Rojas (1999) are mainly concerned by the system’s negative impact on efficiency and growth and the economic consequences of the welfare system. Their concern lies with the extent to which public policies with tax-financed social transfers and public services create disincentives to efficiency and growth; Lindbeck, A. 1997. *The Swedish experiment*. Stockholm: SNS Foerlag, p124; Rojas, M. 1999. *Efter folkhemmet: en agenda foer Sveriges foeryelse*. Lund: Timbro, p 98-111

³²⁵ Wilensky, 1976. *The welfare state and equality*. Berkeley: California UP, p 12-15; Hibbs and Madsen, H. J. 1981. *Public reaction to the growth of taxation and government expenditure* in *World Politics*. no. 33: p 413-35

³²⁶ Musgrave, R. A. 1990. ‘*Comments*’ in J. Slemrod ed. *Do taxes matter?* Cambridge: MIT Press, p53; Ingelhart, R. 1990. *Culture shift in advanced industrial society*. Princeton: PUP, p 22-25

³²⁷ Musgrave, R. A. 1990. ‘*Comments*’ in J. Slemrod ed. *Do taxes matter?* Cambridge: MIT Press, p 53; Ingelhart, R. 1990. *Culture shift in advanced industrial society*. Princeton: PUP, p 26

³²⁸ For the difference between universal welfare state and residual welfare state, see Esping-Andersen, 2006: p 29

including Sweden, public skepticism to taxes, which attain the highest level in the OECD, is lower than in countries with lower tax levels, which are not necessarily welfare states. However, after the 1980s, support for the welfare system decreased even in Sweden. There is not necessarily a connection between high taxes and decreasing support for the welfare state, but there undeniably is a relationship between economic competitiveness and high taxes.

One of the reasons for the decreasing support for state-based welfare was the negative effect of high social spending on the economy in the long run. Critics claim that welfare states based on an egalitarian ideology and financed by taxes collected by the state lead to decreased economic competitiveness and distortion in labor-market relations with negative effects such as low work incentives, hidden unemployment and weakened entrepreneurship³²⁹.

A second reason concerns the expansion of the welfare state and the conviction that the system has reached its 'rational' limits. Likewise, it has been argued that the welfare state has succeeded in solving the problems it was originally created to deal with and therefore there is no immediate need for further expansion. Critics also focused on the financial aspects of the system and on high taxation. Prosperous middle class social groups with less obvious needs for welfare services, have experienced ambitious welfare policies as a heavy burden. Such dissatisfaction with such a costly system explains the trend of increasing discontent with taxation in Sweden. Several economists³³⁰ have described the growing tax burden – incurred by a huge public sector labor market rather than by the cash transfers of the welfare state as in other welfare cases – as the Achilles' heel of the system. In many Western welfare states, direct visible taxes, along with high-spending public services, have become the main targets of criticism for the growing anti-tax movement.

In the Swedish case, there is no empirical data based on popular attitudes towards taxation, which would prove the thesis that discontent with taxation in Sweden has risen. Nationally representative surveys conducted in Sweden between 1981 and 1997 show that, as Edlund (2000: 58) stated, '*a long-term trend of increased dissatisfaction with taxation cannot be detected*'³³¹. On the contrary, as Stenberg and Svallfors (1992)³³² concluded during the 1980s, a majority of Swedes believed that taxes were not too high if balanced against the public benefits provided by the government. Between

³²⁹ Edlund, J. 2000. 'Public attitudes towards taxation: Sweden 1981-2000' in Scandinavian Political Studies. 23(1): p 37-65

³³⁰ Lindbeck, A. 1997. The Swedish experiment. Stockholm: SNS Förlag, p 124; Rojas, M. 1999. Efter folkhemmet: en agenda för Sveriges framtida. Lund: Timbro, p 98-111

³³¹ Edlund, J. 2000. 'Public attitudes towards taxation: Sweden 1981-2000' in Scandinavian Political Studies. 23(1): p 58

³³² Svallfors, S. 1992. 'Den stabila välfärdssopinionen'. Umeå: Sociologiska institutionen, p 45-9

1981 and 1991, the percentage of people who believed that the general level of taxes in Sweden was too high decreased from 82 to 59 percent. By the same token, the percentage of people who believed that marginal taxes were far too high decreased from 82 to 59 percent. Accordingly, one can conclude that discontent with taxation decreased considerably during this period. A survey of the late 1990s³³³ showed that tax discontent gradually increased thereafter, particularly between 1996 and 1997. The survey also revealed that increased discontent during the 1990s was related to changes in tax and welfare policy. Increasing tax levels in the second half of the 1990s, combined with cutbacks in welfare programs, aggravated the perception that, while public sector expenditures increased, public benefits provided by the government decreased³³⁴.

The Gini coefficient – the ratio which measures the distribution of the socio-economic inequalities for income or wealth – in Sweden is the lowest in the world, i.e. 0.23 within the interval from 0 to 1 [0,1], which represents the mean difference between two distinct households' income selected randomly from Sweden's population of roughly 9 million inhabitants. However, one should refrain from interpreting the value of the Gini coefficient as an effective measure of egalitarianism since the Gini coefficient, which measures wealth distribution is significantly higher in Sweden, with only 5% of the Swedish households holding 77% of the total share value owned by all the Swedish households. By the same token, in Sweden, there is an important difference between MNC multinational companies' economic performance and the small and medium enterprises. In the words of one Swedish politician, '*What is good for Volvo is also good for Sweden*'.

The Social Democrats who, through the tax reform of 1989, won the support of professionals, managers and other high-income earners – after returning to power in 1994, increased the marginal tax rate for high-income earners believing this measure was the most efficient way to balance the budget. An additional 5 percent extra tax on income, which was added on top of the marginal income tax rate, was implemented. In addition, some changes in social spending were implemented to bring down budget costs. Cutbacks in replacement levels, stricter qualifying conditions and reduced social services were among such measures³³⁵. Apparently, these measures had an unsatisfactory impact on both high-income earners and low-status social strata. Whereas both groups were similar in their demands for lesser taxes, they differed in their concern over the distribution of taxes and tax progression. Not surprisingly, the working classes were better disposed

³³³ Hjerm and Svallfors, S. 1998. Aasikter om skatter och offentliga sektorn. Umeaa: Sept of Sociology, p 55-7

³³⁴ Edlund, J. 2000. '*Public attitudes towards taxation: Sweden 1981-2000*' in Scandinavian Political Studies. 23(1): p 61

³³⁵ Palme and Wennemo, I. 1998. Swedish social security in the 1990s. Stockholm: Cabinet ministers printing, p 29

towards a progressive distribution of taxes. Knowing that both the working class and the middle class have benefited from welfare policies such as universalist social services, income-related policies and the commitment to full employment, their support for the progressive tax system is understandable.

Nevertheless, some scholars³³⁶ reject the notion that class divisions continue to have a decisive impact on the creation of identities and interests, particularly in view of the emerging process of post-industrialization and globalization. Accordingly, attitudes to taxation manifested themselves in patterns of consumption and value-commitments. It follows that identities and interests are no longer structurally determined either. Others³³⁷ take a different view and argue that attitudes towards tax increases and cutbacks in the welfare programs continue to be determined by class.

Compared with the lower social strata, higher income earners - such as high-level salaried employees and the self-employed, disapprove of progressive taxation more strongly. Nevertheless, the eroding support for the welfare state seems to have been a result of increased dissatisfaction with the level of benefits and the quality of services received for the taxes paid³³⁸. The stress on the inefficient allocation and organization of social services by right-wing parties seemed to have had a particular impact on the growing discontentment about tax levels. Despite the fact that Sweden has the highest tax rates in the world, which go mostly for financing the public health sector, the aid to unemployment, labor reinsertion training and life-long learning programs, the provision of these services in the country has been heavily criticized³³⁹. Another major criticism launched by the right was concerned with the negative impact of taxation on unemployment. In a situation of continuing high unemployment, the argument that reduced taxes would provide new jobs could gain a degree of support among citizens³⁴⁰.

Despite the emphasis on an increasing public discontentment with high taxation and growing critical views about the social services provided by the welfare system, the reduced level of benefits, several scholars³⁴¹ reject the suggestion that public support for the welfare state has declined. On the contrary, they emphasize the strong support for the welfare state in terms of service delivery, financing and social spending during the 1990s, which not only decreased, but in some instances has slightly increased.

³³⁶ Pakulski & Waters, M. 1996. *The death of class*. London: Sage, p 11

³³⁷ Edlund, J. 2000. 'Public attitudes towards taxation: Sweden 1981-2000' in *Scandinavian Political Studies*. 23(1): p 37-65

³³⁸ Edlund, J. 2000. 'Public attitudes towards taxation: Sweden 1981-2000' in *Scandinavian Political Studies*. 23(1): p 37-65

³³⁹ Norberg, J. 2006. An essay on how the Swedish welfare state eroded the principles that made it viable in the first place. *National Interest*, Summer 2006, p 2

³⁴⁰ Norberg, J., idem

³⁴¹ Svallfors and Taylor-Gooby, P. ed. 1999. *The end of the welfare state?* London: Routledge, p34-51; Edlund, J. 2000. 'Public attitudes towards taxation: Sweden 1981-2000' in *Scandinavian Political Studies*. 23(1): p 37-65

Meanwhile, it is certain that support for the system has decreased among high-income earners. Suggestions also stress that if further cutbacks in the welfare state transform the system towards a less ambitious and less universalistic welfare model, the public support for the system would decrease among larger groups of citizens. To continue to retain strong public support for the welfare state, the architects of the welfare system need to convince middle class voters to continue their support. The leaders of the two main left parties³⁴² declared that by keeping the universal characteristics of the Swedish system, they intended to encourage the middle class to continue to support the generous welfare arrangements³⁴³. Even the liberal leader, Lars Lejonborg defended the universal welfare policy and generous replacement rates. The only major difference with the Social Democrats was the Liberals' greater concern to introduce the private insurance system as a complement to the existing welfare arrangements³⁴⁴.

Summarizing, recent studies have not found any '*declining long term trend in support for the welfare system*' (in the Nordic countries)³⁴⁵. Although the willingness of the growing affluent middle-class to finance social spending might have lessened, this loss of support has also been observed in countries with residual welfare states in which only the poorer groups are the beneficiaries. While the Nordic systems provide benefits to everyone, protests at high tax rates are far lower in these countries than in the 'liberal' regimes. In Sweden, criticism of the welfare system seems mainly to have been a result of increased dissatisfaction with the level of benefits and quality of the services received for the taxes paid. As a result, in the early 1990s, the right-wing government started a process of privatization in the delivery of services, which was crucial for the future of the universal welfare model.

In the beginning of the 1990s, municipalities and county councils have contracted out a part of the provision of public services to private companies. Education and care were the two main areas, which were affected by the new policy. For the bourgeois coalition who designed the privatization of public service production, the change had an ideological basis, in addition to being the proposed solution to the strained economic circumstances. However, provision of public welfare by providers other than the public sector was by no means a new phenomenon in Sweden. The informal care of children and other dependants, unions' administration of unemployment insurance, the recreational and educational services, the voluntary organizations supported by public money – to help women, children, refugees and other social groups – have been among such

³⁴² the SAP leader, Goeran Persson and the Left Coalition leader, Gudrun Schyman

³⁴³ DN, 30/4/2001

³⁴⁴ DN, 1/5/2001

³⁴⁵ Goul Andersen, J. et al. ed. 1999. '*The legitimacy of the Nordic welfare state: trends, variations and cleavages*' in Kautto and Marklund, S. ed. Nordic welfare states. London: Routledge, p 255

initiatives. Housing is another example which, *'more than any other provider sector suggested that a 'mixed economy' prevailed, albeit heavily regulated and subsidized by the state'*³⁴⁶.

³⁴⁶ Brunson & May, M. 1995. Swedish welfare: policy and provision. London: Guildhall, p 14

CHAPTER 6: SWEDEN AND ENVIRONMENTAL POLICY

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1. Introduction.

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1.4. The (foreign) policy effects of neocorporatism. Implications for Swedish diplomacy

1.1. The environment and national private interest aggregation (Hypotheses formulation)

Hypothesis 2 The SAP and the SAP-led government triggered Swedish environmental activism and leadership by promoting ever higher environmental standards in the UN and EU³⁴⁷ as the best way to increase the international competitiveness of the Swedish industry in accordance with corporate interests. The business or corporate interests were only interested into securing the competitiveness of their industries abroad (i.e. in international trade) as well as into Swedish participation in the SEM and EMU. The *'other interests'* were not opposed but sympathetic towards high environmental standards, supporting both the business and the government; they simply followed, but they were not active since the beginning. However, these *'other'* interests were always locked in neocorporatist practices at home. What I try to prove in this chapter is that business agreement on high environmental standards firstly endorsed by the SD government has been the modality through which they – the business – managed to secure international competitiveness, Swedish accession to the EU and subsequent participation to the SEM.

The *'interest'* variable is maybe the most conspicuous indicator of neofunctionalism as it is a theoretical approach which relies upon conceptualizing the interests of participating actors through the idea of functional, political and cultivated *'spillover'*³⁴⁸. Moreover, what neofunctionalism implies is that spillover is largely promoted by supranational elites and interest groups. In the Swedish case, *'interests'*

³⁴⁷ VES voluntary environmental standards, European Commission Communication, 1999, p 4

³⁴⁸ Haas, E. 1958. *The Uniting of Europe*. Stanford, Stanford UP, p 12; Lindberg, L. 1963. *The political dynamics of European Economic integration*. Stanford, Stanford UP, p 10-11; Schmitter, P. 1981. *'The Emerging Euro-Polity and Organized Interests'* in *European Journal of Organized Interests*. 1(2), p 191-218;

represent the backbone of Swedish neo-corporatist democracy and they lie at the basis of any attempt to study *'private interest government'*. Therefore there is no accident that, in the Swedish case, several authors have outlined the potential of neofunctionalism³⁴⁹ since it best captures the pre-accession dynamics whereby the national interests at stake were pushing ahead with the integration process. However, before proceeding to analyze the role of private interests in the Swedish environmental buildup, some distinctions need to be made.

First, there are mainly two periods of environmental developments which characterize Swedish involvement in shaping the environmental agenda: the UN period, i.e. the period before EU accession, and the EU period, from 1995 on. The UN period is marked by incrementalism and progressive adaptation to the political and economic demands of a rapidly changing world environment³⁵⁰. The Swedish diplomacy reacted promptly at the acid rain threat and set the UN acidification agenda accordingly. The novelty and 'incidentalness' of the situation triggered the unilateral initiative of the government and its outward tool of conflict resolution - diplomacy³⁵¹. However, later in the UN stage, 'corporate' gradually acquired a 'voice' and a weighty one in the process, too. At the end of the UN stage, the *'entente cordiale'* or the golden environmental triangle functioned at a double level: on one hand, between the *Industrieoerbundet* and the socialist government, and on the other hand, between *Industrieoerbundet* and labour³⁵².

³⁴⁹ see Pedersen, M. 1997. *'The dynamics of European Party systems'* in European Journal of Political Research, 31(1-2): p 83-98; Peterson and Bomberg, E. 1999. *Decision making in the European Union*. London, Macmillan, p 16-18; Miles, L, Redmond, J. and Schwok, R. 1995. *Enlarging the European Union*. Boulder, Colorado, p 190; Gstoehl, S. 2002. *Reluctant Europeans*, Boulder, Lynne Rienner, p 215-216

³⁵⁰ It is important to note, during the early UN stage, the role of the Governmental Commission on Environment which functioned as a think tank group during the period 1980-84 and had as a task the analysis of the new environmental problems such as the carbon dioxide emissions and the proposal of new financial instruments able to neutralize their harmful effects. As a result of this Commission Report, the Swedish were the first to introduce a carbon tax in Europe in 1991 (Akerfeldt, 2009 interview).

³⁵¹ A distinction needs to be made between corporate interests and the state even in a 'perfect' neocorporatist regime as Sweden. The former were aware – in an advisory capacity, but not fully participating to the formulation of the early UN environmental priorities and agenda.

³⁵² Concerns over maintaining Swedish competitiveness to deter capital flight and increase foreign direct investment have been constant thoughts preying on the minds of Swedish businesses (see Ingebritsen, C. 1998. *The Nordic States and European Unity*. NY, Cornell UP, p 60; Bieler, A. 2000. *Globalization and enlargement of the EU*. London, Routledge, p 133-134 in Miles, L. 2005. *Sweden in the European Union*. London, Ashgate, p 157). *'Participation in the SEM was considered vital and thus it has been economic motives that have largely, and rather unsurprisingly, shaped the views of the employers' organisations towards the Union.'* Hence, the SAF in particular has moved towards a neoliberal discourse, *'one that turned on the rejection of the over-regulated corporatist welfare state and the embrace of the EU as a way to institutionalize a new pro-business economic order'* (Miles, L. 2005. *Sweden in the European Union*. London, Ashgate, p 158).

Secondly, the distinction between ‘interests’ is paramount and it must be highlighted in a way which does not leave any unnecessary misapprehensions. The ‘other’ interests, namely the labor and the public interests were³⁵³ instrumental in creating consensus over the right environmental strategies to adopt. The impact of the labor interests was mitigated because of the chasm created within the trade union bloc between LO and the TCO-SACO, the employees’ union, over the issue of EU integration and the subsequent lowering of Swedish environmental standards. What was certain and there were enough warnings – in the political debates – was the fact that environmental issues triggered non-negligible economic side-effects such as readjustment and unemployment.

Thirdly, the distinction between the different environmental issues is paramount in order to identify the linkages between EU integration, SEM and EMU, on one hand, and welfare issues, on the other hand. In the next chapter, I am going to treat at length the relationship between environment and welfare state, on one hand, and between environment and the SAP, on the other. This chapter is focused on the relationship between corporate interests and governmental environmental policies. The triangle government-environment-corporate is analyzed from the point of view of their political implications for the welfare system, the backbone of the social democrat ‘folkhemmet’.

All these actors (comprising the business *Industriöförbundet*, the media, the public, the ENGO environmental non-governmental organizations, etc.) shaped the internal policy forum and were paramount in funneling ‘*enabling conditions*’³⁵⁴, that is the consensus behind Swedish environmental actions. The reasons for the unanimity behind the environmental cause pertain entirely to the economic neocorporatism which functioned in Sweden till the mid 1980s. Nevertheless, the environmental ‘variable’, when it first appeared at the beginning of the 1970s with the acid rains in Northern Europe, immediately triggered governmental responses. The role of the ‘other’ interests and of the corporate interests, is still unclear at the debut of the whole environmental ‘affair’. *What is certain is that environmental pollution triggered the immediate response of the Swedish government and the organization of an international conference. By consequence, at the beginning, there were only the governmental interest and the national interest, which reacted to the environmental challenge, a fact which makes difficult to claim that Swedish environmental leadership is a case which can be proved only by neofunctionalism.* However, while it is true that early Swedish UN environmental leadership is a classic example of intergovernmentalism, it is equally true that this initial governmental

³⁵³ The last hypothesis in the next chapter deals precisely with these ‘other’ interests. In this chapter, there are only treated aspects of environmental policy in the relationship between ‘business’ interests and SD government

³⁵⁴ see Kjellen, B. 2007. *A new diplomacy for sustainable development*. London, Routledge, p 29-49

leadership becomes a sort of neofunctionalist ‘spillover’ with Swedish EU membership.

Apparently, at the beginning of the UN period, there was only governmental action and diplomatic representation in the UN fora in a truly intergovernmental manner. However, in the long-run, 20 twenty years after, the business interests became more and more prominent to the extent that ‘business’ played a pivotal role in the second period, the EU period. It is certain that ‘business’ has always enjoyed a privileged relationship with the government in the sense that business’ priorities

Thereupon, given the increased public environmental support in the Swedish society, it is not surprising that the government adopted a proactive environmental attitude at both domestic and international levels, which finally built into environmental leadership. But, how can the national interest decompose itself into a plurality of autonomous interests activated by different groups, apparently aloof from each other? How could there one explain an aggregation of opposing interests in a neo-corporatist state? Can these interests be aggregated into one coherent national interest? Which would be the role of the party system – particularly the social democratic one – in the aggregation of such interests? These are the questions this research attempts to answer. If welfare provision (environmental prioritizing) through neo-corporatism and EPL environmental policy leadership was the adequate answer and if it was an ex-nihilo social democratic tactics and initiative (it only belongs to the Swedish Social Democrats), then further research is needed into the Swedish electoral ‘market’ and its possible outcomes.

In articulating the thesis of the national interest as a function of the corporatist interest – as opposed to grassroots’ interest, I partially base myself on the study undertaken by Crepaz Markus M.L.³⁵⁵ He successfully launches an explanation of environmental performance as a function of corporatist institutions. Crepaz (2006) argues that, independently of the policy field, it is the specific institutional arrangement of corporatism which explains the success of corporatist policy making. The goal oriented character of corporatism, combined with its accommodative policy style and the encompassing manner in which interests are activated – through peak associations – are the ingredients which explain the successes of neo-corporatism in the macroeconomic field in the 1970s and 1980s. Crepaz asks why should that same institutional structure not be able to score similar successes in the field of environmental politics? Given the fact that environmental issues are ultimately economic problems, why should the tremendous expertise which corporatist countries have accumulated in guiding the economy, not be applied into backing environmental problems?

Crepaz gives precisely a generic definition of corporatism and

³⁵⁵ Crepaz, M. L. 1992. ‘*Corporatism in decline?*’ in *Comparative Political Studie*, 25, p 139-168.

underlines the fact that corporatist policy making cannot happen independently of the particular policy field. What Crepaz left out of his analysis, the comparative analysis among different policy fields, is addressed here at large comparing environmental policy with trade policy. Does then Crepaz's theoretical argument still apply for the particular case of environmental policy? I argue that it does since SEPL climax is based on a careful neo-corporatist settlement between business and government in a way which does not leave out '*labor interests*'. Since the aim of this research is to explain the transformation of a political party structure as a result of a change in the national interest – that is the overlapping of the domestic and international spheres (Putnam) in the particular case of addressing international environmental issues within the framework of national environmental policy³⁵⁶.

The EU period subsequently analyzed here (i.e. the period which followed the first UNCHD Conference on Environment) is, unlike the UN period, marked by the 1990s acceleration of environmental threats yielded by carbon dioxide, sulfur dioxide, and other noxious pollutants. If the UN period can be characterized as mainly intergovernmental, the EU period is marked by both accrued intergovernmentalism – through inter-governmental bargaining – and neofunctionalism – at the Commission level via interest group lobbying.

1.2. The environment as a foreign policy issue

SEPL Swedish Environmental Policy Leadership defines Swedish active role in the international and regional environmental cooperation based on governmental and societal (i.e. neocorporatist in this particular case) practices and initiatives to coarsen other countries - the international community – into taking environmental problems seriously by adopting similar legislation – i.e. on the power of the own example by constant engagement in international issues which had become a kind of Swedish foreign policy style. SEPL is synonymous with '*soft power*'³⁵⁷ used as a strategy to influence more powerful actors on the world stage. In other words, this 'power' represents the ability to persuade other states to trust its analysis, valuation and causal interpretation of an issue or threat. This type of 'ability' has subsequently developed into a kind of Swedish '*soft power*' characteristic whereby Sweden is able to exert a perhaps disproportional

³⁵⁶ When treating one particular case of a national state policy, it is important to define what the national interest is and to what extent does it affect the national environmental behavior over particular issues such as GCC Climate Change, chemical pollution and air policy – sub-sectors of the environmental policy. Then, once this point is clear, the next inference is how did the Swedish environmental preferences and responsibilities affect the SAP and its electoral score.

³⁵⁷ The idea of '*soft power*' is better known as a concept which designates EU style and strategy in foreign policy as a leader of environmental causes and advocate of the 'peaceful' resolution of conflicts.

amount of influence and persuade other actors to trust its analysis, valuation and causal interpretation of an issue or threat.

Alternatively, SEPL as '*soft power*' can be defined as a measure of the expectations the international community has regarding the type of policy the Swedish diplomacy would advocate or support. Soft power designates 'power' as '*normative influence*' based on norm creation and ideas propagation³⁵⁸. As noted by Kronsell³⁵⁹, Sweden's success in international environmental negotiations is a result of norm-based supremacy through four main channels or avenues of influence: forecasting the expectations of other states regarding the type of policy Sweden will advocate, knowledge of environmental processes (scientifically and implementation wise), expertise with environmental management at the national level³⁶⁰. These factors of normative influence cannot be disentangled from domestic policy experiences and repertoires like there is not possible to discard the state and societal level of analysis from an explanation of SEPL. That is why Putnam's two-level analysis is going to provide the effective theoretical basis for a systemic characterization of SEPL.

Echoes of neo-institutionalism and sociological constructivism reverberate when considering Swedish avenues of normative influence. In other words, Sweden's power of influence in environmental affairs stems out of the deliberate efforts to directly or indirectly improve and enhance the norms of the international community. While attempting to directly influence the norms of the larger world community is one route to follow, the potential for Sweden's global influence is enhanced once the larger international - EU and UN - community adopts a Swedish policy input or a compromise policy based on Swedish national laws. To exemplify, in international debates on environment, Sweden is frequently able to exert enough influence drawing upon its progressive record in the environmental domain, which is fostered by its domestic implementation efficiency³⁶¹.

³⁵⁸ 'Power' is also a proxy for the dependent variable of this research '*SAP electoral outcome*' in the sense that SEPL in the international arena determined SAP electoral performance as it is showed in the next chapter.

³⁵⁹ Kronsell, A. 2002. '*Can small states influence EU norms?*' in *Scandinavian Studies*. 74(3), p 287-304

³⁶⁰ See Agenda 21 at the local level in Sweden (Lundquist Lennart. 2004. *Sweden and ecological governance*. Manchester, MUP, p 20) and an ability to present a unified national position based on a shared consensus-driven understanding of the national interest among all Swedish government representatives (Kronsell, 2002, see footnote 13 above)

³⁶¹ Litfin suggests that within a given system, norm dominance may come as a result of a response to specific pressures: economic, political or ecological (Litfin, K. ed. 1998. *The Greening of sovereignty in world politics*. Cambridge, MA, MIT Press, p 20-21). Barkdull and Harris (2002) propose a framework typology that highlights a variety of potentially important variables in the shaping of foreign policies in particular circumstances related to addressing international environmental issues. The authors note that most theoretical approaches to foreign policy are of three major types based on the explanatory forces they emphasize: systemic, societal or state-centric. Systemic approaches argue that foreign policy stems from the role, identity or interests given to the state by systemic

They direct our attention to the structural characteristics of international relations, showing that states may *'arrive at their roles, identities, and national interests as a consequence of the regional or global configurations of power or as a consequence of ideas. Systemic theory is distinct in that it does not attribute outcomes to factors such as domestic politics and institutions'*³⁶². Consequently, this type of approach to EFP would divert the focus away from bureaucracy, public opinion and interest groups, pointing instead to, for example, *'environmental hegemons'* like the US in largely determining environmental policy, even in Europe.

Societal theories point to the preferences of domestic actors, which are translated into policies adopted and implemented by the government. From this perspective, explanations for foreign policy *'are found in the ongoing struggle for influence among domestic societal forces or political groups'*³⁶³. This approach might suggest that governments do not independently decide EFP; they are instead neutral or passive arbiters of policy struggles, or perhaps merely fragmented arenas for bargaining over policy. The international arena might be viewed as merely a venue for the expression of policies determined by society. Societal theories suggest that the forces shaping Europe's environmental policies are found within European societies – among elites, interest groups, social movements and public sentiments – not within the government of a member state or in international distributions of power³⁶⁴.

Alternatively, state-centric approaches suggest that foreign policy is shaped by the structure of government and the individuals and agencies that promulgate and implement foreign policies on its behalf, often with an emphasis *'on the goal-oriented behavior of politicians and civil servants as they respond to internal and external constraints in an effort to manipulate policy outcomes in accordance with their preferences'*³⁶⁵. State-centric approaches often discount the importance of societal actors and forces in shaping foreign policy, instead placing a premium on the influence of institutions or the focus of top policy-makers on promoting the national interest. *'The general message of this perspective'*³⁶⁶, *'is that the state can act independently of societal interests'*, and *'foreign policy outcomes cannot be read off from the structure of the international system, however defined'*. Alternatively, the structure of the state, such as the distribution of power

factors (e.g. regional or global configurations of power, hegemonic ideas; Barkdull and Harris, G. 2007. Europe and global climate change. Cheltenham, Edward Elgar, p 16-17

³⁶² Barkdull and Harris, G. 2007. Europe and global climate change. Cheltenham, Edward Elgar, p 18

³⁶³ Ikenberry et al. Ed. 1988. The state and american foreign policy. Ithaca, Cornell UP, p 226

³⁶⁴ Barkdull and Harris, G. 2007. Europe and global climate change. Cheltenham, Edward Elgar, p 18

³⁶⁵ See footnote 17 above

³⁶⁶ According to Barkdull and Harris; Barkdull and Harris, G. 2007. Europe and global climate change. Cheltenham, Edward Elgar, p 16

between executive and legislative branches of government, or the workings and influence of bureaucratic agencies, largely determine foreign policy. Thus, one might say that European policies – and especially European environmental policy – derive not from public pressure or international forces but instead from perceptions of threats to national interests by leaders, pressure from legislatures on policy-makers, or the degree to which environmental issues are important to bureaucratic actors. In the latter case, the influence of environmental and foreign ministries, and the European Commission, deserve attention.

However, norms are limited even if they have a qualitative character and reflect beliefs, understandings and perceptions. In the Barkdull&Harris framework typology³⁶⁷, the systemic and state-centric approaches combine to underline the role of norms and ideas in a manner that emphasizes the Swedish actors' knowledge of the environmental processes and the expertise of environmental management at the national and regional level³⁶⁸. To exemplify, Kronsell's normative factors can be geared to fit the state-centric approach since these factors were present in all the environmental lobbying instances where Sweden was successful – with the only exception of the GCC. The systemic approach only helps in combination with the state approach when analyzing the impact of norms and ideas in EFP. The systemic approach privileges 'power' in the old neo-realist perspective and treats the relationship between SEPL - understood as 'power' – and norms and ideas from a structuralist point of view, i.e. showing that states may '*arrive at their roles, identities and national interests as a consequence of the regional configuration of power or as a consequence of ideas*'³⁶⁹.

In this sense, ideas are reified to contribute to the '*social construction of EFP*'. Ideas can direct international actors toward new ways to pursue their 'interests' whether unilaterally or multilaterally. From this 'constructivist' perspective, material interests and power may have limited influence compared to even more influential identities that the international system generates for global actors. If Swedish foreign policy and international agreements are socially construed, then material interests and power may have limited influence compared to even more influential identities that the international system generates for global actors³⁷⁰.

³⁶⁷ See footnote 16 above

³⁶⁸ These two levels have a key importance in the Putnam' and Barkdull&Harris' analytical frameworks since they are necessary to explain how norms and ideas influence Swedish EFP. They are a measure of Putnam's level II – the domestic level, which better account for the effects of the external level policy-making on domestic politics.

³⁶⁹ The processes by which norms are internalized and ideas become consensual are communicative action processes, which are a necessary condition for ideas to become consensual. (Risse-Kappen, T. 1995. Bringing transnational relations back in. Cambridge: CUP, p 289)

³⁷⁰ Ideas and discourses stabilize institutional structure by enabling actors to be creative and to change the pre-conditions of negotiation. The extent to which the formal and informal properties of structure impose constraints and define the boundaries of possible behavior

No single or even type of theory is necessarily best for explaining and understanding SEPL in all circumstances. Indeed, approaches might suitably be combined to arrive at the richest explanation for policy. Rather, for an understanding of the Swedish state's actions in response to societal pressures, one must turn to the state level of analysis, which explores the way in which states and state agencies act to protect a multitude of perceived interests. Environmental protection – as a normative goal and part of the national interest – and sovereignty concerns are the two main channels whereby SEPL is achieved. The state evaluates international environmental cooperation by focusing on '*interactions among domestic political preferences and positions*' governments take in international negotiations – as a measure of the domestic stimuli, of the balancing between economic growth and popular demands for development with foreign pressures to join environmental regimes and the rivalries and alliances between foreign policy agencies and the individuals working in them – as the epitome of the state approach, which emphasizes the role of the political state structure in deciding over environmental outcomes.

The changes in the structures of Swedish environmental policy are obvious in the Riksdag involvement in EU affairs. The standing committee dealing with environment and agriculture from the Advisory Committee on EU affairs in questions of EU legislation has been created simultaneously with the EU entry. Previously, this standing group did not exist and nobody did intervene to add new topics to the EU agenda. The Swedish ministries most affected by EU integration - apart from the Foreign Ministry – are the ministries which operate in shared competence, communitized areas such as the Environment Ministry, the Health Ministry, the Finance Ministry and the Agriculture Ministry.

Environmental policy has not been an autonomous policy option since the beginnings, but, on the contrary, it has developed gradually from its initial economics-related status into – as I will argue – a fully-fledged foreign policy issue entailing supranational legislation. If, in the 1970s, environmental policy was 'defined' as trade policy and seen as a '*by-product*' of economic integration, it has acquired full status by 1987 with the SEA Single Act, fifteen years after the 1972 Stockholm Conference. The motor of this policy's progressive integration in the package of political priorities worldwide was the result of certain states' lobby at the international level, amongst which Sweden secured a front place early on.

In order to explain SEPL Swedish Environmental Policy Leadership in relation to foreign policy, one has to combine Putnam's two-level analysis with Barkdull & Harris framework typology. It is expedient to do so because SEP is situated within the wider picture of national and

represents '*the chicken-egg question*' in the structure-agent scientific issue of institutional norm creation. The discussion here on norms creation '*at the helm of Swedish governmental diplomacy*' in the UN and EU is detailed below by analyzing the different instances and norm production in the EU and UN.

international dynamics – level II and level I, respectively, according to Putnam. The interaction between international and domestic influences in Swedish environmental policy making is clarified by dint of Putnam's concepts of 'two-level games' and 'double-edged diplomacy'³⁷¹. Putnam and others have argued that 'double-edged diplomacy' requires national political leaders to conduct foreign policy by simultaneously managing contending political pressures and constraints in the international – level I – and national – level II – environments.

The concepts on which this research is based – neocorporatism, policy networks and economic structural interdependencies – provide a supplementary explanatory conceptual framework, reinforcing the general trends within the existing literature towards the usage of two-level games and the conclusion drawn recently by Lantis and Queen³⁷² (1998) that a greater focus on the interaction between external bargaining strategies - level I - and internal constraints – level II – is essential and help explain a great deal of SAP's neocorporatist decline. In my research, the variables 'fragmented party politics' and 'declining neocorporatism' pertain to Putnam's internal level while the other two variables 'economic interdependencies' and 'environmental threats' belong to Putnam's level I, the external level. Because the first two variables – neocorporatism and policy networks - both refer to the national internal dynamics, they will be present in the next chapter, chapter 7, which discusses internal Swedish politics. However, the variable 'neocorporatism' is also used when discussing Sweden's international profile and environmental leadership inasmuch as it is suggested here that 'neocorporatism' at home had much influenced Swedish record and behavior outside³⁷³.

Barkdull & Harris provide the link between the national interests in society and foreign environmental policy. The societal approach emphasizes elements which stress the role of social movements and public opinion, factors whose importance is evidenced below in the 1979 national referendum on nuclear power³⁷⁴. However, it would be wrong to assume the view of the state as a neutral arbiter or arena, as many societal views of the state do³⁷⁵. Rather, for an understanding of the Swedish state's action in response to societal pressures, we must turn to the state level of analysis,

³⁷¹ See Evans et al. 1993. Double edged diplomacy, International bargaining and domestic politics. Berkeley, CUP: Putnam, R. 1988. 'Diplomacy and domestic politics: the logic of two-level games'. *International Organization*, 42 (3), p 427-460

³⁷² Lantis and Queen, M. 1998. Negotiating Neutrality. in *Cooperation and Conflict*. 33(2), p 152-182

³⁷³ In the next subchapter on 'policy networks and neocorporatism', it is showed how policy networks – in their various forms – initiated by the Swedish diplomacy influenced the formation of coalitions in the UN and EU on multiple framework issues such as climate change, chemical testing and air quality.

³⁷⁴ Carter, Neil, 2007. *The Politics of the Environment ideas, activism, policy*. Cambridge, CUP, p 356

³⁷⁵ Barkdull & Harris, see footnote 16 above

which explores the way in which states and state agencies act to protect a multitude of perceived interests. The state – even the Swedish state – has interests beyond environmental protection. Namely, the state wishes to protect itself. Environmental protection may be one way in which state survival is assured, but this is not the only way.

In the Swedish case, the strength of the conceptual framework lies in its ability to elucidate the factors impinging on Putnam's level I and level II negotiations, which lately defined the political end-games in Sweden. EU membership, EMU and nuclear power are just some of the factors which drastically contributed to the final countdown of social democratic power. The problem is to clarify which factor belonged to which level and their effect on the dependent variable at stake. Moreover, concerning the relationship between international and domestic politics in articulating EFP, it must be underscored that the structures and actors – which can impact on responses to environmental issues – play a crucial role. For instance, power in the international system is seldom going to adequately explain environmental policy by itself. Only by combining 'power' and 'state' together is there possible to fathom the intensity and extensivity of the SEPL concept.

No single theory, or even type of theory, is necessarily best for explaining and understanding the EFP Environmental Foreign Policy of all states in all circumstances. Indeed, approaches might suitably be combined to arrive at the richest explanations for policy. For example, power in the international system is seldom going to adequately explain environmental policy. Certainly, the distribution of '*environmental power*' of the US and China matters greatly and Europe's 'power' in this respect is on the rise and of increasing utility. However, Sweden's power in this context does not rely on the state only, but it is largely wielded due to society-based factors.

Alternatively, principled ideas, such as the obligations of the EU to take on action in many environmental issue areas, have influenced policy framing in this respect, but power configurations among European and other states, as well as assessments of national interests in this context, mean that influence of those ideas in shaping environmental policy are substantially reduced. In any case ascertaining how those ideas are influential requires looking at potential interactions and feedback loops at all levels of analysis. For instance, the case of GCC represents the only situation where the state-centric and systemic approaches can explain Swedish environmental diplomacy performance over climate change negotiations and policy framing³⁷⁶.

³⁷⁶ The other 2 two environmental cases analyzed here – air policy and REACH – represent Swedish successes where Swedish national expertise was successfully promoted in the international arena. In these two cases, the role of 'interests' serve to knit the role of power and ideas together. For it is the content of these ideas, which represent Swedish interests – those interests deemed salient by the national public and expedient by political actors –

Interests and ideas - as well as identities - do not exist exogenously to a context of interaction between structure and agents; rather, they become embedded through processes of CA communicative action within the institutional structure. Although agents may make structures, they are also subject to the behavioral modifications that are imposed by those structures. It is to suggest that institutions are shapers of behavior and perhaps cognition, thereby exhibiting a '*structuralist bias*'. The search by CA theorists for conditions where ideas and discourses stabilize creates an affinity with the policy network literature discussed below.

In the Swedish case of environmental leadership, the domestic agenda has helped at building the international policy networks necessary to advance the national interest on acidification and chemical regulation. The intergovernmentalist approach lies at the core of the theoretical design underpinning both the societal – in this chapter – and statal hypothesis – in the next chapter, but it does not lay the basis for a holistic analytical attempt of the domestic – external dynamics. Neo-institutionalist interpretations add to the analysis the idea that policy networks facilitate bargaining and exchange in international negotiations, which is a central theme in the analysis of environmental policy leadership. In the words of Lee Miles, the combination of neo-institutionalist elements with the intergovernmentalist approach – which forms the crux of this research method – is a '*supplementary explanatory conceptual framework, reinforcing the general trends within the existing literature towards the usage of two-level games and the conclusion drawn recently by Lantis and Queen (1998) that a greater focus on the interaction between external bargaining strategies (Level I) and internal constraints (Level II) is essential*'. Anyway, in order to simultaneously follow both the domestic and international developments of one country, it is not possible to make out the meaning of Swedish EFP without addressing the factors impinging on Putnam's level I and level II negotiations.

