

# **What is Social Democracy?**

A book about ideas and challenges  
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# Foreword

Every social democrat has his or her own personal answer to the question of what social democracy stands for. Social democracy is not and never has been a party with a fixed body of dogmas that every member must swear by. It has a tradition of ideas shaped by more than a hundred years of theoretical debate and practical politics, the development of which can be followed in the party manifestos. This collection of ideas covers values and social analysis, dreams about the society of tomorrow and practical policies for the society of today.

This booklet describes this tradition of ideas: how it has developed and how it can be used to understand the period of change that society and policy has now entered. In this sense it is an introduction to the history of ideas and the discussion of ideas within social democracy. It is of course also a personal answer to the question of what social democracy stands for. Furthermore, it is a contribution to a debate on the future of social democracy, a world that has changed much both in relation to the society that saw the birth of the Labour Movement and the world in which social democracy implemented its big reforms, but in which the issues of equality and solidarity are as topical now as they were then.

The book can be seen as a synthesis of our many decades of experience of social democratic discussions of ideas and practical social democratic policy against changing, external conditions and a very varied discussion climate. A reappraisal has sometimes been necessary – but never of the fundamental values or underlying outlook on society.

Stockholm, February 2007

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# 1. Party history

Social democracy as a political party is now almost 120 years old and has been in power for more than half that time. That is a long time, and even active party members are probably not familiar with everything that has happened during this time. We will therefore start with a brief, mainly descriptive, history while values and discussion will be tackled in later sections.

The history of social democracy in Sweden can be divided into four periods:

- *the Years of Struggle* from the 1870s to the start of the 1920s when the principle of universal suffrage had triumphed,
- *the Breakthrough Years* to the mid-1940s when the party grew to become the biggest in Sweden,
- *the Welfare State (Folkhemmet)* from the end of the Second World War to ca 1980 when the big social security reforms were carried out,
- *the Period of Change* when changes in industrialised society and increased internationalisation also altered the conditions and possibilities of policy – the current period.

## The Years of Struggle

The mid-19<sup>th</sup> century saw the first attempts at political and trade union organisation by workers, but it was not until the 1880s that they began to grow really strong.

The Swedish Social Democratic Party was formed in 1889 on the initiative of the Social Democratic Association in Stockholm, which invited the social democratic associations and trade unions that existed at the time to a constituent congress. Invitations were sent to both political and trade union organisations, as political and trade union work was seen as two sides of the same coin: the liberation of the working class. This view was not unchallenged by the trade unions, however, and only about a fifth of the trade unions in existence at the time were represented at the conference. The strong political and trade union cooperation that is characteristic of Swedish social democracy gradually grew stronger over the next few decades.

The main demands from the first party conference were universal and equal suffrage, the right to trade union organisation and shorter working hours to eight hours a day.

The first decades of the party's history were characterised by, sometimes, tough struggles against the power-owning groups at the time. In its fight for franchise reform, social democracy had allies in the liberal groups: the first Social Democratic Member of Parliament, Hjalmar Branting, was elected with the help of a joint election campaign with the Liberals in Stockholm.

*Picture of the times in 1895:*

## Family with four children in Norrköping lived

On 1 December 1895, a factory worker's wife went to her usual grocer in Western Norrköping and bought 4 litres of milk, 1 kilo of herring, a total of 12 kilos of flour, 2 litres of paraffin, barley-grain and rice, potatoes, margarine, a small piece of sausage and 1/2 kilo of coffee.

The milk lasted for three days; she then bought a further four litres. The barley grain, rice and flour lasted one week. The flour was made into bread and the barley-grain into porridge. That was the mainstay of the family's meals.

That was the shopping list and menu week in, week out, month in, month out: milk, flour, potatoes, herring and small quantities of meat or sausage, paraffin, soda and soft soap, and one small luxury: coffee.

The monthly purchases totalled 35 kronor and 37 öre. This left the family with 63 öre of its cash income.

A monthly wage of 36 kronor plus the value of free accommodation, corresponding to 10 kronor and 50 öre, was the result of a 6-day working week with 11-12-hour working days. The accommodation consisted of one room and a kitchen. This was home to a man, his wife and four small children.

Thirty-six kronor a month had to support six people. The man of the house was the only one with an income: with four young children, it was impossible for the wife to go out to work as there was no childcare.

In December, the cashbook contained only household expenditure. Clothes and shoes had to be bought with any money the man was able to earn from overtime work, or maybe occasional odd jobs outside the factory. Nothing in the cashbook showed that it was the month of Christmas: there was not a single öre for Christmas presents or even a Christmas ham.

This was life for workers in the 1890s: long working days, cramped accommodation and low wages that covered only the bare essentials.

Workers had practically no chance of health care, even though the unhealthy working environments often made them ill. The most common cause of death among textile workers in Norrköping was some form of lung disease – often caused by textile dust.

The workers had no possibility of educating their children. The children of workers went to school for six years, then the factories awaited. They had no pensions when they grew old, insofar as they did, many died before their 60<sup>th</sup> birthday. When they were no longer able to work, the only real option was the poorhouse.

The whole conservative establishment fought against the workers' political and trade union ambitions, sometimes with tough methods. Many leaders of the Labour Movement were sentenced to imprisonment for things like "blasphemy", "lese-majesty" and "threats against general order", i.e., quite simply, political agitation. Workers who were active in trade unions were often dismissed and, in the worst-case, blacklisted by all employers, which meant that they could never get another job. Many were forced to emigrate.

## on 36 kronor a month

Workers did not have a right to vote. The right to vote in Parliamentary elections required an annual income of 800 kronor (as well as being a man; women had no right to vote regardless of income). At the start of the 19<sup>th</sup> century, the average income of a worker was 600-700 kronor for a man. The average wage for women was even lower. Women workers were paid less, even if they carried out exactly the same tasks as men and, naturally, they had no right of negotiation. Wages were set by the employer, and workers could be dismissed from one day to the next.

They had no compensation for injuries caused by accidents in the workplace, and no compensation in the event of unemployment.

It was risky to protest against conditions or to try to organise trade unions to improve them. Those who tried were considered troublemakers and were often sacked.

That is quite simply the background to the rise of the Labour Movement.

The Labour Movement grew out of demands by the workers for more reasonable returns on their hard work in factories, mines, forests and fields. There were demands for better material conditions such as more money for food and clothes, better accommodation, shorter working days and access to health care.

There were also demands for respect for the work they carried out and its importance. This was expressed in the demand for the right to vote and influence in society, the right to belong to a trade union and to negotiate wages and working conditions, security at the end of the working life, and the chance for their children to go to school.

It was not the first time in history that poor people had protested against injustice and repression, but the 20<sup>th</sup> century saw the first examples of real success of such protest movements.

Despite this, the number of party and trade union members grew. Universal suffrage came one step closer to becoming reality with the Acts of Parliament in 1907 and 1909, giving all Swedish men over the age of 24 the right to vote in Parliamentary and local government elections. The right to vote in local government elections was graded, however, according to income and wealth: the greater the income/wealth, the more votes. A person could have up to 40 votes, thereof the name 40-point scale. The structure was the right-wing party's terms for agreeing to extend the right to vote.

The decisions could have been seen as a partial victory for the Social Democrats and Liberals, but in the final voting, the Social Democrats voted against the proposal in favour of its own demand for universal and equal suffrage for men and women, because the new rules still excluded women from voting in Parliament. Women did have the right to vote in local government elections, however, provided they met the requirements for income and wealth.

The Conservatives did not give up on their opposition to universal and equal suffrage until 1917/1918 and that was under pressure of unrest in the country – with big hunger revolts in many places – as well as major upheavals in the surrounding world, the biggest being the Russian and German revolutions. The franchise reform, which gave all adult men and women the right to vote with one vote per person, was brought to a successful close by the government coalition of Liberals and Social Democrats. The same government was also able (in 1919) to put forward the government bill for an eight-hour day, thus realising one of the central demand's of the Labour Movement.

The franchise reform was a constitutional reform and had to be decided by two Parliaments separated by an election, an election that had to follow the old rules on voting rights. The first election in which Swedish women were allowed to vote therefore did not take place until 1921. The Speaker of Parliament was also able to welcome women members to the new term of office for the first time – four in the Lower House and one in the Upper House.

At about the time of the franchise reform, the Social Democratic Party split. At the heart of the split was the old, controversial issue of which methods the party should adopt: peaceful and reformist or more militant methods aimed at revolution.

This conflict was further heightened by disagreements on the defence issue, with the opposition group demanding radical disarmament. At the party conference in 1917, the opposition group lost the vote on this issue. This triggered the breakaway from the Social Democratic Party, and a new party was formed. For the first few years, it went under the name of the Swedish Left-Wing Socialist Party, but after joining the Communist International in 1921, it changed its name to the Swedish Communist Party. A few decades, party break-ups and name changes later, it took the name of the Swedish Left Party, which it still has to this day.

## **The Breakthrough Years**

The 1920s are usually known as the period of minority parliamentarism, as no party had a majority in Parliament, and no stable forms of cooperation between two or more parties could be developed. From the start of 1920 to autumn 1932, Sweden had ten different governments, most of which remained for less than two years. Three of these governments were social democratic. The uncertain Parliamentary situation and big economic problems – the 1920s were marked by unemployment and economic depression – seriously limited any room to manoeuvre, and social reform had to wait.

The fact that social democracy, which had been considered a social danger just a few decades earlier, was now strong enough to make it into power, in itself, showed a big social change. Opposition to the Labour Movement – and fear of it! – was still strong within conservative groups however. This expressed itself in pure scaremongering against social democracy in the 1928 election. One of the Conservative Party's election posters showed women being driven from their homes and sold to (dark-skinned) slave buyers, another threatened people with losing their homes and savings.

In 1932, social democracy formed its fourth government following great success in the general election of that year. Its leading promise was the fight against the high level of unemployment. Social democracy had not achieved its own majority in Parliament, but an agreement in 1933 with the Farmers' Union – the present-day Swedish Centre Party – on economic policy, the so-called settlement of the crisis, provided a stable basis for government. This was also the beginning of cooperation that has continued on and off for much of the 20<sup>th</sup> century, most recently in the mid-1990s.

The settlement of the crisis was a new approach by economic policy and a psychological breakthrough for the active conjunctural policy often called Keynesianism. It involves the State taking active measures aimed at increasing production and thereby employment in times of recession. This type of policy did not have its full effect – and greatest importance – until the 1950s and 60s, and then it was in combination with active labour-market policy. The State's efforts according to the settlement of the crisis were relatively small, and the economic recovery during the second half of the 1930s was mainly due to the boom that resulted from European reconstruction. The settlement of the crisis was therefore of fundamental importance: it marked a new way of looking at the State's role in keeping up the employment level, and it offered a way out of the complete powerlessness in the face of unemployment that would have resulted from the rigid belief of the 1920s in self-regulation.

*“Our home was a room in the attic with an iron range that swallowed large amounts of firewood. There was a lot of lugging of the pram and child, armfuls of firewood and bags of provisions up all the stairs. Water had to be collected out in the rough attic, and the other conveniences included a shabby outside toilet.*

*“On the first of October we finally got a modern one-room flat. What a feeling – to open the door to all the nice new things, the shiny floor and polished taps, hot water, a real larder with a vent, wardrobes and a toilet with a washbasin. The bathroom was in the cellar. The joy I felt was unimaginable – I don't think I'll ever forget that wonderful experience.”*

(Quote from “Vi har inte fått något gratis”, Östergötlands Socialdemokratiska Kvinnodistrikt's Jubilee book, 1984)

The 1930s also saw some initial social reforms including improved support to families with children, two weeks' statutory holiday and improved support to some disabled persons. The proposal to extend the state pension – the pensions were so low that almost one in three pensioners needed poor relief – did not get majority support in Parliament however, as the Farmers' Union supported the motion by the other right-wing parties to reject the proposal. Per Albin Hansson's government therefore resigned in spring 1936, but returned after winning the Parliamentary elections in autumn the same year.

In autumn 1939, after the start of the Second World War, a coalition government was formed between all the Parliamentary parties except the Communists. The Social Democrats' party chairman Per Albin Hansson remained as Prime Minister. The coalition government was not dissolved until after the end of the War, when the Social Democrats again formed a government on its own.

## **The Welfare State**

The decades after the end of the Second World War were sometimes called the harvest period. It was now that social democracy could realise the big social reforms it had dreamt of and planned for during previous decades: together they were known as the Welfare State. There were two basic conditions of the Welfare State: a political will to distribute welfare fairly and the great economic expansion that followed the Second World War when industrial mass production began to have a real effect and Swedish industry held a very strong position on the world market.

The strength of Swedish industry was based on economic and labour market policy and, not least, the forms of cooperation built up by the parties on the labour market (trade unions and employees). Together they became “the Swedish Model”.

The Welfare State was built: in 1947 child allowance was introduced and there was strong expansion of state pensions, in 1950 the Parliamentary decision was taken on nine-year compulsory school for all children, in 1951 a law was passed entitling all employees to three weeks paid holiday, and during the 1950s health insurance was extended in stages. Special housebuilding subsidies were also introduced to increase the number of dwellings and significantly improve the standard of accommodation.

Many of the social reforms were implemented with reasonable political unanimity, though the right-wing opposition parties were not prepared to accept the tax rises in the same way that were required to pay for the reforms. The introduction of sales tax (later value added tax, VAT) on consumption led to particularly strong opposition.

One of the reforms led to a widespread and long-term political dispute during the 1950s, however, namely the issue of the general supplementary pension scheme (ATP) in addition to the basic national pension.

In practice, the reform applied to workers and officers. Most officials already had an agreed right to a supplementary pension based on previous earnings. When attempts to bring in such agreements also for workers and officers met with opposition from employers, the question of a political solution arose.

At this time, Sweden had a coalition government consisting of the Social Democrats and the Farmers' Union (currently the Swedish Centre Party). The two parties had very different views on the ATP issue, however, and the government therefore chose to put the issue to a general referendum in 1957. The referendum offered three alternatives. The Social Democrat's alternative (known as Line 1) was a statutory right to an occupational pension calculated on previous income and financed by employer contributions. The Farmers' Union's proposal (Line 2) was a voluntary pension financed by personal savings but with a value guaranteed by the State, i.e., inflation protection. The joint proposal from the Conservatives and the Liberal Party (Line 3) was also for voluntary pensions, though these were to be through agreements between the parties on the labour market and with no guaranteed value by the State.

In the referendum, the Social Democrat's proposal received 47.1 per cent of the votes against 35 per cent for Line 3 and 15 per cent for Line 2.

As a result of the referendum, the coalition government was dissolved and the Social Democrats continued as a minority government. In spring 1958, the government put forward a bill on statutory occupational pension in accordance with the proposal in Line 1. As the Social Democrats did not have a government majority, the bill failed, whereby the government announced an election. The Social Democrats made huge gains in the election – but the final Parliamentary referendum would still have ended in a tie if one of the Liberal Party's Members of Parliament (Ture Königson), who was himself a worker, had not chosen to abstain.

The ATP reform meant more than just an improvement in the pensions of ordinary employees. The paid-up pension contributions also built up huge capital funds under public control. This capital was invested primarily in house building, allowing the housing shortage that prevailed during the 1950s to be quickly reduced. The 1950s thereby formed the start of modern housing policy.

Employment policy and growth policy were linked. There was a deliberate line by economic and trade union wage policy not to give economic support to unprofitable companies and outdated trades through state subsidies or low wages. On the contrary, it was in the social interest for unprofitable companies to disappear so that the workforce could move to companies with better future potential and greater ability to pay wages. Those who were made unemployed in this manner would be given state help for new vocational training and with it the opportunity of a new and better job. In turn, the greater competence of the workforce led to increased productivity in working life.

During the 1960s, welfare policy was dominated by the expansion of public services. These met important needs that were similar for very large parts of the population, workers as well as salaried employees: greater access to education, improved health care, and better childcare and care for the elderly.

