

SWEDEN: THE RELUCTANT EUROPEAN MEMBER

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京都産業大学は、2006年10月初旬、スウェーデンから、ウップサラ大学副学長・ノーベル経済学賞選考委員会委員のラース・マグヌソン Lars Magnusson 教授を客員講演者 Invited Speaker として招聘した。

マグヌソン教授は、京都産業大学で専門家向けのセミナーで2回、学生向けの講演会で1回、一般の人を対象とした講演会で1回、ペーパーを読まれた。

ここに掲載されている論文は、2006年10月7日(土)に学内だけではなく、一般の人々も対象にした講演会のペーパー「ヨーロッパに組み込まれたくないスウェーデン人—Sweden: The Reluctant European—」に加筆訂正したものである。

マグヌソン教授は、この講演会ののち、京都産業大学名誉博士号を与えられた。京都産業大学がマグヌソン教授に本号への執筆を特別にお願いすると、教授は快く引き受けていただいた。したがって本論文は、マグヌソン教授の名誉博士記念論文というべきものである。

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The aim of my paper is to try to explain why so far Sweden – known otherwise for being a strongly committed United Nations member, its recognition as a generous giver of aid for humanitarian purposes and its solidarity towards liberation movements in what not so long ago was called The Third World - so far has been a very hesitant member of the European community. In fact, Sweden only joined EU in 1995 after more than three decades of, sometimes fierce, discussion. Up until the end of the Cold war (ending 1989) the official reason for Sweden to stay outside of the EU was its commitment to “nonalignment during peace time in order to be neutral in a war situation” as its been stated in most official documents regarding Swedish foreign policy since the end of WWII. However, there is every reason to believe that although the principle of neutrality have been important it is not the only –or even the most principal - cause why Swedes have been so late to join the EU. Neither does it explain why EU still after ten years of membership seems to be so unpopular among the Swedish public. In all-European public

opinion polls Swedes are among the most critical of EU-citizens. Moreover, there are so far almost nobody who argues for a more federalist structure of EU politics. Rather, the so-called principle of inter-governmentalism is by far the most popular choice both for Swedish voters and politicians. Hence, the aim here is to discuss why this is so.

Broadly, I think there are three historical reasons behind this fact. First I think we need to emphasise the historical development of a peculiar Swedish social structure. Secondly, and linked to this, the emergence of the so called "Swedish model" – or what Swedes refer to when they talk about the Swedish model. And thirdly, and this especially refers to Sweden's reluctance to join the EMU, the wish to preserve an independent monetary system and with this the ability to adjust the value of the Swedish currency and instead keep up a regime of flexible exchange rates.

First, then, the social structure of Sweden is still – even though much has changed – known for its quite stable egalitarian social structure – quite low income differences in a comparative perspective – within an ethnically homogenous population combined with a developed sense of democratic consciousness. The main explanation for this peculiar social structure is perhaps first and foremost the strong local and peasant roots of present day Sweden, the importance of a free peasantry for the development of democratic institutions as well as for economic development since the 18th century. However, of major importance is also one of the main consequences of this egalitarian social structure: the particularly important role of the labour movement together with other linked popular movements with their historical emergence in the late 19th century in Sweden labelled as the rise of the "popular movements"; the temperance movement, the free church, the cooperative movement, of course the trade unions and the political party of the working class: the Social Democratic Party. However, as I shall try to show further on, these two historical factors are clearly linked. Thus, the rise of the "popular movements" and the great role it has played here is unthinkable – of course – without the earlier Swedish history in general and without the role of the peasantry in Swedish history in particular.

Hence, up until the 19th century the Swedish economy was characterized by an almost total agrarian dominance and its development seemed to be tied to the well-being of the free independent peasant. Of course, there were also some sections of production not organised by peasants, for example the mining industry which were of importance especially in the 17th and 18th century and the state subsidized manufactories – centralized almost modern factories as they were – in the late 18th and early 19th cen-

turies. But on the whole these sectors were of small importance indeed compared to an agrarian sector which still in the middle of the 19th century employed more than 80% of the total workforce. Further, it is clear that the Swedish industrial breakthrough of the 19th century to a great extent relied on small-scale production with a basis in agriculture; to a great extent relying on the independent small-scale producer as in the ideal picture put forward by the Enlightenment philosophers of the 18th century.