Viewing environmental policy as directly related to foreign policy, Swedish EFP can be analyzed through Barkdull & Harris's societal and governmental frameworks while keeping in mind Moravcsik's intergovernmentalism. However, particular attention is going to be paid to norms and ideas - in the detriment of 'power' – since this is the manner by which Sweden traditionally engages in international environmental diplomacy. Environmental prioritizing has been a constant of the Swedish diplomacy ever since the 1972 UNHCD Stockholm Conference. This type of 'strategy' has subsequently developed into a kind of '*soft power*' whereby Sweden is able to exert a perhaps disproportional amount of influence and persuade other states to trust its analysis, valuation and causal interpretation of an issue-threat. Likewise, this is a measure of the

which are then sold to other political actors in a process that empowers Sweden. Therefore, the societal approach is best suited to treat these two 2 environmental successes in the EFP.

expectations the international community has regarding the type of policy the Swedish diplomacy would advocate or support. Applying the B&D typology to the Swedish case, the power variable actually becomes the 'dependent' variable which defines the Swedish EFP strategy.

Since it is extremely helpful in accounting for the leadership position of a single actor on the international arena, I would rely here on environmental policy analysis or EPA as developed by Harris et al. (2007)³⁷⁷. His analytical approach underlines the crossover and interaction between domestic and international politics with the aim of examining environmental issues on multiple levels. That is, Swedish environmental leadership cannot be fully understood by looking solely at domestic policy making, on one hand, or by examining international politics and diplomacy, on the other.

As EPA pays attention to the crossover between these levels of analysis, and indeed includes each of them, it is a potentially productive way to of viewing the problem, its causes and potential solutions *accounting for Putnam's dual game*. One way of assessing the impact of the 'environmental leadership' variable is to frame the environment issue in terms of environmental foreign policy and to look in some detail at the actors and processes of foreign policy that, by definition, operate in the analytical space that crosses over between the domestic and the international.

Exemplifying, SEPA and Chem are the two Swedish technical agencies which function beside the Environment Ministry and are responsible for overseeing the implementation and adaptation of EU legislation. They supplied the need for expertise and offered it interchangeably to the civil servants in the ministries. This phenomenon is an example of the overlapping between the domestic and international spheres inasmuch as the Environment Ministry has become overloaded with EU negotiations and the requirements ensuing from them. As Kronsell (2004)³⁷⁸ notes, 'The Swedish national policy style has become more legalized and less negotiated', a phenomenon concurrent with the simultaneous process of declining neo-corporatism. Meanwhile, 'interests, ideas and norms' represent the independent variables which help explain Swedish EFP at the domestic and international levels. However, they might be influenced by antecedent variables such as globalization. In this sense, EU membership is only a symptom of globalization.

These three broad approaches to understanding foreign policy – focusing on the international system, domestic society or the state – can be refined by simultaneously considering, in each case, the role of power,

³⁷⁷ Barkdull and Harris, G. 2007. Europe and global climate change. Cheltenham, Edward Elgar, p 350

³⁷⁸ Kronsell, A. 2004. 'Sweden: Reluctant but Environmentally Ambitious' in Andrew Jordan and Duncan Liefferink (eds) Environmental Policy in Europe, The europeanization of national environmental policy. London: Routledge, p 195

interests and ideas³⁷⁹. In brief, there are: the ‘realist’ approach, the ‘*liberal institutionalism*’ approach and the ‘constructivist’ method. According to the first approach – a power-based approach and often characterized as ‘realism’, the countries join international regimes due to hegemonic or oligopoly distribution of power in the international system. Hegemons or small groups of leading powers create regimes that serve their interests, and then force them upon their countries. Alternatively, interest-based theories – often associated with liberal institutionalism – posit that international cooperation stems from the desires of states to promote their interests in a given issue area. According to this perspective, hegemonic power is not essential because rational state actors will cooperate to achieve joint gains.

Therefore, I have introduced the argument according to which the society approach in EFP environmental foreign policy is not entirely appropriate to analyze the whole gamut of environmental policy concerns, but only certain aspects of it, such as air quality development and chemical regulation. In what regards the GCC aspect of environmental policy, the Swedish diplomacy formulated answers which were not in accordance to this approach, but rather pertained to the state level theoretical framework.

Sweden actively sold its interests as norms to be agreed upon, advanced, but never imposed at the international level as a tool of normative persuasion. The inter-governmentalist view according to which the international agreements are based on member states’ domestic interests – through bargaining and negotiation – proves its validity in the Swedish case. Conversely, by following the neofunctionalist logic, the dichotomy between national and international interests fades in front of what Putnam calls the two-level game³⁸⁰ which overlaps the two levels interchangeably to explain SEPL and power. This research independent variable – one state environmental leadership - focuses on the crossover between the domestic and international arenas of politics and policy-making using Putnam two-level analysis.

In point of fact, EU membership, EMU and nuclear power are intervenient variables in the research design while concepts such as ‘neocorporatism’, ‘*economic interdependencies*’ and ‘*environmental threats*’ are indicators of the independent variables ‘interests’, ‘norms’ and ‘ideas’. These indicators are operationalized on the basis of the independent variables, which are the explanatory key of the whole theoretical design, but they are based on the CSD and MDG frameworks, the two UN environmental agendas, launched in Rio in 1992 and Johannesburg in 2002,

³⁷⁹ Barkdull and Harris, see footnote 16 above; Hassencler et al. 1997. *Theories of International Regimes*. Cambridge, CUP, p 15

³⁸⁰ Robert D. Putnam. ‘*Diplomacy and Domestic Politics: The Logic of Two-Level Games*’ in *International Organization*. 42(Summer 1988): p 450

respectively³⁸¹.

When analyzing foreign policy at the state level, the governmental interest is highlighted and the intergovernmental approach is inherent. Foreign policy is not only a set of rules that constrain state behaviour – as in the classic neo-realist theory of international relations, but also a set of policies which bridge the policy gap between domestic and foreign issues and aim at pulling up domestic interests onto the international arena – as in Barkdull and Harris framework typology of EFP Environmental Foreign Policy. Their portrayal of foreign policy dynamics restates the same logic as Putnam's two level games inasmuch as it links member states' policy behavior at the international level to their domestic – political and economic – dynamics³⁸².

1.3. Neocorporatism and policy networks

Furthermore, '*economic interdependence – and environmental pressures (a.n.) – multiply the opportunities for altering domestic coalitions (and thus policy outcomes)*' and thus neocorporatist practices – so called *synergistic linkage*³⁸³. According to Putnam, political leaders must manage the pressures of the level I, international environment – which have a greater impact when they touch upon compelling economic interdependence and environmental threats. Any friction between these two factors – environmental issues and economic linkages – is internalized by Swedish EU membership with successive governments following a 'mixed' approach on EU integration questions (Lindahl 1996a: 43). With some simplification, the economic linkages promote the idea of Swedish involvement in supranational EU-based policies in environmental matters, whilst declining neocorporatism at home restricts it, emphasizing intergovernmental tendencies³⁸⁴.

³⁸¹ The indicator '*environmental threats*' is construed based on an index featuring '*air pollution*', '*chemical pollution*' and '*climate change*' clusters of different variables present in the CSD framework

³⁸² However, both these approaches are neither opposed to Moravcsik's intergovernmentalist assumptions nor to neo-institutionalist functionalist interpretations – as I have underlined above. The fact that environmental policy priorities are a consequence of accruing neo-corporatism derives from the third hypothesis, which is proven in this chapter. (Moravcsik, A. 1998. *The Choice for Europe*. London, Routledge, p 230-5; '*Liberal international relations theory a scientific assessment*' in Colin Elman and Miriam Fendius Elman, eds. 2003. *Progress in International Relations Theory: Appraising the Field*. Cambridge, Mass: MIT Press, p 163-175

³⁸³ Robert D. Putnam. '*Diplomacy and Domestic Politics: The Logic of Two-Level Games*' in *International Organization*. 42(Summer 1988): p 447

³⁸⁴ In any case, the two points – economic interdependence and environmental pressures – are complementary in defining parties' record and strategies on environmental policy, for, in the Swedish case, environment is a priority at both the grassroots and elite levels. Moreover, in the Swedish political spectrum, environment has always represented a polarizing issue inasmuch as the Green and Left parties have been opposed to EU membership precisely due to environmental 'decalage' between the EU and Sweden.

It is important to clarify the contrasting nature of the external and internal factors even if their influence reverberates upon each other. For instance, the external aspects pertaining to Putnam's level I include EU membership and EMU or, in other words, environmental pressures and economic interdependence. Whether Swedish EU membership was coincidental or contingent upon previous UN activity in the field of the environment or just a continuation of it, is the main question at stake³⁸⁵.

By the same token, the political support of the system – the '*neo-corporatist*' entente among Social Democrats and trade unions, on one hand, and the bourgeois coalition and the SAF, on the other hand – is examined since the Swedish negotiated style – which laid the basis of neocorporatism in the very beginning – has somewhat changed in the last decade.

By contrast, neocorporatism is present at both the external and internal level. At the external level, it is forging alliances in the UN and EU, which is the methodological novelty of this research. From the usual domestic neocorporatism, it extrapolates into a sort of so called international neocorporatism through epistemic communities. Aspects of domestic neocorporatism are dispelled with in the next chapter, which addresses SAP's constraints at the internal level.

First of all, two 2 main distinctions need to be stressed before treating the relationship between policy networks and neocorporatism. One distinction is between neocorporatism at the internal level – the embedded relationships between political institutions and interest groups – and between neocorporatism at the international level. The former type of neocorporatism makes the object of this subchapter while the former is treated at length in the next subchapter. First of all, a historical presentation of environmental policy in Sweden is cast off here since an in-depth summary of Swedish environmental achievements is already laid out when discussing Swedish activity in the UN and EU fora. Therefore, I'll try to highlight the key moments of interference between national and supranational levels when environmental decisions were formulated and implemented.

In order to identify whether 'business' interests played a fundamental role in the neo-corporatist settlement of the national priorities and whether the distinction between 'business' and 'labor' is sufficient to explain environmental prioritizing and leadership, one has to consider an additional research level, that between 'external' and 'internal' levels of constraint.

Internal neo-corporatism means is based on the theoretical continuum '*policy communities-policy networks-issue networks*' which is applied to

³⁸⁵ Which was the role of the SAP in relation to these notable externalities (Ostrom, Elinor. 1990. *Governing the commons*. Cambridge, CUP, p11) and which was its position to the declining neocorporatism of the '*fragmented Swedish democracy*' are questions pertaining to the next chapter inasmuch as they deal with the internal dynamics between the SAP and interest groups, on one hand, and between the different currents within the party.

explain early Swedish environmental policy-making³⁸⁶. In particular, environmental policy has been characterized by steady policy communities and networks at the formulation stage where agenda issues are formulated and ‘processed’ into technical and workable legislative EU proposals, especially in such a technical area of ‘*low politics*’ as the environment.³⁸⁷ I argue that environmental policy – in addition to being highly pluralistic, it also exhibits neo-corporatist tendencies at both the internal and international level.

The ‘*policy community*’ approach is suited to analyze the negotiation stage in environmental policy-making because it highlights the long-term stability of the relationships between policy actors. As Heclo³⁸⁸ once remarked, ‘*if policy actors could be brought together in a long-term and stable relationship which presented the prospect of an exchange relationship, then this was most likely at the sub-sectoral and micro-level*’. Therefore, in the case of the environmental policy, the pattern exhibits stable relationships among actors, but also the concomitant increase in the number of public stakeholders (ENVNGOs, QUANGOs, etc.) having as an aim to influence environmental decisions. However, stability does not mean a lack of dynamics; on the contrary, as proliferating groups have claimed a stake and clamored for a place in the policy process, they have helped diffuse the focus of administrative and political leadership. Therefore, ‘*policy networks*’ represent the link between the ‘business’ and the ‘other’ stakeholders’ interests in Swedish environmental policy.

By trying to identify networks of policy actors, the analysis focuses on what are the stakeholders in Swedish environmental policy. This process of identification is necessary since it clarifies the range of actors involved and the nature of their involvement. Given that there are a multitude of stakeholders in multilevel government structures typical international organizations structures, policy networks are supposed to accommodate and incorporate these stakeholders’ groups. Hence, the use of policy networks as theoretical categories able to characterize the whole range of actors and stakeholders, their ‘*nested games*’, bargaining tools and strategies, preferences, resources, and last but not least, their ideas and beliefs. The basis of the relationship between these different actors is threefold. First,

³⁸⁶ According to Rhodes (1990: 304), policy communities and issue networks are part of a continuum – and therefore ‘*policy networks*’ should be used as a generic term – is a sensible reminder that there is no one model of policy-making. He draws on Benson’s 1982 definition of a network as ‘*a cluster or complex of organizations connected to each other by resource dependencies and distinguished from other clusters or complexes by breaks in the structure of resource dependencies*’ (Benson, J. 1982. A framework for Policy Analysis in D. Rogers and D. Whitten. International Coordination. Ames, Iowa State UP, p 5; Rhodes, R. 1990. Policy Networks. in *Journal of Theoretical Politics*. 2(3), p 304)

³⁸⁷ Lowi, T. 1986. *The Welfare state, the new regulation and the rule of law*. Aldershot, Gower, p 11

³⁸⁸ Heclo, H. 1979. *Issue networks and the executive establishment*. in A. King (Ed.), *The new American political system*. Washington, DC: AEI, p 67.

there is the recognition of each other as legitimate stakeholders in the policy area; second, recognition that collaboration is the best means of achieving policy gains; third, there is a desire to achieve negotiated and stable policy environments in preference to instability and uncertainty. In other words, cooperation within various types of policy networks may be the best strategy in a policy game in which there are many veto points; there are mutual gains to be had via cooperation. This is rather different from direct resource dependency or a shared direct involvement in service delivery or shared values. Focusing on networks of stakeholders may, therefore, help us to analyze the detailed process by which new knowledge and policy ideas are translated into specific policy proposals. The ‘*stakeholder meetings*’ at the Commission level in the EU were preceded at the domestic level in Sweden by negotiated neo-corporatist settlements.

The second distinction is that between policy networks as such. In short, there are two different kinds of policy networks: policy communities and issue networks. At the left end of the continuum, as already pondered above, ‘*policy communities*’ characterize the second stage of environmental policy – the formulation stage – and apply to actors who are bound by common interests. At the opposite end of the continuum, ‘*environmental issue networks*’ define the specific problems on the agenda and tie together what would otherwise be the contradictory tendencies of, on one hand, more widespread organizational participation in environmental policy and, on the other, narrower technocratic specialization specific to this type of policy. Moreover, an ‘*issue network*’ is a shared knowledge group having to do with some aspect (or, as defined by the network, some problem) of public policy³⁸⁹.

If ‘*nested games*’ and bargaining strategies only pertain to the intergovernmentalist approach, the ‘*policy networks*’ approach can be used both from an intergovernmentalist and neofunctionalist point of view since it is mostly a sociological-constructivist notion, which does not conflict with the other two. In addition, it does not leave out notions as ‘norms’, ‘ideas’ and ‘beliefs’ as the other two approaches (the neo-functional and the inter-governmentalist approaches) do. ‘*Policy networks*’ designs a generic term which incorporates ‘*issue networks*’, ‘*epistemic communities*’ and ‘*policy communities*’. The difference consists in the fact that, unlike ‘*policy networks*’, ‘*issue networks*’ take into account actors’ or stakeholders’ common ideas and beliefs. An issue network is better defined than an interest group; it is at the final stage of the policy process and its actors are tied mostly by ideas and beliefs. While ‘*policy communities*’ are closer to

³⁸⁹ It is better well-defined than a shared-attention group or ‘public’; those in the networks are likely to have a common base of information and understanding of how one knows about policy and identifies its problems. But knowledge does not necessarily produce agreement. An issue network may or may not, therefore, be mobilized into a shared-action group (creating a coalition) or a shared-belief group (becoming a conventional interest organization) (Hecl, 1979: p 103, see above)

ideas and beliefs, ‘*epistemic communities*’ are only about ideas and beliefs; they are based on ideas and beliefs of a closely knit group of researchers. Issue networks have common interests and common strategies with the ‘*epistemic communities*’, but they differ on the fact that issue networks are made up of actors which are more loosely inter-connected than the actors populating ‘*epistemic communities*’, who are closely knitted to each other. Swedish international action abroad in the environmental field is an example of the capacity to build ‘*epistemic communities*’ in the UN and establish stable ‘*issue networks*’ within the EU³⁹⁰.

The relationship state-interest groups-government is illustrative of the Swedish neo-corporatist practices at the domestic level. Private interest government in Sweden is based on a cooperation and consensus model, which relies on the inclusion of a broad range of organized interests in planning and decision-making. It was characterized by carefully negotiated pacts between unions and businesses with governmental supervision. Generally, interest organizations have been recognized as legitimate

³⁹⁰ Mainstream organization theory has the shortcoming of not adopting a political concept of interest, but continuing to use the old concept of ‘*voluntary organizations*’ from the pluralist tradition (David B. Truman. 1993. *The Governmental Process: Political Interests and Public Opinion*. Berkeley: Institute of Governmental Studies). Private interest governments or neo-corporatist intermediaries in addition to being mechanisms of policy implementation are also in a very specific sense producers of group interests within policy networks. Contrary to their dominant image as ‘*voluntary organizations*’, they are much more than passive recipients of preferences put forward by their constituents and clients. Empirical observations of neo-corporatist practice, as well as theoretical reasoning, show that organized group interests are not given but emerge as a result of a multi-faceted interaction between social and organizational structure – whereby the substance of the collective interest depends at least as much on the way it is organized, as does the structure of the organization on the interest it is to represent. This interactive relationship is only partly described as one of organizational goal formation; at the same time, it is one of collective identity formation shaped and constrained by established, licensed, oligopolistic organizational structures. Oligarchic staff interests are undoubtedly one of the factors that affect the outcome, but more important seem to be the properties of an association as such – its domain, structure, resources – which determine the institutional context within which group interests and identities are defined and continuously revised. This essentially political view of organizational structure goes beyond traditional concepts of organization centering on the notion of efficiency and effectiveness, just as it transcends objectivistic concepts of interest which postulate their existence outside and apart from their organization. The empirical phenomenon of private governance, just as it requires political science to take more seriously the notion of organized interests, seems to require organizational analysis to come to better terms with the politics of interests. The phenomenon of PIG private interest government exhibits three main characteristics: genetic, functional and structural. Since the genesis of private interest government can in an important sense be conceived of as a process of organizational change, the first part of the discussion will be devoted to the possible contribution of organization theory to an improved understanding of an associative social order. Secondly, in functional terms, the sense – in which PIG contributes to the functioning and, hence, compensate for the deficiencies of community action, market competition and state intervention – is outlined. Finally, concerning the structure of private interest government, the role played within private interest government by elements of spontaneous solidarity, dispersed competition and hierarchical control.

participants in the decision-making process. They are involved in the formal policy process through a system of referrals (*remissfoerfarande*), but there are also less formal aspects of their involvement. A drawback to this involvement is often that *'it can make the consensus-seeking processes - in which legislation is formed - more time consuming'*³⁹¹.

What associations in a neo-corporative order strive for is something more prosaic, but quite rational given the structural complexity and informational overload of modern society, namely satisfying interests. In Sweden, interests are satisfied mainly through negotiation and expertise. Due to the unswerving belief in expertise, interest representation in Sweden has not started as a grassroots movement, but has mainly included well-established organizations such as labor unions, the employers' and farmers' union. The number of organizations has increased over the years not only because of the addition of 'new' social movements – such as the environmentalist, feminist and peace movements, but also because of the growth within existing organizations. As a consequence, it has been difficult to decide whom to include in the decision-making process without making it more cumbersome and tedious. In any case, the broad Swedish population has never had the privilege of deciding which organizations to involve. Such choices have been limited to the governmental and administrative levels. *'While the corporatist tradition has enabled more traditional and established organizational interests to participate in environmental policy planning, environmental NGOs have been far more marginalized'*³⁹².

Exemplifying, the hearings of the Franchise Board, which are limited to the affected parties, stipulated that *'only those who own private property that can be damaged through a polluting activity can participate'*. *'There has been no provision for environmental litigation and thus individuals or*

³⁹¹ The motives of cohesion in neo-corporatist societies is what motivates a subordinate to conform to associationally negotiated pacts is lesser uncertainty about aggregate outcomes and higher assurance of receiving a proportionally more equitable share of whatever is disputed. If one adds to these the probability that certain conditions of macro-societal performance (inflation, unemployment and health benefits, strike rates or wage bargaining) will be superior in societies whose markets have been tamed by associative action, then we have an even greater reason for understanding member conformity (Ruin, Olof. 'The Europeanization of Swedish Politics'. *Sweden and the European Union Evaluated*. Ed. Lee Miles. London: Continuum, 2000, p 99)

³⁹² By deliberate mutual adjustment and repeated interaction, these comprehensive, monopolistically privileged actors avoid the temptation to exploit momentary advantages to the maximum and the pitfall of landing in the worst possible situation. In short, they avoid the prisoner's dilemma through inter-organizational trust backed by *'private interest government'*. In Sweden, the price paid for a lengthy deliberation process and a series of second-best compromised solutions – which are often difficult to justify on normative grounds – is the declining neo-corporatist practices with negative consequences for trade unions and the welfare state 'mechanisms'. Ericsson, L. 1985. *Ett stort regn kommer att falla – Naturen, myndigheterna och allmänheten*. Lund, Bokbox Foerlag, p 65; Lundquist, L. J. 1981. *The hare and the Tortoise, Clean Air Policies in the US and Sweden*. Ann Arbor, Michigan Press, p 13

*NGOs cannot call for the enforcement of environmental legislation in order to protect the public interest*³⁹³. However, the role of organized interests in the Swedish policy process has tended to reduce conflicts by including rather than excluding the critics and opponents of policy proposals and by tying them closely to the administrative and governmental apparatus. On the other hand, since not all groups, but only representatives from certain groups, have been included, the interests and criticism of the strongest and best organized groups have been firstly and mainly heard.

In Sweden, the genesis of PIG private interest government and neo-corporatism is indebted to SAP's rejection of the Marxist class-struggle. Ideology has been 'sacrificed' to competitiveness and the market; welfare arrangements have been introduced to offset the inequities of the market economy. The widely accepted antinomy of state versus market appears to be insufficiently complex for the argument made here of a relationship between neo-corporatism and SEPL through policy networks³⁹⁴. Also, an elaborate intermediary associational structure seems to have enlarged Sweden's repertoire of available policy alternatives – its '*requisite variety*' – and this may enable such countries to respond to new environmental threats without having to undergo dramatic internal realignments.

From the viewpoint of public policy, neo-corporatism amounts to an attempt to assign to interest associations (business, labor and public interests) a distinct role between the state and '*civil society*' so as to put to public purposes the type of social order that associations can generate and embody. In Swedish policy-making, there is a long tradition of seeking consensus between opposing groups and interests through negotiations. In this process, mutual trust is built. This is how it is possible to let industry control its own emission levels. Licenses and emission levels granted to polluting industries by either the Franchise Board or the county administrations are followed up mainly through self-control. This does not mean that the relationship between the economic sector of society and those representing environmental interests has been harmonious or devoid of conflict, or that industry can be trusted not to cheat on emission targets. It only illustrates the tradition of meeting, discussing and seeking agreement

³⁹³ Westerlund, S. 1992. EG och makten oever miljoen. Stockholm, Naturskyddfoereningen, p78-9; Ericsson, L. 1985. Ett sturt regn kommer att falla – Naturen, myndigheterna och allmaenheten. Lund, Bokbox Foerlag, p 134

³⁹⁴ The swing of the pendulum of environmental public policy seems to be different in different countries, with some countries being much less torn between the two extremes than others. As it happens, these countries tend to be those that have strong neo-corporatist institutions, associational and inter-associational conflict regulation like Sweden. Institutions of this kind, in addition to mediating between the state and the market, seem to limit the extent to which the two can invade each other and enlarge their domain at each other's expense. In this way, they seem to inject an element of stability in their respective polities which makes them less subject to changing political fashions.

among organized interests³⁹⁵.

An alternative to direct state intervention and regulation, the public use of private organized interests takes the form of the establishment, under state licence and assistance, of '*private interest governments*' with devolved public responsibilities – of agencies of '*regulated self-regulation*' of social groups with special interests which are made subservient to general interests by appropriately designed rules within neo-corporatist institutions. The specificity of this strategy lies, above all, in the kind of interests on which it is based and in the way in which they are treated. For instance, to increase the legitimacy of the previous decision models, which have been elitist and top-down, the Swedish government has passed legislation related to planning for the municipal level in the form of negotiations with the spontaneous involvement of concerned or interested actors rather than only predetermined or well-established interests. Legitimizing negotiations – as a decision process – has to be understood as part of the general tendency towards decentralization, which has given the municipalities more power to decide, for example, over physical planning. However, large projects still remain under state jurisdiction. The major concern expressed about negotiation as a method of deciding physical planning was related to the problems of democratic accountability and transparency. In many municipalities, the interdependence between the private sector and the administration was asymmetric and leverage was often on the side of industry and business leading to unwanted compromises on environmental concerns. In other words, the municipal administration often did not have sufficient power and resources to secure the implementation of environmental regulation and often had too much to lose since industry and business provide revenue and employment. This aspect was becoming increasingly important in light of the more recent tendency to delegate more responsibility to the local level. This can be said generally about the cooperation and consensus process of decision-making where compromises can be reached and mutual trust developed between actors with conflicting interests so that hostile conflicts leading to stalemates can be avoided. On the other hand, if environmental issues were essential to individual and societal survival, as environmentalists argue, then compromises of the kind might be detrimental.

The compatibility between '*categorical goods*' and '*collective goods*' lies in very few cases such as the peculiar case of Swedish neo-corporatism where it is in the interest of an organized group to strive for a '*categorical good*' which is partially compatible or identical with a '*collective good*' for

³⁹⁵ The organizational dynamics of PIG shows that private governance in a corporative-associative order is based on group self-interest. It is the result of an organizational dynamic by which pluralist interest representation is transformed into neo-corporatist interest intermediation. This dynamic can be analyzed in three dimensions: the relationship between organizations and interests, the role of public status in the shaping of interest organizational structures and functions and the influence of political-organizational design.

the society as a whole³⁹⁶.

According to Coen&Dannreuther (2003), Grote&Lang³⁹⁷ the behavior of interest groups vary depending on both national and international politics. The industrial interests are represented largely by the Swedish Employer Confederation SAF or Naeringslivet which consists of 39 employer associations with 43 000 companies and the Federation of Swedish Industries (Industrifoerbundet) which is a cooperative organization for 7000 industries. The analysis of the labor interest primarily focuses on the Swedish Trade Union Confederation LO, which has 16 affiliates representing 1.9 million blue-collar workers and the Swedish Confederation of Professional Employees TCO, which has 18 associations with 1.3 million white-collar workers. In addition, there is the Swedish Confederation of Professional Associations SACO, which consists of 26 associations embracing 550 000 members (mainly with university degrees). It should also be noted that in general terms, the employers' organizations have long supported liberal trade as a prerequisite for economic welfare and thus supported Swedish participation in the SEM Single European Market project and Swedish full membership of the then EC European Community since the early 1980s. However, such internationalization was more discernible in industrial as opposed to labor organizations.

It is impossible to assess whether interest group competition in Swedish domestic politics led to '*declining neo-corporatism*' or rather – whether the global economic pressures determined a loss of competitiveness of the Swedish industry. The permanence of this latter situation is usually what entails interest group competition. Unlike political parties, competition between interest groups does not take place within a party system designed to cater for explicit competition for the electorate's support, which finds an explicit voice through votes. Undeniably, the '*economic interdependencies*' such as globalization, EMU and EU integration played an important part in the internal competition between interest groups and parties. What changes in the Swedish case is the fact that Swedish governments tried to promote national coordination and consultation with neo-corporatism. The government recognized that such activities, involving opposing political parties and interest groups in general, are one possible way of enhancing domestic solidarity and support for governmental positions. That is because promoting national coordination and consultation with interested parties should give such governments greater freedom of manoeuvre and a larger

³⁹⁶ The extent to which categorical and collective goods overlap depends, within limits, on two factors: on the way in which group interests are organized into associative structures and processes and on a complex bargaining process between organized group interests and the state - i.e. between the governments of private and public interests.

³⁹⁷ Coen&Dannreuther. 2003. 'Differentiated Europeanization, large and small firms in the EU policy process' in Featherstone and Radaelli, C. 2003. *The politics of Europeanization*. Oxford: OUP, p 252; Groote&Lang, A. 2003. '*Europeanization and Organizational Change in National Trade Associations*' in Featherstone and Radaelli, C. 2003. *The politics of Europeanization*. Oxford: OUP, p 236-242

‘win set’ when negotiating at an international level.

Such interaction between the government and Swedish interest groups takes place at many levels, formally and informally. On a formal level, analysts have highlighted that some traditional mechanisms of Swedish decision-making where interest group representation is incorporated have not been used as frequently in relation to EU questions. In particular, the establishing of independent Royal Commissions of Inquiry to investigate the merits on important policy change has not been used frequently as regards national EU policy. It has been confined only to major issues such as EMU and the IGCs.

Many interest groups have participated in consultations with the government through the so-called reference groups, which were established during the accession negotiations to bring the perspectives of the interest groups to the attention of Swedish policy-makers. After accession, these reference groups were simply connected to the working groups of the government. In addition, the interest groups have also been involved in the three-party committees established by many national ministries which include representation from the respective ministry, the employers’ organizations and the labor movement.

The ‘report’ culture in Swedish politics is indebted to neo-corporatist relations between government and groups; most of these three party committees were created as a response to lobbying by the major trade unions. Such committees were established within the Ministries of Labor, Social Affairs and Finance in 1995 after pressure from both the LO and TCO. To some extent, this represents merely an extension of an institutional logic to national EU policy prevalent within Swedish decision making for a very long time. All sides perceive there to be an advantage in consultative mechanisms between government and the major interest groups. In theory – and often in practice – they facilitate the comprehensive preparation of Swedish policy at the UN and EU, common positions between the government and the groups representing the Swedish economy and enhance the likelihood of the effective implementation of EU decisions in Sweden.

However, as Karlsson³⁹⁸ argues, this should not be construed as simply meaning the extension of Swedish neo-corporatism to national EU policy per se. There are notable differences, not least in the fact that these committees are purely consultative and largely concentrate on providing a forum for the exchange of information and views. Unlike some other domestic arrangements, they are not recognized as arenas for formal negotiations with the government in Swedish positions. Ultimately, they have ‘no authority to make compromises or decisions with respect to Swedish EU policy’.³⁹⁹ Yet the Swedish employers’ organizations have hardly been attracted with such national and corporatist arrangements in any

³⁹⁸ See following footnote

³⁹⁹ Karlsson, S. 2007. Allocating responsibilities in multi-level governance for sustainable development. *International Journal of Social Economics*. 34(1/2), p 103

case. Since the early 1990s the SAF has been a strong advocate of decorporatizing Sweden⁴⁰⁰.

Firstly, most of the ‘labor’ or ‘employee’ interest groups – including their leaderships and their grassroots members – associate globalization and EU membership with a wider process of liberalization and deregulation which was a common theme of governmental economic policy during the 1990s. EU membership has been continually portrayed by Sweden’s interest group actors as a partial antidote to the severe recession that engulfed Sweden in the early 1990s. In addition, the 1990s were the decade when many purchases of flagship Swedish national champions by foreign companies. The internationalization of Swedish business accelerated dramatically alongside the debate over the fragility of Swedish competitiveness. On the one hand, then, the employers’ organization were enthusiasts with integration and more because – from the business community point of view – that would help liberalize Sweden⁴⁰¹.

Secondly, and linked to this liberalization, EU debates were associated with those relating to the future of the Swedish model per se. For example, the SAF became more assertive in trying to shape the political discourse on the organization of the Swedish economy⁴⁰² in which liberalization and integration were central themes. The employers organization also withdrew from most of the institutional fora associated with collective agreements (and thus the Swedish model itself from 1990 onwards). Hence relations between the employers’ organizations and the labor movement were strained throughout most of the decade. A common interest group approach towards EU membership and now the single currency was thus out of the question.

Third, the country has seen notable changes in its economic structure over the past decade as Sweden moves further towards being an essentially post-industrial liberal democracy. The workforce continues to change from being a largely blue-collar to white-collar one. As regards the trade union movement, this has implied a decline in the size of LO membership, largely blue-collar workers and a rise in the prominence of SACO and TCO (white-collar workers). Hence there has been greater competition for members and a slight shifting in the balance of power between the

⁴⁰⁰ There is only one exception in the sphere of EU regional policy where the SAF has participated in a three-party committee – which decided upon the position towards EU Structural Funds – since all sides acknowledge that it is highly desirable to have Swedish industrial support for governmental positions that affect the various regions of the country. Hence, the cooperation of interest groups in governmental apparatus linked to national EU policy does suggest that this is a complementary feature of the process of declining neo-corporatism.

⁴⁰¹ In contrast, many sections of the labor movement opposed EU integration since they regarded it as being part of a governmental strategy aimed at curbing public expenditure and the country’s generous welfare state provision.

⁴⁰² Ryner, J. M. 2002. *Capitalist restructuring, globalization and the third way*. London: Routledge, p 29

congresses in the labor movement. In short, the LO has been on the defensive, faced with a more assertive SAF, growing competition from SACO and TCO as the voice of Swedish labor and increased tension with its sister political party, the SAP over Swedish economic policy during most of the 1990s.

Whilst not in themselves determining the EU stances of the interest groups, these background factors helped to shape the attitudes of their grassroots membership. The uncertainties surrounding changing corporatism in Sweden are not to be ignored since '*declining neo-corporatism*' shows how societal interests influenced the policy debate and the politics configuration.

1.4. The foreign policy effects of neocorporatism. Implications for Swedish diplomacy

Policy networks and economic linkages are salient at Putnam's level I, the international level. Indeed, it is widely recognized that external variables and 'shocks' are often vital to the process of foreign policy change. In the Swedish case, I argue, foreign policy change took the form of the substitution of the neutrality objective with the environmental leadership objective⁴⁰³. Economic and environmental issues have held onto the banisters of the Swedish political debate since the end of the 1980s. The question of whether the FP change was the result of internal or external pressures lies at the core of this research undertaking inasmuch as it explores the relationship between environmental policy and EU integration⁴⁰⁴. Internally, it could have been the result of an inspiring strategy for domestic politics or the reaction to the economic interdependencies brought by globalization. However, it is certain that Swedish negotiations in international settings and the ensuing commitments – which triggered internal conflicts – were the decisive variables which influenced SAP electoral scores⁴⁰⁵.

⁴⁰³ Gustavsson, A. 1984. Kommunal sjaelvstyrelse. Malmoe, Liber; Hermann, C. F. 1990. Changing course, When governments choose to redirect foreign policy in *International Studies Quarterly*. 34(1), p 3-21; Jerneck, M. 1993. Sweden, the reluctant European? In Tilikainen and Petersen D. ed. The Nordic countries and the EC. Copenhagen, CUP, p 53-89

⁴⁰⁴ More precisely, the question asks whether SEPL was the cause which triggered Swedish EU integration or at least extensively contributed to it.

⁴⁰⁵ It is this entanglement between external commitments and internal conflicts which acted upon SAP's electoral turnout. In the conclusion, the combination of external and internal factors and their influence on the party will be assessed in an attempt to explain social democrats' loss of power.

As a matter in point, Bo Kjellen, the Swedish chief negotiator on climate change admits that even international negotiations on sustainable development on behalf of the Swedish government were always stalled by the national instructions guidelines sent from the national Foreign Ministry. However, while pleading for the existence of a new diplomacy, Kjellen (2007) recognize the difficulty of coping with the new environmental challenges at

Maybe the most relevant piece of work on '*epistemic communities*' is Peter Haas's (1992). Perceiving the environmental policy process as centrally concerned with ideas, knowledge and their use is both helpful and consistent with concern for actor-based models of the policy process, which best suits the Swedish case⁴⁰⁶. The crux of his theoretical undertaking is based on the idea that '*acting rationally in situations of very high uncertainty and in the absence of crucial information about the policy positions and behavior of other stakeholders is difficult.*' Indeed, because actors may be totally unaware of other key stakeholders in the process, of their policy preferences and strategies and because there is difficult to talk of a '*policy community*' model in the international environmental policy process - since there are too many players with too many diverse interests and competing policy frames, the '*epistemic communities*' approach is more appropriate to use here. Neo-corporatism at the international level is based on the concept of '*expertise and epistemic communities*'. This concept is best suited for the agenda-setting stage where agenda issues are settled into policy formulation. For instance, Sweden has initiated framework laws at the EU level and conferences at the UN level to disseminate normative ideas and scientific knowledge with regard to environmental threats. Swedish stakeholders and interest groups were rather outspoken about the opportunity to shape key environmental issues such as acidification, eutrophication and energy issues. In the beginning, during the UN period, when international environmental cooperation began in the 1970s, environmental issues were considered low on the agenda and were thus left to experts in the interest groups and governmental agencies⁴⁰⁷.

The relationship between uncertainty and power is of the outmost importance for the two do go hand in hand as uncertainty presents opportunities for power to be exercised if individuals or institutions are sufficiently alert to these opportunities. The interplay between knowledge and power is certainly emphasized during environmental negotiations when the combination of the two is crucial in influencing outcomes. Alongside uncertainty in the policy process, there are opportunities for mutual learning

both governmental and public or individual levels. Kjellen, B. 2007. *A New Diplomacy for sustainable development*. London, Sage, p 124

⁴⁰⁶ Although concerned with international cooperation, Haas's comment that '*a related debate is the extent to which state actors fully recognize and appreciate the anarchic nature of the system and, consequently, whether rational-choice, deductive-type approaches or interpretative approaches are more appropriate*' is very apposite to the task of this research.

⁴⁰⁷ In environmental politics, actors often operate under a huge degree of uncertainty in what are often very long-running games, with uncertain payoffs. Haas's argument is, centrally, that the politics of uncertainty leads to a certain mode of behavior – namely that policy-makers, when faced with '*the uncertainties associated with many modern responsibilities of international governance turn to new and different channels of advice, often with the result that international policy coordination is advanced*' (Haas, P. M. 1992. '*Epistemic communities and international policy coordination*' in *International Organization*. 46(1), p 12)

and joint problem-solving – especially when issues involve technical uncertainties in such an area as environmental affairs bearing scientific and economic information. During the UN period, environmental issues were rarely politicized, which has facilitated cooperation between actors who would otherwise have had great difficulty in cooperating on other more politicized issues. Increasingly, it has been shown that what at first appeared to be of a scientific nature has had important political consequences not apparent until conventions had been implemented at the national level. Experts from the Ministry of the Environment and SEPA, having had the mandate to negotiate international environmental agreements, have trodden on forbidden territory reaching far beyond the environmental sphere. This was the case, for example, with the agreement on the discharge levels of chlorinated organic substances into water. Here, the Swedish representatives agreed to, and signed, a convention with a far more radical position than the Ministry of Industry, the Ministry of Finance and the important pulp industry would have accepted.

Swedish normative power has to be understood within the changing context of ‘power’ relationships at the international level. Ever since the end of the 1980s, the notion of ‘power’ has altered at the international level. Existing conceptions of power and control were not well-suited to the ‘*loose-jointed*’ power play of influence that was emerging. However, in Swedish environmental decision-making, in addition to the importance played by business and public interests, ministers do reflect the power of national networks in the manner suggested by Putnam (see above), but they do not follow slavishly their national business interest groups. Swedish ministers do follow them according to neo-corporatist rules. For instance, when Sweden’s first Environment Minister, Birgitta Dahl, was appointed, interest group experts - especially those business interest-connected - were present in the administrative structures at all levels and were best at solving social problems and have been commonly used in Sweden with increasing frequency since the 1960s.

It is the knowledge-based (or at least perceived knowledge-based) nature of epistemic communities that provides these networks of actors with the potential to influence the policy process. The key role of epistemic communities in this process relates directly to the principle that policy-makers are operating under conditions of uncertainty⁴⁰⁸.

