



English summary

The model that climbed out the window

*– on globalisation and
the future of the Swedish model*

Authors: Claes-Mikael Jonsson and Ingemar Lindberg

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Foreword

THE ONLY CONSTANT in life is change. Nothing lasts for ever – apart from just change. For the most part it is gradual and hidden, but it can also be dramatic and sudden. It is fascinating how we humans have learned to live in a whirl of constant disintegration and renewal, struggle and contradiction, duality and pain. How we orient ourselves in paradoxes with ease; a universe where Marx said that “everything that is fixed evaporates”.

Globalisation, this concept that covers so many notions, that is so elusive, is often perceived as a disciplined natural force whose consequences are unavoidable. However, it is interesting to note how the Swedish model has developed along with changes in the rest of the world.

How we have brought the world to us.

When the Swedish model took shape after the Second World War the main issue in the economy was how (over-)full employment and inflationary pressure should be managed. The supply of labour was limited. The currency, capital and credit markets were heavily regulated. The sovereignty of the nation state was intact. The social partners, together with central government, could control developments in the labour market.

Today the problems seem more or less the exact opposite. The supply of labour is practically unlimited. Unemployment is high and the economy is beset by deflationary tendencies. The currency, capital and credit markets are global and heavily deregulated. In the context of EU cooperation the sovereignty of the nation state is restricted. Along with central government the social partners can no longer fully control the labour market.

Everything fixed evaporates, but the Swedish model seems to endure. While working on this report we often pondered over what is really meant by the Swedish model. Is it its institutional building blocks? The interaction between wage policy, fiscal policy and labour market policy? Is it the trust between the social partners and central government? Party autonomy and social responsibility?

In the course of the work I have started to think of the Swedish model as an attitude. A collective will and capacity for change. An understanding that we all, from the cardboard box outside the supermarket to the fashionable luxury apartments of Östermalm, must have the

opportunity to contribute to our best ability. But also a common insight that the value created should be shared fairly. Perhaps the model can be described as an open attitude to change?

It is easy to experience contemporary society as unique. The winds of change always seem to blow stronger in the present than in the past. The power of the present over thought can be confusing. Presumably changes in the labour market in the society of the 1950s and 1960s were considerably more extensive than those of today. The internet is all well and good, but dishwashers and washing machines, women's entry into the labour market, the car, the television and many other changes that we now take for granted, were probably considerably more subversive than today's more fine-meshed changes.

The report was written by Claes-Mikael Jonsson, lawyer at the Swedish Trade Union Confederation, together with Ingemar Lindberg, for many years a research officer at the Swedish Trade Union Confederation. It was written as reference material for the project *Full employment and the wage policy of solidarity*. In the report we have attempted to follow the Swedish model over time. And again – it is just this capacity for change and adaptation that fascinates. How the model, time after time, succeeds in reinventing itself, resolving conflicts and creating meaning and context in a world that is in constant flux. This is the story of a model, which like the hundred-year-old man “refused to lie down and die”.

The project hopes that trade unions, elected representatives and other actors in the labour market with an interest in the Swedish model and globalisation will gain something from the report. The contents and conclusions of the report are solely the responsibility of the authors. We hope that the report can serve as an important basis for the continued work of the project.

When you are in a spin it is easy to believe that you are the first, perhaps the only, person to experience the force of change. But this is seldom the case. We are all part of a movement. We are all part of the change. In this report we want to present our view of the Swedish model, globalisation and change. The world changes. And we with it.

Stockholm, December 2014

Claes-Mikael Jonsson

Project leader, Full employment and the wage policy of solidarity

Summary

OVER TIME, THE EXPRESSION “the Swedish model” has come to be used to refer to both this and that, to almost everything that may be seen as having distinctive Swedish characteristics – at least everything that is good. The expression has often been linked to notions of balance, the middle way or “just right”. Not infrequently – when used by Swedes about Sweden – it has acquired a strain of self-righteousness. But countries’ different models have historical and cultural roots. People in other countries as a rule prefer “their” model. And diversity has a value; only dogmatists want to melt down all countries into one and the same mould.

This report takes as its starting point the economic labour market model developed in Sweden in the 1950s and 1960s, which is also called the Rehn/Meidner model after the two LO economists who set down the ideas on paper. We follow the model’s fortunes and adventures, discuss the forces that created the great shifts of the 1980s and 1990s, and conclude with some proposals for areas where the ideas of the Swedish model – in the spirit of the original model but under different conditions – can have an inspiring effect today.