The expansion of compulsory school to nine years had already been decided in 1950 and was gradually implemented up to the beginning of the 1960s. In the 1960s, there was greater investment in upper secondary schools and universities; many new universities and institutes of higher education were founded during this period. Health care was expanded quantitatively and qualitatively. As an increasing number of women chose to work, there was also demand for more childcare (daycare centres). This expansion began in the 1960s, but the demand was not satisfied until the beginning of the 1980s.

During the 1970s, many important changes in labour legislation were introduced, strengthening the position of employees as a collective against employers in many ways. The employees gained the statutory right to insight and the Act on Co-determination at Work (MBL) in companies. The Security of Employment Act (LAS) regulated forms of employment and termination. The previous right by employers to decide on these issues on their own became a duty to negotiate with the trade unions. Influence by employees on their working environment was strengthened by law, which also gave trade union safety representatives the right to stop work that was injurious to health.

## **The Period of Change**

The welfare building of the 1950s and 60s was controlled by the values of social democratic redistribution policy: the right to education, care according to need and not income, the right to economic protection in the event of illness or unemployment, the right to security in old age and the right of workers to influence their own jobs. The underlying condition of welfare policy was a strong economy with constantly growing resources to redistribute.

The period of the Welfare State coincided with what economic historians call the mature industrial society. A stable labour market, high technical quality and cooperation between the labour market parties for continued improvements in production efficiency led to big competitive advantages, not least for the export industries that had always been important to the Swedish economy. At the same time, technology and trade unions developed in a way that led to huge improvements in productivity and, as a result, economic growth was very high during the 1960s, providing resources that allowed for big increases in both social welfare and individual purchasing power.

Important underlying conditions also included a stable international monetary regime in the form of fixed exchange rates, which, in practice, were guaranteed by the strength of the American dollar. Interest levels and credit markets could be controlled at national level, as could cross-border currency transactions.

In the 1970s, all these economic conditions began to change however. This also affected the conditions for policy. It was not always easy to see that these were fundamental changes that affected many important sectors and rendered some of the earlier policy instruments less effective.

It took time to adjust to the new conditions, and the 1970s and 80s became politically and economically turbulent.

Swedish industry faced tougher competition as new industrialised countries emerged that could compete on quality but with lower production costs.

The labour market also changed. There were fewer jobs in industry, as technological advances meant that more could be produced by fewer people.

Jobs in the service sector increased, however – both in the private and tax-funded sectors – and the growing welfare gradually led to people being able to afford more than just the material necessities.

Tougher competition and developments on the labour market affected the conditions of the wage structure in a way that took time to learn to deal with. In goods production, human labour can be greatly bolstered by technology, i.e., labour productivity becomes very high. In the service sector, human labour cannot be replaced by technology to quite the same extent – and in some service jobs hardly at all – which means that labour productivity falls.

When an increasing proportion of the labour force is found in the service sector, the scope for wage increases therefore grows more slowly. This did not slow the growth of wages during the 1970s and 80s, however, creating cost problems for the export industry and leading to devaluations of the Swedish krona a couple of times.

The international system of fixed exchange rates (often known as the Bretton-Woods System) collapsed. This was partly due to the emergence of international capital markets, which reduced the nation states' chances of maintaining the guaranteed values of their currencies.

The main explanation, however, was the steadily growing deficit of the American economy, which undermined the stability of the whole system.

This development towards fewer political and national control options over capital flows continued during the 1980s. The deregulation of the credit markets, introduced in big countries such as the USA and Great Britain with their neoliberal regimes, was partly ideological, but it was also about adapting to the real development of growing international capital markets and big multinational groups of companies, which made it increasingly difficult to control the flow of money at national level.

It became a practical necessity for an increasing number of countries, including Sweden, to follow the international pattern.

In Sweden, the 1970s and 80s were characterised by recurrent periods of very high inflation. Many factors contributed to this: the increases in the oil price at the start of the 1970s, freer capital markets with the resulting loan-financed growth in demand and the fact that the wage structure was clearly out of step. The inflation problems were made worse by the strong boom in the 1980s. Booms usually have the effect of raising prices.

Inflation combined with the boom had one big advantage, at least in the short term, namely a very high level of employment – at the end of the 1980s unemployment stood at less than 2 per cent. It also had a number of disadvantages, which undermined employment from a longer term perspective. Short-term speculative investment became more interesting than long-term investment in production. Despite high nominal wage increases, which eroded the competitiveness of companies, there were no real wage increases as prices rose at the same pace – and private demand therefore did not grow either, which would have led to more jobs in the end. It was clear that this development could not continue.

The inflation led to rapid rises in property prices. When some of the most speculative companies went bankrupt in 1991, it resulted in a crisis for the banks, which had big claims on companies, claims that no longer had coverage.

The right-wing government that had beaten the Social Democrats in the 1991 election had to intervene to rebuild the banking sector. In reality, the intervention was probably against its ideology, but it was necessary as a crisis in the banking system would have spread to large parts of the remaining economy. At about the same time, there was a downturn in the international economic situation.

For Sweden's part, this downturn was made worse by the government putting a number of measures in place to combat inflation, which was no longer a problem at this time. The result was a sharp rise in unemployment.

It can always be debated after the event whether some of the problems of the 1980s were due to political blunders, just as it is debatable whether the problems of the 1920s could have been avoided with a different policy.

A great deal was nonetheless done to reduce inflation, while other measures, which, though in themselves motivated, came at the wrong time or in the wrong order and probably contributed to the problem.

It is easy to be wise after the event in terms of the action that should have been taken – but unfortunately the nature of politics is such that it must work towards a future that can never be predicted with certainty.

An evaluation of the policies of the 1970s and 80s lies outside the scope of this historical account, but we do believe that the real lesson from that time and earlier periods of change is that it is often difficult and takes time before the pattern of a change is clear to all.

Much of the internal debate on social democracy during the 1980s was in reality about how the new reality should be interpreted. Until it became clear to the whole party that this really was a new reality and a change in the underlying production conditions, it was difficult to accept that this new reality required some new political measures if we were to continue to uphold the fundamental, classic values.

It is also clear that periods of change are often turbulent with many strong forces in motion. This leads to problems and also opens up opportunities. Maybe it is also part of the conditions of politics that it takes time to understand problems as well as to discover opportunities – and to develop the tools to do so.

## **And now?**

The Social Democrats returned to power in the 1994 election. Unemployment was then at record levels, as was the deficit of the state finances. The latter meant that the biggest item of expenditure in the national budget was interest payments on state loans.

The budget deficit required huge cuts in government expenditure, even though this led to cuts in social welfare, cuts the party really did not want.

The remediation policy gave result however. The budget deficit was eradicated in just a few years, the Swedish economy gathered speed again and unemployment fell.

New resources could be put into welfare policy once more, including big investment in adult and higher education, and research.

The welfare systems survived the economic crisis fairly intact. The real problem left by the 1980s and 90s concerns the labour market. Unemployment has fallen sharply since the record levels of the 90s, but it is still higher than in the 70s and 80s.

One reason is the current requirement – determined by international dependencies – to keep inflation at a very low level. Regional differences in growth is another factor, as it the growing demands by working life for education, good health, high stress tolerance and, in many trades, good social competence. All this leads to many people, though not really unable to work, being rejected by the labour market because they do not meet the requirements in one way or another. This can be seen in the rise in the proportion of long-term unemployed, the number of people on sick leave and those taking early retirement.

In the present situation, sick leave is often discussed as an issue of rules that are “too generous”, i.e., that the insurance is over-used, and that the problems can be solved through stricter control and clearer rules.

Abuse of the security systems should naturally be prevented, but there is little empirical proof that the assumed “over-use” is due to lower individual morale (or an unwillingness to work). It is more likely that this is linked to stricter demands by working life, demands that mean that even minor ailments or injuries become real obstacles to work in a way that they were not 25 or 30 years ago.

There is a clear conflict here between the demands by working life for efficiency and competitiveness and the demands by the public economy and community morale that this pursuit for efficiency must not lead to people being worn out prematurely – leading to increased costs for health care and early pensions.

Conditions on the labour market and the future of the welfare systems are among the big challenges facing coming decades, and maybe the challenges posed by the change-over to ecologically sustainable development will be even greater. We will return to this in the last chapter of the book.

## **2. Ideas and social analysis**

### **What is an ideology?**

Social democratic ideology really has two parts: values and social theory. The concept of “values” summarises the ideas of which values should form the basis of social life and social development. The concept of “social theory” covers the thoughts on which mechanisms control social development and what therefore needs to be influenced in order to build a society that realises these values.

The fundamental values of social democracy were originally summarised by the slogans of the French Revolution: freedom, equality, brotherhood. In the spirit of gender equality, the word brotherhood was later replaced with the word solidarity. The three concepts can in turn be summarised by the word “democracy”, as real democracy assumes and creates freedom, equality and solidarity at the same time.

The view of the importance of work can be seen as bordering between values and social theory. In social democracy, work by people is the central factor for production and with that for economic growth, as it is the work of people that puts all other production factors – raw materials, technology, money – to work. At the same time, work – and with it the right to work – is seen as important to the life and development of the individual, not just in a material but also in a personal and social sense.

In the social democratic analysis of society, the conflict of interests between capital and work plays a central role. The conflict concerns both the issue of the conditions in working life and the distribution of the production results. It inevitably follows from the different conditions in working life and in that sense it cannot be overcome, but as the relations of power are more or less even, it can act as a dynamic factor for economic growth.

Another basic concept is the materialistic view of history. In more classic socialist language, this is usually expressed as “the organisation of the productive forces determines the social superstructure”. This can be translated as the conditions of the economy and working life are decisive to the way society looks and that changes in the economy and working life also have consequences for the social structure.

Below we will review firstly the meaning of the basic values of social democracy and what they represent today, and then the social democratic analysis of society and how it has evolved since the infancy of the labour moment.

## **Social democratic values: Freedom**

“Freedom” is a concept with many meanings and thereby also changeable implications. Ultimately it is about freedom for the individual to control his/her life and make his/her own choices. This assumes, for example, civil rights such as freedom of speech and opinion, and individual rights such as the freedom to choose education and profession, the freedom to choose a partner in marriage, the freedom to move within one’s country and across borders. Political philosophy usually describes this as “freedom to” something. There is also “freedom from”, which is just as necessary, for example, freedom from hunger, from oppressive poverty and from living environments that are damaging to health. Without such fundamental social and economic freedoms, the individual’s freedom of movement becomes very limited, however strong the civil and individual freedoms according to law.

When social democracy emerged, workers lacked the civil freedom to vote, to organise around common interests and, to a not insignificant extent, the right to freely criticise the political and economic authorities. In practice, they also lacked individual freedoms such as the freedom to choose education and to look after their health – not because legislation prohibited it in any way, but because economic poverty prevented it.

The young Labour Movement's fight for freedom therefore operated on different levels: it was about acquiring civil rights such as the right to vote and freedom of speech, about abolishing subordination in the workplace, which created a lack of freedom for workers as a collective, and it was about turning individual freedoms such as educating oneself and choosing a profession into real opportunities by changing the economic conditions for reaching them.

In social democracy, freedom is a double concept: it starts out from the freedom of the individual, but the route to this freedom runs through changes in society and working life. It is not enough to create opportunities for individuals to find a way out of poverty and subordination: poverty and subordination must be removed for everyone. This requires collective solutions, measures aimed at the mechanisms that create poverty and subordination and with it a lack of freedom for many people.

This type of measure can be seen as an infringement of freedom by economically and socially strong groups who do not need it for their own freedom – and who may even increase their own freedom without these rules. The fact that a property owner cannot give notice to his/her tenants in any way he/she likes is an infringement of the owner's freedom, but at the same time it increases the freedom for the tenants as they do not risk having their homes taken away at someone else's discretion.

In this type of discussion, there is often a dividing line between social democracy and right-wing views, especially neoliberalism. The social democratic concept of freedom is very clearly determined by the insight that different economic positions in society give different degrees of personal freedom. For neoliberal debaters – and many classic freedom philosophers – this difference in power over one’s own choices does not exist: the worker’s freedom not to take a poorly paid job is seen as equivalent to the employer’s freedom to offer it. If the worker accepts the poor conditions, it is a completely free choice, and there is no reason to be critical of the employer (less still take action against him).

In reality, unless the individual worker possesses highly specialised knowledge and skills, he/she is always in a subordinate position to the employer. Trade unions are the means for creating more equal conditions, but the lack of understanding by the right-wing of this actual difference in freedom between the employer and individual employee still characterises its view of trade union activity. It is seen as restricting freedom, even though a quick glance back in history or a simple look at the world shows that the conditions for workers are always at their worst when there are no trade unions, and they are always better as the power of the trade unions increases. Trade unions are a clear example of the way individual freedom must be based on collective action. In other words, the fight for freedom is sometimes about the distribution of freedom between groups. Industrial action by trade unions against employers who refuse to sign collective agreements must be seen against this background: it is not just about the conditions in private companies, but also about the distribution of freedom between the collective of work and the collective of employers.

From a narrow perspective, maybe social frameworks can be described as restricting freedom – and neoliberals often see it this way. The individual is helplessly dependent on the way the collective, society and surroundings work, and a well-functioning society is also helplessly dependent on rules for this collective life. The restriction of personal freedom of not being able to park the car anywhere is balanced by the greater personal freedom of movement that comes from cars not being parked everywhere. The smoking ban in restaurants limits the freedom of smokers to have a cigarette, but increases the freedom of non-smokers not to have to breathe dangerous substances when others smoke.

There is always tension between the requirements for freedoms by individuals and the restrictions on individual freedom required to protect the freedom of others. This tension between the individual and collective is an inevitable consequence of people being, at one and the same time, individuals and social beings that are mutually dependent on one another. If the emphasis is only on individual freedom without consideration for the effects on others, the strong end up oppressing the weak. If, on the other hand, the emphasis is on the demands of the collective community, there is a risk that the individual's demands are unconditionally subordinate to the group. It is as important to guard against both risks.

Neoliberals often deny the first type of risk as they do not see the individual as part of a social context, which, out of necessity, demands mutual consideration. As social democrats, we must guard against denying the second type of risk: we must never routinely motivate intrusions into the freedom of individuals because they possibly, on some very general and overall level, increase the freedom for bigger groups.

There are examples of ways in which collectives have forcefully regimented ways of life and views, which cannot be justified as being required out of consideration for others. Group loyalties can prevent internal debate and examination of decisions taken by the group, and collectives can develop controlling elites that act predominantly in their own interest rather than the common interest.

This risk exists in all types of collectives, independently of the political colour. The special view of conservatism on the nation/state as an organism sometimes means that the needs of the individual are seen as subordinate to national welfare. Religious associations may set rigid requirements that extend into private life. As social democrats, maybe we have more reason to monitor the risks of collectivism because we take the basic view that freedom for the individual actually requires a degree of collectivism.

Democracy is the means for handling tension between the individual and the collective: democracy gives every individual the same right as every other individual to influence the collective. Democratic decisions are constantly being balanced between different groups and individuals with no one ever getting exactly what he/she wants, but no one risks being at the mercy of the will of others either.

Freedom is not threatened by the form of democratic collectivism that expresses the insight that we are mutually dependent on each other in society and that we therefore require common rules based on mutual consideration and respect. It is threatened by all types of fundamentalism, however, in religious, political or economic form. Fundamentalism is the view that a group is simply right according to a mission given by some superior, God, history or market. If the group is absolutely right then there is no reason to consider the views of others or allow people to shape their lives according to other views. Rather, it is in the interest of the group and others to ensure that they do not have the chance to implement ideas that are wrong and damaging anyway.

An openness to different views and opinions, and a willingness to listen and exchange views in order to find the best common solutions are necessary requirements of democracy – and of citizens in a democratic society.