⁴⁰⁸ According to Haas, legitimacy is the key currency of these types of networks inasmuch as ‘*an epistemic community is a network of professionals with recognized expertise and competence in a particular domain and an authoritative claim to policy-relevant knowledge within the environmental domain and issue areas. Although an epistemic community may consist of professionals from a variety of disciplines and backgrounds, they have a shared set of normative and principled beliefs, which provide a value-based rationale for the social action of community members; shared causal beliefs, which are derived from their analysis of practices leading or contributing to a central set of problems in their domain and which then serve as the basis for elucidating the multiple linkages between possible policy actions and desired outcomes; shared notions of validity – that is, intersubjective,*

State actors are ‘*uncertainty reducers*’ as well as power and wealth pursuers. In conditions of high uncertainty, it becomes difficult for national governments to define clearly just what the national interest is. They are not only engaged on a two-level game as suggested by Putnam, they are also involved in a multi-dimensional international game where strategies consistent with the national interest in one sector may be inconsistent with the national interest being pursued in another sector. It is not surprising that state actors look for ways of reducing uncertainty. They are not only engaged on a two-level game as suggested by Putnam, they are also involved in a multi-dimensional international game where strategies are consistent with the national interest being pursued in another sector. It is not surprising that state actors look for ways of reducing uncertainty. They recognize that changing the world is going to be very difficult and that they may have to settle, therefore, minimizing their surprises. Again, this is consistent with what is already known about national policy-making – many policy-makers are risk-averse and one way of reducing risk to them is to share it.

Members of transnational epistemic communities can influence state interests either by directly identifying them for decision-makers or by illuminating the salient dimensions of an issue from which the decision makers may then deduce their interests. The decision-makers in one state may, in turn, influence the interests and behavior of other states, thereby increasing the likelihood of convergent state behavior and international policy coordination, informed by the causal beliefs and policy preferences of the epistemic community. Similarly, epistemic communities may contribute to the creation and maintenance of social institutions that guide international behavior. As a consequence of the continued influence of these institutions, established patterns of cooperation in a given issue-area may persist even though systematic power concentrations may no longer be sufficient to compel countries to coordinate their behavior. For instance, with the second UN period, environmental issues became more and more politicized and involve an even larger set of actors. At the same time, environmental problems were perceived as more and more complex and thus demand the input of more expertise. The politicization of environmental issues has increased and the number of conventions, organizations and conferences had risen. The national organizations responsible for environmental foreign policy have expanded as a result of this. Therefore, it has been difficult to establish a clear division of responsibilities. The foreign policy dimension of environmental issues

internally defined criteria for weighing and validating knowledge in the domain of their expertise; and a common policy enterprise - that is, a set of common practices associated with a set of problems to which their professional competence is directed, presumably out of the conviction that human welfare will be enhanced as a consequence. For Haas, 1992, p 3 in Haas, P. M. 1992. ‘*Epistemic communities and international policy coordination*’ in International Organization. 46(1), p 1-35

involves, to a great extent, the same organizations as in national environmental policy. This is true particularly if the international work is of a technical or highly specific nature. When environmental policy-making started to involve other sectorised interests as well, a larger number of actor had to be consulted prior to the development of a Swedish position. The organizations responsible for the development and implementation of national and regional environmental legislation and regulation were also involved when it came to international environmental issues, i.e. the Ministry of the Environment, SEPA and the National Chemicals Inspectorate. In addition, the Ministry of Foreign Affairs and various departments within this Ministry were involved⁴⁰⁹.

The influence of epistemic communities is over the form of policy choices – *‘the extent to which state behavior reflects the preferences of these networks remains strongly conditioned by the distribution of power internationally’*. As Farrell & Heritier argue, epistemic communities sometimes lead to an acceleration of regional integration and sometimes not. They too see power and bargaining as very important, although also conclude that epistemic factors are a key negotiating resource in many contexts. Thus, epistemic communities *‘may fundamentally reshape the parameters within which political actors bargain – and do this while bargaining is taking place’*⁴¹⁰. As Haas also argues, *‘knowledge can speak volumes to power... epistemic communities are transmission belts by which new knowledge is developed and transmitted to decision-makers’*⁴¹¹. Environmental policy choices in the UN were directly influenced by environmental leader member states and indirectly influenced by transnational associations of interest groups, especially business interest associations. Sweden was an environmental leader state during the period 1960-1980 whose scientific expertise has been particularly prominent, a factor which helped into leading and establishing epistemic communities in the environmental field at the international level.

In the case of Sweden, in addition to factors of a strictly environmental nature, economic considerations also play a structural role in EU international environmental policy. Firstly, Sweden’s environmental

⁴⁰⁹ Haas’s suggestion that *‘systemic power concentrations’* can also prevent policy coordination is an important qualification to the *‘epistemic communities’* concept. Thus, no-one is arguing that epistemic communities explain everything about the policy process. The advocates of the concept have been notably more cautious than current ‘network’ supporters in making claims for its explanatory power. Haas also argues that epistemic communities play a central role in providing much-needed information and ideas: *‘Information and ideas are important building blocks in the process’*. (Haas, P. M. 1992. *‘Epistemic communities and international policy coordination’* in International Organization. 46(1), p 1-35)

⁴¹⁰ Farrell & Heritier, A. 2006. Legislate or delegate? Bargaining over implementation and legislative authority in the EU. EUI WP RSCAS 2006/42, p 15

⁴¹¹ Richardson, J. 2006. European Union Power and Policy Making. London, Routledge, p 33

policies are among the most advanced in the world and its standards of environmental protection among the most stringent. European standards therefore often, as is the case for car manufacture standards, benchmark global standards. This gives a distinctive advantage to Swedish businesses when exporting goods and significantly contributes to the creation of a level playing field for Swedish firms in the EU. There is also a growing global market for green businesses, a domain in which some Swedish companies, for example in the areas of water or renewable energies are highly competitive.

Secondly, Sweden used to be increasingly dependent on resources imported from the rest of the world. Decoupling resource use from economic growth and moving away from unsustainable patterns of consumption and production are first and foremost on the agenda of the Swedish government and companies. The only question is where are the labor interest groups left into these changing patterns of consumption and which are the measures adopted in view of the declining competitiveness of the Swedish industry.

2. Early environmental concern: the UN period (1970s-1990s)

To start with, Sweden and the other EU member states are the largest donors to the UNEP United Nations Environment Program through the UNEP's Environment Fund. Sweden was the early promoter, launched and contributed to fund the so-called '*Rio-Conventions*', which address desertification, climate and biodiversity⁴¹². It is also a major contributor to other multilateral environmental agreements such as the Montreal Protocol Fund as well as to the UN Forum on Forests.

Finally, the involvement of the EU in the GEF Global Environment Facility, an innovative form of international financing, is also worth mentioning, since Sweden, together with other EU countries, did not only largely contribute to it, but has also played a central role in its creation. Beside France and Germany, Sweden also took the lead in setting up an experimental GEF in 1991. At the time, the GEF was inspired by new developments during discussions on the protection of the ozone layer. In the field of CFC poisonous effect on the ozone layer, it was difficult for developed countries to convince their counterparts from the South to limit CFCs, the substances responsible for the depletion of the ozone layer. Protecting the ozone layer was largely perceived as a Northern Agenda, mostly caused by the developed countries, which first and foremost benefit from their early use⁴¹³.

The 1992 Rio Summit was the climax of the Swedish environmental

⁴¹² The three 'Rio' Conventions are the 1992 UNFCCC (UN Framework Convention Climate Change), the 1992 UNCBD (UN Convention Biological Diversity) and the 1994 UNCCD (UN Convention Combating Desertification)

⁴¹³ One cannot stop noticing the resemblance – in this CFCs case – with the GHG effect on the global warming and the climate change agenda.

concern in the UN framework. As momentum built towards the Rio Summit, the debate widened and discussions began on the need for similar mechanisms in other sectors of the environment: an experimental Global Environment Facility GEF was set up in 1991. After its formal creation in 1994, GEF has become the largest source of funding for the global environment. It has been allocated 5 billion dollars in direct grants and leverages 16 billion dollars through co-financing. It assists developing countries and countries with economies in transition to fund projects and programs in six areas: biodiversity, climate change, international waters, land degradation, the ozone layer and persistent organic pollutants and serves as the de facto financing mechanism for several multilateral environmental conventions. The GEF has three implementing agencies: the World Bank, UNEP and the UNDP UN Development Program.

At Rio, the most remarkable achievement was the Agenda 21 initiative. Sweden was the country which launched the program and implemented it at the local level in every regional district relying on individuals as the primary agents of change. The Agenda 21 in Sweden meant that environmental regulation and action took place in a local context, i.e. in the municipal administration, in schools and at the level of consumers and grassroots organizations. The activities are based on education, information, agreements and voluntary action rather than on legislation. With Agenda 21, environmental policy increasingly moved to the market outside the legislative context and environmental politics became very personal and part of the daily life of the Swedish population.

2.1. Normative influence and communicative action in the UN framework: building policy networks

2.1.1. Sweden and environment coalition building in the UN

The Swedish contribution to the environmental issue-building in the UN framework and then the EU represents a unique case of issue formulation in international agenda-setting and coalition-building by a nation state around a precise matter of contention, the overuse of ecological resources, which emerged onto the international agenda at the beginning of the 1970s. Environmental consensus was difficult to reach and the early efforts were burdened with the usual hurdles concerning lack certainty, verifiable of scientific data, assessment and expertise. The formulation stage and agenda-setting early formation need to be interpreted from the point of view of the policy network approach whereby policies are the outputs of actors' socialization.

In the late 1960s and early 1970s, many scholars and thinkers observed that continual economic growth was causing environmental decline, and argued that it could not be sustained forever. Among them, the Swedish scientist Bert Bolin, former chairman of the IPCC and of the first GARP meeting – was actively involved in the coordination process behind the first UN Conference on the Human Environment organized in

Stockholm in 1972. His role as a scientific expert in the preparatory committee work prior to the organization of the first serious studies of public and political impact points out to the importance of the epistemic communities of transnational groups of scientific experts in shaping the global political agenda. That is why the policy network approach best accounts for the development of the environmental debate and its subsequent spillovers into the political decision process.

First of all, the early formation of the environmental policy and its agenda-setting represent the fundamental stages to analyze the environmental policy process and its implications onto the policy framework in the national states. The Swedish case represents epitomizes a peculiar circumstance where a national state input an issue onto the global political agenda out of an internal environmental concern. For instance, the UN 1972 Stockholm Conference was largely organized out of a Swedish early concern with the acidification problem. The early series of the reports and scientific assessments were carried out in collaboration by groups of scientific experts the US, Sweden and Norway. This is the proof supporting the theoretical approach access to which environmental policy formulation is dependent on densely populated networks of scientific experts from key national state with a heavy national interest in the issue at stake. For instance, the UNEP was an initiative of the Nordic Group in the UN. Actually the whole coordination process (before and after the coming gaining into visibility of the EC and of the EU later) in the UN has developed out of the early consultation process within the Nordic Group.

More stress is necessary to be laid on the cooperation and coordination process in the UN across two different time spans: from the 1970s till the 1990s and from the 1990s on, respectively. The importance of laying down and comparing two different time spaces with the international framework is illustrative of the dependent variable under concern: the internal politics dynamics within a MS member state which was at first very active in one international framework, the UN, and then become equally active in two international arenas, the EU and the UN. What did it change for the internal policy spectrum and the internal policy party structure? What about the party system and the chances of the SAP in engendering societal consensus and reaping electoral benefits?

The link between the international and national arena is difficult to establish even for one single case, – such as Sweden – let alone for a wider number of countries and to support a metatheory governance on interest groups, governmental actors and party structure. However, no previous work on institutional coordination at the hands of one single state, i.e. on the leadership of a single state and the early coordination in the UN on environmental issue has yet been undertaken. Conversely, issues of policy convergence over environmental issues have already been addressed by

Oberthur & Gehring (2004).⁴¹⁴

This research aims to fill the gap by addressing the role of one particular state, Sweden, in forging environmental consensus in the UN and organizing the early assessments, while providing assistance and mustering efforts to globally address this pressing issue. Briefly, it is sustained here that Sweden has strongly contributed – by its prominent role in the UN discussions – to the building of the so called environmental diplomacy. For the sake of parsimony, the early EU environmental process concomitant with the Swedish – and with the US-Norway activities – in the UN over the same goal – environmental awareness and regulation – is not covered here. The early European environmental regulations (the 100 Article, the Seveso Directive, etc.) and the subsequent developments with the 1986 SEA – when environmental regulation began to tighten in Europe – will be briefly mentioned, but would not be given extensive heed.

The bulk of this article is dedicated to the analysis of two different periods of environmental regulation in two different international fora – the UN and the EU, with its complex decision-making process – by emphasizing the role of one particular state, Sweden in reaching environmental consensus.

In the first time space, in the UN period, concepts such as communicative action and strategic bargaining are used to analyze an essentially intergovernmental process of consensus building over a particular issue, the environmental threat. The research addresses the problem of the choice of these concepts in relation to the policy network theory, which is the dominant theoretical tool. It also explains why the first UN period is characterized as intergovernmental while the 2nd environmental EU period is considered as supranational. Broadly, this has to do with the prevailing methods of negotiations: the dominance of the intergovernmental method in the UN and the dominance of the institutional procedure of co-decision in the environmental policy in the EU.

The presence of policy networks - together with communicative action and strategic bargaining - in the 1st phase (of building environmental consensus) is often highlighted in the specialized literature when focusing on the importance of actors building bridges in reaching a policy decision.⁴¹⁵ As opposed to other sets of sectoral policies, environmental decisions are not only based on extended epistemic communities, but are also based calculations of interest in the context of politics. In the case of the Swedish contribution to environmental policy-making in the UN and EU, this analytical concept – the policy network approach – has the advantage of

⁴¹⁴ Oberthür and Thomas Gehring, T. (eds.). 2006. Institutional Interaction in Global Environmental Governance. Synergy and Conflict among International and EU Policies. Cambridge : MIT Press, p 35

⁴¹⁵ Zito, A. 2000. Creating environmental policy in the European Union. Basingstoke, Macmillan, p146; Jordan, A. 2005. Environmental Policy in the EU. London, Earthscan, p148

clearly emphasizing actors (e.g. Swedish government, Swedish diplomats, Swedish ministers, supranational bureaucrats, etc.) from their interests, but it is not intended to explain the broader policy process after the agenda-setting phase when the final intergovernmental decision making (in the Council of Ministers) takes place. By the same token policy network approach faces the difficulty of cleanly differentiating actor interests from ideas and institutions. However, I would try to fill this gap by using the explanatory power of Barkdull & Harris EFP typology. Precisely, I will try not differentiate between norms and ideas, on one hand, and particular actors and interests, on the other hand, but to combine them together in order to explain Swedish environmental leadership along across three issues: air regulation, chemical policy and GCC global climate change.

The specific domestic factors pertain to the interest part of the Barkdull & Harris's typology⁴¹⁶. This includes the PO public opinion, IG (interest groups), corporate and trade unions' voice and stakes, which are channeled into the Swedish polity and which help define Swedish national interest. I will further try to aggregate these plethora of interests into the final NS national state interest, which asserts itself in international negotiations through diplomatic channels. That is so partly because the interests Sweden is able to represent and the norms the Sweden is able to 'sell' at the international level, they all have an intimate relationship with domestic policy processes. For example, Kronsell's factors of normative influence⁴¹⁷ all draw heavily on national policy experiences or repertoires. Both state and society share these experiences and repertoires. In the case of Sweden, with its tradition of corporatist politics, it is particularly difficult to disentangle the state from society. Therefore, insights from both levels of analysis are needed to make sense of politics at the systemic or international level. Therefore, I will try using mostly societal and systemic theoretical approaches when analyzing the Swedish Social Democratic case of political supremacy combined with environmental leadership at both domestic and international levels.

I will further argue that this was due equally to social democratic ideology and policy and to neo-corporatist factors specific to the Swedish polity. The explanation lies into the preferences of the domestic actors, which are translated into policies adopted and implemented by the government. This is the view of societal theories, which suggest that the forces shaping Europe's environmental policies are found with European societies – among elites, IG interest groups, social movements and public sentiments – not with the governments of MS or in international distribution of power. I will argue this is precisely true for the Swedish case, but however I will not discard the influence of the bureaucracies and diplomacies belonging with the governments.

⁴¹⁶ Harris, G. 2007. *European Union and Climate Change*. Cheltenham, Edward Elgar, p30

⁴¹⁷ for Harris, 2007, see footnote above

2.1.2. The Stockholm Declaration

The first time long-term chemical pollution was officially addressed at a high level was during the 1972 UNCHE in Stockholm, where chemical pollution was recognized as an issue of global concern in the Stockholm Declaration. At the conference, a number of guiding principles for the protection of the environment were adopted. These have been crucial in the aftermath of the UNCHE Conference when other instruments had to be successively developed. The 1972⁴¹⁸ Stockholm Conference Report disclosed the same conclusion over GCC, namely that there was not a scientific basis for considering an *anthropocenic* change of the global climate as an imminent threat, although a LT long term change was not excluded. The Report emphasized the need for more efficient ways of reaching decisions on global issues (such as GCC), foresaw that perhaps not even the sum of all prudent decisions would be sufficient to avoid a major GCC and suggested that human global interdependence in this regard was beginning to require a new capacity for global decisions. Ward and Dubos were indeed right in light of the following events: the Report of the UNCED UN Commission on Environment and Development put forward the need for a well coordinated overview of available data and information.

For the first time, the Stockholm Declaration created a right to the environment, thereby introducing the '*human rights*' principle in environmental law. It stated that '*both aspects of man's environment, the natural and the man-made, are essential to his well-being and to the enjoyment of basic human rights – even the right to life itself.*' Also, principle 1 of the declaration mentions that '*man has the fundamental right to freedom, equality and adequate conditions of life in an environment of a quality that permits a life of dignity and well-being and he bears a solemn responsibility to protect and improve the environment for present and future generations*'.

Likewise, the Stockholm Declaration addressed – for the first time at a high level – long-term chemical pollution, which was recognized as an issue of global concern.

2.1.3. The 1987 Brundtland Declaration and sustainable development

One year after the 1983 WCED Declaration, also known as the Brundtland Commission, the IPCC was formed in an attempt to create a forum for interaction between science and politics. The new diplomacy required knowledge about the environment and development, which was also the objective when creating the IPCC, in 1988. Later, the UNFCCC was produced at Rio, four years after creating the IPCC and five years

⁴¹⁸ Barbara Ward and Rene Dubos were the two co-signatories of the Stockholm Report from 1972.

after the Brundtland Declaration. While the WCED Declaration preceded the Brundtland Report, it was created to address growing concern '*about the accelerating deterioration of the human environment and natural resources and the consequences of that deterioration for economic and social development*'. In establishing the commission, the UN General Assembly recognized that environmental problems were global in nature and determined that it was in the common interest of all nations to establish policies for sustainable development.

In addition to mobilizing efforts' coordination for overview and research, the 1987 Brundtland Report, '*Our Common Future*', launched the concept of '*sustainable development*'. The Report defined sustainable development as '*development that meets the needs of the present without compromising the ability of future generations to meet their own needs*'. In the foreword to the report, Gro Harlem Brundtland, prime minister of Norway at that time, said that '*What is needed now is a new era of economic growth - growth that is forceful and at the same time socially and environmentally sustainable*'⁴¹⁹. This call for economic growth was made in the name of the developing countries, but the notion that affluent nations might reduce their own growth to make room for the growth of poorer nations was not entertained. Jim MacNeill,⁴²⁰ secretary-general to the Brundtland Commission, argued that: '*...the most urgent imperative of the next few decades is further rapid growth. A fivefold to tenfold increase in economic activity would be required over the next fifty 50 years in order to meet the needs and aspirations of a burgeoning world population, as well as to begin to reduce mass poverty. If such poverty is not reduced significantly and soon, there really is no way to stop the accelerating decline in the planet's stocks of basic capital: its forests, soils, species, fisheries, waters and atmosphere*'.

At the end of the 1980s, the Brundtland Report rejuvenated the term 'sustainability', which had been previously launched in the 1970s to refer to systems in equilibrium. They argued that exponential growth was not sustainable in the sense that it could not be continued forever because the planet and its resources were finite. In contrast, sustainable development sought ways to make economic growth sustainable, mainly through technological change. In 1982, the British government began using the term 'sustainability' to refer to sustainable economic expansion rather than sustainable use of natural resources.

Although the Brundtland definition of sustainable development is the one that is most often quoted, there are many other definitions of sustainable development and while it has been argued that interest groups define sustainable development to suit their own goals, they are nearly all premised on the assumed compatibility of economic growth and environmental

⁴¹⁹ WCED 1990: xvi, UN General Assembly, pxvi

⁴²⁰ McNeill, J. Et al. 1989. CIDA and sustainable development. Ottawa, Institute for research on public policy, p 106

protection. Sustainable development aims at achieving economic growth by increasing productivity without increasing natural resource use too much. The key to this is technological change.

2.2. Purposive action in the UN

Within the UN framework, Sweden is clearly a middle power diplomacy since it belongs to the group of countries known as the Nordic countries, which, together with Canada, Australia, Netherlands and New Zealand, are strategic actors and enjoy a great deal of credibility. Non-Western middle powers include countries such as Brazil and India. Within UN politics, middle power diplomacy is defined as a mode of statecraft rather than a particular ideological or philosophical position in world politics. Cooper et al. focus on a particular behavioural definition of middle power multilateralism that was first championed by John Holmes⁴²¹. A prominent characteristic of middle powers is their commitment to strengthening the global institutional order that provides them – and others – with greater common security. In Verlin's words (2007),⁴²² *'middle power diplomacy is understood as a method of interaction rather than as a position in the international distribution of power'*.

A more stringent definition for inclusion into the middle power club, and one that is consistent with the traditional understanding of middle power diplomacy, would require actively supporting multilateralism across a broad range of UN activities. As a consequence, only a handful of European states qualify for inclusion into this club of *'like-minded'* states: the Netherlands and the Nordic countries are foremost among the so-called good guys club. Sweden – as an important representative of this Nordic group – has been an activist at the UN in brokering compromise, seeking consensus, and supporting UN efforts across the full range of UN policies: from peacekeeping operations and assistance to development in third world countries to sustainable development and human rights protection⁴²³.

That Sweden has been deeply committed to the success of multilateral

⁴²¹ According to this approach, middle powers are defined primarily by their behaviour: their tendency to pursue multilateral solutions to international problems, their tendency to embrace compromise positions in international disputes, and their tendency to embrace compromise notions of *'good international citizenship' to guide their diplomacy* (Cooper, A.F. et al. 1997. A conceptual overview niche diplomacy and middle powers after the Cold War. Basingstoke, MacMillan, p 19)

⁴²² Katie Verlin Laatikainen and Karen E. Smith (eds). (2006. *The European Union and the United Nations: Intersecting Multilateralisms*. Basingstoke: Palgrave Macmillan, p 156

⁴²³ Sweden can rightfully boast an active involvement throughout the whole gamut of UN commitments: it has, for many years, met or exceeded the UN development assistance targets; it has been among the ardent promoters of human rights protection within the UN system; it has enthusiastically launched and integrated the concept of *'sustainable development'* by effectively implementing Agenda 21 objectives at the local level; it is a frequent troop contributor for peacekeeping operations as well as an innovator in the area of peace-building and civilian police functions.

cooperation on the global level is clear even to the most casual observer of the UN⁴²⁴. In all of the areas of middle power diplomacy, Sweden has a high profile. Precisely, Sweden is among the most prominent contributors to the specialized agencies and programmes.

As such, Swedish activity in the UN epitomized its attachment to what Knud Erik Joergensen⁴²⁵ called '*the normative orientation of middle power diplomacies*', that is to a commonality of '*fundamental values*', which characterize foreign policy records. Sweden belongs to the community of UN-EU states whose foreign policy is an externalization of the values that have developed in the European integration process. Although these values are not the result of the balancing of interests in the sense of '*realpolitik*' among member states, but an expression of the fundamental values such as the rule of law, democracy and human rights, open market economy, social solidarity, environmental and economic sustainability, and respect for cultural diversity, Sweden proved that its active advocacy over environmental desiderata was based on long term economic calculations. This value orientation is consistent with Swedish '*normative power and influence*' as highlighted by Kronsell who rejects the use of coercive foreign policy instruments while trying to escape domestic deadlocks by purposefully stirring international consensus. That is why it is interesting to note that early Swedish actions in the UN environmental framework were purposive actions meant to build agreement among peers over issues which were domestically invasive and divisive such as acidification, eutrophication and chemical pollution. One might argue that the very character of these issues – which are transnational by nature – demanded an international effort. However, the gist of my theory upon Swedish and social democratic policy over the environment lays on the argument that these actions concealed political interests at the domestic level in the Swedish polity. Precisely, as I have already mentioned in the introduction, the hypothesis of this research builds upon the observation according to which environmental issues, in addition to being internationally viable, also represented a political tool for attracting votes by the Social Democrats in an attempt to revive the lost '*welfare*' consensus at the domestic level.

3. Prior and post EU accession

3.1. Mitigated leadership: Sweden and environmental policy-making in the EU

3.2. From middle power diplomacy to strategic bargaining in the

⁴²⁴ Hansen, the first Secretary General of the organization, Dag Hammarskoeld, was Swedish. Also, Alva Myrdal was head of the UN welfare and social policy department. Statistical data show that, since the late 1970s, Nordic citizens have accounted for about 10 percent of all executive leadership positions at the UN, including Special Representatives and Assistant/Under-Secretary Generals (Hansen, N. R. 2002. Ideological obstacles to scientific advice in politics? ARENA paper, p 22).

⁴²⁵ Joergensen, K. E. 2007. International Relations Theory. London, Palgrave, p 195-212

EU

3.3. Extending the coalition partners: from the EEA to the EU

3.1. Mitigated leadership: Sweden and environmental policy-making in the EU

A. Kronsell (2001; 2002)⁴²⁶ identifies 4 specific ways in which Sweden participated to the UN/EU environmental agenda. These ways are a result of norms-based influence and they help to explain the Swedish success on the world stage: 1. expectation of other states regarding the type of policy it will advocate (mainly, the developing states foster broad hopes for a line and direction in relation to their development agenda and its poss. repercussions); 2. knowledge of environmental process; 3. expertise with environmental at the national level (Agenda 21); 4. an ability to present a unified national position based on a shared understanding of the national interest among all Swedish government representatives.

The construction of the Swedish normative power and influence in international affairs can be analyzed through social constructivist methodological insights. An analysis of the Swedish view on the development issue in the UN can be evocative of this wielded normative power. Also, what Kronsell's four domestic normative factors amount to is Sweden's ability to event a perhaps disproportional amount of influence and persuade other states to trust its analysis and assume its valuation and causal interpretation of the issue; this is, essentially, a type of '*soft power*', or the ability to get desired outcomes because others want what you want; it is the ability to get desired outcomes because other want what you want; it is the ability to achieve desired outcomes through attraction rather than coercion⁴²⁷.

The promulgation of norms is a key of soft power; Sweden's power and efficacy result from its ability to influence the norms of the larger community. While attempting to directly influence the norms of the larger world community, the potential for Sweden's global influence is enhanced once the larger EU community adopts a Swedish policy or a compromise policy. In this scenario, adoption of the common EU policy position, essentially magnifies the Swedish position, projecting it forcefully beyond Europe⁴²⁸.

Normative power or influence is heavily reliant on ideas, turning our attention to the role of ideas in foreign policy. It is helpful to view norms as

⁴²⁶ Kronsell, A. 2002. Can small states influence EU norms? Insights from Sweden s participation in the field of environmental politics in *Scandinavian studies* 74(3), p 290-6

⁴²⁷ Keohane and Nye, J. 2001. *Power and interdependence*. San Francisco, Longman, p220; This is the broad definition of '*soft power*' onto international scene as given by Keohane & Nye.

⁴²⁸ Harris, 2007: 142 in Harris, Paul. 2007. *Europe and Global Climate change*. Cheltenham: Edward Elgar, p 142

principled meanings that guide, rationalize, justify or express expectations about actions or events.⁴²⁹ Understanding norms as ‘*meanings that guide*’ fits the dynamic process of normative influence because of the stress placed on self-reflection and, thereby, the potential for internationalization. Ruggie also argues that norms are causal beliefs without the actual power of causality⁴³⁰. This is precisely applicable in the area of environmental issues, where scientific approaches and uncertainty frequently create conflicts. Under conditions of uncertainty, norms can be conceptualized as descriptive and cause-laden stories that states use to persuade one another. Thus, norms condition the larger context of interstate influence through their descriptive and causal power.

Finlayson and Zacher argue that the importance of norms comes from ‘*the importance [that] most influential members [in a regime or system] attach to them*’⁴³¹. That is why in international environmental policy debates, Sweden is frequently able to exercise enough influence, that is, by drawing upon its recognized leadership in the environmental domain which is fed by its domestic normative strength. There are the same avenues of normative influence (Kronsell, 1997)⁴³² which used to sway more traditionally powerful actors such as the US and the EU democracies as well as China and India.⁴³³ For instance, to this account, Mitchell suggests that within a given system, norm dominance may come as a result of a response to specific pressures: economic, issue political or ecological. All these 3 three types of pressures have the potential to push the EU toward harmonized environmental action and, to a larger extent, to push the international environmental agreements onto the world stage.

The factors which allow Sweden to act as a successful actor on the EU environmental stage, employing normative persuasion, also predispose Sweden to favorably act on the world stage. Sweden’s interests, of course, serve to link the role of power and the role of ideas together in a catalytic symbiosis of normative influence. For it is the content of these ideas, which represent Swedish interests – those interests deemed salient by the national public and expedient by political actors – which are then sold to other political actors – this time international – in a process that empowers Sweden.

3.2. From middle power diplomacy to strategic bargaining in the EU

⁴²⁹ Ruggie, J. 1998. *Constructing the world polity, Essays on International institutionalization*. New York, Routledge, p 97

⁴³⁰ See footnote above

⁴³¹ Finlayson, J.A. & Zacher, M.W. 1983. ‘*The GATT and the regulation of trade barriers: Regime dynamics and functions*’, in S.D. Krasner (ed) *International Regimes*. Ithaca: Cornell University Press, p 305

⁴³² See footnote above

⁴³³ Bretherton and Vogler, 2006. *EU as an international actor*. London: Palgrave, p 216

After the 1960s, Sweden was already a pioneer concerning nature conservation and chemical control policies. However, its actions at the international level in the UN were not yet perceptible. Only after 1972, the Swedish Ministry of Foreign Affairs has had a strong position in international environmental cooperation because it has been responsible for relations with international organizations and the UN system. It has also attached considerable importance to this undertaking.

Until 1991, very little use had been made of the diplomatic missions in regard to environmental cooperation. The competence and the qualifications at the embassies had been low regarding environmental issues. To solve this problem, the position as an environmental attache was instated in 1991 for the Swedish EU delegation in Brussels and for the Embassy in Bonn. In February 1996, the Swedish Permanent Representation in Brussels had two environmental attaches.

Within the Swedish Ministry of the Environment and Natural Resources, there was a specialized, small, international secretariat. This unit was much smaller than the one devoted to international environmental issues at the political department of the Ministry of Foreign Affairs. Because of its size, the international secretariat has not been to act as a coordination centre of international activities. Instead, the different divisions within the Ministry of the Environment have taken the responsibility for the coordination of the international dimension or aspects of their activities. The large number of departments and actors involved has led to some problems with the coordination of positions and issues.

However, the Swedish government is rather small relative to the size of other countries' governments so that within the field of international environmental cooperation, the individuals may have come from different countries, but they have worked with the specific issue for a long time, have built the structure and were therefore familiar with it. Even though complaints can be made about the possibilities of planning activities with the current system, the people involved know each other and the system very well and can communicate informally across departments and divisions.

In response to EU membership, the Ministry of the Environment has set up fourteen EU '*preparatory committees*' dealing with different environmental issues and including representatives from the different ministries and SEPA. A reference group with representatives from interest organizations, business and administrative authorities is attached to each committee. These preparatory committees are responsible for the working out of the Swedish opinions and suggestions related to EU Commission proposals. Their function is also to deliver a Swedish opinion to the environmental attaches attending the Committee of Permanent Representatives' (COREPER's) working groups as well as assisting the Swedish Minister of the Environment in the Council. The most important strategies were aimed at working towards a consensus for the Swedish

position, to be well prepared and to have this position well grounded within the agency and the ministry. It is still undecided whether the positions coming out of these preparatory committees should be subject to review (*remissfoerfarande*) by a number of agencies and organized interests as has been the tradition. In their effort to reach consensus and be well prepared, the committees have relied less and less on this principle. However, in a governmental publication, it was stated that all Commission proposals aimed at COREPER and Council deliberations would, upon receipt, be sent out for review by all concerned parties in Sweden.

The environmental principles, i.e. the precautionary principle, the substitution principle, the polluter pays principle, the risk assessment principle, were released in relation with the UN Rio Conventions in the 1990s where Swedish representatives lobbied for their introduction. For instance, the principle of substitution expressed in Swedish environmental law does not seem to be applicable to products under harmonization directives since no similar principle exists at the EU level⁴³⁴.

3.3. Extending the coalition partners: from the EEA to the EU

In addition to being a matter of contention, Swedish accession to the EU was also an issue of coordination, of setting priorities and strategies between the national political-administrative level and the EU context of policy making and implementation. The Swedish Permanent Representation in Brussels, the government and the Riksdag tried different arrangements with the aim of acting efficiently and remaining democratically accountable in the new, EU policy arena.

The conclusion reached by a couple of authors researching on the Europeanization of Sweden has to do with the transformation of national administrations as a consequence of membership of the EEA and EU. The polity has not been free to adapt at will but that did not mean that state administrations have been totally disciplined by the demands of the EU. The transformation process contained elements of both change and continuity, which are highly relevant when considering the policy content, style and structure of the environmental sector in Sweden. EU environmental legislation posed a particular challenge to national policy structures as well as to the overall style of national policy-making when misfits arise between Swedish traditions and those pursued by the EU.

In spite of its reputation as a reluctant member state, experience to

⁴³⁴ Before the 1995 Swedish accession, in areas where Sweden had a stricter control of chemical products, it has received a period of grace during which the EU would review Swedish legislation to see if the stricter Swedish standards could be applied to the EU. The Swedish Ministry of the Environment hoped that Swedish high standards would be accepted but that was not the case. The Swedes were only given the opportunity of an opting-out with regard to certain environmental sections on the basis of Article 100a, which stipulates the possibility to pursue a stricter and differentiated policy on environmental questions.

date indicates that Sweden has behaved conscientiously. Like the UK, Sweden ranks high in relation to compliance with EU legislation⁴³⁵. This can be partly explained by the existence of the EEA agreement of 1992 that preceded EU membership. This gave Sweden a considerable head start in adjusting to Europeanization, by forcing it to transpose the requirements of the *acquis communautaire* prior to EU membership. Perhaps even more important was the fact that domestic environmental legislation had already been significantly developed prior to EU membership. In broad terms, the EU was not expected to lead to many domestic adaptations because national legislation already provided for similar, and often stricter, levels of environmental protection.

Most EU environmental legislation takes the form of minimum directives. These directives require member states to achieve a basic level of protection via the means of their choice while allowing any state to go beyond this minimum level if it so desires. Although Sweden often appears to have smoothly adjusted to EU membership on a general level, the exact degree of adjustment does vary quite considerably across policy sectors. Hence, in the particular case of environment, it varies in the sense that Sweden was ahead of the EU norm as an environmental forerunner who had a well-developed policy in place at the time of membership⁴³⁶.

The Swedish experience of Europeanization has been dominated by the uploading of high standards to the EU level. This can be explained by the fact that Sweden already had an advanced content of national environmental policy at the time of membership. On the whole, Sweden's efforts to upload to the EU have been successful in many areas, especially acidification and, in some cases, also chemicals. The chemicals field has been particularly important as a lack of success in this area presented the politically controversial possibility of having to accept the long-forbidden chemicals to be sold again on the Swedish market. This constituted a setback for Sweden's environmental ambitions and caused great political embarrassment.

Nevertheless, there have been occasions when slight misfits have arisen in the transposition process and Swedish policy had to be adopted to fit EU requirements. In such cases, Sweden tried selectively to implement EU requirements. Two examples illustrate how this approach works in practice. The first relates to the use of Environmental Quality Norms or Objectives EQO and the other to Environmental Impact Assessment EIA. Prior to the EEA agreement, Swedish legislation mainly used binding emission limit values and non-binding guide levels. Furthermore, the limits were normally set for a polluting industrial business or agricultural activity, not for a geographical area requiring environmental protection. EU quality

⁴³⁵ Tallberg, Jonas. 1999. *Paths to Compliance: Enforcement, Management, and the European Union* International Organization – 56(3): p 609-643

⁴³⁶ Veenman and Liefferink. 2007. 'A handbook of environmental policy'. London: Routledge, p524-531

norms have become part of the Swedish Environmental Code, which is a comprehensive legislative framework covering the entire environmental field. According to many EU directives, such norms are binding and non-negotiable. However, when quality norms have been transposed in the Environmental Code, which is in the form of framework legislation, the decisions on more specific norms have been delegated to the SEPA Swedish Environmental Protection Agency. Thus, local officials can deviate from a quality norm if it places unreasonable costs on the polluter or if it is not technologically feasible. EU directives appear stricter because they require authorities to test according to quality norms, whereas in Sweden the traditional practice has been to test only when there is a health danger or if a quality norm is likely to be breached. This example reveals how a traditional Swedish policy style has influenced the way EU policy is translated into Swedish law, i.e. in a way which allows more flexibility to work with the polluter than the EU law seems to suggest.

Unlike EQOs, the EIAs are not controversial per se, as they have been an integral part of environmental legislation in Sweden since the late 1980s. The EIA Directive⁴³⁷ was fully transposed into the Environmental Code. Much more controversial was the way in which impact assessments were to be carried out under the directive. Here important misfits between EU requirements and Swedish traditional practices soon emerged. Previously, permission for environmentally hazardous activities was granted by the Franchise Board, set up in conjunction with the Environmental Protection Act of 1969. The Franchise Board held hearings on a particular type of industrial enterprise. Typically, the board weighed economic issues, employment prospects and technical feasibility concerns against environmental issues. This practice was consistent with the Swedish style of cooperation and consensus building in national decision-making processes. The EU EIA Directive, on the other hand, requires that assessment be done according to strict, legal procedures. Hence, an Environmental Court has replaced the Franchise Board. Furthermore, the EU directive called for active participation by different interests in society. Although the Swedish political system ensures the engagement of different societal actors in the policy process, it has not traditionally been a legal requirement, but has been based on negotiation as well as political and administrative decisions. This had to change when the EIA Directive was transposed into the Environmental Code, which now includes a legal right of participation. However, in the transposition, Sweden limited the right to be heard in court to organizations with more than 2000 members and which had been active for at least 3 three years. While this interpretation assures that established organizations can voice their opinion concerning a project, it does not give litigation rights to small groups or groups that are temporarily mobilized. This unwillingness to adapt to EU requirements is evidence that Swedish

⁴³⁷ 85/337/EC, later amended by the 97/11/EC

policy makers do not wish to forgo the traditional Swedish policy style. Although the national style tries to bring societal groups and interests into the policy process, it has traditionally privileged the bigger and better-established groups.

4. VEAs Voluntary Environmental Agreements and environmental leadership in the EU

4.1. Building environmental leadership: from communicative action to inter-governmentalism

4.2. Coalition building in the EU

4.3. Swedish Council Presidencies: Prioritizing environmental policy

4.3.1. REACH

4.3.2. Air Policies: the CAFE Programme

4.3.3. GCC Policy

4. VEAs Voluntary Environmental Agreements and environmental leadership in the EU

4.1. Building environmental leadership: from communicative action to inter-governmentalism

Three main factors help explain why Sweden became an environmental leader state. First, Sweden, which is one of Western Europe's largest countries, suffers from relatively high '*ecological vulnerability*'. The country is adversely affected by acid rain in particular as a result of strong prevailing winds and its geographical location but also as a result of the relatively low '*buffer capacity*' of its soils against acidifying substances, i.e. mainly sulphur dioxide and nitrogen oxides. Because much air pollution is imported from other states, the effectiveness of domestic pollution abatement measures crucially depends on action taken in neighboring states and on the international level.