When the original model (i.o) was formulated, in the decades after the Second World War, conditions were different from today in many ways. The Swedish economy was running at full capacity. The dilemma was to maintain full employment without excessively high inflation. The model sought a Swedish way out of this dilemma. The post-war model contained a strong element of pragmatism, middle way and mixed economy. The path our country took was a class compromise with historical roots.

But after a few successful decades of full employment, rising real wages and extended welfare, the “model” came rather to be characterised by quite fierce shifts. The structural crisis of the 1970s with lower growth and higher inflation was treated in Sweden as a recession. Central government intervened in matters previously regarded as questions of negotiation between the social partners. Real wages stood still, negotiations snarled up. A series of six devaluations up to 1982 showed that macroeconomic coordination no longer functioned. The deregulation of

the credit markets then contributed to the overheating of the late 1980s and the largely home-made Swedish crisis of the early 1990s.

Only from about 1995 onwards is stability again established, a Swedish model 2.0. A technocrat-controlled Riksbank regulates the scope for wage increases via interest rate policy. Fiscal policy binds itself with the help of a budget ceiling and surplus target. Sweden joins the European Union. Unemployment sticks in the long term at 6–8 per cent. But central negotiations live on. Nationwide collective agreements still cover almost the entire labour market.

The Swedish model 2.0 is formed in a new environment. The first thirty years after the second world war – when model 1.0 was developed – seem in hindsight to be a unique period of world history; a period of stable growth, full employment, rising wage share, decreasing income differentials and expansion of general welfare. These features were not just found in Sweden but throughout the western industrial world. It was a worker-friendly epoch.

Beginning in the years around 1980 a shift took place throughout our world. This started a phase of lower growth, recurring crises, widening gaps, reduced wage share and mass unemployment. Our report discusses the reasons. Of course this great shift in our world could not have had Swedish causes, such as trade union presumption or welfare going too far. The shift started, and goes furthest, in the countries that have the least welfare policy and weakest regulation of the labour market; the Anglo-Saxon countries. But when the mists clear after the deep Swedish crisis of the 1990s and the Swedish model 2.0 takes shape, it is in a capital-friendly epoch. The balance of power has been dislodged and the spirit of the times changed.

In that reasoning, “globalisation” arises as a conceivable explanation. This imprecise concept, which captures so many different notions and perceptions. Descriptions of globalisation are never far from extremes. Sometimes it is blamed for all conceivable grievances, other times it is the giver of all things good. Reality tends, however, to be more grey and complex.

We believe that globalisation has a strong influence but should not be perceived as an obstacle. The influence of globalisation is seldom direct and differs from country to country. It is misleading to assume a simple correlation such as: the more globalisation, the less Swedish model.

Globalisation is conveyed through each country's institutions – such as labour law and negotiation procedure – in our country through the Swedish model, as it functions today. Globalisation means a power shift, but it is possible to influence and the ways of handling its impact differ.

In conclusion we point out three areas where the Swedish model's thinking could inspire present trade union actions. The first is to build up cooperation with the employers, including joint highly qualified and independent research work, to strengthen the development capacity and competitiveness of the Swedish business sector. The second aims to safeguard sufficient national discretion, in trading agreements and the EU legal system, so that democracy is not subordinate to the demands of the market. The third area concerns working for wage policy consensus, focused on sufficiently strong demand for growth and full employment between trade union organisations in the countries of northern Europe that have competitive economies.

The balance of power and spirit of the times determine the framework for the future of the Swedish model. The trade unions are one of the determining actors in both fields. As regards the balance of power, this is a matter of doing two things simultaneously. One is to safeguard sufficient national discretion to be able to ensure that the Swedish labour market is regulated through Swedish collective agreements. But that is not enough. The second major task for the future is to build transnational trade union efficiency in relation to a globalised production system.

The task of ideological policy is to oppose today's destructive blind faith in the self-regulating market. This means promoting instead pragmatic ideas of a mixed economy of the type that used to support a broad consensus on the Swedish model. The fundamental idea of the Swedish model is productive justice.



Karl Marx wrote that “everything that is fixed evaporates”. This is a Summary i English of a report that deals with how the Swedish model has developed along with changes in the rest of the world. How has globalisation impacted on the model? Has everything evaporated? The report takes as its starting point the economic and labour market model developed in Sweden during the 1950s and onwards. The report, issued within the framework of the project *Full employment and a wage policy of solidarity*, deals with some of the future challenges of the Swedish model.

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