## **Social democratic values: Equality**

Freedom and equality are considered by some conservative debaters to be mutually exclusive: the requirement for equality becomes an infringement of the individual's right and opportunity to develop freely. Social democracy claims the opposite: equality and freedom depend on each other. An unequal society naturally offers most freedom to those with the greatest privileges, but at the same time, it means that, in practice, those who are on the wrong side of the economic and social divide live with little freedom, economic scarcity that only allows for the bare necessities, and subordinate decisions from more privileged groups and no chance of influencing them.

If the freedom requirement is to be taken seriously, it must naturally extend to everyone. It then becomes a self-contradiction to contrast freedom with equality: a society is only equal if everyone has the chance to be free.

In an unequal society where the strongest are allowed to help themselves at the expense of the weakest, some people will have less chance of controlling their own lives than others. Their living conditions will be dictated by more fortunate groups, thereby also lessening their freedom. If freedom is defined as the right of the strongest to use their strength to their own advantage, in practice it leads to subordination and reduced freedom for many people. This is then not about demands for freedom, but about demands for privileges.

The demand for equality is central to social democracy because it has been promoted by groups who have themselves paid the price of inequality and thereby the lack of freedom. At the same time, the demand for equality is controversial – and that is because ultimately it is aimed at all types of hierarchies, and thereby at many established groups of power.

So, what does the equality concept cover? The Social Democratic Party manifesto defines it as “everyone’s equal right to control his/her own life and influence the society in which he/she lives”, and establishes that this “assumes a fair distribution of the resources that are important to people’s freedom”.

Equality does not mean that everyone must live his/her life in the same way however. Equality is not a requirement for everyone to be the same, even if it is sometimes misinterpreted as such – both by opposers and followers.

People are different. If the requirement that everyone should have the chance to freely shape his/her life is a serious one, then we must naturally accept that the choices will be different. From this perspective, sameness, the requirement for everyone to fit into the same mould, becomes the enemy of equality because it means that those who do not fit into the given mould are forced to adapt to it and are thereby deprived of the opportunity to control their own lives. Equality demands diversity and variation.

In some central aspects, however, the demand for equality is precisely about sameness: everyone has the same value as an individual, and the same right to grow and develop as a person. Everyone is a member of society and everyone’s living conditions are affected by the surrounding society.

It is from these similarities that the demand for equality – the same opportunities to control one’s life and the same opportunities to influence one’s society – is defined.

Many different factors create inequalities in society. Economic structures – or class structures – create inequalities between people depending on their position in working life. Social patterns, which make different demands and offer different opportunities to men and women, create inequality between the genders. Discrimination against people who are seen as different – based on factors such as ethnic background, disability or sexual orientation – creates unequal chances in life for those being discriminated against.

The factors that create inequalities are interwoven and can counteract and reinforce each other. On average, women in all social classes have lower wages than the men in the same class – but women at the upper economic levels have higher wages than the men at the lower economic levels. Immigrants are overrepresented in the jobs with the lowest wages, which can be seen as a consequence of discrimination. The lower wages and often insecure terms of employment are, in turn, an expression of class differences.

It is necessary to realise that there are many factors that create inequalities, that they affect each other and that equality policy must therefore cover all these different aspects. Originally, equality was seen as a matter of equalising class differences, i.e., inequalities created by differences in economic power and material assets, but the perspective has widened and deepened to reach a greater understanding of the pattern of inequality. Equality policy is therefore also about measures – including influencing public opinion – for equality between men and women, and measures – including influencing public opinion – against all types of discrimination.

Equality policy is ultimately about distributing power.

Political democracy is fundamental to this: democracy is about equal opportunities to influence the society in which we live. Universal and equal suffrage, freedom of speech and the right to influence debate are as much a demand for equality as for freedom.

Knowledge is part of the important individual power resources in the labour market as well as in social life. Good quality education of sufficient scope must be a right for everyone regardless of his/her economic resources.

Health is another important individual resource. Everyone must therefore be able to influence his/her workplace so that the tasks and working environment do not damage his/her health, and everyone must have the right to good quality and sufficient health care, regardless of his/her economic resources.

Basic economic and social security is also a matter of power. A person who is financially dependent finds it difficult to assert his/her interests, and a person who barely has enough money for food or is constantly worrying about illness or unemployment does not have the scope for personal development. A job that allows a person to support himself/herself is naturally fundamental to this economic and social security, but economic support in the event of unemployment or illness – and naturally in old age at the end of the working life – are just as important in giving people power over their own lives.

## **Social democratic values: Solidarity**

Freedom and equality are both concepts that have interested political philosophers because of their complexity. Much has been written on the meaning of the terms and on the relationship between them. The concept of solidarity has not caught the interest of political philosophy in the same way, though there are many simple, almost slogan-like statements, expressing what solidarity is:

- Requirements by the Bible: “Carry one another’s’ burden”
- The old slogan by the Labour Movement: “United we stand, divided we fall”
- The anti-racist campaign of the 1980s: “Don’t touch my mate”
- The motto of the classic adventure novel *The Three Musketeers*: “One for all and all for one”

These statements express a sense of kinship between people – a kinship that, at one and the same time, focuses on our responsibility for and dependence on one another and which therefore demands solidarity.

Today, the concept of “solidarity” is often used to mean “to share with” or “to be there for”, i.e., as a one-way movement from donor to recipient. In some cases it can be seen as a consequence of the demand for solidarity, but its real meaning is about reciprocity: we are at one and the same time donors and recipients. We can see aid to developing countries, for example, as a way for the rich world to share, but as development in poor countries also affects the rich and is important to fundamentally pressing issues such as peace and security in the world, we can (and ought to) rather see it as an expression of insight into this mutual dependence – and the common interest of a development that leads to a stable world order.

The word solidarity comes from the Latin “*solidus*”, which means compact, fixed, durable, and which is also found in words such as “solid” and “solidity”. In the early days of the Labour Movement, solidarity was the key to changing society. No one could tackle the injustices on his/her own; only together did people have the strength needed to do so.

The demand for unity, support for one another and the common goal, was aimed both at the struggle for change and at the view of what the new society would look like. People would unite in the struggle and the gains should be shared fairly and equally. The struggle for a new society was about achieving common improvements, about welfare that would cover everyone, and the chance for everyone to have influence – not about individuals trampling on others to create welfare and power for themselves.

The term solidarity is the practical expression of the insight that all people are social beings with a mutual dependence on each other, and that society works best if it starts out from the common good

Tax-funded welfare policy is based on this. Education and care are fundamental to the welfare of the individual and therefore something that we as citizens mutually guarantee each other.

Joint, solidary financing offers security for the individual and equality between individuals – it also creates a more secure society for everyone to live in with less social tension, which always follows from injustices and economic divides.

Solidarity is more than collective self-interest. Solidarity is also about shared and mutual responsibility for the way society works. “All children are everyone’s children,” as Ellen Key once said, words echoed by today’s “it takes a village to raise a child”. No one can take away the special responsibility of parents for their own children’s upbringing and well-being, but it is not only the parents who create the environment in which their children grow up: it is influenced by all of the social surroundings, and for that we are all responsible. That is the essence of the UN’s Children’s Convention, which almost every UN member state has signed. The demand for solidarity no more excludes the striving by the individual to develop his/her personal conditions than the demand for equality does. The demand for solidarity is aimed at the type of egoism that allows people to use others for their own gains.

Solidarity is a condition of equality, as it is basically the feeling of affinity – and mutual dependence – that makes the strong refrain from trampling on the weak. In reverse, solidarity assumes equality, as only in an (somewhat) equal society is it not necessary to drive others out in order to look after oneself.

In this way, the three value words are dependent on each other:  
freedom assumes equality,  
equality assumes solidarity and  
solidarities assumes freedom and equality.

## **Historic materialism**

The emergence of the European Labour Movement in the 19<sup>th</sup> century was a protest against poverty and inequality in society at the time.

It was not the first time that poor and oppressed people had protested against hardship and inequality. There are many examples of this in history such as the slave rebellion in antiquity and the peasant uprisings of the Middle Ages. These uprisings were always put down, however, and never led to lasting results. The Labour Movement became the first social liberation movement to really succeed in achieving a more permanent change in society.

It is linked to all the technical and economic developments of the 18<sup>th</sup> and 19<sup>th</sup> centuries. It was this development that first made a more general rise in welfare possible for everyone, and once that possibility existed, it was impossible to motivate the enormous differences in the distribution of production results of old times.

That is the content of what is known as the historic materialistic view, or historic materialism: the underlying conditions for production, such as technology, trade unions and potential profitability, also control the social conditions, the social organisation.

In the old peasant society, it was not just working life and working conditions that differed from those of the industrialised society, the political and social structure, the whole way of life and thinking also differed.

Industrialisation changed the whole of society, not just working life. People moved from the old villages in the countryside to industrial communities, towns and cities, creating new living patterns and placing new demands on social institutions such as health care and education. It required new forms of financial legislation and a new fiscal system that was no longer based on land ownership. It forged new relations between employees and employers and new kinds of workplaces where wage earners could organise themselves to fight for their interests.

With the breakthrough of industrial society, the old Swedish Diet of the Four Estates, which no longer represented the social structure of the population, became an impossibility and was replaced by the bicameral system. As industry, and with it its workers, became more important it also became impossible to exclude them from the right to vote. *“With the change in the economic bases, the whole formidable superstructure undergoes a greater or lesser upheaval,”* as Karl Marx writes in his ***Critique of Political Economy***.

The historic materialistic view is also important to understanding our own times and, not least, the new political conditions emerging from the changes in the classic industrial society and from the globalisation and sweeping effects of information technology on production, communication and policy.

The change in productive power, to use the Marxist term, means that social democratic policy meets different conditions today to those in the 1960s, and all discussions on social democratic policy for the future must be based on an analysis of these conditions. In the introductory section on party history, we have outlined what this meant for policy in the 1980s and 90s. We will return to the challenges of the future in the final section of this book.

## The link between ideas and economy

The historic materialistic view means that there is a visible link between ideas and social values and economic organisation.

*“The production method for material life is decisive to the social, political and spiritual life process in general. It is not people’s awareness that determines their product, but rather their social product that determines their awareness,”* according to ***Critique of Political Economy***. This means roughly that it is not ideas that determine what society is like, but the social conditions created by technology and economy that determine the ideas.

### Moral condemnation that disappeared. . .

The view on interest, i.e., the right to charge for lending money, is an example of economic changes leading to changed ideas.

In the early Middle Ages it was a crime to demand interest on money that had been lent. With the production technology of the time, money could scarcely earn interest, i.e., create its own new values, and it was therefore considered unreasonable to demand more back than was lent.

As technology made more large-scale projects possible, the need to borrow large sums of money grew, and to do this it was necessary to pay the lenders. The ban on interest became an obstacle to development, and also more difficult to defend in economic terms: why should those lending the money and thereby contributing to the creation of new money not receive a share of the increased wealth?

This was the end of the moral condemnation of interest.

This may of course sound like a complete denial of the meaning of the ideas, but it is not. It is obviously not possible to see ideas and ideals simply as mechanical instruments for economic interests. Ideas of freedom and equality, fairness and care have existed through the ages, independently of production technology and economy. People have always taken care of the old and the sick, and all societies have had rules for human behaviour aimed at, at least, some protection of the weak against the strong – and the reasons for this have been moral or, if we prefer, based on values.

Moral and ethical values have shown to be strong driving forces for human actions, and throughout history many people have put themselves at great personal risk to promote idealistic and unselfish demands.

The political and social breakthrough of ideas such as freedom and equality has nonetheless never come until there has been an economic basis for it – or, if you like, when the productive powers have allowed it.

The mediaeval revolts by the peasants against the privileges of the noblemen and the Royal Family failed. Criticism of the same kinds of privileges by the emerging merchant and industrialist classes of the 18<sup>th</sup> century had an effect because it represented a more modern and efficient production order. The rebellion by the Labour Movement against the exploitation of workers by factory owners and trading companies was successful because, for the first time in history, the industrial production order created enough resources to allow welfare for all.

Ideas of what the good society ought to look like thus tend to be coloured, partly by what can be achieved with the current production order, and partly by the demands of the production order – and, not least, by the interests of the groups that have the biggest influence over it.

Power-owning groups always try to motivate their influence (and their economic advantages) with reference to general ideological principles and general public welfare.

A small but illustrative example of the way big company leaders defend their sky-high economic benefits is by saying that “good people deserve good pay” and that they are crucial not just to the company but to the whole of society.

The whole Swedish debating climate has changed, political influence has been forced back and “that of the market increased”.

## **Interest never lies**

The link between economy and ideas is also seen in the way different interest groups attribute different meanings to the same value words. There are many examples of this in current Swedish debate. Many business owners see the demand to abolish labour legislation as one of freedom – and, naturally, it would increase the freedom of business owners to determine conditions at the workplace. For the employees, however, it would mean being at the mercy of the personal views of employers, and therefore greater insecurity and less freedom at work. Collective agreements and labour legislation thus increase freedom for employees in relation to employers.

“Interest never lies”, as Karl Marx said. The meanings that people attribute to value words such as freedom and equality are often determined by interest, and we should be aware of that. In today’s debate, some debaters claim that a growing economic divide would benefit industriousness and social growth. This always comes from groups that would benefit through their education or position in working life. These demands are never heard from the groups that would have to pay the price of the inequality, i.e., those who would have to take the low-paid jobs with insecure employment terms.

As Ernst Wigforss once asked: “Freedom, yes, but for whom? And for what?” This is still relevant today.

The Labour Movement grew out of the experiences by non-privileged groups of the price of inequality and lack of freedom. In this sense, our demand for equality is of course controlled by interests: the interest of those who would otherwise have too little influence over their own lives and their own society.

The demand by social democracy for equality can of course also be motivated by public welfare: an equal society is a society where social tensions and the risk of social conflict are least. Ultimately, however, it is about whose interests are represented – and about a basic value, the same value for everyone, a value that is absolute and that can never be graded according to economic strength.

## **Conflict between work and capital**

The link between economic and social organisation also ultimately explains why the Labour Movement has always had such a strong interest in the organisation of economic life: the opportunities to realise the democratic values in social life are linked to power relations in working life. Real democracy is based on everyone being able to take part in political life on an equal basis. This equality is obstructed if working life divides people into those who are important and those who are not, those with power and those without, those who decide over others and those who cannot even decide over themselves.

The approach and view of the different value of people created by such a working life will spread to social and political life. If we want a political democracy of legally competent citizens then we cannot have a working life of legally incompetent persons who simply take orders like machines and let themselves be placed wherever the employer happens to need someone at the time.

In other words, democracy requires a working life in which the interests of employees are given the same importance as those of employers and capital owners and in which there is balance in the relations between the parties.

This balance of power is an important part of social democracy's social analysis.

According to the social democratic analysis, the central conflict of interests is between work and capital. There is an overlap in the interests of the two groups: both have an interest in strong companies with well-functioning production that creates enough resources for welfare.

The interests differ on the issues of how this production should be achieved and how the production results should be distributed: employees strive to increase the wage proportion while the capital owners want to increase the profit proportion. Employees want influence over working hours and employment terms and conditions, and employers want to decide for themselves on overtime, holidays and whether anyone is dismissed.

By definition, the conflict of interest between work and capital does not have to be seen as damaging to society, on the contrary, it can create dynamics that contribute to economic growth. This growth demands efficient use of both production factors: capital and work. If no one monitors that the capital is used efficiently, the result is wasted resources that do not contribute to the welfare that they otherwise would, and if no one has the power to monitor the labour force's interests in reasonable working hours, safe working environments and wages they can live on, the result is wasted human resources: employees are worn out prematurely.

History provides examples of both types of waste. In countries where the interests of the capital owners rank above all other interests in production life and the employees have little or no opportunity to stand up for their interests, the result is exploitation of the workforce with illnesses and industrial injuries, and often social problems, as clear consequences. In the former Soviet Union and its eastern European satellite states, there were never any demands for returns on the capital, which led to recognised, inefficient use of resources, and the results in the form of increased welfare, did not correspond to the labour input.