Second, as in a number of other policy fields, Sweden has traditionally presented its domestic environmental policy solutions as a model for others to follow⁴³⁸. The concept of '*ecological modernization*' closely resembles certain aspects of the concept of '*sustainable development*', which was popularized by the 1987 Brundtland Report and has played a central role in Swedish environmental policy even before EU membership.

Third, prior to the economic crises of the 1990s, there was a relatively broad consensus amongst Swedish policy-makers that stringent domestic environmental standards could help both to protect the environment and improve economic competitiveness. Put simply, this

⁴³⁸ Liefferink and Andersen, 1997. European Environmental Policy: the Pioneers. Manchester: MUP, p 41

concept of ‘*ecological modernization*’⁴³⁹ presumes that stringent ‘*environmental policy pays*’, at least when a long-term perspective is taken. This is for two main reasons: first, preventative action is often less costly than curative or clean up measures; second, progressive domestic environmental measures may give indigenous corporate actors a ‘*first mover advantage*’ vis-à-vis their foreign competitors. This is because such actors often manufacture products (for which there is domestic demand) at an earlier stage compared to those countries which adopt stringent environmental standards only after a certain time lag.

4.2. Coalition building in the EU

According to Miles (2005),⁴⁴⁰ Swedish governments are generally driven by the priority of making a positive impact on the Union’s future development. In practice, Swedish governments have selected various issues as being of primary importance and have duly championed these issues throughout the EU policy making process. Data show that the first important item is related to Swedish outspoken desires to improve the democratic credentials of the Union such as greater EU openness and transparency. The second issue of utmost importance for the Swedish in the EU institutions has to do with what might be named ‘*the social-environmental-economic obsession*’, which covers those policy areas where the Swedes are perceived to be market leaders such as in the environmental and social policy spheres. This ‘obsession’ extends from environmental to social policies, but it can also involve internal market policies, especially if the envisaged strategy for uploading the respective national policy to the EU is that of a forerunner⁴⁴¹. A third area – where Sweden is actively participating – includes those aspects of the EU external relations portfolio that Swedish policy-makers believe (if developed) will reinforce existing foreign policy priorities such as the Baltic Sea region and European crisis management.

In terms of policy priorities, it could be argued that these are largely defensive priorities, aimed at bringing or ‘uploading’ the Union to Swedish standards or at least, are recognised by Swedish governments as policy opportunities where the Union can be shaped along Swedish lines. Nevertheless, in these areas the Swedes are proactive and they usually support the development of EU supranational policies and arrangements in the specific area of environmental policy. Sweden has always been a pusher by example or a constructive pusher according to Veenman & Liefferink terminology (2007)⁴⁴² meaning that Sweden has either uploaded its national position or gradually developed the environmental policies at the EU level

⁴³⁹ Hajer, Maarten. 1995. *Politics of Environmental Discourse: Ecological Modernization and the Policy Process*. Oxford: OUP, p 73-75

⁴⁴⁰ Miles, L. 2005. *Sweden in the EU*. London, Routledge, p 45

⁴⁴¹ Veenman and Liefferink, 2007. *A handbook of Globalization and Environmental Policy*. London: Routledge, p 523

⁴⁴² See footnote below

as part of a domestic process. Swedish behavior in the EU policy-making can be characterized – according to the type of the Swedish policy initiatives – as that of a ‘pusher’ because Swedish representatives in the Council deliberately sought to influence EU environmental policy directly. Unlike other member states whose impact on EU environmental policy works mainly via internal market policies, Sweden has always emphasized the importance of international and EU cooperation⁴⁴³.

The conceptualisation of championed policy priorities could also be labelled as examples of pace-setting which involves actively pushing policies at the EU level that largely reflect domestic policy preferences and represents, in most instances, ‘*the exporting of domestic policies to the European level*’⁴⁴⁴. However, such pace-setting not only assumes established domestic policies, but it also assumes that governments have a positive and realistic assessment of their capacity to push them through the EU negotiating process. This could be done by Swedish governments and agencies offering expertise and information to the European Commission when drafting policy proposals or at the implementation stage as part of comitology. These are all central features of fusing national and EU competencies to deliver common norms or, rather, the Swedish adaptation of their previous normative influence strategy via foreign policy to the EU level.

The pusher-forerunner model – originally developed by Liefferink and Andersen (1998)⁴⁴⁵ – was based on the ‘strategies’ used by environmental ‘leaders’⁴⁴⁶ to influence the EU policy process. This core idea was subsequently developed by Veenman and Liefferink (2007)⁴⁴⁷ to integrate the different ‘roles’ and ‘positions’ of green member states, upon which their final strategies are based. Building upon the two dimensions – national and supranational, the authors identify 4 four national positions towards EU legislation in the environmental field: pusher-by-example, constructive

⁴⁴³ ‘Pushers work from the conviction that their interests are in the end better served by common policies even if they are at a somewhat lower level. It is considered more important to have the certainty of what the neighboring countries do than to have what might be optimal from a domestic point of view. High standards are maintained at the domestic level, but basically within the limits of EU and international law. These are the cases of air quality standards and REACH which Sweden promoted at the EU level within the limits of international prescriptions’. As to the specific GCC case, Sweden has been somewhat of an opter-out. (Veenman and Liefferink, see footnote below)

⁴⁴⁴ Boerzel, T. 2000. On environmental leaders and laggards in Europe. in *Journal of European Public Policy*. 71(1), p 142

⁴⁴⁵ Liefferink and Andersen, M. S. 1998. *European Environmental policy, the pioneers*. Manchester, MUP, p 15

⁴⁴⁶ A distinction is made between ‘pushers’, who want to influence EU environmental policy directly and ‘forerunners’, whose first priority is to maintain their national policies and whose influence on EU policy may be indirectly employed. Also, the nature of one’s national policies regarding the environment can be either purposeful or incremental.

⁴⁴⁷ See footnote below

pusher, defensive forerunner and opter-out⁴⁴⁸.

4.3. The Swedish 2001 Council Presidency: prioritizing environmental policy

The EU Council Presidency represented a remarkable opportunity for the Persson government. As Bjurulf (2003)⁴⁴⁹ comments, the Swedish Presidency ‘*was the single most important European event since accession*’. Not only would the Swedes represent the EU collective interest, but they could also ‘*add a Swedish accent*’⁴⁵⁰ to the Union’s agenda for six months. Hence, the government formulated a set of inner championed policy priorities to streamline their presidency. All three – universally known as the three Es (Environment, Employment and Enlargement) – were extensions of championed policy priorities from previous periods. Yet these areas were also part of the Union’s longer term structured agenda where progress was essential in early 2001 and the three Es would have been, to some extent, championed policy priorities regardless of which country would have held the Council Presidency at that time. Therefore, from a domestic politics perspective, it is thus debatable whether the movement towards a more offensive-orientated Swedish strategy continued during the Presidency since the governing social democrats were, by this time, confident that the country was ready for a prominent role in European integration.

In order to examine the Swedish Presidency from the point of view of its environmental leadership, it is necessary to look closer at how the Presidency handled key issues on the EU environment agenda such as the chemical regulation, the air and climate change regulation.

The challenge facing the Swedish Presidency was far from easy since, as Bjurulf⁴⁵¹ comments, the Presidency was involved in a three-level game. The first level covered Swedish governmental relations with domestic public opinion. The second level represented the meetings and discussions with the candidate countries. The third level was the problematic EU level, meaning that the Presidency had to balance the divisions between the environmental ‘leaders’ and ‘laggards’ and also between them and the EU institutions.

The Presidency terms of dialogue also illustrated the limitations of the Swedish influence and the structural difficulties that any Presidency faces,

⁴⁴⁸ These positions are the intersecting options between one member state’s expectations at the EU level and the nature of that state’s national policies. Veenman and Liefferink, D. 2006. *A Handbook of Globalization and Environmental Policy*. London: Routledge, p 524

⁴⁴⁹ Bjurulf, B. 2003. *The Swedish Presidency of 2001* in Elgstroem O. ed. *European Union Council Presidencies a comparative perspective*. London, Routledge, p 138

⁴⁵⁰ Goeran Persson speech at the conference on Sweden’s presidency of the EU Council of Ministers, 19 December 2000, p 6

⁴⁵¹ Bjurulf, B. 2003. *The Swedish Presidency of 2001* in Elgstroem O. ed. *European Union Council Presidencies a comparative perspective*. London: Routledge p 141

particularly when held by a small EU country. In the championed flagship three Es, Swedish attempts at more ambitious progress was curtailed by the larger states. Regarding the environment, US President Bush's refusal to ratify the Kyoto protocol in early 2001 compromised negotiations on EU policy towards climate change and the Swedish Presidency did not achieve their aim of gaining agreement on firm environmental targets on sustainable development either⁴⁵².

The Swedish emphasis on technocracy and consensus-building also proved to be a benefit as regards the Presidency term. Firstly, the Swedish government was committed to consensus-building on key policy issues beyond what is usually regarded as the anglo-continental norm. Not only are Swedish policy-makers actual believers in this form of decision-making, they are also pretty adept at it since such behaviour has been a norm in domestic politics. Yet this can also be seen in the way the Presidency scheduled environment meetings, the legislative regulation timetable and conducted EU business. In addition, such consensus building techniques enabled the Presidency, albeit to a limited extent to overcome German, French and English governmental concerns that the 2004 target for completing the proposed chemical regulation for REACH was too ambitious. Equally, there were fears the commitments to tighter environmental standards by the 10 ten CEECs candidate countries would not be respected.

The Swedes worked extremely hard on environmental questions and fostered a very good working relationship with the Commission. Also, Swedish ministers appeared regularly at the European Parliament. This was especially important in the environment area since the Commission and Parliament have key roles in the codecision process and procedure to which environmental policy is liable. For instance, Bjurulf (2003: 149)⁴⁵³ argues that although the Swedish presidency could not rely on a Swedish identity in the EP, it could call upon a party political identity, the Social democrat political family in the European institutions and especially in the European Parliament. For instance, the governing Swedish Social Democrats did consult with their equivalent parliamentary delegations in the EP. Equally, the Presidency presented an opportunity to accelerate the acquaintance of lower level Swedish servants with the intricacies of the higher level workings of the EU institutions.⁴⁵⁴

Following the 2004 accession of the CEECs to the EU, the voting

⁴⁵² In addition – even if it is not relevant for my concerns here, but it helps to grasp the complete picture of the difficulties the Swedish had to put up to, the French resistance to the liberalization of the EU energy markets took the edge off an otherwise successful Stockholm summit in March 2001 while the Irish public's rejection of the 2000 Treaty of Nice complicated EU discussions on enlargement at Gothenburg in June.

⁴⁵³ See footnote above

⁴⁵⁴ Ekengren, M. 2004. National Foreign policy coordination, the Swedish EU presidency in H. Sjørnsen, W. Carlsnaes, B. White ed. Contemporary European Foreign Policy. London, Sage, p 221

weights in the CM Council Ministers and the total number of commissioners per state are adjusted in light of enlargement, Sweden may lose some of its institutional power with respect to environmental politics. Particular institutional positions have been vehicles through which Sweden advanced its environmental goals in the past. For example, from 1999 to 2004, the EU Commissioner for the environment was a Swede, Margot Wallstrom. In 2005, Wallstrom became one of several vice presidents in an enlarged European Commission, removing the environmental portfolio from her direct purview. In her 2005 position as Vice President of Institutional Relations and Communication, she may continue to advocate for environmentally friendly policies, but her primary duties will not include this. Thus, Sweden and Swedes may be able to ascend up the institutional hierarchy of the EU, but only at the cost of giving up control over particular issue areas. However, enlargement also brings a greater number of small states to the table, so the possibilities for alliances, tradeoffs and ‘*small state solidarity*’ may be enhanced, though important difference will, of course, remain.

Relations with the Commission and consensus building with other EU governments on policy issues was facilitated by the Swedish diplomatic elite’s high level of preparation for the Presidency prior to taking it over. The Swedish diplomatic elite recognised early in the years of full membership that the presentation of well-prepared drafts and assessments in the early Commission-Council working groups, i.e. at the early stages of the EU policy process enhances levels of Swedish influence substantially.

Sweden’s reputation for being well-prepared and efficient managers of the Presidency was also built on the success of governmental arrangements in coordinating information between Stockholm, Brussels and the other EU capitals. Special mention should be made here of the technocratic expertise and diplomatic excellence of the Swedish Permanent Representation to the EU during the Presidency. In the series of interview held with the Swedish Permanent Representation SPR’s officials, a regular comment was that the Permanent Representation was widely praised for being very successful for its intelligence reports and trouble-shooting. The Swedish approach was safe but dull, yet it achieved tangible results⁴⁵⁵. However, this did lead some EU delegations, led notably by Germany, to criticize the Swedes for being too rigid with the agendas for Union meetings⁴⁵⁶.

Furthermore, Swedish pragmatism also proved to be an asset. Not only was Swedish pragmatism indicative of performance credentials, but also of political commitment. A strong engagement to supranational solutions was indicated in the championing of the three Es. At the same time, the nervousness of the Persson government when launching preparations for the Convention on the Future of Europe also highlighted the

⁴⁵⁵ Financial Times

⁴⁵⁶ Interview with the environmental policy officer at the SPR in Brussels

ambiguities of the Swedish attitudes towards the future evolution of the Union.⁴⁵⁷

As Ekengren⁴⁵⁸ identifies, Swedish civil servants chaired over 250 Council working groups in approximately 1500 meetings during the 2001 Presidency. During this time, the Swedish government acted as an ‘*inter-European link between EU levels of governance*’.⁴⁵⁹ In particular, the emphasis placed by Swedish policy-makers on multi-level consensus building – which includes not just cooperation between governmental and parliamentary actors but also non-governmental organisations, such as interest groups – could be viewed as evidence of enlarging policy networks at the supranational level in order to achieve consensus at the national one. For instance, the Swedish Presidency organised many meetings – nearly 100 – that brought together key societal groups – such as student forums and organizations – from the EU and candidate countries in order to ‘fuse’ these groups into the EU policy process. It proved to political observers that the Swedish political elite operated effectively in the EU compound polity and could even lead it for a short time.

The 2001 Swedish Presidency removed any last political obstacles to Sweden being viewed as a proactive European. It helped to partly remove some of the ‘stigma’ attached to being reluctant to join the Euro with other member states and showed Sweden to be a good team player. Above all, it reinforced the point that Sweden was locked or ‘*ratcheted in*’ to EU decision-making, if not quite to any vision of a federal Europe. The question is why did the Swedish social democrat establishment did undertake these efforts at the EU levels?

4.3.1. REACH Registration Evaluation Authorization of Chemicals: nested games and strategic moves

REACH is the new EU regulation passed at the end of 2006, which addresses the production and use of chemicals, their control as to neutralize their potential negative impact on environment and human health. The complex co-decision process lasted for approximately 8 eight years and it was a ‘*tour de force*’ between the Commission and the EP, on one side, and the different stakeholders, on the other⁴⁶⁰.

The different stakeholders involved in REACH were the chemical

⁴⁵⁷ (Goeran Persson, 2000, Swedish Prime Minister discourse)

⁴⁵⁸ Ekengren, M. 2004. National Foreign policy coordination= the Swedish EU presidency in H. Sjursen, W. Carlsnaes, B. White ed. Contemporary European Foreign Policy. London, Sage p 214

⁴⁵⁹ See footnote above Ekengren, M. 2004. National Foreign policy coordination= the Swedish EU presidency in H. Sjursen, W. Carlsnaes, B. White ed. Contemporary European Foreign Policy. London, Sage. P 223

⁴⁶⁰ The REACH legislative package contains 849 pages, which took seven years to pass and it has been described as the most complex legislation in the Union’s history, the most important in 20 twenty years. After a cumbersome negotiation process, which will be explained below, REACH finally entered into force in June 2007.

industry, on one hand, and the environmental lobby groups such as Greenpeace, EEB, WWF, on the other hand. Their institutional counterparts were the Council, the industry associate and supporter, on one hand, and the Commission and the EP, the public environmental interests, on the other. However, in the different stages of the legislative process, the power play⁴⁶¹ changed throughout the way. Before the EP first reading, all the EU institutions were favorable to a ‘*pro-environmentalist*’ REACH; after the first reading, the Council of Ministers became more and more hostile as a result of the strong lobbying undertaken by CEFIC. The shift took place after the Commission released its 2001 White Paper, which sent shivers through the chemical industry. It was the move of competency from the Environment Council to the Competitiveness Council which triggered the change in the institutional support on REACH: the Council became opposed to the initial draft proposal forwarded by the Commission and amended by the EP. It finally sided with the chemical industry lobbying, CEFIC, ICCA International Chemicals Agency and DUCC Downstream Users of Chemicals Coordination Group in an attempt to keep ‘untouched’ the competitiveness of the European economy according to the Lisbon Agenda⁴⁶².

The fight for REACH as a new regulation for chemicals in Europe was led by what the German media described as ‘*the 3 three Swedish witches*’, while the crusade against them was led by ICCA and CEFIC, on one hand, and by the US permanent representation, European governments and their sponsored interest groups, on the other. The chief-argument – launched by the anti-REACH coalition – consisted in pointing out that Sweden did not have a chemicals’ industry of any real importance: ‘*What do Swedes know about the importance of the chemicals industry?*’⁴⁶³

One specific strategy – used was to be patronizing in the name of ‘competitiveness’ and portray the White Paper as a somewhat naive proposal from the people who did not really know what they were talking about. Not only did Sweden play an important role in the drafting of REACH, but it has also been the main promoter of the PPP polluter pays principle, the precautionary, risk assessment and sustainability principles in environmental law. Sweden had been one of the five member states initially

⁴⁶¹ ‘*Les rapports de force*’ among the different European institutions involved in supranational decision-making changed throughout the process from the first reading to the third reading.

⁴⁶² The Lisbon Strategy has been launched by the European Council in Lisbon in March 2000 to promote economic, social renewal and environmental sustainability by creating growth and jobs. The Lisbon strategy is based on 3 three main pillars: innovation, the learning economy and social and environmental renewal.

⁴⁶³ This was the unrelenting question of the anti-REACH lobby. Additionally, many of the Swedish key persons in the issue were women. Commissioner Margot Wallstroem, MEP Inger Schoerling and the DG Environment Head of Chemicals Unit Eva Hellsten were portrayed as a trio trying to demolish the chemicals industry and were even referred to as ‘*The Swedish Witches*’ in Germany.

requesting a review of the chemicals regulation in the EU in Chester, UK in March 1998. It was the Swedish Ministry of Environment (ILSR 2005) which first defined EPR extended producer responsibility, which is based on the polluter pays principle but goes beyond a manufacturer's responsibility for pollution from product manufacture to make the manufacturer responsible for the environmental impact of a product from manufacture to disposal. 'Product stewardship' is a related idea in that it is concerned with the environmental impacts of the product throughout its life-cycle in programs such as the IPP Integrated Product Policy and the eco-label. The precautionary principle as an official principle guiding policy dates back to the 1970s when it was incorporated into Swedish environmental policy. The first recognition of the precautionary principle in an international agreement came in 1982 when it was incorporated into the World Charter for Nature and adopted by the UN General Assembly (EC 2000:11).⁴⁶⁴ In short, the precautionary principle states that even where it is not certain that serious or irreversible harm will be caused, if it is likely to happen, action should be taken to prevent it.

Simultaneously with the White Paper on REACH, the Commission released the White Paper on Good Governance. It was not a coincidence that both were issued out in 2001 during the Swedish Presidency, the first in February 2001 and the latter in July 2001 – at the closing in of the 6 month European Council presidency Sweden wielded. What is more, the whole REACH initiative has started out as a Swedish initiative: the content of the White Paper was similar to a national Swedish regulation that had been developed over years in one of the most extensive committee investigations on chemicals ever. Sweden had prioritized the issue during its presidency in 2001, the first green rapporteur was the Swedish MEP Inger Schoerling and the Swedish Chemical Inspectorate, KemI, had been involved in the preparations of the White Paper.

Right-wing and non-regulation think-tanks attacked one of the fundamentals of REACH, the precautionary principle and described it as a 'good idea' that had been taken too far by the Swedes. For example, in an outrageous article under the headline 'How Swede it is' in TechCentralStation, a free-market writer, Roger Bate, described the Swedish focus on environmental and health protection as being dangerous to innovation, jobs and progress: 'Unless the Swedish folly with the misuse of science and precaution is exposed, other countries may follow down its path'⁴⁶⁵.

The REACH proposal reached a stall in June 2003 in the EP in an

⁴⁶⁴ UN General Assembly, 2000 Report

⁴⁶⁵ The chemical-pharmaceutical industry is organized in two main lobbying associations which are ramificated at the national level. ICCA is the vehicle of discussion with the international organization at the UN level while CEFIC is the European level organization incorporating all the main national associations. The chemical industry is organized into a highly efficient network of small national associations and international interest groups.

attempt to delay the final vote on REACH and its adoption till the beginning of the next legislature by the coalition of Conservatives and Liberals. Moreover, the German Social Democrats supporting REACH were targeted with allegations of being anti-industry and complementary arguments centered on costs and jobs that easily find their way into the hearts of most politicians. Estimations by the CEFIC industry federation – through impact assessments and various reports (the Mercer Report) carried out by industry friendly experts – forecast a 12 million animals and a cost of 3.6 billion for testing. In the spring 2003, the stakeholders' meeting was delayed as the Commission was split between DG Environment and DG Enterprise. In May 2003, the Commission presented the draft Regulation as a joint document between DG Enterprise and DG Environment. Oddly, it was not the entire Commission which stood behind the document, as it should have been the case since it was a proposal from the Commission, but only two DGs. Lacking the official support from the entire Commission signaled that the Commission had internal difficulties with the proposal and, by consequence, there was a lot of room for improvement and changes. The Commission said it would use the comments received in the stakeholders' consultation to finalize the proposal, which would be presented before the end of the year. The submitted draft regulation contained 'almost' none of the amendments requested by the EP. Instead, several of the demands from the chemical industry had been met and the draft regulation was a watered down version of the White Paper. The most obvious impairments were that the requirements for substitution of hazardous substances and the demand for assessment of all chemicals used in consumer products had been effectively taken out or severely watered down. Apparently, the anti-REACH campaign, orchestrated by the US and EU chemicals industry and the US government, had been successful.

The real change came with the move of competency in the Council of Ministers from the Environment Council to the Competitiveness Council as a result of the industry offensive. Under the European Council meeting of the Italian Presidency, the heads of state decided that *'the Council and the Commission must address the needs of specific industrial sectors...in order for them to enhance their competitiveness, notably in view of their essential contribution to economic growth. EU legislation should not be a handicap to EU competitiveness compared to that of other major economic areas.'* That and the famous Blair, Chirac, Schroeder letter⁴⁶⁶ were the motives

⁴⁶⁶ On September 2003, while the Commission was significantly redrafting the draft regulation and making it into a proposal, Blair, Schroeder and Chirac sent a formal letter to Romano Prodi, the then President of the European Commission. The heads of state voiced their concern that the proposal for a new chemicals regulation would endanger the competitiveness of the European industry and increase red tape, thereby threatening the objectives of the Lisbon strategy. As if reading a script from the chemicals industry or the US government, they were particularly concerned about the registration procedure which was too bureaucratic and unnecessarily complicated.

behind the weakened proposal presented by the Commission. When this proposal was released at the end of October 2003, the scope of REACH had also been reduced meaning less bureaucracy, less costs, less data requirements, less reporting and less protection. Polymers had been excluded and the data requirements for the other substances produced under 10 tones per year had been reduced. Therefore, chemical safety reports were not required anymore for substances below 10 tons. The general ‘*Duty of Care*’ had been taken out, transparency – as advocated in the White Paper on governance released under the Swedish Presidency – had decreased and the impairments from the draft regulation had not been restored.

The attempt to dilute the proposal had been achieved institutionally by removing the Council competency, but a similar move was not possible in the EP European Parliament since REACH was formally still an environmental issue, handled in the codecision procedure, which entailed finding an agreement between Parliament and Council. The proposal had lately been assigned to the Social Democrats by the Environment Committee and the Italian MEP Guido Sacconi was appointed rapporteur. Likewise, institutional manipulations were also present in the handling of REACH by the different committees – the Legal Affairs Committee, the Environment and Public Health Committee and the Enterprise, Energy and Research Committee each claimed main competency over REACH, but it was only an attempt to delay the first reading up until elections when the next legislature, the 2004-2009 EP legislative would be inaugurated⁴⁶⁷. The primary purpose of these maneuvers was of a procedural nature: by creating a conflict of competence, the work of the lead committee – the Environment Committee – was to be stalled to stop the Parliament from adopting a first reading in this legislature. This strategy – to keep REACH out of the elections – worked accordingly because it became impossible to complete a first reading by the end of June 2004. REACH was finally adopted in December 2006 by the new legislature under the lead of the Environment Committee and its same president Guido Sacconi.

The first time long-term chemical pollution was officially addressed at a high level was during the 1972 UNCHE in Stockholm, where chemical pollution was recognized as an issue of global concern in the Stockholm Declaration. At the conference, a number of guiding principles for the protection of environment were adopted. These have been crucial in the aftermath of the UNCHE Conference when other instruments had to be successively developed.

Another important outcome of the 1972 UNCHE Conference was the agreement to create a new program for global environmental protection under the United Nations: UNEP. The latter has since become an important UN instrument concerning chemicals; it actually is now the main UN body

⁴⁶⁷ However, once REACH was off the agenda of the 1999-2004 Parliament, it was a smooth decision with no objections that the Environment Committee would keep the lead competency.

dealing directly with chemicals. Later, in the mid-1990s, negotiations to eliminate releases of persistent organic pollutants (POPs) were initiated. The negotiations focused on the twelve 12 most hazardous substances - the Dirty Dozen - and were finalised in 2001 in Stockholm, Sweden.

As with national environmental activities, the greater part of international environmental activities take place at the agency level, i.e. in SEPA. Due to its involvement with product regulation, the National Chemicals Inspectorate also has an international orientation. For instance, the control of chemicals of various sorts, such as pesticides and toxic chemicals, is a matter of high priority for Sweden and is discussed below in this chapter. The Chemicals Inspectorate is the agency responsible for most questions concerning chemicals while in the EU these types of questions are handled by a number of different directorates.

4.3.2. Air Policies: the CAFE Programme

The Vienna Convention and the Montreal Protocol were the first UN instruments whereby the man-made chemicals destroying the stratospheric ozone layer had been localized and banned⁴⁶⁸. In 1985, the Vienna convention was agreed upon as a framework convention which needs the development of measures in separate protocols. Thereupon, the Montreal Protocol was first adopted in 1985 and has been adjusted five times⁴⁶⁹.

The early diplomatic efforts on the environmental side were also related to the trans-boundary air pollution problems of acidification and eutrophication that Sweden suffers from. As the Swedish soil is rocky and easily permeable, the real motive behind the 1972 UNCED Stockholm Conference was to garner efforts to address these 2 two environmental problems particularly resented by Sweden.⁴⁷⁰ It is interesting to note how Sweden managed to use the conference to push issues related to acid rain and international air pollution.⁴⁷¹ These actions of Sweden – in concertation with other similarly harmed northern states, led to the adoption of a management regime for LRTAP Long Range Trans-boundary Air Pollution in 1979.⁴⁷² At a 1982 Stockholm Conference, Jan Nillson of the Swedish Environment Ministry synthesized and presented air pollution data in ways that were easily understood by policy-makers and that led to international cooperation on the problem.⁴⁷³

Three main factors help explain why Sweden became an

⁴⁶⁸ Bolin, B. 2007. The politics of Climate Change. London, Routledge, p 98

⁴⁶⁹ The Montreal Protocol aimed to reduce the thinning effect of the ozone layer by reducing the level of chlorofluorocarbons in the atmosphere.

⁴⁷⁰ Wurzel & Molin, K. 2000. Swedish environmental policy in Miles, L. ed. Sweden and the EU evaluated. London, Continuum, p 175

⁴⁷¹ Zito, A. 2000. Creating environmental policy in the EU. Basingstoke, Macmillan, p 51

⁴⁷² Haigh, N. 1992. Manual of environmental policy. Harlow, Longman, p 238

⁴⁷³ See footnote 110 above Zito, A. 2000. Creating environmental policy in the EU. Basingstoke, Macmillan, p16

environmental leader state: one factor is geographic and the other two pertain to the neocorporatist-societal and foreign policy approaches, which were treated above. The first factor relates to the fact that Sweden, which is one of Western Europe's largest countries, suffers from a relatively high '*ecological vulnerability*'. The country is adversely affected by acid rain in particular as a result of strong prevailing winds and its geographical location but also as a result of the relatively low '*buffer capacity*' of its soils against acidifying substances (mainly sulphur dioxide and nitrogen oxides). Because much air pollution is 'imported' from other states, the effectiveness of domestic pollution abatement measures crucially depends on action taken in neighboring states and on the international level.

Moreover, upon its EU accession, Sweden has intensified its lobbying efforts with the Commission and therefore sent a couple of its experts over to the Commission headquarters in an attempt to lay down the preparatory work – on acidification issues. Acidification remained an important priority for Sweden upon EU entry and Swedish pressure resulted in the adoption of a strengthened preventive EU strategy in 1997.⁴⁷⁴ The case of acid rain demonstrates the early and consistent ability of Swedish policymakers to engage in norm – and interest – driven environmental diplomacy related to atmospheric environmental issues.

Acid rain has been a long-standing pollution problem which causes serious environmental pollution in Sweden (European Economic Agency, 1999a; 1999b). Sweden has acquired considerable scientific expertise on acid rain and pioneered the so-called '*critical loads*' principle, which became enshrined into the Sulphur Protocol of the LRTAP Convention in 1994. The '*critical loads*' principle constitutes a departure from the traditional approach to assign uniform emission reduction limits to a particular country; it instead aims to lower harmful (sulphur and nitrogen oxide) emissions to less than the critical (and environmentally damaging) threshold level on a regional or even local basis.

Immediately after joining the EU, Sweden launched an initiative within the Environmental Council for a coherent EU strategy to combat acid rain. The Council subsequently asked the Commission to come up with a report which was published in 1995 (SEC (95) 2057). The Directorate General (DG) XI, which is a relatively small DG, is responsible for environmental issues within the Commission. It strongly welcomed the secondment of a Swedish expert who, in cooperation with a seconded British official, drafted most of the Commission's report. Curiously enough, the seconded Swedish expert was not a British government official, but had previously worked for the Swedish NGO Secretariat on Acid Rain, which is an NGO closely involved in negotiations of the LRTAP Convention. The Swedish government was aware that its acidification strategy was likely to

⁴⁷⁴ See footnote above Zito, A. 2000. Creating environmental policy in the EU. Basingstoke, Macmillan, p76

meet with stern resistance from the Southern member states – Spain in particular.

Although I would not try to privilege the impact of interests in the detriment of ideas (and norms), I shall attempt to highlight their powerful consequences in the three sectoral policies exposed here, the CAFÉ air quality standards, chemicals regulation (REACH) and GCC.

The case of acid rain demonstrates the early and consistent ability of Swedish policymakers to engage in norm – and interest – driven environmental diplomacy related to atmospheric environmental issues. My point here (in the formulation of hypothesis 6 and hypothesis 7 and to a lesser extent hypothesis 3) is that Sweden has shown a more norm driven foreign policy attitude regarding the environmental issues during the UN period than later in the EU where the interest-based proclivity dominated. Why is that so and what is the difference best norm – driven attitude vs. an interest – based attitude in environmental matters is the focus of this chapter. The reasons which motivated a certain type of attitude rather than another at one particular moment in time to the peculiar pertains to domestic politics dynamics and particularly to the internal split in the SAP over environment dominance during social-democrats' power.

Precisely, I will try to highlight Swedish international activity in the UN in environmental policy sectors as norm-driven over climate GCC change as mainly while the Swedish participation in the CAFÉ and REACH inception and outcome as interest-driven. The dichotomy is not – however – clear-cut and there may equally happen for insular interferences to arise (i.e. at certain times moments and in certain policy settings, for REACH to become norm-driven rather than interest-driven or vice versa). Where this would be the case I would specify.

For instance, in the case of the CAFÉ and the acidification problem, Sweden acted as an environmental leader and norm-shaper in the early phases of agenda setting and policy formulation. In these 2 policy phases, Sweden acted on the basis of a norm-based attitude using the power of ideas and research-based norms. On the contrary, in the sub-segment policy phases of CAFÉ, Sweden exhibited an interest-driven policy style attitude.

For instance, early Swedish action regarding air quality standards date back to 1995. It was the first Swedish environmental action upon its EU entry. When the Commission's report was presented to the Environmental Council in December 1995, it concluded that the application of the BAT principle would leave many regions within the EU well above the '*critical loads*' threshold⁴⁷⁵. However, mainly for cost reasons, several member state governments were not prepared to accept the relatively ambitious reduction targets put forward in the Commission's report. The Council conclusions finally accepted a Dutch compromise proposal (which drew heavily on advice from the Swedish expert) but also asked the

⁴⁷⁵ SEC(95) 2057: p19

Commission to come up with a less costly modified strategy. Subsequently, DGXI accepted support from two other Swedish experts, who were seconded to its offices in Brussels in 1996-98. Sweden has, therefore, made extensive use of trying to influence the Commission from 'within'⁴⁷⁶.

The Commission's modified acidification strategy, which reflected a number of Swedish priorities, was finally published in March 1997⁴⁷⁷. It proposed the adoption of a 50 percent gap-closure target (namely that the 'critical loads' threshold level should not be exceeded in more than 50 percent of the designated area) by 2010 compared to the 1990 base line. The most important measures proposed to achieve this aim included: the adoption of stringent national emission ceilings for sulphur dioxide, nitrogen oxides and ammonia in a new directive; the revision of the large combustion directive; the adoption of a directive limiting the sulphur content of liquid fuels; the revision of the 1988 large combustion directive; the ratification of the 1994 LRTAP sulphur protocol; and the adoption of restrictions on emissions from ships. Sweden therefore not only succeeded in placing acidification onto the EU's agenda but also helped to frame the EU's pollution abatement strategy to counter acid rain.

Sweden has taken unilateral action with regard to limiting (sulphur and nitrogen oxide) emissions from ships. The measures adopted should have led to a 75 percent reduction by 2000. They consist mainly of lower shipping dues for vessels which use low sulphur fuels and are equipped with advanced emission abatement technologies. This is another example of where the Swedish government has tried to set an example for others to follow and used policy instruments like taxes, which are commonly used within Swedish environmental policy.

Five years after its entry to EU, Sweden has established itself as a normative leader regarding matters of clean air policy. Anyway, all things constant, it is true that after the second half of the 1990s, a whole lot more began to change in the EC legislative standards on the quality of air. It was as if a new thrust was there with the Community's 6-th EAP Environmental Action Programme which was soon followed by the 'Thematic Strategy on Air Pollution' published by the COM in 2005. Whether there has been concerted lobbying by Swedish administrators in the Commission or whether Swedish environmental expertise efforts and international profile have paid out, is a matter of interpretation. Previously to Swedish adhesion, there have been other related directives which were passed: e.g. Directives 1999/13/EC, 96/62/EC and the 1999/30/EC Directive called into action for reducing industrial emission limits and putting into place quality standards for ambient air as a means to control local air pollution levels. Nevertheless, considerable efforts have been undertaken by Swedish government experts to limit long-range trans-boundary of air pollution even before Swedish

⁴⁷⁶ See footnote above

⁴⁷⁷ (COM(97)88)

entry. For instance, the convention of trans-boundary air pollution, Sweden have hardly struggled for ever since 1967⁴⁷⁸. The methods which Sweden used as a state were the methods usually used for ensuring scientific backstopping in international organizations. These were effective means of lobbying as natural research is an all convincing argument in environmental international negotiations (especially on environmental issues). An example to it was the research initiated by researchers from Stockholm University, in particular by Svante Odin, on acid rain, which ultimately led to the European regional agreement on trans-boundary pollution, already in 1983. But, before this regional agreement had been signed, there was an early convention on the same matter as early as 1979 when Europe-wide agreement was reached under the Convention on Long-Range Trans-boundary Air Pollution CLRTAP. This Convention fixed national emission ailing for 4 main air pollutants: VOCs – Volatile Organic Compounds, NOx – nitrogen oxides, NH₃ – ammonia and SO₂ – sulphur dioxide main responsible for the formation of acid rain formation.

The purpose of these international conventions and international agreements was to limit air pollution in the atmosphere, which was made even more serious by the trans-boundary character of the air pollutants (subject to long-range transports all over Europe). To figure out what role did the Swedish government experts and diplomats play in bringing about this international agreement on clean air is to try to stand out the actions and strategies used to obtain international consensus (like Putnam's two level plus game). It is about coordination and timing a bulk (a bunch) of actions, which all amount to a clear-cut example of normative influence – already singled out by Kronsell (2002)⁴⁷⁹ – in international environmental affairs or the birth of a new kind of diplomacy.

Basically, Swedish actions for reaching environmentally friendly legislation was the same in both the cases of REACH and CAFÉ: muddling through the disorder of multiple state interests and finally pushing preparatory conventions during the 2001 Swedish presidency of the CM Council of Ministers. Like in the case of REACH – where a global convention on POP was signed in 2001 – research were instrumental in moving the process forward. Precisely, after extensive studies on costs and benefits, in 1999 a new protocol to the convention was agreed – the Gothenbourg Protocol. The Protocol defines maximum amounts of emissions of VOCs, NO_x, NH₃ and SO₂, to be attained latest by 2010. In addition, in 2001, as a follow-up to the Europe-wide Gothenbourg Protocol (1999), the European Union adopted a new directive which allocates emissions caps to each member state – the NECD National Emissions Ceilings Directive.

By the same token it should not be overlooked the fact that this

⁴⁷⁸ see Bolin, B. 2007, idem, p 43 footnote above

⁴⁷⁹ Kronsell, A. 2002. Can small states influence EU norms? Insights from Swedish participation in the field of environmental politics. In *Scandinavian Studies*. 74(3), p 59

implementation directive has been pushed onto the COM agenda during the Swedish presidency of the CM shows that Swedish involvement - to determine the most cost-effective way to achieve specific air quality targets as a means to achieve significant reductions of ground level ozone, acidification and eutrophication – proves once again Swedish environmental leadership. Also, the additional fact is that this NECD was decisive as Sweden’s paramount concerns are to stop acidification and eutrophication phenomena. An important observation which must be made regarding the NECD Directive is its final application and decision stages of procedural decision-making; the original NECD proposal had been fully supported by the EP and the COM, but was not accepted by the member states in the CM.

A recurrent pattern on concerning EU legislative proposals initiated by Sweden (see NECD and REACH) is their rather positive reception in supranational institutions like the COM, the EP and the European agencies and their rejection in intergovernmental fora of decision-making like the Council of Ministers. As well, at the environmental NGOs level, there is mitigated acceptance them being rather divided over the Swedish proposals. For instance, the EEB European Environmental Bureau has always been an instance favorable to Sweden inasmuch as it has been an early Swedish think-tank for the promotion of environmental-friendly initiative at around the EU premises. Like in the case of REACH (see further in this chapter), the CAFÉ legislative package was thwarted at the level of MS. Is this a pure coincidence or is there food for thought? Further matter is going to address Swedish preference into EU decision making.

A comparison bet the original COM proposal (a Swedish initiative) ceilings for air pollutants and the final targets set by the Directive 2001/81/EC stirred up discontent among environmental.

Table 1 Total reduction of air pollutants bet. 1999 and 2010, proposed by the COM in 1999 and the ones finally agreed as national emissions ceilings in the NECD by MS

Air pollutant	Original COM proposal	Directive 2001/81/EC
VOC	60%	54%
NO _x	55%	51%
NH ₃	21%	14%
SO ₂	78%	77%

This change in the original proposal has been strongly criticized by environmental NGOs because the higher national emission ceilings set in the NECD in 2001 are a major barrier to meeting the desired air quality targets.