I have already stated the importance of the independent small-scale producer system for the rise of the “popular movement” in Sweden during the late 19th century. Let me try to explain:

In a general sense both the free church movement from the 1870's, the abolitionist or temperance movement from the 1880's as well as the labour movement from the 1890's were a consequence of the industrial breakthrough during the same period. It was mostly the lower middle classes - whose condition very much had been transformed by industrial revolution - and the working classes - at least up to a point created by the same revolution - that were drawn into these popular movements. This of course happened in many other countries than Sweden during the same period. However, the actual form in which this was done in Sweden was at least up to a point original. First, the social character of the industrialisation process was a factor of importance. Hence, the industrial revolution during the 19th century in the Swedish context was a very broad process including different social strata and people of different origin and position.

It included a broad base of small scale production sometimes developing into big industry - with a base in agriculture and local crafts. Up until the early 20th century - at least for most branches - it relied on many small firms in which the owner often were taking part of production activities as well as “managing” the firm. Thus in a relative sense, industrialisation Sweden took a much more “democratic” form - if that word is allowed in this context - than is usually admitted when one only concentrates on large firms, the big financial banks etc - which definitively were of a minority. And the implications of this are not hard to understand: a sense of harmony and compromise between small-scale owners of industrial property and labourers were so to speak built into the system from the beginning and was really, at its roots, an effect of the industrialisation process as such in Sweden. It created a social system of production where there were a gliding scale of positions taken; from peasant to small-scale industrialist, from agricultural worker over part time industrial worker to the classical industrial worker. This shifting structure led to great flexibility - as well as to the sense of harmony that always has been strongly

emphasised with regard to Swedish industrial relations. Further, it is clear that the “popular movements” from the late 19th century were to become permeated by such values - up to a point even the labour movement with its emphasis during this century on pragmatic compromise rather than on clear-cut and open class struggle.

However, it was not only in this economic or social sense that the older economic history of Sweden gave a contribution to the rise and development of the “popular movements” in Sweden during the late 19th century. The first “real” trade union began to appear in the 1880’s and early 1890’s. The Swedish Social Democratic Party was founded in 1889 and served very much as a central organisation for the unions before The General Trade Union Council (*Landsorganisationen*) was established in 1898. It is often recognized that the early labour movement in Sweden to a great extent borrowed an organisational set up, its spirit as an organisation etc from the a bit earlier established free church and temperance movement. However, it can also be stated that all these “popular movements” borrowed their forms of organisation and governance from existing democratic or pre-democratic institutions on the local level; the rural “commune, the village organisation etc. Thus, such institutions were to a great extent a plant school of the later voluntary popular organisations, where rules of “fairness” and agreement, a way to put forward proposals and to settle disagreement was taught and articulated. Its spirit of democratic values and of compromise was thus inherited by the popular movement - and this was probably a very important factor behind the subsequent democratic development of Swedish society during the 20th century in which the popular movements - no doubt - played a leading role.

2.

Secondly, we turn to the role and implications of the so-called “Swedish model”. The role of the popular movement, particularly the labour movement, a relatively high degree of social equality and a grass root level for of local democracy is the most basic underlying structure for the so much discussed “Swedish model” during the 20th century. The kernel of this modern Swedish model was made up by the organized collaboration between especially three parties: the employers, organised labour and the state. However, also popular movements as well as other interest groups, such as the smaller peasants, were also included in this matrix. The concept “Swedish model” can certainly be used to denote different things. However, in its proper historical sense it serves to characterise the kind of collaborative framework which developed since the end of the 19th century and experienced its definite breakthrough during the 1930’s with the Social Democracy’s rise to power and its application of the so-called “cow—trad-

ing” policy (the compromise between the social democrats and the peasant party in 1933). This most certainly laid the ground for the long period of social democratic governments in Sweden (1932-1976, 1982-91 and again in 1994-2006) as well as the establishment of a particular Swedish welfare state.

Thus, the concept “Swedish model” helps to define the particular relations which evolved in the labour market after the middle of the 1930’s. Hence, the trade unions were successful especially in the middle-war years to come to agreement with the employers and their organisations not only on questions of pay and general work conditions but also with regard to the rationalisation of industry, its ability to innovate and adapt new technology, etc. Especially the general agreements in the 1930’s and 1940’s between the Swedish confederation of Trade unions (LO) which controlled a majority of Swedish workers in this period and the mighty Swedish employers Association (SAF) has been seen as especially important in this sense. Their building up of an organizational structure through voluntary and binding collective agreements have in fact also been picked out as a main characteristics of the “Swedish model”.