These negative effects can be explained by the lack of balance between the different interests that together drive production life, i.e., work and capital. The dynamics, the positive effects, result when the two interests balance each other and the production calculations have to be based on the requirements of both the capital and the workforce.

In the conflict of interest between work and capital, social democracy represents the interests of work. This is not the same thing as denying the importance of capital interests however. It is about not letting this interest dominate, i.e., exploit other actors in economic life. Welfare policy and wage structures must always consider the realities of business economics, e.g., the level of cost and competition in the surrounding world, though this type of necessary consideration must naturally be separated from requirements that, if anything, are expressions of self-interest by company and capital owners such as less scope for trade unions to act or less responsibility for the working environment! These issues are not about economic rationality, even if an attempt is made to present them as such, but about the distribution of influence over the daily conditions in working life.

The social democratic approach that has just been described is based on the Marxist theory of class struggle, i.e., the struggle for the means of production. According to his historic theory of evolution, the class struggle would cease after capitalism had collapsed. In the “classless society” no struggle for the means of production or the production results was necessary, as there would be enough of everything for everyone. The Utopia of the classless society actually has clear similarities with the dream of the Christian paradise “where the wolf and the lamb lie down together”, and in general with different philosophical representations of societies in complete harmony.

Nonetheless, experience shows that however much resources grow, they will never be seen as “sufficient”. Demands and wishes grow with resources. As better food and more secure living conditions increase the average life expectancy, the demands on the pension system grow. When medical research allows more diseases to be cured and treated, the demands for health care resources grow. When the most basic needs of food, clothing and accommodation have been met, there are wishes for a little more and a little better. In the 1940s, it was a revolutionary increase in standard for a family with two children to move from a one- to a two-room apartment. Today, the norm is four rooms.

There will always be conflict between different interests: the way production results are created and the way they should be distributed. And we have learned from experience that these conflicts are not related to the ownership form itself. In public utilities such as health care, we find the same conflicts of interest over wages and labour organisation between employees and employers as in privately owned companies. The underlying causes are different, but in practice both cases are about a struggle for resources – tax funds and sales returns – which never cover everything.

The representation that collective ownership of the means of production would end the conflicts of interest is quite simply false because collective ownership also has an ownership interest: state- or trade union-owned pension funds must make demands for share yields just like private investment companies, as that is what guarantees good pensions. Public utilities in a cooperative form, just like those that are privately owned, depend on market demand, and that is what decides how many people can be employed and the wages that can be paid. Taxpayers who are the ultimate “owners” of publically run utilities have an interest in cost control and in keeping prices down – and views within the group differ on what the taxes should be invested in.

In other words, conflicts of interest are unavoidable in production. The conclusion is that it is best to acknowledge this and to establish clear relations, shared responsibility and balance between the parties. This leads to the best results from both an economic and a democratic approach. This development of ideas by social democracy in an interplay between theoretic debate and practical experience will be described in the next chapter.

### **3. Social democratic development of ideas**

Social democratic ideology has many roots. The classic socialistic theorists of the 19<sup>th</sup>-century played an important role from the start, but liberal and humanistic debate has also contributed.

During the years of struggle in the 19<sup>th</sup> century, there was much influence from the German social democratic debate, while impulses from British debate – especially with regard to social policy – grew stronger during the first half of the 20<sup>th</sup> century. One of the fundamental parts of Swedish social democracy, the idea of the popular movement, originates from the self-government of the old Swedish peasant society, which spread to the Free Church Movement and the Temperance Movements and from there to the Labour Movement.

Current social democratic ideology has been shaped by our experiences as a political movement; theories have been tried through practical experience, developed, reformulated and sometimes abandoned.

Important questions of freedom and equality from the years of struggle have been solved and new ones have come in their place, requiring a new way of thinking and a new political way of working. Ideology is not static: the fundamental values are the same, but the interpretation of what is required changes with the society to which it is applied.

The demands of the working people who united around social democracy and the Trade Union Movement at the end of the 19<sup>th</sup> century were about a fairer, more equal distribution of political power and material well-being. The classic socialist theorists saw the answer to these demands in socialisation – nationalisation – of the means of production.

Since then, the social democratic development of ideas has shifted from the idea of nationalisation to a more diverse model with more nuances and a democratic right to decide. Our political experiences have also led us to a deeper understanding of the demands by democracy and the economy for diversification – and thereby also the conclusion that nationalisation is a solution that does not achieve the goals.

Instead, the social democratic model is about the supremacy of democracy over the market, and with that the right of democracy to set the regulatory framework for economy and enterprise. Within this framework, companies, employees and consumers act freely in relation to each other in accordance with their own priorities and ambitions.

Today the issue of nationalisation has no practical urgency in Sweden, but the fundamental issue, power over economic life, the role of democracy and policy in relation to the market, and the influence of employees in relation to companies and capital owners is most definitely topical. In fact, we still have discussion on the ownership right, but in reverse: it is not about supporters of nationalisation who want to nationalise private companies, but about market supporters who want to privatise public property and publicly run operations. The motivations for these privatisations are as ideological as the orthodox nationalisation demands once were and, it is sometimes tempting to say, as far from being factually motivated.

For social democracy, the issue of ownership right is one of practicality rather than ideology. It is generally important in the debate on ideas to differentiate between goals and means. Means and methods are, with few exceptions, not ideological carriers. From an ideological point of view, the deciding factor in the choice of methods is, of course, the aims to which they contribute, not the method itself.

The social democratic approach does not correspond to the more orthodox heritage of ideas in which collective ownership is seen as a goal in itself. However, we do not share the right-wing, fundamentally interest-led, view that private ownership and private operation are always superior. A pragmatic view is just that, pragmatic: we try the issue according to circumstances. Sometimes the conclusion is that private ownership, and private operation, is more suitable – and sometimes public ownership, or public production, is better.

Below we describe the social democratic development of ideas and its view on power over the economy, from the ideas of full public ownership to the model of democratic control and insight. We follow this description with a discussion on the issues of the relationship between democracy and the market, and between employers/companies and employees.

## **Marxism**

Karl Marx (1818-1883) is a central name in the socialist theory formation that developed in European political-philosophical debate during the second half of the 19<sup>th</sup> century. Most of his work, however, was formulated in cooperation with Friedrich Engels (1820-1895). Marx probably appears to posterity as more dominant than he actually was in the age in which he lived. There were other important theorists who influenced contemporary debate at least as much: Bebel, Lasalle and the German so-called lectern socialists to mention a few. The main theme of all these debaters was the same: criticism of capitalism and the social divides it created and reinforced, but they differed in their views on how this should be tackled and in their assessments of social development in the future.

Marx's theories have lived on in political debate in a completely different way, however, and with the emergence of the communist Soviet Union they have influenced history throughout the 20<sup>th</sup> century.

Early Swedish social democracy also modelled much of its social approach on Marx's theories. There were also influences from other theorists including the "lectern socialists", as well as specifically Swedish elements.

The very positive view on trade unions right from the start thus did not conform to the orthodox Marxist interpretation in, for example, Germany. There were, however, clear influences from the Swedish popular movements with their roots in the local self-administration traditions of the old peasant society. Social democracy adapted and reinterpreted Marxist theories, and added and took away from them in light of its own experiences. This applies to most of what goes under Marxism in all countries: there are interpretations and adaptations influenced by society and the time in which the interpretations was made. All political groups that have adopted Marxist reasoning have made their own choices and their own adaptations.

According to current terminology, Marx was a historian, sociologist and economist. Marx developed the historic materialistic approach, though he was clearly not alone in doing so, and that has influenced historic research on many points. Marx's theories of alienation have also provided important impulses for modern sociology. Parts of his studies on capitalism are still topical, including the concentration trends, while other parts such as the theory of surplus value have long since exceeded their best before date.

Although Marx participated intensively in the political debates of his time, his social theories, usually known as "Marxism", are neither political ideology nor a political action programme, and he defended them against being used as such (he is said to have expressed at some time "I am not a Marxist. "). Together with Friedrich Engels, Marx developed a historic philosophic theory on patterns in social development regulated by law, and he drew a number of conclusions on the direction of future development based on European economic history.

*"All history is a history of class struggle"*, according to the Communist Manifesto. Class struggle refers to the economic struggle for the means of production and the distribution of the production results, a struggle between the class(es) that control(s) the central means of production and the class(es) that lack(s) power over them. The word "class" is thus used to define the position of different groups in production life, in particular in relation to power over the means of production, not social characteristics in general.

It is this struggle that constantly drives history on, but there is never any change in the power structure until new technology or new economic conditions make new types of production means important: the class that controls these, the most important resources of the new production order, then takes over power from the class that controlled the main resource of the old order. One example is Western Europe in the 18<sup>th</sup> century when technological developments and growing trade made money a more important economic resource than land, and the old landowning aristocracy was gradually pushed out in favour of an emerging middle class of merchants and industrialists.

Marx saw the socialist society as the end point of the class struggle, i.e., a society in which the means of production were owned by everyone jointly and in which there was therefore no struggle for them. This end point was the result of the development of the productive forces themselves, which meant that production results that were big enough to satisfy everyone could be achieved without any struggle over distribution.

According to Marx, capitalism was therefore the necessary last stage before socialism because it was only with capitalism that sufficiently strong productive forces could be put in motion.

The inherent inability of capitalism to handle these strong forces and distribute the production result fairly would inevitably create such social tensions and such economic crises that society would break down.

The very last class struggle between the bourgeoisie and the proletariat would then be fought. The proletarian revolution would be victorious, the means of production would be nationalised and the classless society would be born.

In other words, the classless society and nationalisation of the means of production were a consequence of technical and economic development – not of a deliberate political programme. “*No production order goes under until it has reached its full potential*” writes Marx in ***Critique of Political Economy***, i.e., society cannot change until the time, or rather the economy, is right for it. In reality, Marxist theories exclude policy as a means to achieve decisive social changes, as such changes are seen as a consequence of technological and economic processes that follow a certain immovable, intrinsic logic.

Doing nothing but waiting for the development – especially if the development is in a very indeterminate future is a rather poor political programme, however, particularly when the day-to-day conditions of many are unbearably meagre and the demands for change are almost explosive in strength. A number of political strategies to speed up this development therefore emerged during the 19<sup>th</sup> century. Some of them can be described as freer interpretations of basic Marxist theories, while others involved a freer and more pragmatic approach, which in turn led to new political conclusions.

## **Revolution or reform?**

The discussions meant that around the turn of the 20<sup>th</sup> century the socialist parties in Europe and Russia were divided into two main groups: one revolutionary and one reformist.

The revolutionary parties wanted to hurry development to achieve a social revolution by force rather than wait for the change in productive conditions that, according to Marx, was a prerequisite of the revolution. When the final phase was known, why not go directly to it without the intermediate period of waiting?

The reformist approach wanted to start changing and improving everyday life at the time so that the conditions for the working class improved. Instead of one violent upheaval, they saw an opportunity to gradually approach a more equal and fairer society. Now that capitalism had already freed the productive powers, why wait for its collapse before starting to redistribute the results in a more reasonable way? Why not start at once?

The parties that chose the revolutionary strategy – albeit that it was only really in Russia that it became possible to put it into practice – gradually came to be known as communistic. Those who chose the reformist approach became known as social democrats.

The two models have developed very differently.

The social democratic parties attracted large groups of followers early on and consequently also came to power early in the Scandinavian countries and eventually also in Great Britain and many Western European countries. Governments have since alternated between social democratic and right-wing parties.

Naturally, the countries have not developed in exactly the same way, though the strong position of social democracy has led to some important basic similarities. Strong welfare systems give everyone the opportunity of education, health care, pensions and economic protection in the event of illness or unemployment. Industrial life is based on market-economic principles, with the exception of social services such as care and education, but the game rules, the frameworks, for industry are set through political decisions so as to guarantee consideration for social interests such as environmental requirements.

International research usually points to the Nordic countries in particular – where social democracy has and has had its strongest hold – as examples of how welfare policy can be combined with economic efficiency.

The Russian Revolution in 1917, on the other hand, did not grow out of popular mass protests against the repression by the tsar state however. A small group of revolutionaries seized control of strategic state and military institutions and with that the whole country.

The Revolution then implemented the Marxist principle of collectivisation, but not the principle of influence by the workers over production and society. In practice, the Revolution meant only that one power-owning elite – the old aristocracy – was replaced by another, the reigning party's power elite.

Some basic social reforms such as the right to schooling and health care were implemented, but political repression remained in an extremely brutal form for many decades.

The Soviet regime invested heavily in industrialising the country and, like everywhere else, industrialisation led to strong economic growth. Centralised control of the economy – the planned economy – was effective in the beginning of the industrialisation process, which was primarily about mobilising resources for essential investment in basic industries with fairly consistent production requirements. After this initial stage, however, the demands grew for differentiation, flexibility and specialisation. These requirements are difficult to combine with strong centralised control. In fact, they require many different ways of working, the ability to quickly and flexibly try out new ideas and adapt production to local conditions and different kinds of demand.

The inflexibility of the economic and political system in the Soviet Union therefore hindered further development of the economy, and when a political change of course towards greater openness was implemented in the 1980s, it was too late: the system collapsed due to its inherent contradictions.

As a final comment on the debates on the reform and revolution at the turn of the last century, now that we have the answers in our hands, we say that reformism has shown to be the sustainable alternative. The reason is really quite simple: whether a party gains power through an election victory or revolution, the day after it faces work on thousands of different details on the way the new policy should be formulated in practice – and how it should be adapted to the realities of the economy – in other words, practical reform work...

The big change in the system that the old revolutionaries dreamt of, the change that all at once would turn one kind of society into a completely different kind – simply does not exist.

Social changes are always processes over time, and the changes that are implemented in the beginning start a development that in turn may require new changes that cannot at first be foreseen. Such processes can never be decided on for the citizens by a reigning elite above the heads of those it will affect.

**If social changes are to last they must have the support of the citizens in society and of processes that everyone can take part in and that everyone can influence – and, in constant preparedness, re-examine and develop further.**

## **A child of its time**

Marx was a scientist, and his theories should be seen as a scientific system aimed at showing patterns for the development of the world and human society. The aim to explain our existence with one grandiosely coherent model is a typical product of the 19<sup>th</sup> century. The image that social development followed some kind of course that was regulated by law and that could be scientifically discovered and proven was common in many places. It was inspired by the big scientific advances of the 18<sup>th</sup> and 19<sup>th</sup> centuries, discoveries that showed that there were coherent and explicable structures for things that had previously been seen as results of divine and other supernatural interventions. It was naturally close at hand to imagine that there were also similar patterns in social life.

Today, not even the natural sciences claim to be able to explain the purely physical development in terms of systems that are completely regulated by law and thereby predictable, and even less social sciences.

Some connections and likelihoods can be established however. Some mechanisms can be identified that are in force in the economy and social life, and the effects of these mechanisms can, to some extent, be predicted.

In an economy and society with millions and billions of people where a number of changing requirements and wishes interchange with one another and where a number of different, partly interacting, partly opposing forces are in constant movement, it is never possible to know in advance exactly which direction the development will take. It is not predetermined but depends on the activity of people themselves.

The underlying economic and technical conditions are important, but development does not follow mechanically from these conditions but are influenced by the way people deal with these conditions.

As we described earlier, Marxist theories offer two important tools for analysis: the historic materialistic view and the view on the conflict of interests between work and capital. It is important to establish that it is about tools to analyse and investigate society and the economy – not about a key with ready answers. In parts of the left-wing debate, Marx has periodically been seen a bit like a religious founder whose (sometimes also somewhat unclear) words form the guiding principle that may not be questioned. Tendencies to such interpretations can also appear in current debate. Sufficient warning cannot be given of this type of blind literalness. The history of socialism itself shows how dangerous this is and how easily it comes into conflict with the realisation of its ideals. The methods to get closer to ideals such as freedom and equality exist only in an impartial and probing discussion on which means offer the best conditions in the world today, not in a literal reading of Marx or other fathers who were active in a different time and world.