Despite the early awareness and a tax on NO_x emissions of high domestic relevance, which has been implemented in Sweden in relation to stationary sources, Sweden is expected to fail to meet the NO_x emission ceiling by 2010, even in the scenario taking all measures into account (acc.

to the analysis of the AEA Report 2006). The Swedish seem to particularly prefer taxes as the best method of environmental policy enforcement. e.g. a tax on CO₂ has been in force ever since 1992 or 2002, a tax on NO_x, as well as the introduction of industrial permits which limit NO_x and SO₂ values to BAT Best Available Technology performance level as the SCR Selective Catalytic Reduction techniques in combination with primary measures]. Stationary sources of pollution are non-moving sources, fixed-site producers of pollution such as power plants, chemical plants, oil refineries, manufacturing facilities and other industrial facilities. There are hundreds of thousands of stationary sources of air pollution in the US. Stationary sources emit both criteria pollutants and HAPs hazardous air pollutants.

When noticing the emission ceilings for air pollutants under the CAFÉ program, there is a striking similarity (with regard to the adoption of targets, instruments and objectives) with the EU Burden Sharing Agreement Directive under the Kyoto Protocol. However, in the case of Sweden, the behaviour is rather different: compliance and early expertise at the agenda-setting stage for CAFÉ and opposition and non-compliance with GHG targets for Kyoto⁴⁸⁰.

4.3.3. GCC Policy

My research question aims at explaining the noticeable Swedish successes in the specific cases of CAFÉ and REACH and the Kyoto failure⁴⁸¹ in the particular case of GCC. With respect to GCC, it was a Swede, Svante Arrhenius, who in 1886 published the first paper warning of human-induced global warming.⁴⁸² In more recent times, Sweden has been an active participant in combating GCC⁴⁸³. Swedes are, indeed, sensitive to

⁴⁸⁰ In Kjellen's words: *'In most of these [multilateral] negotiations there was always a certain background of broad ideas to consider: the future of the multilateral system, the need to ensure sufficient development financing, the stability of the world economy. But, most of the time national interests, as expressed in the instructions, were to condition and guide the negotiation and set the boundaries for what could be achieved'*. (Kjellen, 2007, idem, p112 see footnote above); The Decision 1600/2002/EC deals with the acidification strategy. Before the EU's entry, Sweden has had a long history of air standard regulations having introduced CO₂ emissions ceilings for cars – see Lundquist, Lennart, *'The hare and the tortoise'*, 1980, p 30) – in about the same year as in the US. While the EU Directive on vehicle emissions entered into force in 2000, Sweden had adopted one before 1979. Lundquist, L.J. 1980. *The hare and the tortoise, Clean Air Policies in the US and Sweden*. Ann Arbor, Michigan Press, p 30

Back then, before the 1st UN Conference on Environment in Stockholm, Swedes worried about the effects of acid rain and eutrophication of lakes caused by sulphur dioxide emissions.

⁴⁸¹ When fully implemented the Protocol would result in cutting Europe's VOCs emissions by 40%, NO_x by 41%, NH₃ by 17% and SO₂ by at least 63% compared to 1990 levels.

⁴⁸² Nordhaus, W. D. 1997. *The Swedish nuclear dilemma*. Washington D. C. Resources for the future, p 42

⁴⁸³ Anderson and Liefferink write that: *'Sweden's role has been to act as a catalyst for international development and in this process Swedish experts and diplomats have come to*

issues surrounding GCC. In the early days of the GCC issue, prior to the founding of the IPCC in 1988, the Swede Bert Bolin worked tirelessly to draw international attention to the scientific findings.⁴⁸⁴

Additionally, ‘Sweden has long made considerable efforts to cut its ‘greenhouse gases’ of which carbon dioxide is the most important’⁴⁸⁵. Prior to the EU’s formal program requirements, Sweden engaged in cooperative GHG abatement (joint implementation) programs abroad, such as those in Poland, where the costs of abatement are lower than they are in Sweden⁴⁸⁶. Sweden also attempted to link its vote in the EU ratification of the UN Climate Change Convention to the unsuccessful adoption of a European carbon tax⁴⁸⁷. Carbon taxes are important to Sweden as it is also one of the 6 EU states that have a national carbon tax⁴⁸⁸. This tax has helped Sweden to maintain ‘a low profile with regard to CO₂ emissions... 1990 CO₂ emissions from industry and energy had been cut out by 33 percent compared with the 1970 levels’⁴⁸⁹.

However, Sweden’s low profile is not simply the result of environmentally friendly taxes, but Swedish reliance on nuclear power is the explanatory key. Yet, the triumph over CO₂ emissions in this way might be a Pyrrhic victory, as dependence on nuclear power contributed to the difficult intra-EU negotiations over the European position on GCC, in addition to preventing opportunities for Swedish influence in other international fora.

As a matter of fact, some Swedish actions with respect to GCC contrast with Swedish successes in framing the air pollution issue. Sweden makes for an excellent case study because of its general environmentally friendly behavior and the expectations that are associated with Sweden, a fact highlighted by Kronsell’s model of normative influence. During Sweden’s accession to the EU in 1995, the government insisted on a special provision attached to its accession treaty stating that ‘the right to choose

play a significant role in providing scientifically based advice and international leadership. Sweden’s role in the UN’s IPCC, an advisory body with its secretariat in Stockholm headed by the Swede Bert Bolin, is a prominent example of this role but so are the negotiations at the Rio Convention at which the work of Swedish diplomats stood out.’ (Anderson and Liefferink, 1997. EU Environmental policy, the pioneer. Manchester, MUP, p 22)

⁴⁸⁴ Bodansky, D. 2001. ‘The history of the global climate change regime’, in U. Luterbacher, D.F. Sprinz (Eds). Cambridge, MA: MIT Press, p 26

⁴⁸⁵ Molin & Wurzel, 2000. Swedish environmental policy in Miles, L. Sweden and the EU evaluated. London: Continuum, p 174, see above

⁴⁸⁶ Beckerman 1992: p283; Beckerman, W. 1992. ‘Economic growth and the environment: whose growth? Whose environment?’ in World Development. 20(4): p 481-496

⁴⁸⁷ McCormick, J. 1989b. Reclaiming paradise – the global environmental movement. Bloomington, Indiana UP, p 109-114

⁴⁸⁸ McCormick, J. 2001. Environment policy in the EU. London: Palgrave, p 283

⁴⁸⁹ Kronsell, A. 1997. Sweden, setting a good example in Andersen and Liefferink ed. European environmental policy, Manchester, MUP, p 67.

*sources of energy would not be affected by EU membership*⁴⁹⁰. This provision ensured that Sweden retained its right to use nuclear power. In the wake of the 1973-74 oil embargo, Swedish policy sought to reduce dependency on foreign energy suppliers.⁴⁹¹ In this context, nuclear energy was seen as a clean and cheap source of energy and it was designed to keep the entire nuclear fuel cycle within Sweden.⁴⁹² Despite mild controversy, these factors eased the introduction of nuclear energy in Sweden and large-scale development of nuclear power began in Sweden in 1975⁴⁹³.

The Swedish government nearly derailed the EU GCC strategy over the question of the '*flexible mechanism*'. This provision allowed a state to substitute some of its mandated national emissions reductions with either ET, sustainable joint development projects with developing countries or facilitating CO₂-reducing activities such as planting trees⁴⁹⁴. At stake was the extent of any future ET regime: most EU member state governments sought to place a ceiling on potential emissions trading as those states felt that at least 50 percent of the mandated national emission reductions should come from the targeted state.⁴⁹⁵ Sweden, along with the Netherlands, initially threatened to block any efforts to limit ET, an outlook that put them closer to the US position than that of the EU, essentially driving a wedge into the European position. Eventually, a compromise position was found in which further study would take into account Swedish and Dutch reservations about the manner in which the Kyoto Protocol process would take shape.

It seemed rather queer that Sweden sought to block a proposal in line with many of its international and national priorities and past behavior. The answer can be found in the low CO₂ emission rates in Sweden prior to GCC

⁴⁹⁰ Molin & Wurzel, 2000. Swedish environmental policy in Miles, L. Sweden and the EU evaluated. London: Continuum, p 169-175

⁴⁹¹ For Kronsell see footnote above; Kronsell, A. 1997 in Duncan and Liefferink, p 45

⁴⁹² Nordhaus, W.D. 1997. The Swedish nuclear dilemma. Washington, D.C. : Resources for the future, p 12

⁴⁹³ The organized Swedish anti-nuclear movement is very small, counting only 3000 members in 2000 (Molin & Wurzel, 2000. Swedish environmental policy in Miles, L. Sweden and the EU evaluated. London: Continuum p 169) out of a population of 8.8 million. In 1980, Sweden held a controversial national referendum in which the majority favored the reduction and eventual phasing out of nuclear power within its borders. All three options on the referendum had in common the view that there should be no further construction of nuclear power plants; at stake was the phase-out date for existing nuclear power plants. While referenda in Sweden are advisory, in earlier referenda the Swedish Parliament followed popular sentiment on two out of three vote results. Although the 1980 referendum was criticized for not offering voters an option to continue the nuclear program and the option selected by the largest number of voters was the least restrictive of nuclear power, subsequent governments have remained at least rhetorically committed to the eventual goal of a nuclear phase-out.

⁴⁹⁴ Molin & Wurzel. 2000. '*Swedish environmental policy*', in Miles, L. Sweden and the EU evaluated. London: Continuum, p175; McCormick, J. 2001. Environment policy in the EU. London: Palgrave, p 289

⁴⁹⁵ See footnote above

emergence as a problem on the international stage. Unlike the US, Sweden had already cut many of its emissions. Sweden's behavior regarding the EU position was much more like a laggard than a leader, but the Swedish position reflects earlier leader behavior on GCC issues. The member-state sovereignty concerns surrounding nuclear power explain Sweden's position in this case. Indeed, it is significant that the two European states that objected to the EU proposal were states that are both facing a potential phase-out of their nuclear power generating capacity⁴⁹⁶. Were the Swedes to phase out nuclear power, coal would be the most likely substitute, given the paucity, cost and logistical and transport difficulties of other appropriate energy sources. This predisposes the Swedes to favor unlimited ET in the event that a nuclear phase-out were ever to become reality.

However, Sweden had exercised leadership on GCC issues in the past and possessed the normative factors to exercise its leadership at the very moment it opted to be obstructionist. Explaining this fact needs more than an economics analysis, which should take into account Kronsell's norm-based influence factors – knowledge, experience and expertise. As discussed above, Sweden had been an active participant in international GCC discussions. Additionally, Sweden also possessed national experts and national policy experience in responding to GCC concerns and, more generally, environmental policy-making with respect to atmospheric concerns. This set the stage for other states to expect environmentally friendly behavior from Sweden.

Nearly unravelling follow-up negotiations to the Kyoto Protocol is hardly an act with which one would be most likely to associate Sweden. Nevertheless, member-state sovereignty concerns overrode Sweden's environmentally positive norm-based influence approach. The issue was not that Sweden was unwilling to pay the price for increased environmentally sensitive practices - its past attests to its willingness to do so - it was that Sweden wanted to make the decisions regarding the use of nuclear power, the balance of nuclear power substitutes and the location of any required emissions reductions for itself as a sovereign nation.

Sweden entered the detailed commitments phase of the GCC negotiations with a desire to protect its domestic situation. The problem posed by the EU institutions and negotiating fora was that they restricted potential Swedish policies on this important national issue. Not only were such actions initially constraining, but they had the potential to become more so in the future. Matlary notes that the EU Commission was

⁴⁹⁶ Molin and Wurzel argue that Swedish opposition to this aspect of the EU GCC strategy should be understood in light of the slow progress Sweden has made on finding alternatives to nuclear power: *'The Swedish decision in the 1980s to phase out nuclear energy was not supported by a complimentary strategy aimed at introducing alternative energy sources which would not bring about increased carbon dioxide emissions'* (Molin & Wurzel, 2000. Swedish environmental policy in Miles, L. Sweden and the EU evaluated. London: Continuum p 175

aggressively seeking ‘to enhance its role as an actor in international energy policy’.⁴⁹⁷ The ultimate success of this endeavor is unknown, but such a goal furthered concerns about EU decision-making power versus that of member-state decision-making power.

The EU, as a governing structure, provides forums that enhance the efficacy of citizen involvement and transnational activism. Namely, EU institutions offered a potential space in which the legitimacy of the actions of the Swedish state with respect to the 1980 referendum could be called into question; this allowed for the possibility of challenges to Swedish authority as a result of EU commitments. These challenges to the Swedish state’s authority and control could come from either environmentalists or from industry on issues related to GHG emissions reduction commitments, nuclear power use, the relative price or availability of power or the value of key economic indicators. Thus, the Swedish position on ET was much less about weighing and balancing the various components of sovereignty in some sort of sovereignty bargain (Litfin 1997)⁴⁹⁸ than it was a wholesale defense of the entire sovereignty package as it applied to energy choice.

Sweden certainly cared about the environment and had made progressive moves on the international scene to this effect in the past. However, norm-based behavior has its limits; it would be simplistic to expect that the Swedes’ environmentally friendly norms would guide their international and domestic policy choices and responses all the time. It is worthwhile, however, to understand the conditions under which these norms fail to dominate. In this case, examination reveals the way in which all three policy making levels interact: the societal level – where public opinion provided an enduring, if flexible, constraint, the state level – a powerful actor, which sought to mediate between societal feelings on nuclear power, economic stability and GHG reduction commitments and, last but not least, the systemic level – where Sweden deviated from its usual norm-based foreign policy, akin to the focus on ideas in Barkdull & Harris’ s typology, to a foreign policy that protected sovereignty, akin to the focus on interests in the typology.

⁴⁹⁷ Matlary, J. H. 1996. International Market regime or new polity model, wither the EU? in ARENA WP no. 26. Oslo, ARENA, p 267

⁴⁹⁸ Litfin, K. 1998. The greening of sovereignty in world politics. Cambridge, MA, MIT Press, p 7

CHAPTER 7 SAP AND THE ENVIRONMENT: PROVING THE ENVIRONMENTAL HYPOTHESES

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1. Welfare and welfare provision

Only recently have political scientists taken up the study of welfare state expansion in the period after WWII, which represents one of the most important developments of the political establishment in the democratic state in Western Europe. Although, there are many existent configurations of the 'welfare state' across Western Europe, one deserves particular attention as it stands out as an 'almost perfect incarnation' of it. Needless to say, there is the 'Swedish Model' I am alluding to. Essentially, there are two ways of 'looking' and 'analyzing' the welfare state. The first and still somewhat underdeveloped line of analysis consists in considering the welfare state as the cause of certain political phenomena inasmuch as – based on Theodore Lowi's famous adage 'Policy makes politics' – social policies and programmes matter for political outcomes. The second and by far the most common approach is to examine welfare state development as an outcome

of political struggles and interventions⁴⁹⁹.

In this case study research of Sweden and social democracy, I have chosen the first line of thought to address the change in the Social Democratic Party electoral output and its hegemony. A somewhat exhaustive attention is dedicated in the second chapter to describe the first social democratic victory in democratic elections from the second perspective of inquiry, namely that politics matter for policy choices. However, this is episodic and limited to the exceptional historical events which preceded the coming into power of the SAP in 1932 and soon after till the formation of the first social democratic government in the world. A special stress is laid on the '*December Compromise*', between the trade unions LO and industrial interest groups represented by the SAF, since it was the cornerstone for the ensuing Swedish neo-corporatism, which represented the backbone of Swedish social democracy. Further on, the subsequent chapters depart from Lowi's idea, precisely that the welfare programmes and policies supported by the SAP made way for its political consolidation. The main thesis is that SAP political bet was the welfare state and then the gradual extension of welfare to other areas than the social one-complementary to the social ones. SAP political position strengthened as a result of active labour market policies coupled with generous welfare benefits. Moreover, the party's different approaches to welfare – social and environmental – enabled it to extend its electoral basin and win over certain segments of the Swedish electorate, although 'environment' carried one of the most important friction within the SAP sympathisers, in addition to and completing the main cleavage within the party, that between democrats and internationalists or 'influencers'. Certain issues – related to the SAP's relationship with the environment, need further clarification, especially in what concerns the electoral implications of a pro-environmental programmatic outlook. For these reasons, '*the environment*' became a political issue for the SAP to the extent that it came to be associated with the 'EU' issue. Precisely, more and more supporters of welfare and social democracy migrated to the left of the political spectrum – to the Greens and Left Party (ex-Communist) or even to the extreme right – in protest with the championed entry to the EU, a position upheld by the SAP elites and leaders and by the bourgeois coalition.

Moreover, social welfare is different from welfare provision, but both are '*two overlapping facets*' of the '*people's home*', the social democratic unifying slogan. The concept of welfare provision, which is present in the title, highlights the main thesis underlining this research, namely the argument that the Swedish Social Democrats extended the notion of welfare or folkhemmet to include environmental protection with the legitimate objective of securing the political consensus necessary for

⁴⁹⁹ The guiding hypothesis of this approach is that politics matters for social policies and programmes.

remaining in power and winning elections. The idea according to which not only social rights are an attribute of social democracy, but also environmental rights and responsibilities, has been launched at the end of the twentieth century in the Scandinavian countries. The welfare extension was gradually carried out within the common strategic framework of enlarging citizenship rights from Karel Vasak's notion of first and second generation of human rights – civil-political and social rights (Marshall T. H., 1950)⁵⁰⁰ to fourth generation of social rights – also known as environmental rights⁵⁰¹. Therefore, social provision is not sufficient as an end in itself – even if it became more and more unattainable, especially towards the end of the SD Social Democratic reign, i.e. after the repeated crises brought about by globalization and by the increasing liberalization trends throughout the economy.

Coming back to SAP and its electorate, broadening the idea of folkhemmet to encompass environmental rights helped the SAP to assert itself in front of an electorate more and more exigent, which had overcome the class cleavage of the mid twentieth century and was ready to embrace postmaterialist values (Inglehardt, 1977; 1997)⁵⁰². With the highest human index of development in the world, with a population highly unionized (in a proportion of 80%) and equally benefiting from redistribution - from the unemployed to the middle class family or single parent, the SAP was faced with a value change based on stricter and stricter economic competition and environmental requirements. Typically, social welfare provision refers to any program which seeks to provide a minimum level of income, service or other support for many marginalized groups such as the poor, elderly, and disabled people. In Sweden, social welfare provision also comprised high-quality public education and financial family assistance⁵⁰³. Besides, social

⁵⁰⁰ Marshall, TH, *Citizenship and Social Class and Other Essays*, Cambridge, Cambridge University Press, 1950, p 11

⁵⁰¹ There are those political scientists who consider multiculturalism as the third generation of human rights, hierarchically after the social rights but, before environmental rights in the order of importance. This hierarchical order is debatable and leaves room for criticism since the multicultural society should not exist in enmity with the right to a better and greener life. In addition, asylum and immigration rights run counter to the aim of providing and extending environmental rights to all citizens since overpopulation became a real problem of the 21st century.

⁵⁰² Inglehart, Ronald, *The silent revolution: Changing values and political styles among Western publics*, Princeton University Press, Princeton, N.J., 1977, p 11

⁵⁰³ Social welfare payments and services are typically provided at the expense of taxpayers generally, funded by benefactors, or by compulsory enrollment of the poor themselves. Welfare payments can take the form of in-kind transfers (e.g. health care services) or cash (e.g. earned income tax credit). Examples of social welfare services include compulsory superannuation savings programs, compulsory social insurance programs, often based on income, to pay for the social welfare service being provided. These are often incorporated into the taxation system and may be inseparable from income tax; pensions or other financial aid, including social security and tax relief, to those with low incomes or inability to meet basic living costs, especially those who are raising children, elderly, unemployed, injured, sick or disabled; free or low cost nursing, medical and hospital care for those who

welfare provision implies the protection of human environment, which is seen as a citizenship responsibility⁵⁰⁴.

However, social welfare provision is only a facet of the wider concept of welfare provision, which implies a generalization of welfare into all aspects of human life. It stretches to encompass leisure, mental and harmonious physical development as well as the right to high-quality education as inalienable rights of the young and adult persons. In other words, it means the constant quest for individual improvement and development⁵⁰⁵. An interesting aspect of social welfare, which often gets overlooked, is that welfare provision is closely related to the enforcement of rule of law through the justice system. There are close links between social welfare and justice systems as instruments of social control. Those involved in the social welfare system are generally treated much like those in the justice system. Assistance given to those in the justice system is more about allowing an individual to receive fair treatment rather than social welfare. While being involved in the justice system often excludes an individual from social welfare assistance, those exiting the justice system, such as released prisoners, and families of those involved in the justice system are often eligible for social welfare assistance because of increased needs and increased risk of recidivism unless assistance is provided. In some countries, improvements in social welfare services have been justified by savings being made in the justice system, as well as personal healthcare and legal costs⁵⁰⁶.

Likewise, financial transactions and trade are not exempted from taxes in welfare states, where welfare provision is based on tax enforcement and the rule of law. The construction of the Swedish welfare state was related to the consolidation of the social rights by extending the right to social provision to all citizens, including the new immigrants. The

are sick, injured or unable to care for themselves; free antenatal and postnatal care; free or low cost public education for all children, and financial aid; welfare money paid to persons from the government, who are in need of financial assistance but who are unable to work for pay.

⁵⁰⁴ In relation to that, the ecological footprint lies at the core of the principle of environmental human rights. Specialists agree that there need to be two new environmental human rights: the right to an environment free from toxic pollution and the right to ownership rights of natural resources. The Aarhus Convention is a new kind of environmental agreement that links environmental rights to human rights. The ecological footprint calculates the degree of environmental depletion, which jeopardizes future generations' right to a clean environment.

⁵⁰⁵ As I have underlined above, child protection services and public education are also a part of social welfare provision.

⁵⁰⁶ States or nations that provide social welfare programs are often identified as having a welfare state. In such countries, access to social welfare services is often considered a basic and inalienable right to those in need. In many cases these are considered natural rights, and indeed that position is borne out by the UN Convention on Social and Economic Rights and other treaty documents. Accordingly, many people refer to welfare within a context of social justice, making an analogy to rights of fair treatment or restraint in criminal justice.

conditions of social provision were enlarged to universalistic welfare benefits and successively broadened to encompass the new environmental rights.

1.1. 'Folkhemmet' – the '*folkhem*' concept – from an environmental point of view

I have delved into the beginnings of the SAP ascension on the Swedish political scene in the second chapter. With the danger of repetition, I would still remind some ideas important for the later evolution of the SAP – from the perspective of both its political becoming and electoral record. After a series of electoral defeats, at the beginning of the century, SAP increasingly presented itself as a '*people's party*', able to bridge the gap between the middle and the working classes through a series of economic policies of neo-keynesian imprint. The most ambitious deal was the Rehn-Meidner model and its most ambitious social engineering attempt, the wage earners funds.

It is interesting to note, however, the fact that Swedish society was not, at the turn of the last century, formed by a majority of working classes, but, was a mixed society, in which middle classes approached the half. On one hand, the *folkhemmet* approach prepared the ground for the smooth transition to social democratic economy, i.e. for the successful implementation of the environmental principles at the local level - with the Agenda 21 launched at Rio – and at the national level by means of a well coordinated political and economic strategy. On the other hand, it ensured the smooth transition from an early capitalist 20th century economy to a social democratic one with stage one and stage two keynesianism. While 'folkhem' designates the welfare society, 'vaelffaerdsstaten' or welfare state refers to the administrative organization of social policy and its application rather than to the prosperous and secure society.

Folkhemmet⁵⁰⁷ is a political concept that played an important role in the history of the Swedish Social Democratic Party SAP and the Swedish welfare state. It is also sometimes used to refer to the long period between 1932-76 when the Social Democrats were in power and the concept was put into practice.⁵⁰⁸ Sometimes referred to as '*the Swedish Middle Way*',

⁵⁰⁷ the people's home in Swedish

⁵⁰⁸ The Social Democratic leaders Ernst Wigforss and Per Albin Hansson (1930s) are considered the main architects of the Folkhemmet, with inspiration coming from Rudolf Kjellén. It was later developed by the Prime Ministers Tage Erlander (1940s-1960s) and Olof Palme (1960s-1970s). Another important proponent was Hjalmar Branting, who came into contact with the concept while a student at Uppsala university, and went on to become Swedish Prime Minister.

Hansson introduced the concept in 1928, saying that Sweden should become more like a '*good home*', this being marked by equality and mutual understanding. Hansson advocated that the traditional class society should then be replaced by '*the people's home*' (folkhemmet).

The concept came at a time when nationalization was being questioned, and

folkhemmet was viewed as a midway between capitalism and communism, although it advocated typical Swedish values – such as growth and prosperity within a level playing field of uniformity and democracy, which some researchers consider nationalistic values⁵⁰⁹.

Since the 1930s, the idea of ‘folkhemmet’ has been the fundamental idea underlying the creation of the welfare state. This was the utopian vision of the social democratic project, a way of operationalizing a classless society and trying to realize it through social engineering. It was a vision of society as a community-based on solidarity, equality and care for the weak, the poor and the disadvantaged. However, the idea of *folkhemmet* also became a metaphor that legitimized rather paternalist and interventionist decision-making towards the general public during the more than forty-four years of uninterrupted social-democratic government. The decision-making process did accommodate organized interests but, nevertheless, excluded many groups and interests, which never became a part of the established elite. As long as the belief in the creation of the welfare state remained the

marked the party’s abandonment of the notion of class struggle, a concept fundamental to the early Social Democratic movement. Instead they adapted a planned economy and what would be called Funktionsocialism, where businesses were controlled through regulations rather than government ownership. The government would then also have more control over the individual, however, to the extent required to increase the wellbeing of citizens.

Good education was considered particularly important for building the new society. As a result, Sweden became one of the first countries in the world to offer free education at all levels, including all public universities. Also free universal health care was provided by the state, along with many other services.

Myrdal’s influence has been an integrative fact of Swedish politics in the second part of the twentieth century. During the 1930s social engineering became an important part of folkhemmet. Alva and Gunnar Myrdal’s 1934 book ‘*Kris i befolkningsfraagan*’ (FTN ‘*Crisis in the demographic problem*’, partly inspired by Malthusianism and Jean Piaget) inspired a radical and progressive policy for how to deal with the growing population. A number of changes took place in this period including expansion of the public sector, Wigforss’ economic policies, Gustav Moeller’s reform of the pension system, and Gunnar Myrdal’s housing policies.

In the 1940s - 1950s, old worn down houses that served as the overcrowded dwellings of the lower class were demolished. Instead, people were offered modern housing with bathrooms and windows to let light into every room, so called ‘funkis’ in Swedish. In the same way, new housing projects - or ‘working class suburbs’ - were constructed in the 1960s – 1970s to fill the needs of the increasing population, the so-called Million Programme.

Alva and Gunnar Myrdal suggested a series of programs designed to help families but also regulations in the form of compulsory sterilization. This was meant primarily to prevent mental illness and disease, and was thus supported by the government. As in Canada and the US, however, racial politics also became involved, due to a strong belief in the connection between race and genetic integrity among leading scientists and those carrying out the sterilizations. In the later decades it was primarily the mentally ill who were forcibly sterilized, and around 62.000 individuals were sterilized over a period of 40 years until 1976. The Swedish state subsequently paid out damages to those who were sterilized.

⁵⁰⁹ Traedgaardh, L. 2007. *State and Civil Society in Northern Europe: The Swedish Model Reconsidered*. New York and Oxford: Berghahn, p 25

vision of the general public as well, consensus prevailed. Environmental concerns can, perhaps, provide the new vision legitimizing governmental intervention.

The apparent success of the project of *folkhemmet*, particularly in the 1950s and until the 1970s, came out of a conviction among the public and the elites that it was possible to plan and engineer an equal and just society based on solidarity (Hirdman, 1989)⁵¹⁰. This conviction also affected the way that international politics was carried out: establishing solidarity with the Third World through, for example, foreign aid; being an international critic, particularly during the Vietnam War; and setting '*a good example*' in the international context. Environmental concerns fit quite neatly into this picture because the Swedish have a long tradition of living close to nature, as reflected in the principle of public access to private land. I would argue that the Swedish project aimed at creating a '*perfect society*' and exporting the model as a good example to the rest of the world was made possible mainly because of the economic prosperity in post-war Sweden. The policy style that emerged during this period was one of cooperation and consensus. Through negotiations between the most important actors, compromises could be reached that were more constructive and beneficial to all than if the relationship had been adversarial. One could argue that this was only '*fair weather politics*' and that as long as the economy was growing and all interests could be paid off through, for example, employment, wage increases, political or administrative appointments and different social support systems, the model worked. Another argument might be that such modernist politics does not function in a post-modern era. Post-modern politics lacks the universal unity, the homogenous identity and the belief in hierarchical, standard solutions which the '*Swedish model*' presupposes⁵¹¹.

1.2. Human rights and environmental rights

There are basically two schools of thought on which the political philosophical question of human rights, which both center on the process of transformation of the state. There is the '*Rokkan school*' which has an intensive method of considering the relationship between 'welfare' and state formation, that is it holds that social policy helped the process of state-building by gradually extending and differentiating citizenship rights in concentric circles. There is the 'classical' school view, which explains human rights as a triad consisting of civil, political and social rights and benefits, which corresponded to successive phases in the history of state-building. Social rights were not only compulsory for the achievement of the first two kind of rights, but increasingly came to mean environmental rights

⁵¹⁰ Hirdman, Yvonne . Att lägga livet til rätte. Studier i svensk folkhemspolitik, Stockholm: Carlssons förlag, 1989, p 162

⁵¹¹ Micheletti, M. '*Swedish Corporatism at a Crossroads: The Impact of New Politics and New Social Movements*', West European Politics 14, 1991, p 155

after the 1970s.

The question of social and economic equality befalls the question of environmental welfare in the very end. That is why I agree with Flora's approach according to which the welfare state was an answer to the problems of development and to the increasing demands for social and economic equality. More and more, economic equality came to mean the right to a clean environment, as well as the right of future generations to a non-polluted environment. Therefore, we came to speak about citizens rights as environmental rights. Likewise, the vice versa holds true in that environmental rights are citizens' rights⁵¹².

In the Swedish case, welfare consensus was achieved by the generalization and extension of social care services. State building through social policy was interpreted according to an idea rooted in Marshall's (1964) theory of the codification and gradual extension of citizenship rights to increasingly larger segments of the population. Both issues of who counted as a citizen and who was entitled to the benefits of social policy were crucial in the struggle over the building of the national state. Marshall had proposed viewing citizenship rights as consisting of civil, political and social rights which corresponded to successive phases in the history of state building: eighteenth century civil rights established individual freedom; nineteenth-century political rights inaugurated political freedom; twentieth-century social rights provided the foundation for social welfare. According to Flora and Rokkan, all these consecutive rights contributed to the constitution of the nation state. I come hereby to claim - against or including Flora's and Rokkan's claims of national state consolidation, but anyway widening it, that human rights came more and more to imply environmental rights with the twilight of the twentieth century once the threats of overpopulation and climate change imposed themselves.

Since civil rights emerged as the rights of individuals to be free, particularly in the economic realm as they were concomitant with the rapid economic development of the industrial revolution. Political rights were conceptualized as strengthened individual civil rights that both permitted groups to perform as legal individuals (as the recognition of the right of collective bargaining demonstrated) and established universal suffrage. The development of social rights came as a consequence of trying to remove the barriers that locked the full and equal exercise of civil and political rights. Capitalist market relations, poverty and inadequate education tended to reduce these rights to mere formal capacities, a contradiction that created the necessity for social policy. The final phase of state-building involved the development of social programmes, which guaranteed that members of a national community became, as citizens, inclusively entitled to the material promises of civil freedom and political equality.

⁵¹² I use here the terminology '*citizens' rights*' instead of '*humankind rights*' as they are known since the Brundtland Declaration which defined sustainable development as the right to clean air, clean water, clean and varied food, etc.

For instance, Stein Rokkan also came to see the welfare state as the completion of the state-building process and territorial consolidation: it was the ‘*creation of territorial economic solidarity through measures to equalize benefits and opportunities both across regions and across strata of the population*’⁵¹³. The Rokkan school in comparative welfare state research (with Peter Flora as its central figure) interpreted the welfare state as an answer to two problems of development: ‘*the formation of national states and their transformation into mass democracies after the French Revolution, and the growth of capitalism that became the dominant mode of production after the Industrial Revolution*’⁵¹⁴. The first problem to which the welfare state was a solution concerned the increasing demands for social and economic equality, which are the demands that completed the Marshallian triad of civil, political and social rights. According to the Rokkan school, it is mainly through the extension of the concept of human rights that the nature of the state was transformed⁵¹⁵. The second solution the welfare state provided was to demands for socio-economic security in a system of industrial capitalism that dislodged large masses of people and made them dependent on the vagaries of the labour market, thereby rapidly destroying traditional forms of social security... The purpose of the welfare state in Sweden was precisely the provision of protection, which was achieved by building the welfare state system⁵¹⁶.

1.3. A new welfare state?

Esping Andersen (1999) analyzed welfare regime types based on the principles of universalism and de-commodification of social rights. He found 3 three regime types: the ‘liberal’ welfare state, the ‘*corporatist-subsidiary*’ welfare type and the ‘*social democratic*’ regime type. The Swedish welfare state belongs to the third type, which is composed of those countries in which the principles of universalism and decommodification of social rights were extended to the new middle classes⁵¹⁷.

⁵¹³ Flora, P ed. 1986. Growth to limits. NY, de Gruyter, p 86

⁵¹⁴ Flora, Peter, & Heidenheimer, Arnold J., 1981 The Development of welfare states in Europe and America / edited by Peter Flora and Arnold J. Heidenheimer, Transaction Publishers, January 1, 1981, p 15

⁵¹⁵ With the structural transformation of the state, the basis of its legitimacy and its functions also change. The objectives of external strength or security, internal economic freedom and equality before the law are increasingly replaced by a new *raison d’être*: the provision of secure social services and transfer payments in a standard and routinized way that is not restricted to emergency assistance (Flora and Heidenheimer 1981)

⁵¹⁶ The twin objectives of growth and security are not easily attainable in the same time. Socially, they are comparable to Laffer’s impossibility to reduce inflation and unemployment in the same time in economics

⁵¹⁷ ‘*Rather than tolerate a dualism between state and market, between working class and middle class, the social democrats pursued a welfare state that would promote an equality of the highest standards, not an equality of minimal needs as was pursued elsewhere. This*

The social democratic regime's policy of emancipation addresses both the market and the traditional family. In contrast to the corporatist-subsidarity model, the principle is not to wait until the family's capacity to aid is exhausted, but to preemptively socialize the costs of familyhood. The ideal is not to maximize dependence on the family, but capacity for individual independence. To this account, the model is a peculiar fusion of liberalism and socialism. The result is a welfare state that grants transfers directly to children and takes direct responsibility of caring for children, the aged and the helpless. It is, accordingly, committed to a heavy social service burden, not only to service family needs but also to allow women to choose work rather than the households.

Perhaps the most salient characteristic of the social democratic regime is its fusion of welfare and work. It is at once genuinely committed to a full employment guarantee and entirely dependent on its attainment. On the one side, the right to work has equal status to the right of income protection. On the other side, the enormous costs of maintaining a solidaristic, universalistic and de-commodifying welfare system means that it must minimize social problems and maximize revenue income. This is obviously best done with most people working and the fewest possible living off social transfers.

The concept of de-commodification lies at the core of the Swedish welfare state model. Therefore, this concept needs to be clearly understood in order to analyze Swedish societal cleavages and political system. It would be absolutely wrong to believe that the socialists had a blueprint for de-commodification. The Swedish socialists fumbled between a variety of policies, many of which were objectively on unsound socialist footing – except for the Rehn-Meidner labor market policies.

Also, at the core of the Swedish welfare state is the idea of 'social rights'. The Swedish welfare type system springs from the Beveridge principle of universal rights of citizenship, regardless of the degree of need or extent of work performance. Eligibility rests instead on being a citizen or long-time resident of the country. Invariably, these types of programs are built on the flat rate benefit principle. In principle, this 'people's welfare' approach has a strong de-commodifying potential, but obviously circumscribed by the largesse of the benefits. The people's welfare system

implied that services and benefits be upgraded to levels commensurate with even the most discriminating tastes of the new middle classes and second, that equality be furnished by guaranteeing workers full participation in the quality of rights enjoyed by the better-off. This formula translates into a mix of highly de-commodifying and universalistic programs that, nonetheless, are tailored to differentiated expectations. Thus, manual workers come to enjoy rights identical to those of salaried white-collar employees or civil-servants; all strata are incorporated under one universal insurance system, yet benefits are graduated according to accustomed earnings. This model crowds out the market and consequently constructs an essentially universal solidarity in favor of the welfare state. All benefit, are dependent and will presumably feel obliged to pay.' (Esping Andersen, G. 1990. Three worlds of Welfare Capitalism. Cambridge, Polity, p27

(the 'folkhemmet') has taken strongest hold in the Scandinavian nations and has been a long-standing principle in the socialist tradition of social policy. Although never implemented, it has been a perennial ideal in German social democracy.

To an extent the three system-types mirror Titmuss's well-known trichotomy of residual, industrial-achievement and institutional welfare states (Titmuss, 1958)⁵¹⁸. In reality, however, there are no one-dimensional nations in the sense of a pure case.

2. Environmental politics as domestic party politics

2.1. Party politics: behavior and dynamics

2.1.1. SAP ideological heritage

2.1.2.

2.2. Conflictual issues in Swedish politics

2.2.1. The nuclear issue in Swedish party politics

2.2.2. The nuclear referendum and the Greens

2.2.3. Political alternatives to the SAP: the Left coalition

2.3. The environmental split within the SAP

2.3.1. The environmental hypothesis

2.3.2. The internal party cleavages/conflict issues

2.3.3. Implications of the environmental conflict for the SAP

2. Environmental politics as domestic party politics

As I have already pointed out, environmental party politics is closely related to the EU environmental policy partly because '*Policy makes politics*'⁵¹⁹. On the other side, environmental politics is made up of two levels, international and domestic, Putnam's level I and II, respectively. To adequately address Swedish party politics and explain the environmental cleavage within it, one must explain the two levels and their mutual influence. At the international level, human rights were broadened to encompass environmental rights while at the domestic level, economic competitiveness goals determined the observance and implementation of strict environmental standards.

However, Putnam is also keen to highlight that '*the domestic determinants of foreign policy and international relations must stress politics: parties, social classes, interest groups (both economic and non-economic), legislators, and even public opinion and elections*' (Putnam 1988: 432)⁵²⁰. Aspects of '*party politics in a fragmented democracy*' and

⁵¹⁸ Titmuss, R.M., *Essays on the Welfare State*, Allen and Unwin, London, 1958, p15-22

⁵¹⁹ Lowi, Theodore J. '*Foreword: New Dimensions in Politics and Policies*', *Study of Community Conflict in Public Policymaking*. New York: Praeger, 1988, p 9

⁵²⁰ Putnam, Robert D. '*Diplomacy and Domestic Politics: The Logic of Two-Level Games*', in *International Organization*. 42, Summer 1988, p 451

‘*declining neocorporatism*’ – the research variables considered here, are therefore clearly evident at Putnam’s level II⁵²¹. At the end of the day, the outcome of international negotiations is dependent upon the size of the level II ‘*win-set*’, i.e. the set of all possible level I agreements necessary to win a majority among domestic constituents when simply voting to accept or reject an international agreement⁵²². Also, the interference between level II and level I could be better illustrated through a comparison between international negotiations – based on prisoners’ dilemma and tit-for-tat games – and the national ‘*nested games*’ through ‘*veto points*’ (Tsebelis, 1999)⁵²³. Most of all, any deal cut internationally by political leaders must meet the acceptance of those that could veto its ratification back home.

The duality ‘*party politics*’ – ‘neocorporatism’ is equally useful – besides being a yardstick to address internal politics, in clarifying the nature of these domestic constituents and the problems when the respective Swedish ‘*win-set*’ accepts high degrees of domestic disagreement. The lack of party agreement on EU-related questions – especially the environmental cleavage and the free trade cleavage, combined with the transitional changes affecting the ‘*party politics-neocorporatism*’ points, ensure that environmental threats are seen, at the public level, as an appendage to a larger debate on Swedish political and corporate traditions and levels of welfare provision⁵²⁴.