Also in a comparative perspective the Swedish employers were positive towards social legislation etc., long before the First world war - in fact there is clear breakthrough for such a more active interest already in the 1880’s and 1890’s. Further, in Sweden this interest from the employers side - as well as their direct campaigning for such ends in the Swedish parliament during this period - seems to have been directly correlated to the rise of organised labour. Thus the development of independent trade unions and working class political organisations were clearly linked both to the development of social legislation and the introduction of social welfare-policies and also more generally to the rise of an “organised capitalism” in Sweden from the late 1900’s characterized by a quite close collaboration between employers and state.

However, what makes a big difference from most other countries, Swedish employers already from this early beginning recognised organized labour within this matrix of collaboration. Without doubt, this construction of a three-sided constellation of forces was of crucial importance for the future. Thus in Sweden three important and powerful organisations in a broad sense - the LO, SAF and the state - already from the turn of the century created a system of counter-balancing forces. Of course, this by no means implied some kind of harmonious integration or cooperation between the threesome. On the contrary, clear-cut oppositions and clashes of interest have not been uncommon, for example between LO and SAF in the early 1910’s and the early 1930’s as well as between the state and the employers in the

late 1920's or in the middle of the 1930's when the latter protested against any interference in the free collective bargaining process which the Social Democratic government prepared for - and in this resistance paradoxically enough were supported by the LO. Rather, the peculiarity of the Swedish model has been that such disagreements has been solved within a general commitment to industrial peace and stability, growth and rationalisation among the three members of the constellation. Thus, in relation to for example Britain the relationship between state and employers has always also included a third part, a powerful and very centralised trade union structure.

3.

It seems clear that both the Swedish labour market and industrial relations system – the Swedish model in short - currently is facing great challenges from Europeisation; i.e. EU and its policies of economic, political and social integration. To a great extent the current reluctance toward the EU is and has been the threat that this process implies for what we here have called “the Swedish model”.

However, one can ask what really is left of the “old” Swedish model given the last two decades of history. For many years - from the beginning of the 1950's and well into the 1980's Sweden was well known for its particular system of industrial relations, the Swedish (or perhaps better the Scandinavian) model. However, as a consequence of a lower growth rate combined with inflation (stagflation) - as well as from influences from the primarily Anglo-Saxon neo-liberal discourse – parts of this system collapsed already during the late 1980's. Not only was the central agreement between the great central organisations on the labour market - in particular the central agreements between LO and SAF - replaced by agreements on the branch level. Also the employers in SAF withdraw from any kind of collaboration on the central level with LO after a famous decision taken by the SAF board in 1992. Hence, during the 1990's and still today the employers are reluctant to negotiate openly with LO. Last year this was made even more manifest by the dismantling of SAF and its replacement by new organisation, *Svenskt näringsliv* (Swedish industry) which is explicitly stated to have no bargaining functions at all but rather to be a lobby organisation.

However, at the same, many argue that something of a new Swedish model was introduced in the late 1990's very much related to the challenge from Europe and not the least from the introduction of EMU and ECB. The general implications and effects of introducing the single currency and the ECB are well known. With a single currency there will be no possibility for a single member state to devalue its cur-

rency in order, for example, to defend its competitive position within a specific branch or the economy as a whole. Hence, the competitive struggle between different member states will more directly affect the national labour markets or segments of it. For example too high wage increases, above the level of the productivity increase in a certain country, will certainly mean a loss of competitive edge for that country or a particular branch in a country.

Against this background the so-called *Industrial agreement* in 1997 started a process of renewal in Swedish industrial relations. Once again, the importance of the export industry in setting the limits for the wage bargaining in other sectors and the low inflation made it possible to increase real wages without increasing the inflation rate. This agreement has certainly been important also for the recovery of the Swedish industry, the low inflation rate since then and the steady drop of unemployment. Hence it seems that the social partners in Sweden have learnt the lesson from the 1970's and 1980's with high inflation and high nominal wages, but only a tiny rise of real wages. It has also with the Industrial agreement adopted itself to the new political economy situation in Europe and the rules of EMU which are directly obvious for those who join and more indirectly so for those who stay out (but not at all less real!)

Hence, there might be room for some optimism. With the inauguration of the so-called industrial agreement in 1997 we have seen much less conflicts on the labour market as well as a wage increase which does not threaten the inflation and stability goals put up by the governments which aims to keep up Sweden's competitiveness without having to use the means of monetary policy (devaluation etc). From the perspective of the wage earners a very low inflation combined with some nominal wage increases have also lead to a steady growth of real income during the last four or five years.