## **The right of ownership and the view on capital**

According to Marxist historic philosophy, after the collapse of capitalism, the means of production would be owned collectively. This type of ownership would thus be a result of social change that had already happened – not an instrument to force this particular social change.

From the end of the 19<sup>th</sup> century, there was a shift in the debate, however, and the nationalization, or collectivisation, of things like agriculture, natural resources, factories and banks came to be seen as a way to change society. This view can be found in many places in social democratic debate at the start of the 20<sup>th</sup> century. At the same time, there was much confusion over how this collective ownership should be formed. Some recommended nationalisation, others ownership through trade unions, yet others different forms of cooperatives.

The debate was even more vague when it came to how this collective ownership would deal with a number of fundamental business issues and, not least, work in relation to consumer wishes. One condition that was expressed, to a greater or lesser extent, was that production should be based on a planned economy, but what the basis of the planning should be, how the effects of changes in technology and demand should be put into the plans, and how this should be made to fit together with the right to free consumption choices were questions that never got answers. Nor was the undeniable central issue of how an export country such as Sweden could plan for export production with any degree of certainty in the long term, as the volume depended on factors that could simply not be controlled nationally.

There has never been a socialist business theory because the nationalisation debate was not really about economy, but about power. The criticism was aimed at the very distorted distribution of power, which meant that the capital owners' interests in profit for themselves dominated all other interests in society and often led to exploitation and oppression of these other interests.

Collectivisation of the means of production was seen as a method to change this distorted distribution of power. The difficulties of finding methods to implement and finance this change of ownership in practice and run the companies, combined with the initial experiences of the potential of democracy to influence society, led to a new debate taking shape. It emerged back in the 1920s and grew in strength in the 1930s with deeper insights into the requirements for versatility of both democracy and economy: people must have influence as citizens, employees and consumers, and it assumed many different ways of influence. The deterring experiences of the Soviet Union showed that the risks of concentrating all the power in the State were as great as concentrating all the power in private capital: in both cases, big differences in power formed between those controlling the production apparatus (the State and capital respectively) and those who were controlled by them. The answer to the central socialist issue of control over the means of production turned out not to be collectivisation of this control but of spreading the means of control.

The new debate focused on the right to decide over production and production results, not the ownership right itself. Strong trade unions changed the power relations of industrial life. Taxes and social legislation redistributed the production results, and civil laws and regulations set the framework for companies to act but did not control what production should look like – because that must be controlled by consumer demand.

All this meant that society changed.

The leading theorist behind this was Nils Karleby (1892-1926), but Ernst Wigforss and Östen Undén were also important in forming this new line of thought.

This was the starting point of the new theories: with universal suffrage and political democracy, all citizens, not just those with wealth and/or high salaries, had the right and ability to influence social issues.

The emergence of strong trade unions gave the employees the power to stand up for their demands and interests against the capital owners. All this meant that the power and influence of the capital owners decreased – and by making use of this new right to decide, society could also be changed without having to change the ownership right itself. Ownership of land or a factory no longer gave the owner the right to decide over the land, the factory and the employees without regard for the effect on the surroundings and other people; the use of that which was owned was instead adapted to the rules that had been laid down to protect the surroundings and other people.

The theoretical bases for this view were put forward by Karleby in his book *Socialismen inför verkligheten* (1926), and it is this view that social democracy has developed and built on. Land, natural resources, banks and companies have never been nationalised but the democratically elected bodies have set up frameworks and rules for the activities, regulatory frameworks that protect the common interests of the citizens.

An important preliminary step of this development was the kind of active economic policy that was launched during the 1930s and which marked a new view on the right and ability of policy – democracy – to intervene against marketing imbalances (see the section on the history of social democracy, Chapter 1).

The big social reforms carried out from the 1940s onwards also meant a shift in power: taxes that financed social utilities such as schools and care meant that production results were distributed in a way that created greater security and freedom of movement for wage earners (see the section General Welfare Policy, Chapter 4).

*“The community can also become involved simply through a law that formulates the contents of the ownership right in a new way. The legislation does not even need to be aimed at the ownership right to transform it. Take town planning legislation, the Public Health Act, all the social welfare legislation, fiscal legislation from a socio-political view, etc. – what are they other than a series of formulations of the ownership right according to public welfare norms?”*

***Nils Karleby***

The labour legislation from the 1970s makes issues of employment and working conditions a matter of negotiation between the employer and the trade unions, not as before – a matter for just the employer. Since the 1970s, environmental legislation has become more important in the necessary political regulatory framework for companies.

Labour and environmental legislation can really be seen as parallels: their principal content is that the production factor of capital is not superior to other factors and it cannot demand that production conditions are shaped with consideration only for the capital interest. The production factors of work and natural resources are – at least – as important and these interests must form an integrated part of the decision processes that together shape industrial life. As the capital factor with its yield requirements sometimes conflicts with environmental interests and those of the wage earner, it is not reasonable for the representatives of the capital interest to also be able to represent the other two production factors: their interests must be asserted differently, through trade unions, labour legislation and environmental legislation. They must also be seen as equal to the capital interest with regard to the requirements for the way industrial life works.

This approach also acknowledges the importance of the capital factor, something that more orthodox socialists may see as a breach of the classical theories and the striving for economic democracy, but, as we have already established, the classical theories were about economic power not business economics. The economic power changes when other production factors are placed on an equal footing with the capital. In terms of business economy, however, the need to make demands on the rational use of capital can never be avoided, i.e., ensure that this production factor – as well as the others – is used in the best way possible. This applies regardless of the ownership form, and in that sense it is impossible to get away from “capitalism”.

It is therefore not possible to let go of the requirement for rational use of capital, as irrational and inefficient use means that money is wasted and that the national economy receives less in the form of welfare than has been invested. Instead, it can be said that it is about making production, in the real sense, rational, i.e., preventing capital profits in forms that create costs somewhere else in the system.

All experience shows that when there are no counterweights to the capital interests, the capital owners make profits by exploiting or underpaying other production factors, in turn leading to environmental damage or excessive wear on the workforce.

The same ruthless exploitation of workers that took place in 19<sup>th</sup>-century Sweden is now facing many developing countries without political and trade union counterweights, with the capital owners deciding on production conditions on their own.

Yet again disparities are created by unequal power relations, and it is this uneven distribution of power that has to change. It is not possible to go the opposite way and completely ignore the requirement for efficient capital use however. Environmental and health requirements must always be seen as superior: profits achieved though damage to the environment or to people's health are simply not efficient use of capital. Issues of wages and working hours, tax burden, investment needs, technological renewal, etc. also require consideration to be given to the need for a return on the capital if the economy is to grow and create new welfare resources.

The solution to this approach becomes "the social market economy" or "mixed economy": an economy that recognises the existence of different interests in industrial life, interests that each and every one has an entitlement, and it is about balancing these against each other.

This is not the big system shift that the classic socialist theories predicted, but democracy and the socially regulated market economy still involves just such a system shift from a society controlled by the interests of the few to a society based on the wishes and needs of the many! The fact that the form is different to that once imagined does not change the fact that it is a sweeping change.

## **4. Distribution of the production results**

The issues of freedom and equality are about both the distribution of power and the distribution of welfare. The former is about social and industrial life, the latter about production results.

The way production results are distributed between different purposes and levels of society is partly determined by wages and partly by the tax system – or rather, the tax system combined with the social utilities that are paid for by the taxes.

In Sweden, the distribution between the profit share and the wage share is determined through wage negotiations between employers' organisations and the workers' trade unions. Many other countries have legislation on minimum wages, but here it has been natural for a very long time for wage matters to be handled by the labour market parties. For the part of social democracy, this is an expression of the view of the workers' right to influence the conditions of working life: it should be possible to exercise it directly via their own organisations, not via the detour of the State.

There are important utilities that are difficult for ordinarily wage earners to afford on their incomes, even when the wage trend is good. Most countries have some form of social undertaking giving everyone the chance of health care and education. The undertakings are generally greater the more economically advanced the country, which simply represents the demands of the voters: social welfare has high priority in all discussions on the way growing resource should be used.

In Sweden and the Nordic countries in general, a relatively large proportion of the gross national product (GNP) is redistributed through the taxes – and tax is taken on profits as well as wages. In this way, money goes to the State and the municipality and back to the citizens in the form of health care, schools, childcare, care for the elderly, pensions, child allowances and health insurance (to name a few examples). Some of the redistribution is therefore through direct transfers of monetary amounts. Another part is through taxes that fund important social services such as care and schools, making them economically available to everyone.

## **The welfare State**

Welfare policy – initially called social policy – began to develop during the 1930s: unemployment insurance, free maternal welfare, some disability benefit and the right to holiday (initially two weeks) are examples of reforms from that time. The big reforms, however, came at the end of the 1940s and the decades that followed: child allowances, primary school, health insurance, supplementary pension (ATP), public childcare and adult education. The term “welfare society” or “welfare state” came into more widespread use around the mid-1950s.

It is not aimed primarily at the growth in material welfare that started, but at the social view that had its breakthrough, namely that the citizens, through the State, would together guarantee each other a number of basic social utilities such as the right to education and health care and the right to economic protection in the event of illness or unemployment. These services should therefore be financed by the tax system and be open to everyone according to equal laws.

Social democratic welfare policy is ideologically motivated by the requirement for freedom, equality and solidarity. Receiving an education appropriate to the individual, being able to look after one’s health, not being helpless in the event of changes in working life, and economic security in old age are all important factors for the individual to control his/her life and being able to take part in the social debate. If the individual is to have this freedom, and all the inhabitants in a society should have equal opportunities for this, things such as education and health care, and security in old age must be rights for everyone regardless of economic resources.

Solidarity demands that we mutually guarantee each other this.

As we wrote earlier (Chapter 2), solidarity is a two-way concept, which is as much about mutual dependencies as mutual consideration. Welfare policy has this double meaning: it is about the welfare of the individual as much as that of society. The right to education and health care, for example, is important to the individual's chances in life, but the fact that everyone can get a good education and look after his/her health also means that more people can contribute to working life and the public economy becomes stronger. The fact that there is economic protection when illness or unemployment make it difficult for people to support themselves provides security for the individual but also for society; it reduces the risk of social problems created by poverty and vulnerability.

Welfare policy is in many ways also about distributing power. Widely available childcare is a necessity of breaking down old gender patterns in a way that gives women greater control over their own lives. Unemployment insurance that provides enough for people to live on means that the individual is not forced to take work on very bad terms.

The fact that unemployment is not allowed to create a reserve army of labour that cannot make demands is in turn important for maintaining reasonable terms of employment across the labour market.

## **General welfare policy**

Social democratic welfare policy is based on the principle of generality (sometimes also known as universalism). It means that social utilities that are paid for by taxes should be available to everyone on the same terms. They should not be needs- or means-tested, i.e., only be available to people on low incomes. This principle also applies, with few exceptions (housing allowance, maintenance support), to Swedish welfare policy.

This generality means that families on high incomes also receive child allowance, free schooling for their children and pay the same fees for medical care as low-income families. Sometimes reservations are voiced that this is wrong in terms of distribution policy and that it would be better to invest the money where it is needed most.

The motivation to also offer tax-funded benefits to those on good incomes is simple. If everyone shares in the utilities that are paid for by the taxes, then everyone also has a real interest in contributing quite a lot. This allows better and more stable systems to be built up and ultimately benefits economically weak groups.

It is a fact that the Swedish, general systems are more equalising than systems based on means and needs assessment. The latter systems tend to be much less generous. Those who have to pay without receiving anything in return have a clear interest in trying to keep their payments as low as possible, and this also means that the benefits are low.

The Swedish tax burden is relatively high – but it is accepted by very broad groups of the population simply because people know they will get something back. This also means that the systems become stable.

The principle of general welfare policy is therefore equivalence. This does not mean that the benefits are always exactly the same for everyone. In the social security systems – pension, health care, unemployment benefit, parents' insurance – the equivalence lies in (up to a certain ceiling) receiving compensation at the same percentage as the previous income, not the same nominal amount. For the social services – schools, health care, childcare – the cost is, in principle, the same for everyone, but in health care there is high-cost protection, which means that medical visits and medicines are only paid up to a certain ceiling. Those in poor health or suffering from long-term illnesses always have special economic protection. This clearly differs from private health insurance systems where higher premiums are required for those suffering from chronic illness or disability. General welfare policy means that the benefits/rights financed by taxes cover all citizens. It does not, however, mean that taxes always pay the whole benefit/right!

It is reasonable for the individual to take some economic responsibility for benefits that he/she uses, even though this must always be balanced against the principle that no one should be forced to forgo services such as care for economic reasons. The fee for a visit to the doctor (which still represents only a small part of the actual cost) is there to prevent unnecessary visits, and with that an unnecessary burden on the care services. The qualifying day for health insurance is there to stop people staying at home because they are tired or suffer some minor ailment that is not a real obstacle to working.

## **Criticism of welfare policy**

Needs and poverty in 19<sup>th</sup>-century society when large groups of the population had no chance of protecting themselves financially against illness or unemployment or saving for security in old age despite hard work gave rise already then to a concerned debate on “the social issue”.

There were demands from both liberal and social democratic sides for social undertakings, especially for old-age pensions and financial protection in the event of accidents at work.

There was strong resistance from the conservative side however. One main argument was that it would lead to workers not taking responsibility for their own economy but wasting their money and relying on someone else to provide for them. When Parliament rejected a proposal in 1895 for a (modest) pension for workers it was with these kinds of motivations. The standing committee wrote that a pension for workers could lead to workers “no longer relying on their own strength and foresightedness”. In earlier Parliamentary debates it had been said that social undertakings for the protection of workers had “not increased caution, vigilance and deliberation but had increased unconcernedness and negligence”. According to a member of the Ruralist Party, “there can be a danger of infusing the thought among the people that it is not so important to look after your own future because the State will take care of it”.

Similar arguments were put forward against unemployment insurance during the 1930s. It was assumed to lead to the unemployed not bothering to look for work. In the 1950s, the right-wing party ran a campaign against what was known as a “welfare-state mentality”. From the 1990s onwards, the right-wing parties have similarly talked about “dependence on social welfare”.

Criticism of welfare policy – or rather the social and insurance systems – is therefore old, and the arguments are roughly the same: people become passive, expect others to solve their problems, fiddle more money for themselves than they are entitled to, do not look for work and stay home from work without really being ill.

All serious investigations, however, show that real cheating – people claiming compensation to which they are not entitled – is very limited. Naturally, this is not a reason to take the problem lightly, but it should be put into perspective. Above all, it should not be used as an argument against welfare policy as such; the fact that a few people cheat does not change the strength of the arguments for people to receive financial protection when they suffer from illness or unemployment.

Naturally, cheating with unemployment benefit or health insurance cannot be tolerated, just as other forms of economic crime. Measures to prevent cheating include better control mechanisms and sanctions against those who cheat, but not penalising everyone who is ill or unemployed with lower compensation.

It is not and never has been the intention that health insurance and unemployment benefit should provide lifelong economic support. In both cases, the fundamental principle is that the protection applies to periods when the individual has no earned income as a result of illness or unemployment – and where the assumption is that the person will return to the labour market.

Welfare policy therefore also contains the principles of activation. A person who is unemployed should primarily look for work – but also have the right and opportunity to training that will improve his/her chances on the labour market, a policy that has applied since the 1950s.

A person who is on long-term sick leave, and where the illness or injury is of a nature that prevents him/her from returning to his/her previous job, should have the right to rehabilitation.

Today, there are shortcomings in both health care and working life with regard to rehabilitation of persons who are ill or have suffered an occupational injury. This is a reason to develop better methods of rehabilitation – not to change the principle that the individual should have reasonable economic protection in the event of illness or unemployment. Today, the problem is not that the insurance system “pacifies” people with health problems or occupational disabilities but that working life does not have room for them. This cannot be changed by reducing compensation to those who do not really fit in; that problem must be tackled in the place where it has arisen, i.e., in working life.