2.1. Party politics: behavior and dynamics

As Gaffney notes, while the literature on European integration and political parties is voluminous, ‘*The literature on political parties in the Union, however, is minimal.*’ There are various theoretical approaches to studying the way political parties behave in relation to voters, to each other and to the institutions of the state. Ware (1996)⁵²⁵ classifies them as being founded on, respectively, sociological, institutional and competition-based explanations. Naturally enough, all these approaches have their heuristic

⁵²¹ According to him, the political leaders play a two-level game, whereby at the domestic level, domestic groups pursue their interest by pressuring government to adopt favorable policies and at the international level political leaders ‘maximize their own ability to satisfy domestic pressures while minimizing the adverse consequences of foreign developments at the domestic level. (Putnam, 1988)

⁵²² Putnam, Robert D. ‘*Diplomacy and Domestic Politics: The Logic of Two-Level Games*’, in *International Organization*. 42, Summer 1988, p 437

⁵²³ Tsebelis, George. *Veto Players and Law Production in Parliamentary Democracies: An Empirical Analysis* *American Political Science Review* 93 (Sept. 1999), p 55

⁵²⁴ According to Miles, 2000, ‘*the size of the Swedish win-set remains relatively small and the Swedish elite will continue to be constrained by the domestic picture with EU questions consciously framed within the 1st, 2nd and 3rd points, rather than the previously important environmental dimension for the foreseeable future*’ in Miles, L. ‘*Making Peace with the Union? The Swedish Social Democratic Party and European Integration*’, in Geyer, R., Ingebritsen, C. and Mose, J.W.(eds.), 2000, p 227

⁵²⁵ Ware, Alan. *Political Parties and Party Systems*, New York, Oxford University Press, 1996, p 228

value. They each have very different starting points, but the three approaches are by no means wholly irreconcilable⁵²⁶.

It is the third approach, the competition based approach associated with Downs and the rational-choice school, that most influences the framework employed by this study. It too is more concerned with analysing and predicting the behavior of parties than with explaining their genesis, but its focus is on parties' relations with voters and, crucially, with other parties. Downs developed a theory of spatial competition to explain parties' behavior in economic terms. His model envisages politics as comprising a single spectrum, and which will be the product of their economic interests and general place in society. Voters are assumed, first, to form these views independently of political parties, and, second, to pursue them rationally and self-interestedly. Politicians are assumed to be motivated solely by attaining power. Parties, therefore, are vehicles for the attainment of office; the attraction of votes and the winning of elections is simply a means to that end. Parties thus seek to maximize their vote by casting their electoral net as widely as possible. For Downs, ideology was but an instrument, a mechanism for making parties' policy platforms cohere, and thus allowing voters to cut their '*information costs*' in selecting the policy options most favorable to themselves. His model assumes that '*Parties formulate policies in order to win elections, rather than win elections in order to formulate policies*'⁵²⁷. A related view of parties' motivation is that of policy-pursuit, a notion addressed by Strom⁵²⁸. His conception retains the idea of party leaders seeking votes in order to enjoy the private benefits of holding office, but it appreciates that this incentive must be balanced by upholding the wishes of the party's membership and activists, whose goals are likely to be the implementation of particular policies. Party leaders need a committed (and often voluntary) rank and file for various reasons, including administration, recruitment, campaigning and, in some countries at least, finance. They cannot afford to disappoint it too often by appearing to put their own office-seeking before that of having party policy implemented. Furthermore, this conflict gives rise to another trade-off that party leaders have to face: between immediate vote-seeking and the longer term attainment of office and policy pursuit. Participation in government is not

⁵²⁶ Firstly, the sociological approach has been most useful in identifying the social origins of political parties and, more indirectly, how they influence their contemporary behavior. It has its most significant expression in the work of Lipset and Rokkan. Secondly, the institutional approach deals not so much with parties' origins but with their internal organisation and legal and political environment. Although the institutional approach is going to be relevant when addressing the neocorporatist problem in the Swedish political system, the two above approaches are not going to constitute the theoretical bases of this research.

⁵²⁷ Downs, Anthony. 1957. *An economic theory of democracy*. NY: Harper and Row, p 13

⁵²⁸ Strom Kaare. *Coalition Governments in Western Europe*. Oxford: Oxford University Press, 1990, p 10

always the best way to attain a party's policy goals. Particularly if the party concerned is relatively small and likely to be a junior partner in a potential coalition, the possibility of their impact on the government's policy being outweighed by their estrangement from their more ideologically motivated activists may dissuade the party's leaders from taking up office even when they have the chance of doing so. Activists may consider the party's ideology to be better preserved in opposition rather than in government, and to avoid alienating them, the leadership may concur. There is also the danger of association in the eyes of the electorate with unpopular or painful measures that the government feels impelled to take. These considerations might, therefore, contribute towards a longer term strategy. A party might decide that its policies would be better promoted by eschewing immediate office.

Strom thus proposes 3 three models of party: those of parties as vote-seekers, as office-seekers and as policy-seekers. All are plausible, he suggests, but all have obvious shortcomings as well. What is needed, therefore, is a theory that combines an understanding of all 3 three types of motive and, just as importantly, predicts the circumstances in which one or other will predominate. Thus, Strom's framework assumes party leaders' goals to be primarily office-seeking; they are '*political entrepreneurs*'. Others in the party will also be attracted to the prospect of personal, private benefits obtainable through its patronage. But, the inherent scarcity of these benefits will mean that more purposive, ideological goals – that is, the promise of implementing particular policies – will be needed to maintain the active support of most activists and members. So, while party elites will usually be willing to make policy compromises to attain office and, instrumentally, to win votes, pressure from the more ideologically motivated rank and file will constrain their scope for compromising the party's stated policy goals.

This in turn contains echoes of other important contributions to political science. Tsebelis's notion of '*nested games*' involves an attempt to explain apparently irrational behavior. A political actor, he suggested, might be involved in different but simultaneous interaction with other actors, and the effects of juggling different objectives in different arenas could, if the observer was not aware of all the games being played, lead to what appears to be irrational behavior⁵²⁹. On the theory of party behavior, the understanding that party leaders have different goals, and that these can sometimes come into conflict, is presented most clearly by Hamel and Janda. They envisage a party's leadership as having different goals: votes, in competition with other parties; unity between itself, its membership and its associated organizations; and policy implementation, which has at different times forced Social Democratic leaders to bid for support from other parties in order to build parliamentary majorities.

⁵²⁹ Tsebelis, George. 1990. *Nested Games: Rational Choice in Comparative Politics*, p 56

The rational-choice approach to explaining party behavior, within which all these scholars can roughly be located, tends, naturally enough, to downgrade the role of ideas within it. One significant and wider-ranging analysis of social democratic parties' behavior, which allocates explicitly a role for ideology in an explanatory framework, is Kitschelt's much discussed *The Transformation of European Social Democracy*. His starting point is a critique of class-based theories of social democratic fortunes, which suggests that such parties are perennially caught between seeking to expand their 'appeal' beyond a shrinking voter base in the working class, and losing their core support in the process⁵³⁰. He suggests, however, that the evidence for this thesis is patchy. Instead, he focuses on other variables such as the party system, which is envisaged in Downsian spatial terms. Given the existence of social cleavages in the voting public, parties should be able to identify and implement a 'rational' positioning on the political spectrum that either maximizes their electoral support, captures the 'pivot' of the party system (that is, it takes enough votes to preclude the formation of opposing coalitions) or furthers a strategy of *'oligopolistic competition'* (attacking another left-wing party in order to gain unchallenged access to its voter base). Why some manage to pursue successful strategies and why others choose less successful, 'irrational' strategies, Kitschelt attributes to two factors: organisation and ideology or what he calls a party's *'discursive tradition'*.

The political parties literature is vast and it comprises the organization, functions and ideology of the party system. Of interest for this research, however, it is the link between party structure and votes. *'The continuity of ideas over time'*, Kitschelt suggests, *'is a critical factor influencing the ways parties stake out electoral appeals and hammer out intraparty consensus.'*⁵³¹ According to Kitschelt, in Sweden, the discursive tradition had deeper and more powerful roots. In the Swedish case, Kitschelt argues, the ideology adopted by its main left-of-centre party was grounded in the debate between socialism and liberalism at the end of the 19th century and the beginning of the 20th. This debate was mainly about the size and power of the state and its capacity for redistribution of resources. It created a range of arguments and viewpoints that were acceptable within a party, and it made both SAP and Labor ill-equipped discursively to respond to the non-materialist, non-statist agenda of both the free-market right and the libertarian left. In Sweden, during the 1970s and 1980s, the left libertarian tide was caught not by SAP but by the Communist Left, Green and Centre parties, which all exploited a general disillusionment with the elitism, corporatism and statism of the political system.

By contrast, Aylott's perspective is more nuanced on the role of discursive ideology. Precisely, he argues, if the ideological and discursive

⁵³⁰ The dependent variable *'electoral outcome'*?

⁵³¹ Kitschelt, Herbert. 1994. *The transformation of European Social Democracy*. Cambridge: CUP, p 285

obstacles to Scandinavian parties' modernizing were greater, there are still problems with Kitschelt's conceptualization of the relevance of ideology to modern European social democratic parties. One is that it accommodates so many independent variables and nods to so many branches of the comparative analysis of party behavior, that most outcomes could be fitted within it. Thus, as one critic points out, *'if parties can lose and gain strategic flexibility so readily, does Kitschelt's theory have any predictive power?'*⁵³² Yet, paradoxically, even the few years that have elapsed since its publication have not been kind to it, in terms of the type of political developments it deals with: witness the current renaissance of the left throughout Western Europe. Indeed, it is questionable whether any single theoretical model can be applicable to so many diverse countries as those Kitschelt attempts to analyze – and even they, as he admits, exclude numerous very relevant cases. However, such an ambitious project was never going to be uncontroversial in its arguments, nor completely accurate in its predictions. Moreover, it has at least two interesting characteristics that make it useful.

First, it combines an appreciation of ideology's salience with the estimation of other, less abstract variables, ones that are in large part compatible with the rational-choice-based framework employed in other parts of this examination of the Swedish Social Democrats' European policy. Kitschelt dissociates himself from the rational-choice school of political science, his main complaint being that too many of its assumptions are unrealistic. But some of the tools he uses to measure aspects of internal party organization and inter-party competition are very similar to, or sometimes identical with, those used by scholars who are bracketed with that approach, such as Panebianco and, especially, Strom. Indeed, Kitschelt uses the standard rational-choice method of taking a definition of rational behavior as a 'baseline', and then using that to gauge the importance of exogenous variables to a given problem. In this sense, his theory provides a coherent 'bridge' between different approaches to studying party behavior, which is helpful to the objectives of this investigation.

The model's second useful characteristic is that it deals, albeit relatively briefly, with the issue of European integration for a West European social democratic party in light of its purported change of voters' preferences. He posits that the EU will pose a dilemma for the centre left⁵³³. This seems plausible, a priori, when applied to the Swedish case and indeed

⁵³² According to Pontusson, Jonas. 1995. *'Explaining the Decline of European Social Democracy'*. In *World Politics* v. 47, July: p 495-533.

⁵³³ In Kitschelt's words, *'On one hand, left-libertarians have a cosmopolitan orientation that induces them to embrace supranational collaboration. On the other, they fight technocratic governance structures, insist on localized democratic participation and reject the inegalitarian consequences of open market competition. These preferences lead them to be skeptical of European integration. While this issue may divide social democrats, they cannot turn a vice into a virtue and run on the European agenda as the centerpiece of their voter appeal'*.

to those of its Nordic sister parties. It may be that opposition to EU membership in SAP reflected a left-libertarian rejection of the centralization of political power that the Union represented. The objective of this chapter is thus to test both (a) the ideological profile of the SAP's membership and (b) its correlation, if any, with the distribution of attitudes towards European integration within the party. Although, according to Kitschelt, SAP has not been very successful in mobilizing the left-libertarian cleavage, some of its internal conflicts in recent years suggest that some sort of non-materialist constituency has a presence within the party. If this is the case, one should be able to see how important it was in explaining its deep disagreement over the desirability of joining the EU.

Alternatively, or perhaps in addition, it may be that, Kitschelt's hypothesis notwithstanding, there is something else in the ideological tradition of Swedish social democracy that sits ill with the character of the European Union. Certainly, there are authors who claim to have identified something special, even unique, in its intellectual approach to government. Again, if this is the case, our survey data should be able to identify its influence in contributing to the relative Euro-skepticism to be found among the grassroots of the Swedish SAP.

2. Environmental politics as domestic party politics

2.1. Party politics and neocorporatism

2.1.1. SAP ideological heritage

2.1.2.

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2.2.1. The nuclear issue in Swedish party politics

2.2.2. The nuclear referendum and the Greens

2.3. The environmental split within the SAP

2.3.1. The environmental hypothesis

2.3.2. The internal party cleavages/conflict issues

2.3.3. Implications of the environmental conflict for the SAP

2.1.1. SAP ideological heritage

The end of the 1950s, a period of reference in the history of the Swedish social democratic dominance, corresponds to a forceful ascension of the Social Democrats, the SAP, and of the idea of 'state'. The debate on the ATP scheme, the pension's scheme, and the dissolution of the left coalition – between SAP and the Center Party, Centerpartiet – eased the symbiosis between the SAP and the state. On one hand, the SAP helped promoting the principle of the compulsory complementary retirement within the collective solidarity scheme; on the other hand, the SAP rests alone in government without the need of a coalition. The management of the ATP scheme attributes to the wide public the administration of these retirement

funds. At the beginning of the 1960s, the neo-corporatist consultations between the SAF and the SAP - held at the private residence of the PM Tage Erlander – provide to the opposition the pretext to criticize the so-called ‘*Harpsund democracy*’. Around that date, the historical deal between the social democracy and the ‘business’ interests took place; it marked the climax of the neo-corporatist system and of the experts and technocrats’ power.

Things like the nomination of the state and trade unions’ representatives at the banks’ and enterprises’ *direction* committees, the ‘*industrial democracy*’ program centered on the ‘*co-decision*’ principle at the workplace, the wage earners funds became the preferred targets of the liberals and of the conservatives. In the 1980s, the public sector and the welfare state are hardly criticized by the right coalition. Consequently, the SAF subsidizes offensive ideological campaigns against them, i.e. against the welfare state and the expansion of the welfare state, with the aim of withdrawing from the negotiated agreements of collective wage bargaining. Simultaneously, the ideological transformation of the old conservative tradition into a new party of neo-liberal imprint which scolds state and public sector’ s inefficacy, excessive fiscality and passive collectivist culture urged by the Swedish type social democracy⁵³⁴.

In his study, ‘*The New Totalitarianism*’, Roland Huntford’s study, ‘*The New Totalitarianism*’⁵³⁵, represents a comfortable departure point to envisage the principal themes of the conservative-neoliberal discourse on the social democrat state. Huntford, British correspondent in Scandinavia in the 1960s, places his analysis under Aldous Huxley’s ‘*Brave New World*’ mark: the Swedes have become accustomed and subservient to the sweet welfare uniformization in exchange for social and economic security; the social democratic power rests on the grasp of the technological discourse, the reverence towards expertise and planification, the control of television and education and a new culture forged by the state and through the state at the service of society.

However, the snag with Huntford’s thesis is that he is too culturally and ideologically biased in favor of neo-liberalism and conservatism, typical of the English tradition. Thus, one might interpret it in the sense that feudalism had moderated the centralization and the state absolutism in Britain facilitating the emergence of the social contract and political liberalism whereas its absence in Sweden was the cause of a centralized autocratic tradition. This thesis is the negative version of the Scandinavian consensus and compromise, also reiterated in ‘*Sweden: The Middle Way*’ by Marquis Childs. Contradicting tendencies are at work here because this

⁵³⁴ This transformation entailed the subsequent historical marginalization of the real liberal party: already defeated on its own province, of universal suffrage and social philanthropy by the left at the beginning of the 20th century, it lost again the benefit of economic liberalization at the advantage of the traditional right.

⁵³⁵ Huntford, R. 1972. *The new totalitarianism*. NY, Stein and Day, p 265-276

point of view identifies secular tendencies in Swedish society while in the same time it obliterates the dimensions of conflict and pluralism, which are still present despite neocorporatism and one party domination.

By the same token, Huntford reviews the different sectors where the fusion between the state and the party took place in Sweden. The first indicator is that not one single separation was established between the SAP and the state apparatus or the representative system in general; there was no mention of the other political forces and of the parliament except as useless opposition, i.e. as a legislative '*freight company*' according to the expression employed in the Riksdag. Therefore, the SAP inherited bureaucratic state structures, which were 'dirigiste', but increasingly added its own view of industrial planning as well as an accrued participation of the organized interests. The longevity of the social democrats in power has permitted the nomination of a high number of affiliated social democrats and trade-unionists in high responsibility posts in public administration and specialized committees. In other words, the SAP has only reinforced a pre-existent established tradition and consolidated it. It has equally associated to the public sphere a number of organizations historically linked to the labor movement. '*The remarkable role of the trade unions is difficult to be conceived of outside a totalitarian framework*' according to Roland Huntford. All these elements are important because they correspond well enough to the standard description of the social democratic captive state, a description which is tributary to '*political culture*' analyses instead of informed empirical analyses.

2.1.2. SAP – the party state?

The question of the institutional relationships between the social democratic regime and the state has a crucial importance as to its effects on Swedish national policy-making. Except for its motive impact on social policy, this relationship has been long time neglected. Conversely, many studies address the unique character of the Swedish workers' movement LO, the economic and social reformism, the trade unions' role, the importance of the collective wage bargaining as well as the negotiations taking place between the social partners with regard to the growth objectives of the industrial policy. For instance, the crucial problem of the relationship between the state and the SAP is slightly omitted. The bulk of the literature on '*social democracy*' in Sweden failed to look after the institutional dimension of the relationship between the state and Swedish social democracy, treating instead the autonomous 'continuities' of the administrative agencies. Due to these shortcomings, the contrary theses of elite conspiracy and social democrat infiltration of the university and intellectual milieus are advanced.

In Sweden, the first real reflection on the institutional evolution of the social democracy in the state apparatus happened in the 1980s. It was Bo Rothstein who first initiated it by publishing his study '*The neocorporatist*

state'. His work is not a depoliticized approach – which is a weakness in itself – of the concept of '*neo-corporatism*', facilitated by the apparent functional division and the standardized circuits of the responsibilities typical to the system. Rothstein is the first to examine the formalized modes of participation of the state organizations and the social democratic strategies to their regard. Given the relatively new perspectives, which intervened rather late because both social democrat dominance and neo-corporatist arrangements came to be submitted at heavy pressures, there is possible that their efforts rested isolated. The scientific discourse continued to distinguish itself from a hegemony rhetoric, which privileged the notion of a '*social democratic regime*' rather than the organic assimilation of both the state and the party.

2.2. Conflictual environmental issues in Swedish politics

2.2.1. Environmental concerns at the political level

Ever since the turn of the century, organized protests and social movements have been incorporated effectively in Swedish policy-making (Micheletti, 1991)⁵³⁶. At the political level, the stable five-party structure is illustrative of this. These five parties were strongly affiliated with different organized interests. The Social Democratic Party, for example, had – and it continues to have at the present – very strong ties with the Labor Union (Landsorganisationen), the Agrarian Party (Centerpartiet) had ties with the Farmers' Association (Lantbrukarnas Riksförbundet) and the Conservative Party (Moderaterna) had ties with the Employers' Association (Svenska Arbetsgivareförbundet). But environmentalist concerns were not adequately accommodated within this five-party structure. In 1988, the lack of accommodation led to a sensational feat: the Green Party managed to break the five-party dominance that had lasted for seventy years because the wide public interest in, and concern for, environmental issues was not adequately reflected in the political programmes of the traditional parties: they were aligned '*on one single scale: the left-right axis*' (Vedung, 1988)⁵³⁷.

The Agrarian Party was the only party in the parliament with an ideology that deviated from the left-right ideological line because it had its base in a rural electorate. The party's concerns to preserve the countryside and decentralize decision-making could accommodate a green profile; this became the strategy employed by the Agrarian Party's leaders in the 1960s. Because of this and its stand against nuclear energy, the Agrarian Party gained extreme popularity in the 1976 election and attracted voters with environmentalist and anti-nuclear values. The Agrarian Party gained 24

⁵³⁶ Micheletti, M. '*Swedish Corporatism at a Crossroads: The Impact of New Politics and New Social Movements*', *West European Politics* 14, 1991, p 160

⁵³⁷ Vedung, E. '*The Swedish five-party syndrome and environmentalism*', pp. 77-109, in: I. Lawson & P. Merkl (eds.), *When Parties Fail: Emerging Alternative Organizations*. Princeton: Princeton University Press, 1988, p 100-1

percent of the seats in parliament and this shifted the orientation from the socialist coalition, which had lasted for forty-four years, to the bourgeois coalition. As part of a coalition, the Agrarian Party did not succeed in stopping nuclear energy and it was forced to compromise on its general environmental profile. As a result, its popularity declined rapidly.

During the campaign against nuclear energy, which preceded the 1980 referendum, the different movements opposing nuclear energy collaborated in the '*People's Campaign Against Nuclear Power*'. Although the alternative supported by the campaign lost in the referendum, the People's Campaign brought together, mobilized and organized different grassroots movements. This paved the way for the formation of an environmentalist party, the Green Party (Miljöpartiet De Groena), which was founded in 1981. During the 1982 and 1985 elections, the Green Party had already gained seats in many municipal councils, but it was in the 1988 elections that the Green Party was finally elected in the Riksdag with more than the 4 percent needed for parliamentary representation.

On 1 January 1987, the government established a joint Environment and Energy Ministry as a step in the direction towards fulfilling the ambitions of the Brundtland Report. This ministry was given the responsibility of coordinating environmental issues. Apparently, the coordination of energy and environmental issues by one ministry was too difficult and by 1990 energy issues had been repatriated to the Industrial Ministry. The Environmental and Natural Resource Ministry, which is rather small and employs 150 staff members, has the responsibility for environmental issues, while the other ministries also have environmental responsibilities, but they were more specific to their sectors.

2.2.2. The controversial nuclear issue in Swedish party politics - the nuclear referendum

In 1980, Sweden held a controversial national referendum in which the majority favored the reduction and eventual phasing out of nuclear power within its borders. All three options of the referendum had in common the view that there should be no further construction of nuclear power plants; at stake was the phase-out date for existing nuclear power plants. While referenda in Sweden are advisory, in earlier referenda the Swedish Parliament followed popular sentiment on two out of three votes. Although the 1980s referendum was criticized for not offering voters an option to continue the nuclear program and the option selected by the largest number of voters was the least restrictive of nuclear power, subsequent governments have remained at least rhetorically committed to the eventual goal of a nuclear phase-out.

During the time preceding the referendum, ardent anti-nuclear activists were able to advance their cause on the grounds of the potentially environmentally devastating effects of nuclear power, particularly in the event of an accident. The 1979 Three Mile Island nuclear accident in the US

cast ‘*doubts on both the reliability of nuclear power and, perhaps even more importantly, the credibility of the nuclear power industry*’. The Social Democratic Party, which had already been wavering on the issue of nuclear power, withdrew its support for nuclear power in Sweden and called for a national referendum.

Although the outcome of the referendum was initially cited as a victory for the preservation of nuclear power, the winning provision contained a poison pill: it allowed for the development of six nuclear reactors, but it also limited future expansion by stating that no further reactor construction would take place after those six were built. Thus, the approval of this provision potentially meant ‘*the end of nuclear energy in Sweden after the 25- to 30-year lifespan of the new reactors*’. That time period was to allow Sweden to develop alternative energy systems based on renewable resources. From the ‘*apocalyptic vision*’ that dominated the campaign to the outcome of the final vote, themes of environmental degradation related to nuclear power represented salient and real concerns for the majority of the Swedish polity.

However, during the time since the 1980 referendum, ‘*nuclear energy has more than doubled its share of total energy production*’. Additionally, since 1980, scientific awareness about the negative effects of other energy sources has grown, making nuclear power relatively more attractive. In particular, the Swedish Parliament granted protected status to the four major rivers in the north of the country, thus diminishing the likelihood that increased hydropower could compensate for a shutdown of nuclear power plants.

In 1991, as a response to the increasing reliance on nuclear power, an agreement was reached between ‘*various corporate and political actors in the energy sector*’ which held that the phasing out of nuclear power would be postponed until 2010, the expected lifetime of the youngest reactor. In 2000, however, nuclear power represented 46 percent of Sweden’s gross electricity production, second only to hydropower. Sweden’s energy consumption per capita is high, and, even including taxes, electricity prices for industry and households remain among the lowest compared to other industrialized nations.

In March of 2002 the Swedish government set forth the conditions that must be fulfilled before the decommissioning of nuclear reactors commences. Namely, Sweden’s electricity consumption must be reduced and a secure, environmentally responsible alternative source of energy must be in place. However, few serious investments in alternative energy sources have been made. The above circumstances have contributed to an ‘*informal reversal of the referendum*’.

The results of the referendum combined with the national imperative for economic growth leave the Swedish state in a difficult place. Although the referendum was non-binding, the Swedish government will not easily be able to abandon the referendum results as they reflect a deep split in society.

Environmental policy-making is frequently a conflict-ridden process, a tendency likely to be exacerbated in this instance. Perhaps more important than the outcome of the choices concerning the continued use of nuclear power is who will make these choices.

2.3. The environmental split

The contours of division within Swedish politics, and particularly within the SAP, were always centered on the social and economic dimensions of the society. Thus, the environmental dimension was always associated in one way or another to these two dimensions. How important to the party's divisions over EU membership were the distinct ideological elements previously identified, i.e. strategies and methods? Can existing ideological conflict be correlated with support for or opposition to Sweden's joining the Union? The data contained in the statistical tables are used to generate the two environmental hypotheses and to test them. The division over whether or not Sweden should join the Union corresponds significantly to another fault line in the party's ideological profile, which helps to integrate the previous most important environmental contours of division. The most obvious explanation for a division amongst party activists over questions of supranational integration is that it underlined the social and economic cleavages at the domestic level.

In addition to the pro vs. anti-EU integration, or influencers vs. democrats, there are mainly two important cleavages within the SAP, the free-traders versus pragmatists and the greens versus greys. These two conflict issues caused the split between the SAP elite and its rank-and-file.

Hypothesis 3. Free traders versus pragmatists

In other European countries, it has usually been the supporters of free trade who have been in favor of European integration and the opponents who have been more skeptical. This has been clearly demonstrated during the Euroskeptical stages that the French Socialists and Communists passed through (and in the latter's case may still be passing through), in the British Labor Party's radical-left phase during the 1980s and, perhaps, in the Greek Socialists' more nationalist stages. In Sweden, however, there is little evidence of a correlation between left-wing radicalism and protectionism of the type that would be likely to result in a Eurosceptical policy position. Indeed, the principle of free-trade is virtually unquestioned in the Swedish public debate⁵³⁸.

In fact, there is arguably more evidence that some Swedish Social Democrats opposed EU membership on the grounds that the Union was not sufficiently committed to free trade. How and why Sweden's labor movement became reconciled to free trade at an early stage of its history

⁵³⁸ Sjoestedt, G. 1991. 'Trade talks', in V. A. Kremenyuk ed. International negotiation, analysis, approaches and issues. Oxford, Jossey Bass, ch. 21

was clarified in the previous chapters with the first research hypotheses⁵³⁹.

One social democratic activist once argued that '*The EU is not a socialist community*'. In the next breath, he defended free trade; argued that membership would force Sweden to raise tariffs against the rest of the world; criticized the EU for its predilection for economic planning, as epitomized by the CAP; and insisted that social democracy should not try to order the market, but rather to distribute its fruits through high taxes and welfare benefits. Johansson expressed similar views⁵⁴⁰.

Although the EEA was considered sufficient for Sweden's economic interests by some pro-membership Social Democrats, others felt that it was not enough. The chair of the Paper-Workers' Union, for example, feared that non-tariff barriers, such as custom controls at EU borders, could still disadvantage Sweden if it stayed outside the Union, and that higher interest rates might jeopardize much-needed investment. By contrast, the EEA was seen by most leading Eurosceptical Social Democrats as, at least, a reasonable deal for Sweden, giving it the market access it required but avoiding involvement in the common trade policy, the CAP and EMU. In interview, Johansson praised the terms of the EEA as providing for free trade between Sweden and the EU while also having potential for developing certain '*flanking policies*', including a social dimension. For him, an EEA that added controls over currency movements would be his 'Utopia'. In addition, an anti-EU trade union activist described himself in the interview as on the radical left, but also radically in favor of free trade, the market-led shift to a service-based economy, and even the need to attract international capital. The EU's regulation and bureaucracy, he argued, would only put investors off Sweden.

Therefore, our fourth hypothesis is that, to many Social Democrats, the EU represented a violation of the party's traditional acceptance of – indeed, enthusiasm for – free trade, being seen as a protectionist, mercantilist organization. This was reflected in opposition to EU membership. Supporters of accession, meanwhile, while certainly not anti-

⁵³⁹ In part, this was unavoidable given the country's size and necessary dependence on exports for its prosperity. Besides, the promotion of free trade also found favor with Social Democrats who wanted to show solidarity with the poor countries of the world – a significant tradition in the party cf. to Ole Elgstrom. 1990. '*Socialdemokratin och det internationella solidaritet*' in Bo Hult and Klaus Misgeld ed., *Socialdemokratin och svensk utrikespolitik. Fraan Branting till Palme*. Stockholm: FAI. Sweden could justly claim to have opened its markets to cheap third world production. By contrast, the EU – through its CAP – was far less a fair 'supporter' of poorer countries and promoter of third world development. The CAP – with its barriers to imported agricultural produce and, worse, its export subsidies that served to dump surpluses on the world market- was only the best example.

⁵⁴⁰ '*Free trade with other countries can... be characterized as a necessary prerequisite for high-living standards in a country*', he argued. '*If we... are to have the chance of saving the welfare state, it means keeping as much trade freedom as possible.*' in Johansson, Sten. 1993. '*Loentagarstrategier infoer kapitalets internationalisering*'. Stockholm: Tidens Foerlag

free-trade, took a rather more pragmatic approach to the issue. Support for free trade could be tempered by other advantages, political and economic, that joining the Union would confer.

Hypothesis 4. Greens versus Greys

There was surprisingly little observable evidence in the referendum campaign of a division between Social Democrats who prioritized economic growth and those who prioritized non-materialist objectives, such as a clean environment. No interviewee gave the environment as his or her main reason for voting for or against the accession. Yet, there is an apriori case for environmentalism being an important element in the modern Social Democratic Party⁵⁴¹.

The environment is clearly an issue in Swedish politics, but it is not always expressed in inter-party cleavages. The Greens were formed as a party in 1981; they first entered the Riksdag in 1988 and after 1994 appeared to establish themselves as a parliamentary force. Previously, however, if a cleavage between materialists and post-materialists has existed, it has been overlaid by other political cleavages and utilized – with, it would seem, different fortunes – by the Left and Centre parties. Some observers suggested that, in fact, the ‘new’ cleavage actually represented a reactivation of one of those ‘old’ cleavages identified by Lipset and Rokkan, namely the one between rural and urban economic interests. However, Bennulf argues that there is little in existing Swedish survey data to suggest the existence of a cleavage that is distinct from left-right, the only exception being over nuclear power⁵⁴². In sum, there is little evidence that a significant materialism-post-materialism dimension exists in Swedish party politics, or even in the Swedish electorate.

Yet, within the SAP, there is evidence of a significant post-materialist lobby, which prioritizes environmentalism over economic growth. Differences between the ‘green’ and ‘grey’ wings of the party found expression in argument about plans for a bridge over Oeresund between Southern Sweden and Denmark. It was the subject of particularly bitter argument at the party congress in September 1990, where the communications minister succeeded in attaining only conditional approval for the project. Even this approval was hardly granted, in the face of strong opposition from SSU, the Federation of Social Democratic Women and Christian Social Democrats. They argued that the environmental impact on the area – especially if, as the Danes were insisting, the bridge would carry

⁵⁴¹ In ‘*The Transformation of European Social Democracy*’, Kitschelt quotes the SAP as an example of a party that finds itself courting an electorate with a high-degree of postmaterialist preferences and which has adapted to these circumstances relatively well. It may also be that it played some role in the party’s European debate.

⁵⁴² Bennulf, Martin. 1992. ‘*En groen dimension bland Svenska vaeljare?*’, *Statsvetenskaplig Tidskrift*. vol 95, p 329-58

only road traffic rather than trains – would be too great⁵⁴³.

A persistent and more damaging row has occurred over nuclear power. A referendum in 1980 on Sweden's nuclear program, held in the aftermath of the accident at Three Mile Island, found a plurality in favor of phasing it out by 2010. SAP and LO, many of whose members were concerned at the consequences on employment caused by relinquishing nuclear energy – backed this line, but it only just defeated another of the three options on offer to voters, that of closing the reactors forthwith. A good number of Social Democrats preferred this policy. Polls suggested that only about two-thirds of the party's supporters backed its leadership's line, despite its mounting a strong campaign for a '*cautious decommissioning*'. The issue was revived by the Chernobyl nuclear disaster in 1986 and once more it caused serious friction within SAP. In 1990, authority was given to negotiate with other parties on the manner of decommissioning, although this was still to be achieved by 2010.

A vague agreement for a five-year energy program was agreed with the Centre and the Liberals in January 1991. As Sweden's economic situation deteriorated, it seemed increasingly likely that the party might take a more pragmatic stance and lay more emphasis on the economic costs of decommissioning⁵⁴⁴.

Given the SAP's recent history, it would be a surprise if there was no clash of opinion between 'grey' and 'green' Social Democrats on Europe. The Stockholm branch of SSU, in a motion to the 1993 party congress, argued that it was impossible 'to achieve equality by lifting the whole world up to our standard of living. If we are to achieve equality, the rich world must reduce its consumption. Yet despite this, growth remains the goal, growth that in today's form increases the use of resources and creates still more pollution. Demand for growth in the rich world is a motor of environmental damage and makes equality between north and south impossible. The course the EC has set out has one overriding goal: to increase economic growth and to make the EC even richer... It is impossible to implement an effective defence of the environment when free competition and economic growth are made to overriding objectives... At the same time the EC prevents countries from taking the necessary steps away from this

⁵⁴³ Eventually, the Social Democratic government agreed in the spring of 1991 to support the bridge.

⁵⁴⁴ Carlsson, the Swedish PM and head of the SAP, insisted that the party remained bound by the referendum's verdict of 1980; after formal parliamentary cooperation with the Centre was established in April 1995, the pressure on the party leadership to continue the process increased. In February 1997, the Social Democratic government incurred strong criticism from both business and trade unions for announcing the closure of two reactors – one by mid-1998 and the other by 2001, before their useful life had been completed in 2010 – the first such decision in the world. Even the future of Sweden's other nuclear power plants, which back then provided more than half the country's electricity, remained uncertain.

negative development⁵⁴⁵.

In contrast, some leading supporters of membership, particularly in the trade unions, made it clear that their objective was to achieve precisely this sort of economic growth for Sweden. In any case, the fact that some categories of people – young voters, for example – were likelier to vote for the environmentalist Left and Green parties and were also more likely to have voted No in the EU referendum, gives us some basis to work out the greens versus greys hypothesis. It is that there was a fault line in the party that divided those Social Democrats with materialist objectives – such as economic growth – and those with non-materialist objectives – such as the protection of the environment. What's more, this cleavage was reflected in the division over the EU: materialists voted in favor because of the promise of higher growth for Sweden in the Union; and non-materialists voted against because of a wish to preserve Swedish environmental standards and because the EU was seen as being inherently favorable to growth at the expense of environmentalism.

Hypothesis 5. Influencers versus democrats

This is an alternative hypothesis which only confirms the first two by testing the null hypothesis. Some Social Democratic EU supporters insisted that EC membership was a question of democracy. Ingvar Carlsson, PM and party head, claimed: *'Democracy is more than discussing or negotiating. It is also being able to make decisions that matter.'* Likewise, a contributor to the debate about the party's ideological direction put the argument succinctly:

'A state like Sweden is formally sovereign, but today this sovereignty is in practice redundant... Modern society's development has upset the symmetry between influencers and the influenced, between those who take decisions and those affected. This relationship no longer applies within the border of the nation state. The borders between domestic and foreign policy have, quite simply, been rubbed out.'

*Thus, I see the EU as an attempt to create a new symmetry – a new order for decision-making in cross-border social questions.'*⁵⁴⁶

Such views are surely to confuse democracy with power. Democracy is about the way in which decisions are made; power concerns what those decisions are about. The more reflexive supporters of membership acknowledged that there might be a price to be paid in democracy for Swedish membership. However, they also stressed that for any country there has to be a balance between democracy and efficiency as well as between the economic and the political and that joining the EU would strike the right

⁵⁴⁵ SAP, Stockholm branch, special motion 480 to congress, 1993

⁵⁴⁶ Helle Klein, *'Demokrati – en fraaga om inflytande och tillgaenglighet'* in Rolf Edberg and Ranveig Jacobsson ed. *Paa troeskeln till EU*. Stockholm: Tidens Foerlag. 1992, p 61

balance for Sweden⁵⁴⁷. Although the ‘*democratic deficit*’ concerned him, the single market needed supranational rule-making and the EC provided both the market and the means to regulate transnational exchanges – a fundamental social democratic objective. Supranational politics, Carlsson claimed, was needed to complement an internationalized economy, to ‘*reassert the balance between the social economy and the business economy... The European left needs common democratic institutions so that our political ambitions can be realized.*’ Comparing the EU with the EEA, he declared: ‘*It is sometimes suggested that the EEA... is enough for Sweden. If I were a director of the Stockholm Chamber of Commerce, I would agree. But for me, as a Social Democrat, it is completely inadequate.*’

For many opponents, however, the terms of this trade-off between democracy and influence were unacceptable. Theirs was an opposition on principle to the idea of becoming ‘regimented’ to a supranational polity. To Johansson, for example, democracy – or perhaps, more precisely, the Swedish notion of *folkstyre* (literally, people’s steering or rule) – was an end in itself. A functioning democratic society, he argued, required the mechanisms of both ‘*vertical and horizontal communication*’, by which he meant, inter alia, a common language, culture and media. The EU could never hope to attain this; its undemocratic institutions were all at odds with Swedish democratic tradition. This was his fundamental objection to EU membership. It can be characterized as a purposive nationalism, with the nation state seen as a means for achieving another goal – namely, democracy. A senior member of the Social Democratic pro-membership side agreed that the most perceptive and persuasive members of the No lobby – people like Johansson and Marita Ulvskog, Carlsson’s former press secretary and by then editor of a newspaper in Northern Sweden, *Dalademokraten* – did not stress the economics of the issue since Sweden’s integration with the European economy, consummated/achieved in the EEA, was already a fact. Instead, they emphasized non-economic objections to Swedish membership: democracy, sovereignty, internationalism.

This last hypothesis brings forward the idea that the division between opponents and supporters of EU membership in the SAP actually reflected a disagreement over the relative merits of Swedish democracy and Swedish influence. For the pro-EU side, expanding national influence was to be prioritized in this particular situation. For the anti-EU side, either the gain in influence did not compensate for the loss of democracy or it *could* not compensate, so important was the principle of *folkstyre*; either way, in this particular situation, the ‘democracy’ goal was to be prioritized over influence.

⁵⁴⁷ In the words of one member of the SAP’s National Executive, democracy is not an end in itself, but has to be used to achieve something else. One senior figure from the lobby group ‘*Social Democrats for the EU*’ admitted that the EU was not a democratic polity, but that was not the point because it was an international organization, not a state.

Testing the hypotheses

Free traders versus pragmatists

This hypothesis is far from being an obvious one. The departing idea was that Swedish Social Democrats, far from being suspicious of free trade as many of their European counterparts historically had been, were in fact strongly committed to it. Moreover, rather than seeing European integration as a means of promoting free trade, people in the SAP who opposed Sweden's joining the EU did so on the grounds that the Union inhibited free trade, especially with the poorer countries of the world.

Four questions in the survey were designed to test whether this hypothesis had any explanatory worth and, for that matter whether Swedish Social Democrats' reputation for adherence to free-trading principles was actually deserved. More than less, free-trading recipes were not at their height during the social democratic reign, but since they always were the backbone of the Swedish polity, they have been integrated into SAP's ideological line.

