

Sweden – A Reinterpretation of the Middle Way Country

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1. Introduction

„When in spring 1936 the young American journalist Marquis Childs published a short volume on the reform policies of the Swedish Social Democratic Party entitled *Sweden: The Middle Way* it became a surprising best-seller. It was penned at the time of the Great Depression, when over 20 million Americans were out of work and faith in the capitalist system had been severely shaken. In sharp contrast, in the totalitarian systems of fascist Germany and communist Russia, Hitler and Stalin claimed that everybody had a job. It was against this backdrop of capitalism in crisis, on the one hand, and the pretensions of the illiberal regimes of right and left, on the other, that Sweden's Third way appeared to offer salvation by demonstrating that it was possible to create a society in which full employment, social security and equality could be combined with democracy and respect for individual rights. Following Childs's analysis, Sweden became not just another state but a model for other states, its solidary ‚people's home‘ respected as a shining example of consensus politics and the product of an historic compromise between capital and labour. Sweden became the epitome of an egalitarian culture and pragmatic style of politics that many yearned to emulate.“

The quotation above is taken from British political scientist David Arter's book *Scandinavian Politics Today* (1999, pp. 145–6). Already before the Second World War, Sweden had become known as a middle way between raw capitalism and ruthless fascism, Nazism and communism; something so contradictory as a kingdom, with a socialist government, private companies, strong consumers and housing co-operatives. Today, very little remains of that image. What happened?

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To try to answer that question, this article considers a very different view of Sweden in the 20th and early 21st centuries; a view that Sweden is a country that has swung between extremes. I develop the argument for this in the following pages.

2. The emergence of the Swedish model

From the middle of the 18th century until the First World War, Europe faced a dire situation with a rapidly increasing population and an economy that could not absorb the population surplus. The salvation was to immigrate to North America. More than 1 million people, between 20% and 25% of the total population, emigrated from Sweden between 1850 and 1914. Every Swede had relatives in the USA and their connections with that country were often more frequent than with many other regions in Sweden. Swedish author Jan Myrdal once claimed that Sweden was the most Americanised country in the world – explaining the very strong protests against America's war in Vietnam in the 1960s and 1970s. Swedes were shocked that 'their' America was raging such a terrible war against a poor, faraway country.

After serious conflicts in the labour market that saw five participants in a peaceful demonstration being shot to death by the military 1931, the Social Democrats won the elections in the following year. They came to stay in power for 42 years, sometimes in coalitions, but mainly as a one-party government. In 1937, the Social Democrats-led federation of blue-collar unions (LO) and the national employers' association (SAF) signed an agreement on mutual respect and rules for negotiations. Postwar Sweden became a country of IKEA and Volvo cars, rising welfare, and political consensus across bloc borders (at least on the surface) while the Social Democrats became more and more complacent (Elmbrant 2005).

3. A strong movement against the Vietnam war creates a new left

The first real crack came in the winter of 1969–70. Long-term discontent exploded when more than 4,500 miners in the big, state-owned iron ore mines in the very north of the country started a wildcat strike lasting 2 months. The fact that the strike was held in a state-owned company indirectly made it a strike against the Social Democratic government. The strike along with the leftist zeitgeist during the 1970s influenced younger Social Democrats and trade unionists to enter into discussions on how to conquer not only the political power, but also the 'economic power' to do away with the injustices of capitalism.

The left wave that swept over the world in the late 1960s and 1970s was particularly strong in Sweden. On 1 May 1972, the Vietnam movement and the left organisations were able to co-arrange with the Social Democrats a meeting of 50,000 people in Stockholm against America's war in Vietnam. When American President Richard Nixon subjected North Vietnam to heavy bombing around Christmas 1972, the Swedish Social Democratic Prime Minister Olof Palme protested sharply.

4. A peaceful way to trade unions' socialism?

In 1975, the LO-economist Rudolf Meidner presented the first proposal on "wage earners' funds", which would be financed by a profit tax of 20% on the leading industries' profits. In the original proposal, the funds, whose boards would have a majority of representatives of employees, would in the long term own more than half the shares in larger Swedish companies. Eventually, the Social Democratic Party reluctantly accepted the proposal since it could not oppose its largest supporting organisation.

In 1981, the Social Democrats presented a modified proposal in which the emphasis on ownership and power was changed to "collective capital formation". In 1983, the Parliament decided to intro-

duce five funds that would be allowed to own no more than 8% of the shares in a company. The funds would provide the companies with risk-averse capital. The bourgeois parties voted against the proposal.

5. The rise and fall of the wage earners' funds

Resistance against wage earners' funds became a unifying topic among bourgeois parties and business organisations. Opponents claimed that the introduction of such funds would transform Sweden into a socialist country of the Eastern European model. The biggest demonstration against employee funds took place in Stockholm on 4 October 1983, attracting about 75,000 participants from all over Sweden. A petition of 533,702 names was also collected as part of the protest against the mentioned funds (Elmbrant 2005).

The funds existed in the period between 1984 and 1990. The heated debate and the introduction of the funds created a gap between industry and the Social Democratic government and contributed to several big family-owned and entrepreneur-run companies leaving the country. The most famous of these were Ingvar Kamprad (IKEA), the Rausing family (Tetra Pak) and the Persson family (H&M) (Jonung 2006). The latter moved ownership back to Sweden in the 1990s after the funds were abolished.