It is necessary and important to continually examine the way welfare policy really works, how well it meets its aims and any problems and shortcomings that may exist.

It is as important to carefully examine criticism of the welfare policy – and not let current problems with the way the systems work lead to throwing the baby out with the bathwater, e.g., the whole model with reasonable financial support for sick and unemployed persons.

## **The individual and society**

The individual has an obvious responsibility for his/her own health and means of support that can never be delegated to the welfare system, but the individual cannot be expected to take responsibility for factors in social development over which he/she has no control, and social problems should definitely not be turned into problems of individual shortcomings so that, for example, unemployment is seen as a lack of a willingness to work by the individual rather than as a lack of jobs in the economy!

Sick leave has increased in Sweden since the 1990s. Many want to attribute this to “changes in attitude” with people using the insurance without really being ill.

The empirical proof of such “changes in attitude” by individuals is weak, however, while the proof of “changes in attitude” in working life are very clear – in the sense that working life today demands much more “good health”, physically and psychologically, than 25-30 years ago.

“The ability to work” is not just about what a person is able to cope with in purely medical terms but more about what working life demands from a person. If working life demands more than before, it is obvious that more people will not meet the requirements, even if they are not seriously ill or injured.

The demands of working life have risen over the last few decades. This means that working life wears out people more and that there is less opportunity to take care of those who have begun to lose capacity.

This is an extremely serious problem for persons affected and also for society – partly because it leads to greater costs for the welfare systems in particular.

It is symptomatic that the recurring criticism of welfare policy, and what is known as “benefit dependence”, coincides with rising costs. One way of reducing costs, even if it does not solve the fundamental problem of rejection in working life, is to reduce compensation to the individuals affected.

If this can be motivated by it really being better for them, that it will make them more active and force them to take greater responsibility for supporting themselves – well, then you do not even need to have a bad conscience about the ill and unemployed.

Let us return to the statements we made at the beginning of the section on criticism of welfare policy: conservative groups, then and now, have always tended to consider social security as damaging to individual morale, especially for the working class.

In 1895, when Parliament rejected the proposal for a tax-funded old-age pension, it was with the motivation that it would make the worker unwilling to save for his/her own pension. In 2006, when the right-wing Parliamentary majority reduced compensation for the long-term unemployed, it was in practice also aimed at the working groups: the majority of long-term unemployed are in the Swedish Trade Union Confederation’s part of the labour market.

The overall effect of changes to unemployment benefit combined with the intended new tax- subsidised, low-wage jobs and relaxation of labour legislation is to weaken the negotiating position of the working class with regard to wages and working conditions.

As we stated previously, welfare policy is not just about distributing material resources. It is about distributing power. It is fundamentally this distribution of power that is the real reason for the long-term, and over the decades, strangely similar criticism of welfare policy.

One thing can be said however: criticism of welfare policy, with increased demands for checks, monitoring and clear infringements of the individual's choices, is about health insurance and unemployment insurance. Criticism is therefore aimed at the part of welfare policy that is most important to people in blue-collar jobs as they run a greater risk of unemployment and work-related illness.

For the other part of welfare policy: public services such as care and schools, the requirements are the opposite of the right-wing debate: greater freedom of choice for the individual, less political control of how money is distributed and fewer rules on the way it is used. In other words, it is about those parts of the welfare policy that the middle and upper classes benefit from most!

In fact, the requirements for clear rules on the way money is used and checks that it is being used for its purposes are exactly the same for both social insurances and public services. Sweden faces a discussion on how we can make the money cover welfare when the proportion of old people is growing and an increasing number of young people are in education. In this discussion we must raise the question for the insurance systems and public services of what is most urgent and how we control resources to those things we agree have the highest priority.

This inevitably requires as much democratic control of the money to public services as of the money to social insurances.

## 5. Market and policy

### The market model

The current discussion on “market” versus “policy” in itself covers many important questions of principle around the operating sphere of democracy, the dynamics of the economy and the balance between the individual and the collective. It is also clear that the discussion is closely linked to the increase in the strength of capital interests since the 1980s in relation to other groups in society, and that the demands for greater market influence are in practice a requirement for greater freedom of movement for a group of actors on the market, namely the producers/companies. It is easy to find examples of this in current debate – not least in the financial press! There the word “market” is used in the same sense as “private companies”. So, there might be grounds to clear up what the concepts “market” and “market economy” really stand for.

As we know, a market is a place of trade. In the old peasant community it was a purely physical place to which a number of producers went independently of each other to show their products to a number of purchasers, who likewise independently of each other went to the marketplace to see if they could find something they needed.

If a buyer found something of interest at a price he considered reasonable they would conduct business. If, on the other hand, the price was higher than the consumer could or was prepared to pay, then the seller would not be able to sell his/her goods. If the price was too low, the sellers would pack up and not bother going to the market any more.

It is these trading places that the “market economy” as an economic model goes back to. It represents a system in which the supply of goods is determined by the price mechanism, i.e., the point of intersection between what the consumers are prepared to pay and what the producers demand as compensation for their work.

The model assumes that entry to the market is free, that everyone who wants to produce and sell goods can do so and that those who have money can choose freely what to buy. Competition between producers pushes prices down as no one will buy from those whose prices are higher. As consumers have different wishes and different abilities to pay, producers will aim for different types of goods. According to the model, this will lead to more efficient use of resources in order to keep costs down, and a breadth of supply that creates consumer choice. This is also the economic as well as the ideological argument for the market economy.

## **Real markets**

The market economy assumes a right to private enterprise – or the condition of free access to the market is not met. However, it does not follow that all activity based on private enterprise agrees with the ideal model of the market economy.

More than just “private enterprise” is required to ensure that “the market” leads to the economic efficiency, versatility and freedom of choice that are the ideological-economic reasons for the market economy.

This requires that no single producer has such a dominant position (monopoly or oligopoly) as to unilaterally determine the price, that consumers have reasonably similar purchasing power so that no single group can distort the supply through its special, economically strong demand, that an increase in the demand for a product can always be met by an increase in the supply, and that everyone is free to enter the competition.

As the authors of textbooks on economics usually point out, there has never been a situation in which all these conditions have been present “other than temporarily in certain local markets for agricultural products”.

In reality, consumers are never equal – some are richer than others and their demands are therefore of greater interest to producers. Consumers are often at a disadvantage against producers (in terms of economics, this is known as an asymmetric relation), especially when it comes to products that require some knowledge to judge their quality and price.

The producers are not equal either – there is always one who is bigger than the others and can drive its competitors out of the market and then control prices. Even if access to the market is nominally free, in practice, it is often restricted. It is not easy to get enough capital together to start producing cars, for example. Companies also try to avoid competition by attempting to make their own brand superior to all others. Most types of jeans are in fact equivalent, but some command a special position due to their special brand, which (naturally) means that the manufacturers can charge a higher price.

The supply can far from always be increased just because of a big demand. Apartments in cities are often highly sought after, pushing up prices. According to the principles of the market economy, the supply of such apartments should be increased, but this is seldom or never possible to a sufficient extent as these are areas with little free land.

An imperfect market (as the term goes) is of course still a market in the sense that price controls supply and demand, but the distribution of both production resources and products becomes less effective and less fair than the ideal model suggests.

“Market” is not the same as “business interests” – even if the word is used as such.

In reality, markets often differ from the ideal model. Real markets reflect predetermined economic power relations between different producers or between producers and consumers, power relations that are rarely as equal as the ideal model assumes. This can lead to inefficient and sometimes directly damaging use of resources: companies with strong capital ruthlessly exploit natural resources, and damaging or dangerous products are sold when society has little ability to control it. In countries where the labour market does not have the right or opportunity to stand up for its interests against the employer, wages are low and working environments unhealthy.

Much of the criticism by social democrats of “the market” – in the past and now – is not criticism of the market economy itself but of its imbalances in the real market, or to put it more clearly: criticism that capital interests are allowed to dominate other interests in production and with that distort “the market”.

This is therefore not the same as opposing the principles of the market economy on free exchange between producers and consumers, the consumer’s freedom of choice or private enterprise. The criticism is against unequal economic power relations. Recommending measures to correct these inequalities and create greater balance between different production interests is therefore not about disrupting the market but rather about making real markets correspond better with the ideal model, which assumes balance.

Examples of measures that counterbalance the capital interest include environmental legislation, consumer legislation, working hours legislation and collective agreements by trade unions. Other examples are legislation against obstacles to competition and cartelisation. Private industry applauds competition as a principle, but in practice most companies try to minimise it for themselves, as competition always carries a risk of losing all profit or being put out of business altogether. Legislation against restrictive practices is therefore needed.

Private industry is often critical of what it calls social regulations, with the motivation that they interfere with “the market” and lead to inefficiencies. It is of course necessary to always be observant that laws do not create unnecessary “hassle” and that they function flexibly and rationally in relation to their aims. Unwieldy and cumbersome legislation is never defensible and therefore not in the interest of society. If we take a closer look at the criticism by industry, it is clear that much of it is not about hassle or the market economy, but that legislation and agreements reduce their ability to make their own decisions.

Even if many on the right and in industry use the term “market” as if it meant only “the private companies”, the concepts are not synonymous. It is important to differentiate between what is in the interest of market economy, in the real sense of the word of interplay between different interested parties, and what is only in the companies’ own interests.

## **Flaws in the market model**

The market economy (in its real meaning) is in many ways a superior form of production and distribution of goods and services. It is a flexible form to meet consumer demands as well as changes in this demand.

Like all economic models, however, it also has limitations. It can deal with much, but not everything – not even everything that is important to the public economy.

It cannot manage the use of utilities that lack a price tag – such as air and water. If “the market” is not to waste these resources (or destroy them), a price has to be attached to them, forcing companies to economise in their use of them – and such a price cannot be set by the market itself; that can only be done politically.

Another possibility is to simply lay down rules for the way these utilities can be used – and, once again, this can only be done politically, not by “the market” itself.

It is generally difficult for the market to solve tasks that do not naturally fall within the frame of the purchaser-seller relation. Consequently, the market finds it difficult to meet social challenges such as reducing gender differences in working life or counteracting discrimination of immigrants. This is no surprise, as these are problems that cannot be solved through the price mechanism, i.e., the mechanism with which the market works.

It is difficult for it to meet the interests of minorities, as profitability is often too low. In countries with a very unequal distribution of purchasing power, the poorer levels of the population find it difficult to meet even their basic needs for food and clothing.

Even if purchasing power was distributed absolutely equally between consumers, it would still be more profitable for the producers to make things that hundreds of thousands of buyers demanded than to produce things that only ten people wanted to buy – however important that product may be to the ten.

In fact, the market tends to collect mostly in the middle where the vast majority of purchasers is found. The media is a clear example. The number of TV channels is almost endless, but most concentrate on the same type of programmes: entertainment, sport and news, because that is where the big public is and with it the opportunity to attract big advertising revenue. So, the market does not offer much freedom of choice in the type of programme we watch, but it does offer great freedom in the choice of channels with the same types of programmes.

More generally this can be formulated as: the market can never distribute according to need, only demand that can be translated into money. Companies will thereby always focus on the demand that is most economically profitable and, naturally, it is inherent in the structure of private enterprise to choose the production with the biggest market.

Market supporters – or rather representatives of private industry – usually claim that they thereby also answer most of the consumers’ needs. In their view, big demand is the same as big needs.

Whether big demand really reflects big “needs” or just consumption wishes in general is a purely philosophical question that we will leave open.

There is no doubt, however, that small demand does not necessarily reflect small needs. Children in Latin America’s slums often do not have shoes to wear while the upper classes may enjoy daily shopping for designer clothes. This does not mean that the needs of the children in the slums for shoes are less than the needs of the upper class for the latest fashions, just that the upper class has considerably more money for purchases.

Some basic needs can therefore not be left for the market to meet.

## **A planned economy?**

The classic socialist idea of the “planned economy” was based on the representation that it would be objectively possible to determine people’s consumption needs – so many kilos of meat, so much bread, and a certain amount of material for clothing and so on. In practice, this can be seen as a kind of portion thinking: a pre-determined number of portions of a pre-determined number of useful items for each individual.

In the times of great and widespread poverty when this idea arose, it may not have been incomprehensible. The main problem was to provide everyone with sufficient access to the basic necessities such as food and clothes, firewood and medicine if they became ill. At this rather low economic level with very similar demands from very large groups of people for a limited number of products necessary for life, the planned economy might be possible

As the economy grows and people's incomes stretch beyond the bare essentials, personal preferences and wishes lead to a differentiation in the demand that becomes more and more difficult to estimate in advance.

The demand for armchairs against that for cycles or mobile telephones is difficult to estimate according to objective criteria, just as the "need" for microwave ovens in relation to skis, exotic fruits or plants for the borders outside private houses. Demand will always change depending on people's personal preferences. It will also change if and when new technology creates new products or influences prices.

It is simply not possible to include these in any five-year plans – and there is also a risk that attempts to do so would only create an obstacle to the very technological development that creates better or completely new products. Increased welfare with rising salaries that give people more money to distribute according to their own wishes demands flexible production and constant interplay with consumer demand.

There are some basic requirements that can be foreseen with some accuracy and for which it is not reasonable that the economic purchasing power of the individual determines how the need should be met. It must be remembered that the freedom of choice offered by the market always ends where the individual's purchasing power stops: those who have too little money have nothing to choose from, only to abstain. In some cases it is an impossible principle to apply in a civilised society.

Distribution must therefore be in accordance with need, not demand expressed in terms of money. It does not require a planned economy, but rather a distribution policy – or social, tax-funded undertakings.

This assumes a certain amount of rationing, as tax money can never be enough to cover everything. People who do not like the concept of "rationing" can change it for "prioritisation". We will return to this issue later in this chapter.

## **The answer lies in distribution policy**

Food and clothing are among the most basic necessities, and civilised societies usually have least elementary facilities to take care of those who cannot support themselves. In modern welfare states, the most common method is simply economic support that allows people to acquire this for themselves.

Social utilities such as care and education are other examples of important “products” that demand political measures for fair distribution, i.e., according to need rather than economic strength. This assumes that the utilities are financed mainly through taxes and that public institutions control the way these tax funds are distributed.

The most important of the limited resources that people have to manage is of course the environment, in a wide sense. Fresh air and clean water cannot be replaced by high profits. We cannot take more fish out of the sea than the stocks will allow. How much greenhouse gas we can emit is a question of what the climate will tolerate, not the amount of money that can be made from emissions.

These are therefore not resources with which the market can economise. It is necessary to lay down mandatory provisions for the way “the market” manages natural resources. These are laws that “the market” can never set itself. They must be set by a political process – and the starting point is not “the market’s” willingness to pay.

In the current political debate, market economy and political control are often opposite and irreconcilable. In reality, it is of course not about either-or but both. There are some things only the market can manage and some things only policy can do – and a well-functioning economy requires input from both. Things can of course go wrong if policy tries to take over the real market functions. With the way the debate in the Western world looks today, there is reason to point out that results will be at least as bad if the market is left to take over things that are really public functions and social responsibility.

There are some things the market cannot manage. Political rules are needed to manage those things that cannot be priced or which should not be distributed via the price mechanism, out of consideration for important human needs.

This is the model represented by social democracy.

## **Marketisation of policy**

The boundary between market and policy is not just about which tasks belong to the market and which belong to policy. The market is also increasingly making its way into policy workings: there is a desire to introduce market control mechanisms into the public sector, demands for private enterprise to run tax-funded activities with profit, etc.

The demands for freedom of choice within the tax-funded sector include the question of the right and ability of private producers to take over the production of tax-financed utilities – a discussion that looks at the differences between production controlled by need and that controlled by demand.

To us, it is obvious that the tax-funded sector must be based on variation and alternatives for the simple reason that people are different and a solution that is perfect for one is not right for another. Different pedagogic solutions in schools are needed to give all children the same opportunity of a good education, and different forms of help in the home are needed for old people, depending on their health and personal wishes.