The results from the first question in this section, '*What is your general attitude to free trade?*' suggest that the reputation is deserved. Over three-quarters of respondents (77.2 percent) were in favor of free trade, which itself is a notable balance of opinion in a left centre party. As for this issue's correlation with the European question, over nine out of ten probable 'yes' voters (91.7 percent) supported free trade compared to fewer than two-thirds (65.5 percent) of probable 'no' voters. The fact that so many Eurosceptics were in favor of free trade is, in a European context, striking. But it certainly does not bear out the suggestion that activists inclined to vote against the EU were actually likely to be more supportive of free trade than those inclined to vote in favor.

A similar inference can be drawn from the responses to questions pertaining to the EEA. Again, it is notable that from all the probable opponents of EU membership, only 59.6 percent were in favor of EEA membership. But, it must also be acknowledged that, from all the probable supporters of EU membership, the figure was around 87.6 percent.

Finally, in this section, activists were asked if they thought there should be limits to free trade between Sweden and countries with lower social protection. This was designed to test commitment to the principles of free trade under less abstract circumstances, which might be expected to prick a social democratic conscience. Opposition to trading with countries and firms whose workers suffer, for instance, poor working conditions or very low pay rates, has been a constant feature of left-wing politics throughout the West for the last half of the 20th century. On the other hand, because such conditions are largely inevitable in the poorest countries, precisely because they are poor, the counter-argument is that trade with firms and countries whose workers endure them is not only unavoidable, but also desirable, as the wealth created would ultimately improve the lot of those workers. If Sweden were to impose restrictions on trade with countries

that had lower social standards than its own, there would be none in the world with which it could actually trade freely.

Fig 1 Testing the free-traders v pragmatists fault line (Adapted from Regeringen Statistics, 1998)

Referendum voting intention

	Yes%	Uncertain%	No%	total%
What is your general attitude to free trade?				
For	91.7	71.4	65.5	77.2(N=234)
Uncertain	7.5	25.7	29.2	19.8(N=60)
Against	0.8	2.9	5.3	3.0(N=9)
Total	100(N=120)	100(N=70)	100(N=113)	100(N=303)

What is your opinion of Sweden's membership of the EEA?

For	87.6	67.6	59.6	72.5(N=222)
Uncertain	9.9	31.0	28.9	21.9(N=67)
Against	2.5	1.4	11.4	5.6(N=17)
Total	100(N=121)	100(N=71)	100(N=114)	100(N=306)

Should there be limits to free trade with countries that have lower social protection than Sweden?

Yes	42.9	56.1	57.7	51.4(N=152)
Uncertain	27.7	24.2	23.4	25.3(N=75)
No	29.4	29.7	18.9	23.3(N=69)
Total	100(N=119)	100(N=66)	100(N=111)	100(N=296)

Thus, it is perhaps not wholly a surprise to find party activists divided over the question: just over half (51.4 percent) favored such restrictions, while the remainder was fairly equally split between those who were uncertain about them (25.3 percent) and those who opposed them (23.3 percent). Nearly a fifth (18.9 percent) of those likely to vote against EU membership were also opposed to restrictions on free trade; this suggests that our fourth hypothesis, about the cause of free trade being a motive for some Social Democratic Eurosceptics, is not entirely without foundation. But this observation must be put into perspective. Whereas 42.9 percent of

probable 'yes' voters supported trade restrictions, as many as 57.7 percent of probable 'no' voters did so.

There is, then, some evidence that free trade was a reason for some Social Democratic activists to vote against Sweden's accession to the EU. However, it was at best a marginal factor. Certainly, there is no evidence that supporters of EU membership in the party were any less committed to free trade; indeed, all the data suggest that they were more committed.

Greens versus Greys

As we have seen, the evidence that a materialist-postmaterialist cleavage exists within the SAP is reasonably strong on the observable evidence (for instance, the struggles over nuclear power and the Oeresund bridge), though the hypothesized correlation between this and the party's division over Europe is based on more fragmentary evidence. A correlation was perceived by a fair proportion of the sample: 20.4 percent considered the party's Eurosceptics to be primarily motivated by environmentalism. The three questions - corresponding to the three fault lines - in this section sought to ascertain the extent of any cleavage between materialists or 'grey' Social Democrats, and non-materialists, or green Social Democrats⁵⁴⁸.

The first question asked simply '*If you had to choose, which do you think should take priority in Swedish policy?*' In the responses, there did seem to be a very apparent split in the party on this fundamental issue. Just over half (51.4 percent) thought that economic growth should be the priority; just under half (48.6 percent) thought that it should be protection of the environment. Moreover, if the evidence of a connection between this fault-line and the one over Europe is not overwhelming, it is certainly present and significant. Of those respondents inclined to vote in favor, 58.2 percent had growth as their preferred policy priority compared to only 41.8 percent who preferred environmental protection. Among those likely to vote against, the distribution was reversed: 43 percent preferred growth and 57 percent who preferred environmental protection.

Similar results can be seen in the next question, which sought to get away from abstract concepts and to establish the existence of a materialist-nonmaterialist fault-line on the basis of a substantive political issue such as nuclear power. Nearly half of the respondents (48.5 percent) were in favor of nuclear power in Sweden, nearly a fifth (19.8 percent), were uncertain and nearly a third (31.7 percent) were against. The division in the party on this crucial issue is thus clear. Likewise, but less emphatically, is the correlation between it and the EU question. From all the probable favorable voters, 60.3 percent were in favor of nuclear power compared to just 41.1 percent of probable opposed voters. Those against it, meanwhile, included 45.5 percent of probable 'no' voters compared to only 21.1 percent of

⁵⁴⁸ see Ronald Inglehardt's 4-item index which calculates materialist-postmaterialist values in a society in Inglehart, Ronald. 1977. *The Silent Revolution*. Princeton: Princeton UP, p 2

probable 'yes' voters.

Fig 2 Testing the green v grey fault-line (Adapted from Regeringen Statistics, 1998)

Referendum voting intention

	Yes%	Uncertain%	No%	total%
<i>If you had to choose, which do you think should take priority in Swedish policy?</i>				
Economic growth	58.2	53.7	43.0	51.4(N=146)
Protection of the environment	41.8	46.3	37.0	48.6(N=138)
total	100(N=110)	100(N=67)	100(N=107)	100(N=284)

Are you for or against nuclear power in Sweden?

For	60.3	40.0	41.1	48.5(N=147)
Uncertain	18.2	32.9	13.4	19.8(N=60)
Against	21.5	27.1	45.5	31.7(N=96)
total ⁵⁴⁹	100(N=121)	100(N=70)	100(N=112)	100(N=303)

Influencers versus democrats

This hypothesis proposed an ideological fault line in the SAP between those whose priority was the enhancement of Swedish national influence, for which EU membership offered more scope than any alternatives (including, for example, EEA membership) and those whose priority was the preservation of Swedish democracy, for which national sovereignty was considered indispensable. Four questions attempted to test this hypothesis.

The sample was first asked to choose one of three statements relating to 'your view of democracy'. It did not succeed in highlighting much of a difference in priority among the respondents. Nearly nine out of ten (87.8 percent) agreed that 'it should not be compromised just for economic gain', with just over one in ten (12.2 percent) thinking that 'sometimes it is necessary to balance pure democracy with considerations of efficiency - for example, when managing the single European market'. A distinction was

⁵⁴⁹ The hypothesis that suggested a correlation between, on one hand, the divide among Social Democrats over EU membership and, on the other, one between grey and green Social democrats, has received some firm support in this survey. It is certainly the most 'successful' of the hypotheses presented thus far.

observable when responses were controlled for voting intention; but, their numbers were too small when set against those who prioritized democracy over efficiency, to be very significant. Similarly, responses to the statement, ‘*Democracy and national sovereignty are fundamentally interdependent*’, also failed to illuminate much of a divide. Over three-quarters of respondents (78.2 percent) fully or partly agreed, with around a sixth (15.7 percent) disagreeing. Again, there was some discrepancy between probable supporters – ‘yes’ voters – (33.9 percent of whom fully agreed, 23.7 percent of whom disagreed) and probable opponents – ‘no’ voters – (51.8 percent of whom fully agreed while 10 percent of whom disagreed). But, once more, the general distribution of responses in support of democracy and national sovereignty’s interdependence is more noteworthy.

Fig 3 Testing the influence v democracy fault line (Adapted from Regeringen Statistics, 1998)

Referendum voting intention

Yes%	Uncertain%	No%	total%
Which, if any, of these statements most closely accords to your view of democracy?			

It should not be compromised just for economic gain	81.2	87.9	94.6	87.8 (N=259)
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Sometimes it is necessary to balance pure democracy with considerations of efficiency - for example, when managing the European single market	18.8	12.1	5.4	12.2(N=36)
<i>‘Democracy and national sovereignty are fundamentally interdependent’.</i>				

Fully agree	33.9	36.6	51.8
Partly agree	37.3	45.1	31.8
Uncertain	5.1	7.0	6.4
total			

Which, if any, of the following statements most closely corresponds to your views on the EU and democracy?

The EU is a democratic organization

The EU at present lacks democratic credibility, but it can be improved through reform

The EU is undemocratic and inherently incompatible with true democracy

total

‘EU membership offers a means of reasserting political influence over multinational firms and international capital.’

Fully agree

Partly agree

Uncertain

Disagree

total

Finally, a question sought to test whether the sample considered that *‘EU membership offers a means of reasserting political influence over multinational firms and international capital.’* Nearly half (48 percent) fully or partly agreed with the statement; not so many, but fewer, actually disagreed (39.1 percent). While 25.4 percent of probable supporters fully agreed and as many as 58.5 percent partly agreed, the figures for probable opponents – ‘no’ voters – were only 0.9 percent and 10.5 percent, respectively. While those disagreeing with the statement comprised fully 76.3 percent of likely ‘no’ voters, the proportion of likely ‘yes’ voters was 8.5 percent.

It would see that the notion of a cleavage between Social Democrats who prioritized national influence and those who prioritized democracy, does find some supporting data. But, it could be argued that no social democrat would disagree with the objective of attaining maximum democracy or improving political influence over multinational firms and capital. What these questions identify are rather differences in judgement – about the scope for democratically reforming the EU and its capacity for controlling the international economy - instead of ideological objectives. Conclusions drawn – in relation to this particular hypothesis – must then be especially provisional.

Conclusion on the basis of the three hypotheses

If there is one overriding impression from analyzing the arguments deployed here, it is that the stance of each side was multifaceted. In as much as there can be a ‘monolithic’ ideological positions in any party, on any major political issue, the Social Democrats’ discussion about the EU was its antithesis.

There was at least some evidence to support all three hypotheses offered in this chapter. Isolationist welfare nationalism did appear to motivate some opponents of membership. Some did think that the Union offered an inadequate basis for the radical left Social democracy they espoused. They sooner or later joined the ranks of the Greens and Left

parties, parties which are situated at the left hand of the Swedish political continuum.

By contrast, neutrality was extremely important to many likely ‘no’ voters. While a few activists did see membership as a violation to their commitment to free trade, others did consider membership incompatible with democracy. The reasons were diverging, but, nevertheless, they belonged to contiguous beliefs regarding the way the EU was constituted or the way members made a fundamental connection between national sovereignty and democracy also known as the ‘folkstyre-folkhemmet’ relationship. In exactly the same way as ‘neutrality’ represents a typical Swedish value widely shared by the public, ‘*environmental compliance*’ is now a fundamental component of the public and private spheres.

Yet, none of these motivations was – in isolation – a convincing explanation of the divide within the SAP. Indeed, aspects of the party’s Euroscepticism were contradictory. For instance, the insistence on maintaining maximum levels of free trade or on support for EEA membership, can hardly be squared with fears for the EEA’s effect on the Swedish environmental and social welfare or with a rejection of economic growth as the basic goal of public policy. In other words, the European debate within the SAP was extremely eclectic, with unlikely coalitions forming around either support for or opposition to accession.

The data also suggested there was little ‘attraction’ to the ‘*European ideal*’ among the many supporters of EU membership in the SAP. Large numbers of probable ‘yes’ voters were ambivalent about the European identity and Sweden’s position relative to it. They believed that accession might threaten Sweden’s environmental policies and doubted whether the Union offered much of an opportunity for re-establishing political control over a globalized economy⁵⁵⁰.

As far as our research questions are concerned, it is possible to surmise that the prospect of EU membership did activate certain ideological cleavages, the roots and expressions of which can be identified by examining the history and the development of the party. Of the three hypotheses, the two with most evidence to sustain are the one concerning ‘influencers’ versus ‘democrats’ – which brings up the latent ‘*left against right*’ cleavage existent within the party – and the one concerning the ‘grey’ v ‘green’ or ‘materialist’ v ‘nonmaterialist’ conflict. Hence, one might wonder whether a type of ideological coalition – comprising the traditional left and post-materialist Social Democrats – constituted the opposition to the party leadership’s plans for Sweden to join the EU. Post-materialism here also means increased environmental concerns and a positive attitude towards free market and trade while respecting social welfare rights⁵⁵¹

⁵⁵⁰ All this suggests that other, essentially negative reasons – perhaps most plausibly, the fear of isolation – may have persuaded them to fall behind their party leaders’ position.

⁵⁵¹ The post-materialist element might be connected - in a way that the data presented here cannot illustrate, to SAP’s long-standing support among the rural and small-town working

An alternative method of explanation is thus presented in the last chapter, which tries to put forward a conclusion. This chapter's method has been essentially inductive: it has observed the characteristics of the Social Democrats' divide and sought to provide an explanation for it on the basis of observation. While it is true that this approach has yielded valuable contextual information, it would be necessary to consider deductive methods of inquiry.

3. The Swedish public opinion and the SAP

3.1. The characteristics of the Swedish public opinion

3.2. Environmental rights and the catch-all party: SAP's falling membership and the demise of the mass party

3.3. The party cleavages in the Swedish political system

3.1. The characteristics of the Swedish public opinion

In contrast to other analysts, I argue that SAP's electoral defeat after 2000 are not irreversible and that the party has tried to counteract by building sustainable environmental goals and objectives. Lavelle (2007) explains how SAP's electoral problems were 'forced in' by the cleavage between the party's leadership and the party's rank and file on public expenditure cuts. However, all analysts admit that the budget cuts were inevitable as a result of globalization and the end of the post-war boom. What distinguishes them is the accent laid on SAP's adherence to neo-liberal reforms and the role they are willing to grant to this factor.

It is not a coincidence that SAP's loss of office in 1976 coincided with the beginning of the international economic downturn that undermined the Swedish Model. The SAP had experienced considerable losses in support in 1973, but Bo Saerlvik attributes these and the loss of office in 1976 largely, though not exclusively, to economic problems such as inflation and unemployment that shook the Swedish public opinion confidence in the welfare state. Swedish public opinion change is the vulnerable point and the crux of the debate on the internal constraints (Putnam level II) which raised distrust in social democratic programmatic tradeoff between growth and security. As a general trend, *'The Social Democrats decline in periods of fast-rising prices and gain strength in periods of stable prices and economic growth'* (Saerlvik, 1977)⁵⁵².

SAP's continued decline since the 1970s is partly a consequence of the harsh neo-liberal reforms enacted prior to losing office in 1991 and after

class in Sweden. Alternatively, it could mean that something like Inglehart's generational theory of political values is in operation in the party – except that, in contrast to what he proposed, it manifests itself in the SAP as opposition to rather than support to European integration.

⁵⁵² Saerlvik, B. 1977. *'Recent Electoral Trends in Sweden'*, in K. H. Cerny (ed.), *Scandinavia at the Polls, 1977*, p 120-123

resuming power in 1994. Close to 25 percent of voters at the 1988 election placed themselves to the left of the SAP and an even larger proportion of voters in 1990 believed that the government '*had gone too far to the right in its public sector cuts and in promoting a tax reform package that did nothing to reduce disparities in wealth*'⁵⁵³. During this period there was gathering union and '*rank-and-file worker dissatisfaction with SAP economic and financial policies*', which coincided with an incipient electoral dealignment at the expense of the Social Democrats, as voters either switched parties or abstained from participating in elections⁵⁵⁴. SAP and its defeated leader attribute its electoral loss down to the voter backlash expressed by an certain reluctance among left voters to accept the opening of the Swedish economy to the global markets and movements of international capital. When Social Democrats came back to power in 1994 they had to reform the welfare state and reduce benefits in a somewhat unbalanced system, which led to big electoral losses for the left in the 1998 election. Ann-Marie Lindgren⁵⁵⁵ sees the loss of support as a consequence of the government's enactment of '*harsh measures necessary to eliminate the huge deficit in the state budget handed over by the former liberal-conservative government of 1991-1994*'. In the same vein, Persson later conceded that the '*welfare cuts almost resulted in a loss of office for the Social Democratic government*'.

Sociological factors – concerning the decline in the industrial working class - cannot explain major slumps in support such as those experienced in 1991 and 1998. As Pontusson⁵⁵⁶ argues, such factors '*are simply too long-term and incremental to capture the timing and dynamics of the crisis*'. Many authors concur to observe that SAP's performance has declined sharply in recent times. As the SAP itself noted in its 2003 Report⁵⁵⁷, its performance in the 1990s has been 'shakier' and electoral support in the 1990s on average was 5 percent less than in the 1980s. For instance, the party has received less than 40 percent of the vote only four times since 1930 (1991, 1998, 2002 and 2006) and each of these occurred within the last five elections. Although Pontusson refers here to a more general crisis in Swedish social democracy rather than to an electoral one in particular, his point is relevant for what concerns the impact of welfare reform on the electoral score of the SAP. Arter made the point that, after the 2002 election, the party had received less than 40 percent only 3 three times. However,

⁵⁵³ Arter, D. The War of the Rose: Conflict and Cohesion in the Swedish Social-Democratic Party, in Bell, D.S. and Shaw, E. (eds.), Conflict and Cohesion in Westerns European Social Democratic Parties, London, Pinter, 1994, p 76

⁵⁵⁴ Hancock, M.D. in M. Donald Hancock et al, (Eds), Politics in Europe, 3rd Ed., New York & London: Chatham House, 2003, p 390

⁵⁵⁵ Lindgren, A. '*Swedish Social Democracy in Transition*'. in Kelly, G. (Ed), The New European Left. London: Fabian Society, 1999, p 47

⁵⁵⁶ Pontusson, J. At the End of the Third Road: Swedish Social Democracy in Crisis. Politics & Society, 20 (3), September, 1992, p 310

⁵⁵⁷ SAP Report, 2003: p 3

subsequently to the 2006 elections, SAP's share of votes further declined substantially.

The vulnerable point when addressing SAP's continuous electoral degradation is European integration. The SAP's related push for European integration undoubtedly has also contributed to its loss of support. The reversal of the leadership's long-standing opposition to EU membership opened up a large gulf between itself and party supporters. Around 50 percent of SAP's voters, especially those in blue-collar work from the LO, eventually voted 'No' in the 1994 referendum on EU accession. There was a '*groundswell of opposition*' within the party to membership and the SAP's pro-European stance '*shook the loyalty*' of party supporters (Arter⁵⁵⁸; Einhorn and Logue⁵⁵⁹). Miles (1997)⁵⁶⁰ argues that integration '*reinforces the process*' by which the SAP becomes progressively less social democratic and increasingly '*classless*' in orientation⁵⁶¹.

Since EU membership is directly associated with the unpopular welfare cuts of the 1990s, advocacy and support of European integration cost the party badly at the 1998 election. Among SAP supporters, opposition to the European project stems from a variety of sources such as concern over the '*democratic deficit*', the perception that neo-liberals predominate in Europe and the fear that reduced welfare and incomes will follow integration (Lindgren, 2005)⁵⁶². Among the variety of problems for the SAP in the lead-up to its defeat in 2006 was the Euro debacle, which Persson himself rated as his biggest failure⁵⁶³. Despite some two-thirds of SAP parliamentarians urging a 'Yes' vote, exit polls showed that a majority of SAP supporters (53 percent) and almost 70 percent of trade unionists, voted 'No',⁵⁶⁴.

After the major drop in support in the year 1998, the SAP's vote did recover in 2002. Explanations for this positive electoral outcome include the impact played by the economic recovery, which allowed some increases in government spending in 1999 and 2000 whereby the SAP – once again in office – managed to deal with unemployment and to help alleviate the 'pain'

⁵⁵⁸ Arter, D. The War of the Rose: Conflict and Cohesion in the Swedish Social-Democratic Party, in Bell, D.S. and Shaw, E. (eds.), Conflict and Cohesion in Western European Social Democratic Parties, London, Pinter, 1994, p 85

⁵⁵⁹ Einhorn, Eric S., John Logue. Modern Welfare States: Scandinavian Politics and Policy in the Global Age.; Praeger, 2003, p 100

⁵⁶⁰ Miles, Lee. Sweden and European Integration, Ashgate, 1997, p 303

⁵⁶¹ Miles, Lee. Sweden and European Integration, Ashgate, 1997, p 302

⁵⁶² Lindgren, A.. Personal interview with Anne- Marie Lindgren, Stockholm, 2005

⁵⁶³ 'At the September 2003 referendum on the Euro, close to 56 percent voted against and just 42 percent in favor while at the 1994 referendum on joining the EU, a slim majority of 52.2 percent was voting in favor. Election of September 2006', West European Politics, 30(3), 2007, p 622

⁵⁶⁴ Widfeldt, A. 'Elite Collusion and Public Defiance: Sweden's Euro Referendum in 2003', West European Politics 27(3), 2004, p 511-513

caused by the cuts from the previous years⁵⁶⁵. The SAP's vote also improved in the context of division among the non-socialist parties and the lack of a clear cut alternative to the prime minister candidate. Even so, this result – of just less than 40 percent – was still very poor, historically speaking⁵⁶⁶.

The fact that the year 2002 – when the SAP came again back into power – did not signal a return to SAP hegemony was proved beyond doubt by its loss of power at the September 2006 poll when its share of the vote fell nearly 5 percent to 35 percent. Its worst result in a parliamentary election since 1920, the year 2006 showed that the SAP was bedeviled by high unemployment, which the conservative 'Alliance for Sweden' nominated as its main policy focus and about which the SAP had little to say except to advocate supply-side measures in the labor market and education (While the Alliance – comprised of the Moderate Party, Centre Party, Christian Democrats and Liberals – successfully advocated liberal neo-monetarist solutions, 'the SAP leadership quite simply lacked ideas about how jobless growth should be addressed' in the words of one SAP MEP⁵⁶⁷).

In addition, when confronted with the Left Party's proposal to expand public sector employment by 200 000 two hundred thousand jobs, the SAP ridiculed it by saying that 'we all want world peace'. This latter fact pertains to the relationship between SAP and the left coalition, which is going to be treated at length in the next subchapter. However, the SAP did pledge to raise unemployment benefits, build more homes for the elderly, improve their housing benefits and reduce the cost of dentistry, but the timing of the reforms' introduction was left open and would depend on the state of the economy and public finances: 'Quite honestly, the scope for new reforms is extremely limited in 2007. They would come later in the term.'⁵⁶⁸

The fact that unemployment was a major weakness in SAP's electoral discourse is illustrative of the social democrats' inability to differentiate themselves as a viable alternative to the right-wing alliance. According to Pelizzo (2003)⁵⁶⁹, this manifest inability of the SAP in the electoral campaign has constituted the main reason for the defeat since the voters

⁵⁶⁵ Miles, L. 'Making Peace with the Union? The Swedish Social Democratic Party and European Integration', in Geyer, R., Ingebritsen, C. and Mose, J.W.(eds.), 2000, p 218-223

⁵⁶⁶ According to Pontusson (1994:23), between 1932 and 1988, SAP's share of the vote never fell below 41 percent. Pontusson, J. At the End of the Third Road: Swedish Social Democracy in Crisis. Politics & Society, 20 (3), September, 1992, p 23

⁵⁶⁷ While there was considerable dispute about the real unemployment rate, the OECD provided a figure of 8.5 percent and the McKinley Global Institute 15 percent. Aylott, N. and N. Bolin, 'Towards a Two-party System? The Swedish Parliamentary Election of September 2006', West European Politics, 30(3), 2007, p 629

⁵⁶⁸ Persson interview in 'The Local', 2006

⁵⁶⁹ Pelizzo, R. 'Party positions or party direction? An analysis of the party manifesto data', West European Politics 26(2), 2003, p 67-89

couldn't distinguish anymore the differences between the center-left and the center-right parties. What is more, the Alliance had incurred 'into traditional Social Democratic territory through pushing jobs as its main issue' as Aylott and Bolin (2007)⁵⁷⁰ don't fail to observe. In this sense, it is not surprising that some 56 percent of SAP's local associations chairpersons argued for the party to move to the left in the wake of the election defeat.

3.2. Environmental rights and the catch-all party: SAP's falling membership and the demise of the mass party

SAP's membership rose from approximately 550 000 five hundred fifty thousand in 1946 to over one million in 1990 on the back of collective trade union affiliation to the party. This qualified the SAP as the '*mass party par excellence*' among its fellow social democrat parties in Western European democracies. According to Einhorn and Logue (2003)⁵⁷¹, it then slumped to 259 000 in 1992 when collective affiliation ended⁵⁷². The figure had fallen further to 177 000 by 1999⁵⁷³. The SAP admitted that its numbers '*have been declining for the last ten years, but this year... we have noticed a slight increase*'⁵⁷⁴. Indeed, in 2003, the party claimed a membership figure of 152 000.

In addition to the quantitative decline, there has been a qualitative deterioration: 'The general perception is that the numbers of party members attending meetings have declined both absolutely and relatively. Many subsidiary Social Democratic organizations – clubs, newspapers, cooperatives and the like – have folded; others, such as sports clubs, have lost their political ties in the process of surviving. It is, rather, a proof of the ongoing phenomenon of the party as a social organization. The problem is particularly apparent in urban areas and, from all the movement parties, the Social Democrats have been most affected.

The slump in membership is, of course, not solely attributable to the party's neoliberal trajectory. SAP politicians themselves point to the decline in membership for other political parties and voluntary organizations and there is evidence to support their claims⁵⁷⁵. Yet, party membership decline is neither universal nor inexorable; examples of the opposite trend – left parties' membership increase – can be met in Germany and Australia with the Left Party and the Green Party, respectively, registering membership

⁵⁷⁰ Aylott, N. and N. Bolin, 'Towards a Two-party System? The Swedish Parliamentary Election of September 2006', *West European Politics*, 30(3), 2007, p 621-33

⁵⁷¹ Einhorn, Eric S., John Logue. *Modern Welfare States: Scandinavian Politics and Policy in the Global Age.*; Praeger, 2003, p 130

⁵⁷² Collective membership involved the automatic enrollment of LO union members, the blue-collar union in the party.

⁵⁷³ Einhorn, Eric S., John Logue. *Modern Welfare States: Scandinavian Politics and Policy in the Global Age.* Praeger, 2003, p 131

⁵⁷⁴ SAP Manifesto, 2003: p 9

⁵⁷⁵ Mair, Peter and Ingrid van Biezen, '*Party Membership in Twenty European Democracies, 1980–2000*', *Party Politics* 7(1), 2001, p 18

growth. Also, while the SAP's absolute membership fell from 229 095 to 162 578 between 1989 and 1998, the Swedish Left Party's membership remained at under 13000 over the same period. Similarly, the Greens' membership rose from 2000 in 1981 when the party was formed to a peak of almost 9000 in 1988 before dropping back to about 8000 in 1998⁵⁷⁶.

The timing of the SAP's membership losses presents a problem for the sociological explanation for membership losses. Widfeldt's research reveals that membership did indeed decline after accounting for the discrepancy between 'genuine' members and total members under collective affiliation. Although individual membership figures were apparently stable in the years between 1974-1991, the compulsory affiliation to the SAP through LO was definitively abolished in 1992. Membership was stable in the first part of the 1990s, but fell dramatically by around 40 percent between 1995 and 2002, a trend that appears to be inexplicable according to sociological factors.

The SAP itself referred in 2003 to declining membership only over the past 'ten years'. An explanation more plausible than the sociological one is that membership stabilized in the lead-up to the party's re-election in 1994, but then fell out of disappointment with the neo-liberal measures that the SAP prescribed upon its return to power and which cost it dearly at the 1998 election. While the evidence in this case is more circumstantial than in the others, the disaffected membership thesis is the most plausible one in terms of the capacity to explain declining membership in the 1990s.

According to a majority of analysts, rather than simply being rooted in structural causes or social trends, the sharp nature of the SAP's membership decline in the 1990s is undoubtedly related to the discontent caused by the party's abandonment of its traditional social democratic policy approach for a neo-liberal one. This may have contributed to earlier membership losses since the SAP's neo-liberal trajectory commenced prior to the 1990s, but it is impossible to know by how much. What is clear, however, is that since the 1990s there has been an internal SAP opposition which is convinced 'that the party has betrayed its ideals and voters.'

The SAP has also faced 'internal resistance' to its public sector reforms and members have resented the policy changes that have weakened party-union connections⁵⁷⁷. According to Aylott⁵⁷⁸, the economic reforms enacted since the end of the 1980s had 'estranged the unions, but also the party's rank-and-file members from the leadership'. As a result of these policy trends, many members 'are not proud of being social democrats'⁵⁷⁹.

Furthermore, the lack of a social democratic identity is clearer and

⁵⁷⁶ Mair, Peter and Ingrid van Biezen, 'Party Membership in Twenty European Democracies, 1980-2000', *Party Politics* 7(1), 2001, p 14-17

⁵⁷⁷ Widfeldt, Anders. *Linking Parties with People? Party Membership in Sweden 1960-97* Aldershot: Ashgate, 1999, p 315-324

⁵⁷⁸ Aylott, N. *After the Divorce: Social Democrats and Trade Unions in Sweden*, *Party Politics* 9, 2003, p 387

⁵⁷⁹ Svensson, Britta, MEP interview 2007

clearer with the advent of social democratic loss at the ballots. As the Swedish parties have become less ideologically distinct, a decline in the party identification has appeared which contributed to the decline in electoral score. As the Swedish parties have become less ideologically distinct, this has contributed to a decline in party identification. According to SAP parliamentarian Margareta Israelsson, the declining membership problem is partly related to the weaker party-union links and to the fact that Swedish people find it increasingly difficult to determine ‘*what is left and what is right and what is in the middle*’. Israelsson claimed that some members ask ‘*Where are the social democratic ideas? Where is the social democratic ideology? I can hear them say that. They [the parties] all look the same today*’ (Israelsson, 2005)⁵⁸⁰. Aylott refers to the ‘*widespread impression among its remaining members of a loss of affiliation with the trade union movement in the form of collective membership, which made the SAP to look like a ‘voters’ catch-all party*’ which prioritized electoral gains over policy⁵⁸¹. It was clearly shown above, however, that neo-liberal policies have been costly in terms of votes, too⁵⁸².

An additional factor in the case of Sweden, which would explain the timing of the post-1994 decline, is the great deal of angst within the party over European integration. Borrowing from the work of Arter, Miles (2000)⁵⁸³ argues that integration provided a ‘*significant source of internal party friction in the mid to late 1990s*’. According to Nilsson (2003), there was no attempt at consultation with its membership when the SAP government in 1990 reversed its position on accession. Moreover, the proposal that Sweden should join the EU was sneaked in as just one point among many in a political crisis package submitted before the Riksdag. Aylott⁵⁸⁴ argues that anti-accession argument was the strongest at the grass-roots level. Opinion polling in 1992 revealed that less than a quarter of the SAP members were in favor of full-EU membership with 47 percent against and 36 percent unsure. In addition to the fact that a decisive majority of party members were opposed to Sweden joining the EU, most surveys suggested ‘*a clear elite versus «grassroot» split within the party*’. For instance, only half the SAP’s membership went on to vote for EU

⁵⁸⁰ Israelsson, M. Interview with Margareta Israelsson. Member of the Swedish Parliament, Stockholm, April 5, 2005, p 27

⁵⁸¹ Aylott, N. After the Divorce: Social Democrats and Trade Unions in Sweden, Party Politics 9, 2003, p 373-388

⁵⁸² By comparison, in the German case, the perception of diminishing differences between the parties could explain the trend of declining membership in the SPD as well as its competitor parties since membership serves less purpose when the parties are no longer distinctive (Braunthal, G. 2003. ‘*The Spd, the Welfare State, and Agenda 2010*’. German Politics and Society 21(4): p 26)

⁵⁸³ Miles, L.. ‘*Making Peace with the Union? The Swedish Social Democratic Party and European Integration*’, in Geyer, R., Ingebritsen, C. and Mose, J.W.(eds.), 2000, p 219

⁵⁸⁴ Aylott, N., ‘*Between Europe and Unity: The Case of the Swedish Social Democrats*’, West European Politics, 20,1997, p 128

membership at the referendum in 1994⁵⁸⁵. Lending further credence to the suggestion that EU-related issues have been a factor in membership decline was the post-referendum call by some inside the party for the establishment of a breakaway anti-EU social democratic party⁵⁸⁶. The SAP leadership's support for joining the common currency at the 2003 referendum is likely to have deepened membership discontent. SAP international secretary Anne Linde concedes that half the party activists and social democratic voters are critical of the EU and that '*we have clearly not been able to explain why the party elected people are in favor*'. EU debates intersect with the wider argument over the party's direction; whereas for the party traditionalists EU integration poses a threat to the '*principles of Swedish social democracy*' and the future of the welfare state, for the 'modernizers' it is part of the wider project of reforming the Swedish model⁵⁸⁷.

⁵⁸⁵ Miles, L. '*Making Peace with the Union?The Swedish Social Democratic Party and European Integration*', in Geyer, R., Ingebritsen, C. and Mose, J.W.(eds.), 2000, p 218

⁵⁸⁶ Widfeldt, Anders. *Linking Parties with People? Party Membership in Sweden 1960-97* Aldershot: Ashgate, 1999, p 2

⁵⁸⁷ Miles, L. '*Making Peace with the Union?The Swedish Social Democratic Party and European Integration*', in Geyer, R., Ingebritsen, C. and Mose, J.W.(eds.), 2000, p 220

CHAPTER 8 CONCLUSIONS

From the environmental perspective, the theoretical skeleton of this research is based on the ‘twin’ concepts of ‘Europeanization’ and ‘*policy network*’ in international relations. They both help to bridge the gap between intergovernmentalism and neofunctionalism as underlying theories of European integration. The dichotomy ‘intergovernmentalism’ versus ‘neofunctionalism’ is present into all three main relationships upon which this research is structured and at both levels – domestic and international – of Putnam’s dual game.

Apparently, from a theoretical point of view, Swedish debut activity in the United Nations - as an environmental leader against acidification and eutrophication – cannot be reconciled with its subsequent activity in the EU. That is because, theoretically, Sweden acted in a neofunctionalist manner throughout the whole UN period, relying partly on its ‘interests’, partly on its normative behavior, as a creator of norms on the international stage.

Sweden’s interests here mean its domestic interests at home, articulated in a neo-corporatist manner through collective bargaining and wage centralization. In turn, these interests had to be transposed into ‘norms’ at the international level able to achieve national foreign policy objectives. Most of the time, these interests were always articulated in an ‘environmentalist’ logic and bore upon normative arguments.

However, from a foreign policy point of view, the question of the environment has never been an issue of foreign diplomacy. The old ‘*real politik*’ school of thought does not pay attention to else than concepts such as balance of power, interest and actors without any heed or hint to ideas of transnational cooperation and agreements. I intend to move beyond the ‘realist’ theoretical approach of international organizations, which merely conceives of them as arenas for national interest accommodation and conflict resolution to a broader understanding of international institutions as negotiated sectoral legal systems. This is exclusively due to the methodological fact that I am concerned with the importance of environmental policy in the domestic politics of one country. According to Oberthur and Gehring (2006)⁵⁸⁸, only negotiated institutions may be used instrumentally to bring about ‘*collectively desired*’ change in the international system inasmuch as they constitute distinct systems of norms negotiated to balance the interests of the member states and other actors involved. They also include in this category – of negotiated institutions – all EU legal instruments such as regulations and directives, which they identify as ‘*the suitable functional equivalent of specific international institutions at the EU level inasmuch as [...] they focus on limited functionally defined issue areas and possess separate communication processes*’. Although I am

⁵⁸⁸ Oberthur and Gehring, T. 2006. Institutional interaction in global environmental governance. Cambridge: MIT Press, p 10

not concerned here with the study of international institutional change or effectiveness, it is worth mentioning Keohane's definition of international institutions⁵⁸⁹ as '*persistent and connected set of rules and practices that prescribe behavioral roles, constrain activity, and shape expectations*'. This definition opens up a starting point in my theory of environmental policy building as a coherent set of legal instruments brought on with considerable input from a leader country. Additionally, the leadership position of Sweden in formulating and setting up the environmental agenda is based on its 'positive' environmental record at the domestic level.

Since it is extremely helpful in accounting for the leadership position of a single actor in the international arena, I based this part of the analysis on environmental policy analysis or FPA as developed by Harris et al. (2002)⁵⁹⁰. His analytical approach underlines the crossover and interaction between domestic and international politics with the aim of examining environmental issues on multiple levels. That is, Swedish environmental leadership cannot be fully understood by looking solely at domestic policy and policy making, on the one hand, or by examining international politics and diplomacy, on the other. This research's independent variable – one state environmental leadership – focuses on the crossover between the domestic and international arenas of politics and policy making just as FPA does. As FPA pays attention to the crossover between these levels of analysis, and indeed includes each of them, it is a potentially productive way to of viewing the problem, its causes and potential solutions. One way of assessing the impact of the '*environmental leadership*' variable is to frame the environment issue in terms of environmental foreign policy, and to look in some detail at the actors and processes of foreign policy that, by definition, operate in the analytical space that crosses over between the domestic and the international.

Barkdull and Harris (2002) propose a framework typology that highlights a variety of potentially important variables in the shaping of foreign policies in particular circumstances related to addressing international environmental issues. The authors note that most theoretical approaches to foreign policy are of three major types based on the explanatory forces they emphasize: systemic, societal or state-centric.

These three broad approaches to understanding foreign policy – focusing on the international system, domestic society or the state – can be refined by simultaneously considering, in each case, the role of power, interests and ideas⁵⁹¹. In brief, there are: the 'realist' approach, the '*liberal institutionalism*' approach and the 'constructivist' method. The first

⁵⁸⁹ Keohane and Nye, J. S. 1983. *Power and interdependence: World politics in transition*. NY: Oxford UP, p 3

⁵⁹⁰ Barkdull and Harris, P. G. 2002. '*Environmental change and foreign policy: a survey of theory*', in *Global environmental politics*. 2(2): p 67-68

⁵⁹¹ Barkdull and Harris, P. G. 2002. '*Environmental change and foreign policy: a survey of theory*', in *Global environmental politics*. 2(2): p 67-68

approach – a power-based approach and often characterized as ‘realism’, countries join international regimes due to hegemonic or oligopoly distribution of power in the international system. Hegemons or small groups of leading powers create regimes that serve their interests, and then force them upon their countries. Alternatively, interest-based theories – often associated with liberal institutionalism – posit that international cooperation stems from the desires of states to promote their interests in a given issue area. According to this perspective, hegemonic power is not essential because rational state actors will cooperate to achieve joint gains. This latter approach, the societal or ‘*interest-based*’ approach is privileged here in this research – together with the intergovernmentalist approach in international relations – as it is the underlying theoretical basis for the demonstration of both the first and second hypotheses from chapter three and chapter 6, respectively.

Yet another set of theories focus on ideas and on what Smith calls the ‘*social construction of foreign policy*’⁵⁹². Ideas can direct international actors toward new ways to pursue their interests, whether unilaterally or multilaterally. From this ‘constructivist’ perspective, material interests and power may have limited influence compared to even more influential identities that the international system generates for global actors. This third B& H approach, the state approach, is not privileged here but it is used in combination with the ‘*neo-constructivist*’ and neofunctionalist approaches in order to highlight the ‘validity’ of the first two approaches – societal and intergovernmentalist. For instance, Swedish obligations to take on the initiative in many environmental issue areas, have influenced policy framing in this respect, but power configurations among European and other states, as well as assessments of national interests in this context, mean that influence of those ideas in shaping environmental policy are substantially reduced.