Following the bourgeois election victory in 1991, a proposal surfaced that the funds would be liquidated in such a way that it would be unable to recreate them. The money was used to strengthen the pension system and SEK 10 billion was distributed to three foundations to promote research.

In retrospect, the wage earners' funds – at least in the original proposal – probably were the most far-reaching attempt to introduce state-socialism in a developed capitalist country. Launching such a proposal today would be unthinkable for any serious political party. It has in fact been claimed that, inspired by the Social Democrats in Sweden, the Italian Communist Party (PCI) appointed a working group with the task of drawing up an Italian equivalent to the wage

earners' funds. However, the party decided that the proposal would go too far in nationalising the country's economy (Garzia 2007).

6. A social Democracy without map and compass

For the Swedish Social Democrats, the wage earners' funds were a disastrous strategic mistake. After having held the political initiative since the 1930s, they lost it and still have not found it. Instead, after the 1990s, neoliberalism and privatisation dominated policy in the western world, with Sweden being no exception.

There are in fact examples suggesting that Sweden has in some respects become one of the most neo-liberal countries in Europe. Profit-maximising private schools can be started and are not financed by private tuition fees, but by tax funds in the form of a certain sum per pupil. There are several examples of private schools having paid out large dividends to their owners before being declared bankrupt, causing disruption in the education of the children involved. Private health centres and hospitals can establish themselves with revenues from tax funds as well, without any limits on their profits. The problem is not only the ethical dilemma that necessary welfare establishments can maximise profits, paid by the taxpayers. Another problem is that many private schools give their pupils higher grades in order to recruit new pupils and their tax-paid tuition fees. Still another problem is that private schools add to the segregation between rich and poor areas since only rich areas are attractive to investors.

In light of the strong neo-liberal policies that have dominated the developed countries since the 1990s, it is hardly surprising that the right-wing government implemented these radical reforms. However, the startling thing is that the Social Democrats has not made any serious attempts to stop them during the periods when they have been in power.

The development described above can be interpreted as one extreme action by the Social Democrats resulted in an extreme reaction from the neoliberals. Sweden went from one extreme to another.

In each case, it was ideology – a belief in the state or the market – that governed the decisions.

7. Ideology vs. reality once more: the refugee crisis

More recently, another area in which Sweden has moved from one extreme to another is immigration generally and the reception of refugees in particular. During the economic boom of the 1950s and 1960s, Sweden had a shortage of labour and a considerable number of workers immigrated from Finland, other Nordic countries, but also Italy. In the 1970s, Social Democratic leader Olof Palme called for a strong international engagement, not only against America's war in Vietnam, but also against the communist dictatorship in Czechoslovakia, the Pinochet military dictatorship in Chile and apartheid in South Africa (Berggren 2012). Sweden welcomed a large number of refugees from Chile and the positive attitude to refugees was shared by the other established parties. During the wars in former Yugoslavia, Sweden received a substantial number of refugees as well and the growing number of immigrants started to cause some resistance. However, as late as 2014, the then right-wing prime minister Fredrik Reinfeldt, encouraged the Swedes to “open your hearts” to foreign refugees (Wikipedia).

The civil war in Syria led to 160,000 people applying for asylum in Sweden in 2015 (Hagelund 2020). Many charities and volunteers helped these refugees to become established in Sweden, but this massive wave of refugees also saw increased resistance while support for the right-wing populist party the Sweden Democrats increased (Ericson 2018). Currently (in 2024), the Sweden Democrats gather around 20% of the voters and via an agreement with the parties in the current right-wing government it dictates most of the government's policy. Today, no party in the parliament expresses any support for a generous asylum policy. Sweden has in less than 10 years shifted from an extremely generous refugee policy to a very restrictive policy that all established parties at that time would have considered extreme.

8. Some possible lessons?

The examples above reveal shifts from one extreme policy to another in Sweden. Since it is possible that we can find similar examples in other European countries, a comparative study would be very interesting.

Are there any lessons to learn from these examples? Maybe that extreme policy is rarely successful in the long run. Or maybe that History repeats itself, first as a tragedy, second as a farce. But Karl Marx already knew that...

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The German Crisis

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1. The global and historical context

The crisis of German society is occurring in the context of a general global movement reacting to the economic and social opening of societies following the end of the Cold War by a growing tendency towards social closure. The free movement of capital, goods and labour, which has characterised the neoliberal globalisation in recent decades, has on the one hand raised the standard of living of the world's population and given rise to economic power in many societies. Yet, on the other hand, it has created a number of 'losers' who have been unable to benefit enough from this development. The planet's centres of power shifted and the newly emerging asymmetries called for a new order. Due to the globally increased opportunities for mobility, open societies are coming under pressure from the influx of migrants fleeing poverty and the conflicts of the reorganising world. The interdependencies of the global division of labour, which connect the world's societies, have become a potential weapon for asserting their self-interests and thus a danger. States are reacting to this by striving for greater self-sufficiency, while forces rejecting migration are gaining strength in society. The sociological rule stating that social opening is followed by social closure is thereby confirmed.

The empirical evidence for this cyclical dynamic is already seen in the development of early industrial societies. The spread of industrial commodity production, which destructed the structures of traditional societies around the globe, was opposed by the idea of nationalism as the unity of state, people and culture. Competing nation states entered into economic and later into military conflicts, which culminated in two world wars and shaped the global order still existing today. At the end of the 19th century, Herbert Spencer identified two types of society within this development due to this dynamic. He distinguished between open, industrial societies and societies of the closed,

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