It is just as obvious that the way taxpayers' money is used must be controlled by those who are answerable to the voters for the taxes being used for their purposes!

The same applies to the tax-funded sector as to the individual household: money limits freedom of choice. Unlimited freedom of choice is only possible when resources are unlimited. As long as they are not – that is to say never – requirements and wishes must be weighed up against each other and some must be sacrificed for others that are more important. The number of possible alternatives is limited.

In the individual household, the family decides what is most important and takes the consequences in the form of refraining from things that are less important. In the tax-financed sector, this consideration must be taken in a political- democratic process that all citizens can influence on the same terms: which investments are important if the tax money is to fulfil its purposes, e.g., good care and education for all – and what has to be left out to achieve this?

The kind of free right of establishment for private companies currently found in the education sector, and which is making its way into health care, weakens the political mechanisms to control costs – without the introduction of any market corrections in the form of economic responsibility for individual consumers. The effect may be greater freedom of choice for some consumers, but it is counteracted by fewer opportunities for citizens to choose what is most important to invest shared resources in. A new private school in a community is only of interest to a limited number of families who place their children there, but not of interest to others – but it can mean increased costs, which are paid for by all students through reductions in the municipality's own schools. The taxpayers/voters have to face the consequences of something they are unable to influence.

The demand for democratic control over the distribution of tax funds is fundamental. This applies to social insurances as well as public services, and it makes the free right to draw on tax funds, which is part of the idea of the right of free private establishment in the public sector, impossible. No bank would accept a duty to lend money just because someone had an idea for a new company. The bank demands to try the viability of the idea for itself. Municipalities and county councils have to try ideas of new private establishment in the same way, and say no if it is not needed. Those who recommend such free right of establishment say that it is the municipality/county council that decides whether it wants to let in a competitor.

Of course it is, but then it is the municipality that has to pay! It is also the one who has to make the money stretch to much more than just the activity in which the private company is interested, and those with the responsibility for making the money stretch also have to have the final word in what they can afford. Everything else is economically unreasonable.

The primary task of the municipalities/county councils is not to distribute tasks fairly among private companies. Their primary task is to provide the taxpayer with the service that is the reason for levying the tax. This means that quality and efficiency, and openness to new ideas and projects are important, but so is keeping an eye on the money, because there the distribution of tax money involves an inevitable phase of rationing: there is not enough for everything – not even for all the good ideas. It is always necessary to prioritise.

Policy and the market have different mechanisms to handle economic restrictions, as they must. The workings of the democratic mechanisms and ways in which they can be improved can and should always be discussed, but they cannot be replaced with those of the market.

## 6. Social democracy in the world today

The Swedish Labour Movement has been shaped by industrial society. It emerged as a protest movement against the injustices of the industrial society and reshaped this society of injustices into a modern welfare state. The equality ideology that is part of the idea of the Welfare State was the lodestar, but the underlying condition of the Welfare State was the resources generated by the industrial society. A further condition was that economic development could be steered and controlled within the framework of the national state.

As we have described in the section on the history of social democracy, these conditions have now changed in many respects and in a way that also means that the opportunities for political democracy to act have lessened while those of capital have increased.

This leaves social democracy with the task of recovering the democratic freedom to act while we must, at the same time, realise that the forms of and way policy works today and in the society of tomorrow cannot be the same as they were during the time of welfare building.

It may not always have been easy for the Labour Movement to accept these changes in conditions. For decades we have become used to seeing policy as a steady march towards a better society in which nothing could upset the reforms that have already been implemented and in which we were secure in our control of the instruments needed to extend welfare further.

The difficulties of maintaining welfare and employment, which have been noticeable since the 1990s, were initially interpreted as temporary problems caused by poor state finances. When the problems persisted despite the economic recovery, the debate tended to divide into two lines, both of which are about methods and technical solutions:

*One line* explains the problems as social democracy having abandoned its old solutions from the period of the Welfare State, and sees the solution in a return to this type of policy.

According to *the second line*, these solutions have not been adapted to today's society, and it looks instead for solutions based on greater market thinking and controls that imitate the market.

*A third kind of debate* has begun to emerge in recent years that – so far maybe a little tentatively – looks for new solutions based on an analysis of the new reality and the new forms of social democratic idea-based policy that are required.

We believe that the debate on the future policy of social democracy must start with a realistic analysis of what the surrounding world looks like today, including the fact that it has reduced the room to manoeuvre.

Based on this analysis, the discussion can start on solutions that are possible and reasonable based on the ideological starting points of social democracy.

There is no reason to accept the right-wing thesis that current development demands more from the market and less from democratically supported policy; it is an ideological, or rather interest-controlled, motivation. However, we must accept that other forms of democratic-political control are needed today.

With this, social democracy faces two challenges. One is naturally to shape this new policy. The other is clearly to pursue the debate that policy is necessary for a stable and fair society and that task can never be taken over by the market, less still the capital interests on the market.

It is a deep conviction with both of us writing that equality between citizens is the only possible basis for a society that is both stable and open to change.

Many voices in today's debate warm to the advantages of bigger divides and greater differences between citizens. It is worth noting, however, that all of them are found within the social groups who believe they are on the right side of the divide. They forget that inequality also comes at a price, a price that has to be paid, and often dearly, by those who have to take the low-paid and very limiting jobs, those who despite hard work will never have enough money to be able to "choose" anything other than the cheapest and most essential, those who can never buy the toys and clothes for their children that their friends can who are better off, those who for economic reasons have to squeeze into a small apartment and never have the money to travel anywhere.

This price is also paid by society, however, and in the end it affects those who believed they benefitted from the inequality. Economic and social inequalities create bitterness, friction and confrontation; people who feel that they are badly treated by society have no reason to be loyal to a society that does not show them any respect. The need to constantly compete with others to ensure one's own welfare creates distrust between people, and the requirement to constantly perform at one's best to prove one's value wears down the individual. It is hard to see that increased market thinking, and all that it has meant with changes in living conditions, has led to greater happiness and satisfaction; on the contrary, reports on worry, stress and psychological problems are increasing, not least among young people.

Many of the problems facing the world today, in and between nations, are due to inequality and the tensions this breeds. Upholding the policy of equality and fairness is not just a question of ideology, it is about the necessity to create a more peaceful and stable world.

## The new reality

Here are some important changes in economic and social structure that create new starting points for policy.

- ***A different labour market.*** Around the mid-20<sup>th</sup> century, industry was responsible for the highest proportion of jobs. Today, industry is responsible for just under 20 per cent of jobs. Even when indirect jobs created by industry in other branches are included, it is a much more heterogeneous labour market.

Duties are much more varied, the demands for specialist knowledge have increased and the proportion of unskilled jobs that people can start directly without any previous training have become fewer.

In many trades, working hours extend over the whole or most of the day and night, and in many places there are big variations in the need for seasonal staff.

More stringent demands and a higher tempo within the private as well as the public sector have increased rejection from working life despite the many improvements in the physical working environment.

Greater demands on variation, specialisation and flexibility make it much more difficult to lay down uniform labour laws (at least ones that work) than during the 1960s and 70s.

The span in the labour market and the growing demand for specialist skills put pressure on increased wage gaps, and the widening wage gap has been a clear characteristic since the 1990s.

Rejection by working life means that the welfare systems face new requirements that are not easily solved, though the solution should be looked for in measures in working life itself rather than measures in social insurances.

- ***Less scope for the nation state.*** The nation state has not lost its importance, as some debaters claim, but the national scope to manoeuvre in economic policy is tighter than a few decades ago.

The level of interest rates is determined primarily by international interest rates and the surrounding world's confidence in the stability of the Swedish economy. The Bank of Sweden has some scope to manoeuvre, but it is much tighter than in the 1950s and 60s when it could generally be adapted to the domestic situation. There is therefore less opportunity to counter changes in the state of the market through changes in the interest rate than before.

This is one of the reasons why the possibilities of Keynesianism are almost gone, i.e., to increase state expenditure in times of recession in order to increase demand (and employment) in the economy. The risk is that such measures would be seen as a worsening of state finances and lead to rising market interest rates, which would counteract the effects of the incentive policy.

At the same time, it should be borne in mind that this policy began to lose its effectiveness already in the 1970s, as the greater purchasing power it created no longer went on purchasing domestic production, i.e., things that kept employment levels up on the Swedish labour market.

Today the exchange rate is floating and the rate of the Swedish krona is determined by the international business climate, confidence in the Swedish economy and, possibly, distrust of certain other economies.

The opportunity to correct imbalances, as in the 1970s and 80s, in the Swedish economy – for the export industry, for example – has thereby been lost.

To sum up, this means that some of the economic-political instruments that were important during the time of the Welfare State are not available today. It should also be pointed out, however, that during the period when they did exist, they were not a miraculous means to magic away underlying shortcomings in industrial life; interest and currency exchange rates were means to influence the trend in economic activity, not to deal with structural problems in the economy.

Technological development, high-quality products, well-trained staff and intelligent organisation of working life are the decisive factors – and a cost trend that does not penalise Swedish production out of the market. Failings in one or more of these respects cannot be fixed by interest rates or changes in the currency exchange rate.

• ***Tougher international competition and flexible production.*** Another few years into the 1970s and Sweden had a competitive advantage over other Western European countries, a head start that allowed it to keep slightly higher price and wage levels.

That head start has long since gone. The rate of wage increases has to be adapted differently to the surrounding world. Production is mobile across borders in a different way: an increasingly common pattern is international conglomerates with subcontractors from many different countries around the world.

• ***A more divided society.*** At the time when the Welfare State was being built in Sweden, it was a fairly homogenous country and that does not just mean that there were few foreign-born citizens. Workplaces and lifestyles were, if not identical, quite similar across the country and the needs and wishes for the future, in particular, were very similar for large groups of the population: an expansion of health care, more schools with better opportunities to give children an education, better accommodation, greater economic security in old age and in the event of illness and unemployment.

The social reform policy and the increased tax burden it demanded was able to gain the support of large majorities because it answered real needs of most of the citizens. Everyone could benefit from the reforms and everyone was therefore prepared to pay.

The fact that the needs were so similar meant that fairly standard solutions could be used that were easy to handle economically and organizationally.

Today, Sweden is a much more heterogeneous country. Schools, care and education need to be differentiated in a way they were not before, according to individual and other different needs. Health and unemployment insurance face new demands when the norm on the labour market is no longer permanent employment with one and the same employer. There are failings in social welfare today and, taken together, quite a lot of people are affected – but the failings are not the same for all groups. This requires more special solutions, and it can be difficult to get the support of majorities behind each individual solution or, maybe, for the increased cost they bring.

The demands on tax-funded welfare are growing for a number of reasons. The proportion of pensioners in the population is growing as is the number of young people in education. Medical advancements allow more serious illnesses to be treated, but the treatments are often costly. The demands for greater freedom of choice and more alternatives also push up costs.

The fact that the proportion of pensioners and students is growing means that the proportion of people in gainful employment, i.e., those who have to work to pay the taxes, is falling. This alone creates problems of managing the financing of growing demands. This is further reinforced by rejection in working life, which means that many people of working age are unable to find work.

Added to this, there is probably some international, downward pressure on taxes. This probably does not mean that we have to reduce the total tax levy but rather that it would be difficult to raise it.

• ***New class patterns.*** The welfare reforms during the period of the Welfare State were based on an alliance between the working class and the middle class. In the current debate, the idea of also aiming social democratic policy at the middle class is sometimes seen as recent (sometimes even as being inspired by European rather than Nordic debate). The strategy is old, however, having been developed already during the 1920s. It is part of the very concept of “the Welfare State” that policy is not specifically aimed at the working class but at the people.

The fundamental idea is that the working and middle classes have the same interests as wage earners when it comes to, for example, the distribution of production results between work and capital, and influence over working life.

New class patterns are beginning to emerge that may affect the conditions for this alliance. “Class” is determined by the position in economic life, especially the control of the production means. Today, different kinds of specialist knowledge are becoming important production means – capital – and persons in possession of such capital command a strong position in working life that is fully comparable to that of big capital ownership. This group differs from the traditional capital-owning class and middle class. If this new class chooses to ally itself with the capital-owning class it could affect the old alliance between the middle and working class.

There are also shifts in the working class. Skilled workers can be said to have strengthened their position while at the same time, there is a clear increase in the proportion of jobs with insecure employment terms and low wages, and short intermediate periods of unemployment are common.

This development may possibly be reinforced by the demands of the well-paid specialist class for the availability of cheap personal services (laundry, cleaning, gardening, childcare). This is clear from the demand for tax-subsidised household services and generally in the commonly voiced view that we must invest more in more low-paid service jobs to reduce unemployment.

These changes in class patterns are important to the distribution policy considerations that will need to be made in the future when growing demands on the public sector will be increasingly difficult to finance.

• *New problems of equality.* Ever since the 1960s, equality between men and women has been an important issue for social democracy. Then it was about the opportunity for women to have gainful employment and economic independence, which in turn required an expansion of social childcare. The proportion of gainfully employed women has risen sharply since then, and today the proportion of women in gainful employment is the same as that of men. We have discovered, however, that the opportunity to work is not enough on its own to achieve gender equality. Men still dominate in higher positions, especially in private industry, while women are overrepresented in service work in relatively subordinate positions. Women's wages are on average lower than those of men even for similar tasks.

The increasing demands of working life put more pressure on family life and the conditions under which children grow up. The demands of working life on men and women with a good education and a desire to advance in their work makes it difficult for them to have enough time to meet the needs of their children. At the same time, commercial interests have produced a sexualisation of public space, with young female bodies being used as sales arguments, not least for magazines and TV programmes. Altogether, we can see that the many demands on women – to be successful at work, beautiful, attractive and good mothers – create stress, which in turn leads to health problems.

If there are clear differences between the conditions for men and women in working life then the same applies to immigrants compared with Swedish-born citizens. The risk of unemployment is higher and the average wage lower for immigrants, and persons with a foreign background are more often found in subordinate positions in the labour market or working in professions that are below their level of education. This can be explained partly by language difficulties, but it is clear that there is also real discrimination against immigrants in working life.

The conditions in working life have led to segregation in accommodation, and this is particularly obvious in metropolitan areas. Differences in economic conditions are reflected in accommodation: people with small economic resources dominate in certain areas, often located in the outer areas of the cities. The more attractive areas are dominated by people with higher wages and good economic resources. In practice, this also equates to ethnic segregation, as immigrants are often found in the type of low-paid jobs – or completely outside the labour market – that do not offer any choice on the accommodation market.

Accommodation segregation – and rejection in the labour market – has led to housing areas in many large cities being characterised by social problems and isolation. This means that many children grow up under much worse conditions than others and this is also reflected in worse results at school.

Traditionally, social democracy has discussed equality issues in terms of class, i.e., inequalities created by production conditions. The equality issues we have described above can also be seen partly as class issues. It is about conditions in working life for people in subordinate positions, but it is not only a class issue. The fact that women more often than men and immigrants more often than those born in Sweden are found in such working conditions shows that gender and ethnic background also play a separating role that creates inequality.

• ***Much more stringent requirements for environmental considerations.***

Today, the whole production system is based on the supply of energy in copious quantities and at a price that is not too high. The fact that energy will be a more limited resource in the future – and probably more expensive – than it is today will mean significant changes in the productive powers, of a kind that will also impact on the social structure. This also has implications for distribution policy. When a resource becomes scarce, competition and conflict arise on how it should be distributed. This is made worse by the fact that the demand for energy resources is growing in parallel with the increased need to reduce energy consumption. More and more countries are becoming industrialised and want a share of the welfare they create – and that requires energy.

This places completely new demands on environmental policy, including social planning, demands that can probably not even be foreseen today. Energy policy must deal with both the purely technical issues of converting to a more energy-efficient society and measures for a fairer distribution of energy consumption. It is also likely to require major changes to the transport system and accommodation pattern – and maybe also changes due to the conditions of globalisation.