By contrast, alternative theories state that there is a correlation between political culture and environmental performance. However, in the Swedish case, this kind of theories are infirmed by societal-intergovernmental approaches and not at all explored in this research. Recalling Lijphardt’s measures of consensus democracy, he comes up with a two indexes solution for assessing environmental performance in 36 thirty-six democracies. The first is Monte Palmer’s (1997) composite index of concern for the environment based mainly on CO2 emissions, fertilizer consumption and deforestation. This index ranges from a theoretical high of one hundred points, indicating the best environmental performance to a low of zero points for the worst performance; the correlation is statistically significant at the 10 percent level and is not affected when the level of development is controlled for. The second index for assessing

⁵⁹² Smith, Michael E. 2004. ‘*Institutionalization, Policy Adaptation and European Foreign Policy Cooperation*’, *European Journal of International Relations* 10:1, p 31

environmental responsibility is energy efficiency. The most environmentally responsible countries, among which Sweden is topping the list, produce goods and services with the lowest relative consumption of energy; the least responsible countries waste a great deal of energy. The correlation between consensus democracy and energy efficiency is extremely strong (significant at the 1 percent level) and unaffected by the introduction of the level of development as a control variable.

Coming back to the theoretical structure of this research, its empirical skeleton is propped on a four dimensional axis, which highlights the main three relationships at stake. The first relationship is that between macroeconomic policy and social efficiency, or, in other words, between macroeconomic policy and SAP's long tenure in office because endorsed by a favorable public opinion. This relationship is stated and further demonstrated throughout the third and fifth chapters, with a small hiatus in the fourth chapter, which briefly describes the Swedish welfare state, its main components and characteristics.

Therefore, all three stages of the Swedish model had as an effect the '*fine-tuning*' between labor and monetary policies, which stimulated, on one hand, innovation and competitiveness in the industrial sector, and, on the other hand, full employment and welfare on the market. These policy measures had a positive effect on economic growth and social democratic tenure in office up until the 1980s. After this period, financial speculation and unexpected fractures in the economic cycle demanded different economic measures able to ensure competitiveness of a small open economy such as Sweden's onto the world market, which became more and more globalized. I argue that these measures were all about sustainability, environmental standards and their application.

The fifth chapter highlights the effects of globalization on the Swedish welfare state and the consequent change in its structural architecture. The most important here is the impact of globalization on the Swedish labor market and employment levels since the Swedish MNC companies largely started delocalizing production elsewhere.

Chapter three details the so-called RM model or the Rehn-Meidner model, which was actually stage two keynesianism, a phase where economic development did not depend any longer on boosting demand and ensuring full employment, but, rather meant the '*fine-tuning*' of labour and investment policies together.

The second relationship at the core of the empirical structure of this research is that between the SD social democratic party, as a social democratic entity, ensuring continuity and the Swedish businesses. Here, I stress the role of neocorporatism in mitigating the relationship between party and businesses.

It is proved that the SAP and the SAP-led government triggered Swedish environmental activism and leadership by promoting ever higher environmental standards in the UN and EU as the best way to increase the

international competitiveness of the Swedish industry in accordance with corporate interests. The business or corporate interests were only interested into securing the competitiveness of their industries abroad (i.e. in international trade) as well as into Swedish participation in the SEM and EMU. The ‘*other interests*’, especially the trade unions, were not opposed but sympathetic towards high environmental standards, supporting both the business and the government; they simply followed, but they were not active since the beginning. However, these ‘other’ interests were always locked in neocorporatist practices at home. What I try to prove in this chapter is that business agreement on high environmental standards firstly endorsed by the SD government has been the modality through which they – the business – managed to secure international competitiveness, Swedish accession to the EU and subsequent participation to the SEM.

The ‘interest’ variable is maybe the most conspicuous indicator of neofunctionalism as it is a theoretical approach which relies upon conceptualizing the interests of participating actors through the idea of functional, political and cultivated ‘spillover’. Moreover, what neofunctionalism implies is that spillover is largely promoted by supranational elites and interest groups. In the Swedish case, ‘interests’ represent the backbone of Swedish neo-corporatist democracy and they lie at the basis of any attempt to study ‘*private interest government*’. Therefore there is no accident that, in the Swedish case, several authors have outlined the potential of neofunctionalism since it best captures the pre-accession dynamics whereby the national interests at stake were pushing ahead with the integration process. However, before proceeding to analyze the role of private interests in the Swedish environmental buildup, some distinctions need to be made.

First, there are mainly two periods of environmental developments which characterize Swedish involvement in shaping the environmental agenda: the UN period, i.e. the period before EU accession, and the EU period, from 1995 on. The UN period is marked by incrementalism and progressive adaptation to the political and economic demands of a rapidly changing world environment. The Swedish diplomacy reacted promptly at the acid rain threat and set the UN acidification agenda accordingly. The novelty and ‘incidentalness’ of the situation triggered the unilateral initiative of the government and its outward tool of conflict resolution – diplomacy. However, later in the UN stage, ‘corporate’ gradually acquired a ‘voice’ and a weighty one in the process, too. At the end of the UN stage, the ‘*entente cordiale*’ or the golden environmental triangle functioned at a double level: on one hand, between the Industrieforbundet and the socialist government, and on the other hand, between Industrieforbundet and labour.

Secondly, the distinction between ‘interests’ is paramount and it must be highlighted in a way which does not leave any unnecessary misapprehensions. The ‘other’ interests, namely the labor and the public interests were instrumental in creating consensus over the right

environmental strategies to adopt. The impact of the labor interests was mitigated because of the chasm created within the trade union bloc between LO and the TCO-SACO, the employees' union, over the issue of EU integration and the subsequent lowering of Swedish environmental standards. What was certain and there were enough warnings – in the political debates – was the fact that environmental issues triggered non-negligible economic side-effects such as readjustment and unemployment.

Thirdly, the distinction between the different environmental issues is paramount in order to identify the linkages between EU integration, SEM and EMU, on one hand, and welfare issues, on the other hand. In the next chapter, I am going to treat at length the relationship between environment and welfare state, on one hand, and between environment and the SAP, on the other. This chapter is focused on the relationship between corporate interests and governmental environmental policies. The triangle government-environment-corporate is analyzed from the point of view of their political implications for the welfare system, the backbone of the social democrat 'folkhemmet'.

All these actors (comprising the business Industriefoerbundet, the media, the public, the ENGO environmental non-governmental organizations, etc.) shaped the internal policy forum and were paramount in funneling '*enabling conditions*', that is the consensus behind Swedish environmental actions. The reasons for the unanimity behind the environmental cause pertain entirely to the economic neocorporatism which functioned in Sweden till the mid 1980s. Nevertheless, the environmental 'variable', when it first appeared at the beginning of the 1970s with the acid rains in Northern Europe, immediately triggered governmental responses. The role of the 'other' interests and of the corporate interests, is still unclear at the debut of the whole environmental 'affair'. What is certain is that environmental pollution triggered the immediate response of the Swedish government and the organization of an international conference. By consequence, at the beginning, there were only the governmental interest and the national interest, which reacted to the environmental challenge, a fact which makes difficult to claim that Swedish environmental leadership is a case which can be proved only by neofunctionalism. However, while it is true that early Swedish UN environmental leadership is a classic example of intergovernmentalism, it is equally true that this initial governmental leadership becomes a sort of neofunctionalist 'spillover' with Swedish EU membership.

The third relationship is that between different factions inside the SAP and their split within the party. This is highlighted in chapter seven as the environmental split, from the point of view of environmental rights seen as human rights and consequently as an extension of the social rights, promoted by the welfare state. This third relationship is backed by three different hypotheses which treat the different cleavages within the party.

If at the beginning, the contours of division within Swedish politics, and particularly within the SAP, were always centered on the social and economic dimensions of the society, that is no longer the case. Thus, the environmental dimension was always associated in one way or another to these two dimensions. Statistical tables and questionnaires from the Regeringen Statistics Office are used to ascertain the 'contours' of the cleavage within the party. The data contained in the statistical tables are used to generate the two environmental hypotheses and to test them. The division over whether or not Sweden should join the Union corresponds significantly to another fault line in the party's ideological profile, which helps to integrate the previous most important environmental contours of division. The most obvious explanation for a division amongst party activists over questions of supranational integration is that it underlined the social and economic cleavages at the domestic level.

For instance, the third hypothesis stresses the conflict between free-traders, who favored free trade and were opposed to EU integration, and pragmatists, who were favorable to EU integration, but not necessarily opposed to free trade.

By contrast with other European countries, where the supporters of free trade were usually in favor of European integration and the opponents who were skeptical, in Sweden, the vice versa has been true. However, there is little evidence of a correlation between left-wing radicalism and protectionism of the type that would be likely to result in a Eurosceptical policy position. Indeed, the principle of free-trade is virtually unquestioned in the Swedish public debate.

In fact, there is arguably more evidence that some Swedish Social Democrats opposed EU membership on the grounds that the Union was not sufficiently committed to free trade. How and why Sweden's labour movement became reconciled to free trade at an early stage of its history was clarified in the previous chapters with the first research hypotheses. In part, this was unavoidable given the country's size and necessary dependence on exports for its prosperity. Besides, the promotion of free trade also found favor with Social Democrats who wanted to show solidarity with the poor countries of the world – a significant tradition in the party. Sweden could justly claim to have opened its markets to cheap third world production. By contrast, the EU – through its CAP – was far less a fair 'supporter' of poorer countries and promoter of third world development. The CAP – with its barriers to imported agricultural produce and, worse, its export subsidies that served to dump surpluses on the world market- was only the best example.

Although the EEA was considered sufficient for Sweden's economic interests by some pro-membership Social Democrats, others felt that it was not enough. The chair of the Paper-Workers' Union, for example, feared that non-tariff barriers, such as custom controls at EU borders, could still disadvantage Sweden if it stayed outside the Union, and that higher interest

rates might jeopardize much-needed investment. By contrast, the EEA was seen by most leading Eurosceptical Social Democrats, at least, as a reasonable deal for Sweden, giving it the market access it required but avoiding involvement in the common trade policy, the CAP and EMU. In interview, Johansson praised the terms of the EEA as providing for free trade between Sweden and the EU while also having potential for developing certain '*flanking policies*', including a social dimension. For him, an EEA that added controls over currency movements would be his 'Utopia'. In addition, an anti-EU trade union activist described himself in the interview as on the radical left, but also radically in favor of free trade, the market-led shift to a service-based economy, and even the need to attract international capital. The EU's regulation and bureaucracy, he argued, would only put investors off Sweden.

Therefore, the third hypothesis is that, to many Social Democrats, the EU represented a violation of the party's traditional acceptance of – indeed, enthusiasm for – free trade, being seen as a protectionist, mercantilist organization. This was reflected in opposition to EU membership. Supporters of accession, meanwhile, while certainly not anti-free-trade, took a rather more pragmatic approach to the issue. Support for free trade could be tempered by other advantages, political and economic, that joining the Union would confer.

The fourth hypothesis, also known as the environmental hypothesis or '*greens versus greys*', highlights how important the environment and the environmental standards are inside the Swedish Social Democrat Party.

There was surprisingly little observable evidence in the referendum campaign of a division between Social Democrats who prioritized economic growth and those who prioritized non-materialist objectives, such as a clean environment. No interviewee gave the environment as his or her main reason for voting for or against the accession. Yet, there is an a priori case for environmentalism being an important element in the modern Social Democratic Party.

The environment is clearly an issue in Swedish politics, but it is not always expressed in inter-party cleavages. The Greens were formed as a party in 1981; they first entered the Riksdag in 1988 and after 1994 appeared to establish themselves as a parliamentary force. Previously, however, if a cleavage between materialists and post-materialists has existed, it has been overlaid by other political cleavages and utilized – with, it would seem, different fortunes – by the Left and Centre parties. Some observers suggested that, in fact, the 'new' cleavage actually represented a reactivation of one of those 'old' cleavages identified by Lipset and Rokkan, namely the one between rural and urban economic interests. However, there is little in existing Swedish survey data to suggest the existence of a cleavage that is distinct from left-right, the only exception being over nuclear power.

Yet, within the SAP, there is evidence of a significant post-materialist lobby, which prioritizes environmentalism over economic growth. Differences between the 'green' and 'grey' wings of the party found expression in argument about plans for a bridge over Oeresund between Southern Sweden and Denmark. It was the subject of particularly bitter argument at the party congress in September 1990, where the communications minister succeeded in attaining only conditional approval for the project. Even this approval was hardly granted, in the face of strong opposition from SSU, the Federation of Social Democratic Women and Christian Social Democrats. They argued that the environmental impact on the area – especially if, as the Danes were insisting, the bridge would carry only road traffic rather than trains – would be too great. A persistent and more damaging row has occurred over nuclear power. A referendum in 1980 on Sweden's nuclear program, held in the aftermath of the accident at Three Mile Island, found a plurality in favor of phasing it out by 2010. SAP and LO, many of whose members were concerned at the consequences on employment caused by relinquishing nuclear energy – backed this line, but it only just defeated another of the three options on offer to voters, that of closing the reactors forthwith. A good number of Social Democrats preferred this policy. Polls suggested that only about two-thirds of the party's supporters backed its leadership's line, despite its mounting a strong campaign for a '*cautious decommissioning*'. The issue was revived by the Chernobyl nuclear disaster in 1986 and once more it caused serious friction within SAP. In 1990, authority was given to negotiate with other parties on the manner of decommissioning, although this was still to be achieved by 2010.

A vague agreement for a five-year energy program was agreed with the Centre and the Liberals in January 1991. As Sweden's economic situation deteriorated, it seemed increasingly likely that the party might take a more pragmatic stance and lay more emphasis on the economic costs of decommissioning.

Given the SAP's recent history, it would be a surprise if there was no clash of opinion between 'grey' and 'green' Social Democrats on Europe. The Stockholm branch of SSU, in a motion to the 1993 party congress, argued that it was impossible to achieve equality by lifting the whole world up to our standard of living. If we are to achieve equality, the rich world must reduce its consumption. Yet despite this, growth remains the goal, growth that in today's form increases the use of resources and creates still more pollution. Demand for growth in the rich world is a motor of environmental damage and makes equality between north and south impossible. The course the EC has set out has one overriding goal: to increase economic growth and to make the EC even richer...It is impossible to implement an effective defence of the environment when free competition and economic growth are made to overriding objectives... At the same time

the EC prevents countries from taking the necessary steps away from this negative development.

In contrast, some leading supporters of membership, particularly in the trade unions, made it clear that their objective was to achieve precisely this sort of economic growth for Sweden. In any case, the fact that some categories of people – young voters, for example – were likelier to vote for the environmentalist Left and Green parties and were also more likely to have voted No in the EU referendum, gives us some basis to work out the greens vs greys hypothesis. It is that there was a fault line in the party that divided those Social Democrats with materialist objectives – such as economic growth – and those with non-materialist objectives – such as the protection of the environment. What's more, this cleavage was reflected in the division over the EU: materialists voted in favor because of the promise of higher growth for Sweden in the Union; and non-materialists voted against because of a wish to preserve Swedish environmental standards and because the EU was seen as being inherently favorable to growth at the expense of environmentalism.

The last hypothesis, the fourth, which should illustrate the rift within the SAP between pro-EU party members, the 'influencers', and their opponents, the 'democrats', who would rather influence the EU from the outside, is rather weak.

This is an alternative hypothesis which only confirms the first two by testing the null hypothesis, i.e. its strength is low compared to the first two hypotheses above. Some Social Democratic anti-EU members insisted that EC membership was a question of democracy and consequently Sweden should not join because it might lose its sovereignty. For them, Sweden could win much more from staying aloof. However, many agreed that Swedish sovereignty might be jeopardized by EU membership. They were opposed to EU membership as it could undermine Sweden's policy choices in agriculture, environment, energy and the common market.

The more reflexive supporters of membership acknowledged that there might be a price to be paid in democracy for Swedish membership. However, they also stressed that for any country there has to be a balance between democracy and efficiency as well as between the economic and the political and that joining the EU would strike the right balance for Sweden.

Nonetheless, opinions differed within the party even. Although the EU '*democratic deficit*' was blatant in the eyes of many, the views were that the single market needed supranational rule-making and the EC provided both the market and the means to regulate transnational exchanges – a fundamental social democratic objective. The SAP leaders claimed that supranational politics was needed to complement an internationalized economy in order to reassert the balance between the social economy and the business economy.

For many opponents, however, the terms of this trade-off between democracy and influence were unacceptable. Theirs was an opposition on

principle to the idea of becoming ‘regimented’ to a supranational polity. To many, for example, democracy – or perhaps, more precisely, the Swedish notion of *folkstyre* (literally, people’s steering or rule) – was an end in itself. A functioning democratic society, he argued, required the mechanisms of both ‘*vertical and horizontal communication*’, by which he meant, inter alia, a common language, culture and media. The EU could never hope to attain this; its undemocratic institutions were all at odds with Swedish democratic tradition. This was his fundamental objection to EU membership. It can be characterized as a purposive nationalism, with the nation state seen as a means for achieving another goal – namely, democracy. Also, the evidence was that the debate within the SAP did not stress the economics of the issue since Sweden’s integration with the European economy, consummated/achieved in the EEA, was already a fact. Instead, they emphasized non-economic objections to Swedish membership: democracy, sovereignty, internationalism.

This last hypothesis brings forward the idea that the division between opponents and supporters of EU membership in the SAP actually reflected a disagreement over the relative merits of Swedish democracy and Swedish influence. For the pro-EU side, the influencers, expanding national influence was to be prioritized in this particular situation. For the anti-EU side, either the gain in influence did not compensate for the loss of democracy or it could not compensate, so important was the principle of *folkstyre*; either way, in this particular situation, the ‘democracy’ goal was to be prioritized over influence. Therefore, many in the party supported the anti-EU side.

As opposed to the first stage of Swedish environmental leadership, the second stage is all about Europeanization and finding allies in the EU member states as a pusher of EU environmental legislation in the Council. The gap between intergovernmentalism and neo-functionalism in the portraying of party-state vs. society dimension is bridged by the Europeanization and foreign policy theories. ‘Europeanization’ designs processes of domestic institutional adaptation to the pressures emanating directly or indirectly from EU membership along with such phenomena as vertical and horizontal mechanisms of Europeanization/national compliance. Although ‘Europeanization’ as such is a loose and ambivalent concept, which stretches along 5 five different definitions, the first of these definitions portrays Europeanization as ‘the top-down impact of the EU on its member states’ in the work of Héritier et al.⁵⁹³. She defines it as ‘*the process of influence deriving from European decisions and impacting member states’ policies and political and administrative structures*’. In this mode, the EU acts in a very top-down fashion through legal and other policy acts. The second definition explains Europeanization as ‘*the accumulation of policy competences at the EU level*’. Cowles et al. equate

⁵⁹³ Héritier, A. 2001. *Differential Europe: New opportunities and restrictions for member state policies*. Lanham: Rowman & Littlefield, p 3

Europeanization with 'the emergence and development at the European level of distinct structures of governance'.⁵⁹⁴ In this mode, Europeanization is synonymous with European integration – i.e. the creation of EU itself. The third definition assimilates Europeanization with '*the growing importance of the EU as a reference point for national and sub-national actors*'⁵⁹⁵. In this apprehension of the term, Europeanization is akin to a lodestar or rising star that is difficult if not impossible to ignore. The fourth definition pertains to the work of Peterson and Bomberg (2000)⁵⁹⁶ and conceives Europeanization as '*the horizontal transfer of concepts and policies in the EU between member states*'. The authors relate Europeanization to the similarly popular term '*policy transfer*', while others believe it even encompasses examples of '*cross-loading*'. In this mode, the EU is at best a facilitator of inter-state transfer. In the case of Sweden, Europeanization could be equated with '*bottom-up policy transfer*', i.e. from Sweden to the EU level. Indeed, since 1995, Sweden has worked hard to minimize future Europeanization by uploading domestic policy to the EU.

The last definition envisages the Europeanization phenomenon as '*a two-way interaction between states and the EU*'. This definition arose from the empirical observation that states routinely preempt domestic adjustments by shaping an emergent EU policy in their own image⁵⁹⁷. In this mode, Europeanization is circular rather than unidirectional, and cyclical rather than one off. Since the EU, therefore, is both a cause and an effect of national change, I have chosen here to represent it as a one-way bottom-up process starting from the national level to the supranational one, meaning from one national state level such as Sweden to the EU supranational level. This bottom-up conceptualization is different from the conventional one, which always assumes Europeanization as a top down process from the EU to the domestic level. But, it is the definition which best fits the Swedish case of Europeanization, which is a crucial case, in Eckstein's words.

Incontestably, EU-ization is more complex a process in which Europe, and especially the EU, become an increasingly more relevant and important point of political reference for the actors at the level of the member states' and the latter engage in intergovernmental and transnational policy networks that reach from Brussels into the domestic sphere. There is

⁵⁹⁴ Cowles, M., Caporaso, J., and Risse, T. (eds.): *Transforming Europe: Europeanization and Domestic Change*, Ithaca and London: Cornell University Press, 2001, p 2

⁵⁹⁵ Hanf, K. and Soetendorp, B. (eds.). *Adapting to European Integration. Small States and the European Union*, London: Longman, 1998, p1

⁵⁹⁶ Peterson, J. and Bomberg, E. '*The European Union After the 1990s: Explaining Continuity and Change*', in Cowles, M. G. and Smith, M. (ed.) *The State of the European Union, Vol. 5: Risks, Reform, Resistance and Revival*, Oxford and New York: Oxford University Press, 2000, p 2

⁵⁹⁷ Peterson, J. and Bomberg, E. '*The European Union After the 1990s: Explaining Continuity and Change*', in Cowles, M. G. and Smith, M. (ed.) *The State of the European Union, Vol. 5: Risks, Reform, Resistance and Revival*, Oxford and New York: Oxford University Press, 2000, p 8

evidence of EU-ization through convergence at three levels: the emergence of a European political agenda (whereby the process of problem definition shifts at the European level); the forms of interest representation; and the modes of operation of various actors. In the Swedish case, there is evidence of convergence at the two levels, of interest representation and modes of operation of the various Swedish actors involved in the process. Even more important was the fact that domestic environmental legislation had already been significantly developed prior to EU membership and consequently the level of convergence had not been correlated to EU-level agenda-setting.

There are two key points to make here. The first one is that of causality, between structure and agency: EU-ization through convergence may occur as a loose transnational phenomenon and may be described as '*EU-ization*'; but for the EU to be identified as a prime agent, or facilitating structure in this process, in the Swedish case, is not easy. The evidence of direct causal effect is based on the fact that Swedish agency relies on cooperation and consensus-building while the structure of Swedish policy-making is based on democratic accountability and transparency. Convergence as a result of EU participation is far from being inevitable. Usually, integration has significant asymmetrical effects and has been incremental, irregular and uneven. There are these qualities of differentiation that serve to restructure the interests and ideas of actors at the domestic level, providing the scope for advocacy coalitions on particular policies. However, that does not hold true in the Swedish case where the integration of European environmental laws at the national level in Sweden has been almost complete.

To exemplify, Radaelli⁵⁹⁸ defines EU-ization as multiple and simultaneous '*processes of construction, diffusion and institutionalization of formal and informal rules, procedures, policy paradigms, styles, «ways of» and shared beliefs and norms which are first defined and consolidated in the making of EU public policy and politics and then incorporated in the logic of domestic discourse, identities, political structures and public policies*'. It would be an all-encompassing definition of EU-ization, but there are many others which picture EU-ization either as an incremental process (Ladrech, 1994)⁵⁹⁹ or as a '*set of policy networks specializing in the creation of authoritative European rules*' (Cowles et al, 2001).⁶⁰⁰ In spite of the fact that authors tend to agree on the fifth definition of '*EU-ization as a two-way street*' – that is as both a bottom-up and a top-down process because it chimes in with empirical accounts of the EU, they nonetheless

⁵⁹⁸ Featherstone, K. and C. Radaelli (eds.). *The Politics of Europeanization*, Oxford: Oxford University Press, 2003, p 30-32

⁵⁹⁹ Ladrech, R. *Europeanization of Domestic Politics and Institutions: The Case of France*. *Journal of Common Market Studies*, 1994, Ladrech, 1994, p 69-88

⁶⁰⁰ Cowles, M., Caporaso, J., and Risse, T. (eds.): *Transforming Europe: Europeanization and Domestic Change*, Ithaca and London: Cornell University Press, 2001 Cowles et al, 2001, p 22

prefer using the first definition, that of EU-ization as a top-down process in their researches. Radaelli⁶⁰¹ acknowledges this definition is best suited to employ when inquiring about a regulatory or market-correcting policy area such as the environment, in which the EU prescribes or imposes a relatively concrete model of domestic compliance, based on positive integration.

To the extent where a case study analysis of the SAP is bound to consider the country's policy leadership on environmental issues, the definition of Europeanization most used here is that of a '*one-way, bottom-up process*'. However, as Bomberg and Peterson (2000)⁶⁰² remark, a certain bias in favor of '*EU-ization as a two-way interaction*' is inevitable as it is most reflective of reality. The second dimension of Europeanization also known as '*uploading*' refers to the projection of national ideas, preferences and models from the national to the EU level. In this view, it is a process of bottom-up where the states are the primary actors and agents of change rather than mere passive subjects. It emphasizes the roles played by the member states themselves. Europeanization is thus seen as a process where member states use the EU as an instrument to export domestic policies, models, preferences, ideas and details to the EU level. This is perhaps the most interesting dimension given that it is expected that only '*states which command large resources, strong domestic pressure or dogged commitment*' are able to change or forge a certain EU policy. Following this conception, the larger EU member states use the European level to further their national interests and increase their national influence. However, sometimes the EU also gives '*small states the necessary institutional resources... to project their own interests as European interests*' though this has received much less scholarly attention to date. One cannot deny the importance of the first dimension of EU-ization, the downloading aspect, but, since this aspect has already been extensively treated in the literature, but less attention has been placed on the projection of Swedish interests as European and the reasons behind it, this research is meant to fill this scholar gap.

Briefly, I have decided to somewhat neglect the first dimension of EU-ization in favour of the second and of other ideas and concepts in order to answer the question '*What kind of impact has Sweden had on the development of environmental policy?*' It is a question that touches on the implications of the Swedish commitment to international policy-making, a matter whereupon this research focuses. This is particularly relevant as there is reason to believe that Sweden has exerted influence on parts of the institutional and political features of environmental policy. There are a

⁶⁰¹ Featherstone, K. and C. Radaelli (eds.). *The Politics of Europeanization*, Oxford: Oxford University Press, 2003, p 10

⁶⁰² Peterson, J. and Bomberg, E. '*The European Union After the 1990s: Explaining Continuity and Change*', in Cowles, M. G. and Smith, M. (ed.) *The State of the European Union, Vol. 5: Risks, Reform, Resistance and Revival*, Oxford and New York: Oxford University Press, 2000, p 5

couple of concepts which ‘ring the bell’: small states, foreign policy and ‘uploading’. Sweden is a small state, which constantly ‘uploaded’ its environmental standards at the international level through foreign policy instruments.

What is more, ‘*Europeanization as a two-way street*’ appears to chime with many empirical accounts of how EU environmental policy is actually made.⁶⁰³ This shows that states do often try to shape European rules so that they align with their own national approaches and practices. The process of EU-ization is both an uploading and a downloading process. By working to ensure a ‘*goodness of fit*’ between the two, states hope to reduce adjustment costs, achieve ‘*first-mover advantages and reduce political and legal uncertainty by minimizing Europeanization*’. If, as has often been the case in the environmentally progressive states such as Sweden, European rules are based on the core feature of national policy, the misfit is likely to be low and the degree of Europeanization correspondingly weak. Even if, as some have suggested, the flow of influence was completely recursive and continuous, it would still be difficult to forge a rigorous research strategy because, in crudely positivistic terms, a two-way definition lacks a set of independent and dependent variables.

I motivate my reasons for taking up a bottom-up direction of EU-ization as purely methodological. The foreign policy argument of Swedish efforts of uploading strict environmental standards at EU levels before these standards reverberate into domestic policies. Intervening variables are not only institutional factors, but also policy style and interests. For instance, the foreign policy interests are represented by the norms and ideas promoted at the international level.

Due to methodological grounds and the importance of the intervening variables, this research is based on the bottom-up dimension of the EU-ization process. The intervening variables play an important part into explaining the likelihood and direction of EU-ization; in overview, these are the institutional capacity to produce change, the timing of European policies and the policy structure. Boerzel and Risse (2003)⁶⁰⁴ use the distinction between policies, politics and polity to identify the three dimensions along which the domestic impact of EU-ization can be analyzed and processes of domestic change can be traced. They employ a different set of denominators to designate the same mediating factors; they use the two related concepts of ‘multiple veto points’ and ‘*formal institutions*’. Multiple veto points are niches in the political opportunities structure which effectively empower actors with diverse interests to resist adaptational pressures emanating from EU-ization. In a country’s institutional structure,

⁶⁰³ Jordan, A. J. *The Europeanization of British Environmental Policy: A Departmental Perspective*, Basingstoke: Palgrave, 2002, p19

⁶⁰⁴ Börzel, T. A. and Risse, T. ‘*Conceptualizing the Domestic Impact of Europe*’, in K. Featherstone and C. M. Radaelli (eds) *The Politics of Europeanization*, Oxford: Oxford University Press, 2003, p 8

these veto points enable actors with diverse interests to avoid constraints emanating from EU-ization pressures and, thus, effectively inhibit domestic adaptation (Tsebelis 1995; Haverland 2000).⁶⁰⁵ The more power is dispersed across the political system and the more actors have a say in political decision-making, the more difficult it is to foster the domestic consensus or '*winning coalition*' necessary to introduce changes in response to EU-ization pressures. A large number of institutional or factual veto players impinges on the capacity of domestic actors to achieve policy changes and limits their empowerment. Yet, there is still a difference between different EU-ization outcomes and styles across member states with regard to transportation. While the German reform coalition was able to exploit European policies to overcome domestic opposition to liberalization, Italian trade unions and sectoral associations successfully blocked any reform attempt. On the other hand, formal institutions are institutions in the traditional sense which might provide actors with material and ideational resources to exploit new opportunities, leading to an increased likelihood of change and promoting domestic adaptation. The European political opportunity structure may offer domestic actors additional resources. But many are unable to exploit them when they lack the necessary action capacity. Direct relations with European decision-makers provide regions with the opportunity to circumvent their central government in European policy making. But many regions do not have sufficient resources (manpower, money, expertise) to be permanently present at the European level and to exploit the new opportunities. Other than veto points and formal institutions, there is an additional intervening variable called '*change agents*' or '*norm entrepreneurs*' which designate actors who mobilize at the domestic level. They do not only pressure policy-makers to initiate change by increasing the costs of certain strategic options. Rather, they use moral arguments and strategic constructions in order to persuade actors to redefine their interests and identities, engaging them in processes of social learning. Persuasion and arguing are the mechanisms by which these norm entrepreneurs induce change. They legitimate new norms and ideas by providing scientific knowledge about cause and effect relationships.

By contrast, epistemic communities are more appropriate when analyzing the Swedish case of environmental leadership or SEPL because this concept is more influential in inducing change, the higher the uncertainty about cause-and-effect relationships in the particular issue area among policy-makers, the higher the consensus among the scientists involved, and the more scientific advice is institutionalized in the policy making process. Epistemic communities are visible in the making of environmental and monetary policies in Europe. They appeal to collectively

⁶⁰⁵ Tsebelis, George. Decision Making in Political System: Veto Players in Presidentialism, Parliamentarism, Multicameralism and Multipartyism, 1995, Br. J. Polit. Sci. 25, 1995, p 320; Haverland, Markus, National Adaptation to European Integration: The Importance of Institutional Veto Points. In: Journal of Public Policy 20(1), 2000, p 83-103

shared norms and identities in order to persuade other actors to reconsider their goals and preferences. Processes of complex or ‘*double-loop*’ learning, in which actors change their interests and identities as opposed to merely adjusting their means and strategies, occur rather rarely. When addressing the EU-ization of a country and its party system, there is an imperious need of using the policy network literature. I particularly insist on the creation of epistemic communities as the best tool for uploading policies borne out of normative power at the supranational level.

Recalling the former paragraph on policy networks and theories of European integration, I need to point out that these intervening variables are strict dependent on the point of view and particular theoretical lens through which one looks at. Veto points and formal institutions as mediating factors – conducive or inimical to EU-ization – belong to.

So, by reviewing the literature on EU-ization facilitating factors, I have tried to introduce the idea that institutions and domestic veto points act as intervening variables within the framework of this research on the electoral transformation of the SAP.

EU-ization is a vast theoretical tool based on various definitions, mechanisms and different – but not competing – logics. The logics of Europeanization are not to be confused with the negative or positive logics of integration; ‘*the logic of appropriateness*’ and ‘*the logic of consequentialism*’ are two different manners of acknowledging change induced by EU-ization, which are based on ‘*new institutionalism*’ theories. The notion of there being two logics in the operation of institutions is based on the now classic study of March and Olsen (1984, 1989).⁶⁰⁶ They posited a ‘*logic of appropriateness*’, in which institutions affect actor behavior by the latter internalizing the norms of the institution and developing identities that are compatible with it. In other words, actors develop a commitment to the institution or are persuaded of the legitimacy of its claims. A second logic – of consequentialism – affects the opportunities and constraints of actors within institutions; in other words, the distribution of power. Each of these aspects has been influential in the elaboration of EU-ization processes.

Boerzel and Risse⁶⁰⁷ seek to combine the above two logics of March and Olsen. The logic of appropriateness – and the processes of persuasion – is placed within the sociological institutionalism approach. The logic of consequentialism, dealing with differential empowerment, is placed within ‘*rationalist institutionalism*’, drawing on rational choice precepts. The core of Boerzel and Risse’s arguments is that the two logics of March and Olsen are not incompatible. This is a distinctive position to adopt: ideas and

⁶⁰⁶ March, J.G. and J.P. Olsen 1989, *Rediscovering Institutions*. New York: Free Press, 1989, p 15; March, J. G. and J. P. Olsen. *The New Institutionalism: Organizational Factors in Political Life*. *American Political Science Review* 78 (3), 1984, p 734-49

⁶⁰⁷ Börzel, T. A. and Risse, T. ‘*Conceptualizing the Domestic Impact of Europe*’, in K. Featherstone and C. M. Radaelli (eds) *The Politics of Europeanization*, Oxford: Oxford University Press, 2003, p 7

interests normally give rise to separate frameworks. They argue – quite persuasively – that both logics often occur simultaneously or they characterize different phases of the EU-ization process. Moreover, the impact of EU-ization is differential across policies, polities and politics because the determining factors of the two logics differ.

Vertical mechanisms seem to demarcate clearly the EU level (where policy is defined) and the domestic level, where policy has to be metabolized. By contrast, horizontal mechanisms look at EU-ization as a process where there is no pressure to conform to EU policy models. Instead, horizontal mechanisms involve a different form of adjustment to Europe based on the market or on patterns of socialization. In horizontal EU-ization, the process is not one of conforming to EU policy which ‘descends’ into the domestic policy arena as in a hierarchical chain of command. Horizontal EU-ization is a process of change triggered by the market and the choice of consumer best practice. More precisely, the vertical mechanisms are based on adaptational pressure; the horizontal mechanisms involve different forms of framing or policy learning. Environmental regulation is a case of positive integration achieved by means of both vertical and horizontal EU-ization mechanisms. Regulatory competition is a mechanism starting with vertical prerequisites but that has horizontal consequences. For instance, the case under investigation here – the EU-ization of Swedish environmental policy – proves that regulation is not only a policy-related issue, but can also have international and domestic implication.

Coming back to the interplay between sustainable growth and security in the Swedish model, one should bear to mind that the late 1960s signified a break with the post-war optimism regarding growth because ‘growth’ as explained in the Club of Rome Report means the extinction and depletion of resources in the long term. Concepts such as ‘*ecological footprint*’ and ‘overshooting’ changed the post-war view of growth as a promise for social development, which was replaced by understandings of growth as a threat to social progress and as a source of new problems in a changing, uncertain period of societal development.

Politics in the 1960s and 1970s were marked by the discovery of the outermost limits to growth. In the debate on the environment, as well as in the discussions on the social consequences of growth, it was pointed out that post-war economic expansion had led to the exhaustion of production factors such as natural resources or social capital. In politics, these experiences led to dystopic interpretations of the growth society’s unsustainability and capitalism’s inherent destructiveness, but also to attempts to reshape politics according to the new policy of growth, a policy which aimed to control growth.

The years between 1950s and 1970s are amply discussed in the historical chapter two, which discusses at length the political changes in the country, especially from a social democrat leadership point of view. However, the relationship between economic growth, welfare and

environment is not adequately treated in that chapter, although it is relevant for social democrat ideology.

The Swedish third way was a hesitant experimentation with a new social democratic language around economic and social affairs based on choice, cost efficiency and individual responsibility. As the international center-left project came about in the mid-1990s, Swedish social democracy had already fallen out of love with the idea of third way, despite Goeran Persson's backing of the Blair-Schroeder document. Today, Swedish social democracy is again stressing its idea of a strong relationship between growth and security as a mark of distinction between the Swedish folkhem-model and other models in the debate on the future of the European social model and against US-style workfare capitalism.

Others are looking at the Swedish idea, too. The Lisbon strategy, which Swedish social democracy put a lot of hope to and has sometimes claimed as the social democratization of Europe, defines social policy as a '*productive factor*' and sets out a vision of the interplay between economic dynamism and social cohesion. British New Labor's claim that what's fair is also efficient, its discourse of social investment are also reminiscent of the Swedish idea of social policy as a productive investment. However, both the European discourse and the British discourse have so far differed fundamentally from the historical Swedish discourse around social policy. Both on the European level and in British politics, the productive aspect of social policy has been defined by what is termed '*make work pay*' and a stimulative approach to 'dependency' which stands in rather sharp contrast to a Swedish reluctance to talk about incentives and a stress – in the Swedish discourse – on the close interplay between benefits and productive participation over the life cycle.

The Swedish discourse on the means of welfare and the new deal of the third way did not stress the responsibility side of the social contract. Conversely, it claims that security is the precondition of change for providing individual security in times of disruptive change.

In the rationalist and pragmatic neocorporatist culture of the Swedish model, social reform was inherently technocratic, with policy makers defining the nature of the social problem in terms of economic competitiveness' terms. Thus, social reform was translated in terms of '*security in development*' and '*sustainable growth*' rather than in purely 'welfare' terms.

In the debate on the environment, as well as in discussions on the social consequences of growth, it was pointed out that post-war economic expansion led to the exhaustion of production factors such as natural resources or social capital. In politics, these experiences led to dystopic interpretations of the growth society's unsustainability and capitalism's inherent destructiveness, but also to attempts to reshape politics in order to refute and control this problematic side of growth. Thus, Social democratic politics in Sweden came to be characterized by a fundamental shift from the

post-war focus on economic expansion and profit, to a focus on sustainable development. This meant a change in the meaning and standing of the concept of growth in politics. In international economic planning, experiments were made with alternative measurements of progress, which took into account the spillover effects and negative externalities of production on society. Environmental problems were clothed in economic terms and discussed as negative entries that should be taken into account in assessments of growth. In the social planning, a parallel discussion on how to assess and measure the social costs of growth and find a basis for socially sustainable capitalism began.

The ideological changes within the SAP in the 1970s must be viewed in light of this generally altered understanding of growth. In the 1970s, the so far hegemonic standing of the concept of growth in the Swedish Labor movement was challenged by a number of alternative goal formulations. Problems of economic and social development in sparsely populated areas in the Swedish north led to the formulation of a social democratic environmental policy linked to the regions. The SAP was faced with heated opposition from environmental groups over the exploitation of Swedish rivers for energy purposes and the so-called '*battle of the elm trees*' in the Stockholm Park Kungstraedgaarden in 1972. Also, the publication of Ralf Edberg's '*Skuggan av ett moln*' (The shadow of a cloud) became to the Swedish debate what Rachel Carson's '*Silent Spring*' was in the US and it triggered a discussion within the labor movement on the conflict between growth and intangible resources such as clean air and water. The growing discussion on economic democracy, the work environment and eventually the wage earners' funds debate contained a similar juxtaposition of growth and intangible values, where the security and participation of workers were posited against production profits and rationalization.

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