## The challenges

There are no ready answers for the way social democracy should handle these different changes and we do not see it as our job to deliver any programme proposals in this regard. The programmes must be worked out within the Social Democratic Party starting out from open and in-depth discussions within the Labour Movement and with research and voters.

Purely as a contribution to the debate, we want to bring up a few points that can serve as an impetus for continued discussion on possible ways of dealing with some of the challenges we face today, starting from the new conditions and the classic values.

- **Internationalisation of the economy** also requires internationalisation of policy. The cooperation opportunities in the many multinational bodies such as the UN, the WTO and the EU should be used, and international social democracy should influence and change these organisations.

The EU, for example, could be a democratic and social counterweight to capital interests, as it already is – though only partly. Today, EU institutions are characterised by too much market ideology, which in practice puts an equal sign between social interests and producer interests. Democracy is subordinate to the market, not the other way round.

It is therefore important to work to strengthen the interests of the wage earners and consumers within the EU. This requires cooperation with social democratic parties in other countries, trade unions and generally all democratic parties and organisations that want to work in this direction.

The international cooperation also includes building political alliances across borders to mould opinion, for example, on issues that are important in many countries. Support for trade unions in developing countries also creates counterweights to capital interests.

We also want to point out, more as a reminder of the great importance of the issue, that the work for human rights and international peace and stability must be strengthened – but this does not mean a change in relation to the current social democratic attitude.

• **The fact that industrial development** has not only provided opportunities for big increases in welfare but also involved much wear and tear, sometimes direct destruction, of natural resources and living environments has long been known. Today it is clear that there are very high demands for changes, especially in energy usage, in the form of energy conservation and the development of alternatives to fossil fuels.

This will certainly not only demand technological changes such as more energy-efficient production processes, better insulation in housing, fuels other than petrol for cars, etc. It will also require changes in the way society is organised and the way people live. This in turn brings new kinds of distribution policy risks.

All industrial development, and the welfare resources it has created, is based on a plentiful supply of energy at a cost that is not too high. Mass production of goods, motorism, aviation, better standards of accommodation, all modern communication technology – are all based on large-scale utilisation of energy that increases the production power of the economy far beyond human labour input. This has shaped not just industrial life, but all of society. When the conditions for energy use change, it will have a radical effect on both society and the economy.

It is not clear today what energy resources will look like in the future. Technological alternatives to fossil fuels already exist, and this technological renewal will naturally continue. Some of the alternatives also have an impact on the environment, however, or take resources from other important production, and this imposes restrictions on the extent to which they can be used. Other alternatives, at least currently, involve higher production costs.

There are three clear lines of conflict for energy and climate issues.

The first, according to classic Marxist analysis, is about the control of production itself and (the distribution of) energy. International policy already offers many examples of such a power struggle: big financial interests are involved in oil production, important points of American foreign policy are determined by the need to protect oil supplies, the oil-producing countries strive to control supply and pricing, Russia has used its gas resources on many occasions to apply pressure to neighbouring states, etc.

The other line of conflict runs between the strong financial interests in different types of large-scale energy-hungry production and the environmental policy requirements for drastic changes at least – and in the end maybe reductions – in this production. A typical example of this is the car industry which has run intensive lobbying campaigns against, among others, attempts in the EU to tighten emission requirements for new cars. Another example is aviation, especially low-cost flights.

A third point of conflict is among consumers. The insight into climate damage has made many people more prepared to reduce their own energy consumption, though there are also large groups who want to tone down the problem and not acknowledge the necessity of a change in their lifestyles. If price increases were to be used as the main tool to reduce energy consumption by households, there is the additional problem that groups that are better off will be able to maintain a certain degree of overconsumption while low-wage groups are forced to cut down on essentials – as in the infancy of the Labour Movement when many workers simply did not have enough money to keep their homes warm.

All these conflicts can lead to economic difficulties, political conflict and social tension without bringing the necessary change in the production and consumption of energy any closer to a solution.

None of these conflicts can be solved by “the market”. Changes in consumer demand will continue to send signals to companies that they need to switch their production, but so far this has proven to be a fairly slow process that will take too long in relation to the real needs. We have also seen how strong producer interests are trying to resist change and reduce the need for them. The change towards more energy-efficient production processes and lower emissions of residual products into the air and water that has been made in recent decades is partly the result of market mechanisms (=higher energy prices), but more down to stricter environmental policy requirements.

In some trades of strategic importance to energy consumption the need for change is so sweeping that individual companies cannot do it alone, even if the will is there. The changes require big investments as well as an overview and coordination that go beyond the seller-purchaser relation.

Political measures are therefore required, internationally and nationally. In particular, it is about policies to increase consumer pressure for production with reduced greenhouse gas emissions.

The power struggle for energy sources naturally depends on which alternatives to fossil fuels will be available. It is about big investments in research and technological development work, and these will not be made to a sufficient extent without dedicated social investment that coordinates contributions in many countries. The most important political contributions, however, are about influencing and changing energy consumption.

The part concerned with less energy-intensive production processes in industry can probably rely on the price mechanism: more expensive energy will give companies a vested interest in using less.

When it comes to transport systems, food supply and house building, however, the situation is different and maybe more complicated.

The transport system needs to switch to use more public transport and fewer cars. International cooperation is required to build railways that will allow for quick and efficient transport across borders and nationally to extend public transport in large urban areas. International cooperation for better railway communication has so far been much too slow: national prestige and consideration for national car industries and airlines appear to stand in the way. It is necessary to press on together with other close parties and organisations in the EU to improve and speed up cooperation.

Current development towards sparser urban areas, often with long commuting distances between work and home, will lead to special demands for new communication solutions, if and when it is no longer obvious to use cars.

All this requires big investment in projects, and a partnership that includes private financial backers is therefore desirable. The initiative and coordination must come from a political level however – not least because opposition can be expected from groups with a strong interest in other types of transport solutions.

Much of current internationalisation is based on increased transport: subcontractors all over the world can be linked to the production of a particular product, and the subcomponents may be transported long distances to their final assembly point. Food is also transported long distances, sometimes in both directions: fish is caught in the North Sea, carried by refrigerated transport to Asia for processing into convenience food and then returned to Europe for sale.

The difference in wage levels between countries makes the transport profitable; the cost of transport is countered by lower production costs. In terms of economics, the calculation is correct; in terms of climate economics it does not add up, as it results in big increases in the emissions of carbon dioxide. New transport systems, tighter emission requirements and alternative fuels to petrol can reduce the problem, but it is not unreasonable to assume that the development towards more geographically split production will slow down as the cost of mobility increases and profitability falls.

Food production is a sector that is likely to be changed by this. Naturally, it is not possible for any country, other than the geographically largest, to manage solely on nationally produced food. It is possible, however, and in all likelihood necessary to increase the proportion of food produced local (or regionally). Measures are required within agriculture, at national and regional level, and the planning must start now.

The housing sector is responsible for quite a high proportion of Sweden's energy consumption. Measures to improve energy conservation have been successful, but as the total volume of housing has increased at the same time, the overall level has not changed much. As energy prices rise, it can become more difficult for some households to cope with the costs that large houses today demand. This is one of many reasons why political solutions are needed to influence the pricing of energy companies. Rising prices can of course play an important role in reducing general consumption. Current pricing offers very generous profits, and it cannot be taken for granted that this generosity will be reasonable when the price level is high.

The big changes needed in the field of energy puts the whole question of policy against market in a different position to that given by the current strong stress on “the market” and “private enterprise”. Market mechanisms naturally have a role to play: higher energy prices affect the behaviour of both producers and consumers towards greater economy, and changes in consumer demand will also change the direction of production. There is a lot of inertia in the current markets that acts in a restrictive direction, not least when big capital interests are linked to much of the current energy production and energy consumption. There are also important overall measures that are completely outside the reach of private companies and which can only be implemented politically. The latter is also about moulding opinion: as it is about changes that affect people’s way of life. It is essential that this insight and understanding is spread – starting now.

• **A clear feature of all Western industrialised countries** is rejection from the labour market. This is partly due to tougher international competition, which demands low price and wage increases. It has had the overriding effect of increasing unemployment. The proportion of people outside working life is higher than can be explained by registered unemployment. Young people find it difficult to enter the labour market, as do older people who have lost their jobs and cannot find new ones. Unqualified people generally find it more difficult to find work today, as do immigrants. The higher tempo and increased demands of working life also mean that minor injuries and health problems can be obstacles to work. These requirements also lead to greater wear on those in work.

The debate of recent years has tended to look for the explanation to the problems in overly generous social systems: it is not worth working when sick pay and unemployment benefit are relatively high. The solution is therefore to reduce compensation to force people back into work.

There are many objections to this explanation. Firstly, comparative studies within the OECD show that two groups of countries have the highest activity rate: the Nordic countries, which have generous rules for unemployment benefit as well as an active labour market policy, and the Anglo-Saxon countries (Great Britain, Ireland, the USA) with very low compensation. There is thus no automatic link between the level of unemployment benefit and the level of unemployment, and consequently nothing that guarantees that unemployment will fall when compensation is reduced.

Secondly, these study show that the problem of rejection exists in all countries regardless of the welfare systems. The Nordic and the Anglo-Saxon countries have very similar employment rates despite very different social security systems.

From this, we can deduce that countries with low levels of compensation also have problems getting the group that, for different reasons finds it difficult to cope with the competition for jobs, into work. Another way of expressing it is that rejection is about the structure of the labour market – not the social security system. It also follows from the fact that in all countries, independent of the compensation rules, the same groups have problems entering the labour market.

It is the labour market structure, the conditions in working life that social democratic policy must aim at.

A low level of education, or the wrong education in relation to the needs of the labour market, is one of the most common obstacles to work. This makes investment in adult education and labour market training important. Education obviously does not reduce unemployment in times of recession, which Sweden clearly experienced during the economic crisis of the 1990s (even if, when the business climate changes, it means that many have improved their chances of getting jobs). When a low level of education becomes an obstacle for an individual to enter the labour market, training is of course an effective instrument. Carefully thought through investment in adult education as well as labour market training is an important element of social democratic policy of the future.

Health problems are also an obstacle to the labour market – and it does not have to concern particularly serious problems for the employer to hesitate to employ someone. With the current high demands of working life, it is necessary to perform at one's peak throughout the working day. Those who cannot quite meet these requirements, even if they are only minor shortcomings, are easily pushed out.

This is reinforced by increased specialisation within companies, which means that there is often less chance of transferring employees internally to other tasks than a few decades ago. The alternative is sick leave or dismissal.

This cannot be solved by reducing unemployment benefit. It is about changing the organisation of workplaces through, for example, improved staff planning and better timetabling. Many who cannot put in 100 per cent work effort can manage 90 or 80, but work is not always planned to allow for this. There are of course part-time jobs and an increasing number of hourly and casual jobs, but these are far from always in accordance with any organised staff planning. Hourly and casual employment is usually used to fill gaps, not to create jobs for persons with a slightly reduced capacity for work.

Temporary jobs, particularly hourly and casual employment, are on the increase. This is partly in answer to real needs by companies for greater flexibility, but it is also about the employer making use of the fact that there is currently always extra staff available.

Temporary employment has several drawbacks for the employee, not least the difficulties of planning his/her economy. It is also probable that this increases short-term unemployment, as there are often periods of unemployment between temporary jobs.

It may become necessary with legislation that restricts temporary employment, though better organisation of work and staff planning are best achieved through new forms of cooperation between the employer, trade unions and employment offices. With the conditions that prevail today, it is unavoidable that companies have real needs to vary their labour force, and, for this reason, it is necessary to work out forms that allow this to be combined with reasonably secure working and wage conditions for those who have to provide the variation. Permanent pools of supply staff in health care and large companies are one such solution. The model with staffing companies also has benefits (provided there are collective agreements with guaranteed basic wages) and should be possible to develop.

The employment issue is not just about how to get more people into work but also about the kind of work they should do. The current debate is dominated by the view that it is necessary to allow for the growth of more low-paid service jobs, i.e., the type of jobs that have, in part, supported the growth of jobs in America.

There are of course benefits with low-paid service jobs for those who have access to more, cheap services through them. There are obvious drawbacks for those who carry them out and who have much worse economic living conditions than others. As we have already established, it is a kind of inequality that risks leading to social tensions and problems. This on its own is a reason for the social democratic labour market policy not to focus on such jobs. We want to reduce class differences, not increase them, and that makes the conditions of working life the main issue.

There are also other reasons: more low-paid jobs and fairly unskilled work is not a stable basis for economic growth. As an economy, Sweden is heavily dependent for its competitiveness on producing more skilled, knowledge-based jobs. This requires us to greatly increase our investment in research and development, as well as measures to turn the results of the research into practical changes in production life.

The changes required by the necessary reorganisation of the energy sector offer great opportunities to create such new skilled jobs, not just for technical specialists but also for professional workers and craftsmen. With more such jobs, resources for tax levies increase as does private consumption – and with that the opportunity to pay reasonable wages for service jobs.

The tying together of energy policy and employment policy is therefore an important strategy.

• **It is a slightly strange trend** in today's debate to see "the market" as a better instrument for civil influence than democracy and policy. The market can, however, meet the interests of customers and consumers. Citizens' interests are more about products that can be bought and sold. "The market" is too narrow a channel to influence society and can never meet the needs of democracy.

The demand for greater market influence is naturally partly an expression of business interests wanting to extend their influence over society, but the movement away from political institutions points to real wishes to express social involvement in other forms than those of traditional politics. This is not solved by handing the policy to "the market" – instead it is about expanding the opportunities to take part in practical social work. Even if the common, social concerns must ultimately be channelled through the political decision bodies, not all social involvement must be linked to political institutions. Different kinds of voluntary organisations, small local ones as well as big nationwide ones, can be decisive to the leisure environment of young people, to cultural life, to security in the neighbourhood, to the chances of success of integration policy and much more. It is also clear that voluntary organisations can sometimes put effort into social work that authorities cannot, such as women's refuges or family associations in health care. Cooperation between public institutions and voluntary organisations needs to be developed further because it is of practical importance to social development and because it gives more people the opportunity to take part in democracy.

•**There is a risk of increased conflict** over distribution policy in future decades when demands for tax-funded services rise and it may not necessarily be possible to increase taxes at the same rate. This stresses the necessity to keep the control of tax money in the political sphere. Without such control, it becomes impossible to set any priorities for distribution policy. Likewise, it is necessary not to divide the underlying organisation in a way that makes it impossible to coordinate resources within different parts of the health care or education system. Rather, it requires measures to improve the chances of such coordination. In some respects, municipalities and county council already have problems coordinating activities with shared responsibility. There is no reason to reinforce these problems through privatisation, which would mean that even more actors had to be coordinated. Instead, the current and at times complicated, cooperation structures without any clear distribution responsibility need to be reviewed and simplified.

Just as before, it is necessary to build alliances with different social groups in order to safeguard a fair distribution policy – it is never possible to safeguard a political principle unless there is a majority for it in Parliament. In the future it will be important to bring together the interests of different generations, as the proportion of pensioners and students increases.

# **Arbetarrörelse ns Tankesmedja**

Föreningen Arbetarrörelsens Tankesmedja has three members:

The Swedish Trade Union Confederation (LO), the Swedish Social Democratic Party and the Workers' Educational Association (ABF).

The aim of Föreningen Arbetarrörelsens Tankesmedja is to stimulate debate on the information and challenges facing the Labour Movement in today's changing society.

The debate shall be conducted independently, and values of freedom and equality shall be upheld based on objective analyses of development. The association shall disseminate its ideas to different social spheres. The association's day-to-day activity includes

- √ analysing social changes,
- √ developing ideas and stimulating a discussion of ideas on important issues for the future,
- √ building networks to support this development of ideas.

**[www. arbetarorelsenstankesmedja. se](http://www.arbetarorelsenstankesmedja.se)**

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