Among the general Swedish public – not only by trade unionis but also much more widely – it is feared that Europeisation might challenge and threaten this “Swedish model”. It is feared that increased competition, the strengthening of a common market for goods, capital and labour will challenge the stability of this model (which so far has gained Sweden as far as it is possible to judge) Many fear that increased integration – together with economic globalisation – will destroy the institutional basis of the old Swedish model: the high level of organisation on the labour market, the so far very powerful system of collective bargaining, etc. The result will be less independence of global market forces, increased competition and less welfare, it is feared. Hence, the reluctance towards EU is to a large extent also a

reluctance against too much globalisation and economic integration.

4.

However, it is not only the industrial relations system that is at stake. As is well known Sweden – together with other Nordic welfare states have kept up an ambitious social welfare policy. Sweden's model have been recognised – using the categories developed by Gösta Esping-Andersen – as an archetype of the universalist welfare state, providing welfare not on the basis of income but as a token of citizenship, a positive right. Sweden has also been recognised as a high tax state – certainly because of its high ambitions in the social field. One of the main fears – especially within Social democracy (still being the state bearing party in Sweden) – there is a fear that the further development of a common market – and more political integration within the EU - will lead to problems to finance the welfare sector in the future.

However, the paradox is that Sweden well before the stability pact inaugurated by the EU – or for that matter before the rise of EMU institutions – could have made any impact Sweden it began to reform it welfare sector which in practice meant both a lowering of costs as well as making it more “employment friendly” to use the current Commission language. The main reason for this was the great unemployment crisis which hit Sweden in 1991-1992 implying unemployment figures not seen in this country since the 1920's (10-12%). As an effect of the rise of unemployment social costs dwindled – this in effect was caused by that in Sweden the state provides unemployment benefits as well as finance an ambitious labour market policy with the aim to activate the unemployed (work fare instead of welfare compensation!). As the Swedish social security system is built upon the principle of compensation for loss of income, for example due to unemployment, this means that in the middle of the 1990's remedies had to be sought to lower overall social costs so that the budget deficit would not go totally out of hand. Hence we saw a number of cuts as well as reforms within this sector already during the middle part of the 1990's. Thus the social security system during the 1990's was characterised by a large number of changes in the systems (compared to other periods), and the changes made were mainly of restrictive character, i.e. they led to less generosity and range. The most significant changes concerned qualification rules and levels of compensation. Hence, the reforms of the 1990's have clearly downsized the Swedish welfare state, in terms of institutional generosity. During the years between 1991 and 97 there were several restrictive reforms in sickness benefits and sick pay. In 1993 there was a restrictive reform of unemployment benefits, and 1994-95 there were reforms in parental benefits and a reduction in the

universal child allowances. Moreover, in 1994 a pension reform was launched including new qualifying conditions and indexing rules, which were well-funded but less generous than the previous system. Moreover just to give some further examples in 1997 an income test of widow pensions was introduced for those below the standard age of retirement.

In the same year a national scale rate for guaranteed minimum income benefits was introduced. Between 1998-99 a number of restrictive measures has been introduced to the old system, for instance a lower basic pension to married pensioners and a 6 percent reduction for early retirement benefits. Between 1998-99 stricter rules for the income testing of housing allowances and reduction of allowances for wealthier recipients were carried through.

In the middle of the 1990's - at the peak of the economic crisis - the rate of sickness benefits was lowered to 75 per cent of previous salary while in 1998 it once again was increased up to its previous level, 80 per cent. In 1997 a parliamentary committee on sickness-work injuries benefit was established. Closer co-ordination of the two benefits and the option of privatising the work accident component of the work-injury insurance was recommended. There was also a debate over the possibility of transferring the whole work injuries/sickness cash benefit to the social partners, but this option was rejected. After 1996 changes were made to the arrangements for social support in order to improve the co-ordination between national and local authorities to ensure that everyone in need receives a minimum level of income.

Thus to some extent Sweden has already made cuts in its welfare system in order to tighten its budget - which at least during last year ran up to a high surplus - as well as making it compatible to the demands of the ECB and the stability pact. However, for the moment there is two fears: 1) that a general economic crisis in Western Europe (imported from the U S) will lead to renewed demands for cuts in the welfare sector, and 2) that EMU and European integration will lead to such effects in any case.

The second fear is one of the most important causes why Sweden - at least the social democrats in power and the former (up to some weeks ago) prime minister Göran Persson in particular - remains very sceptical indeed towards any initiative to develop a more federal policy for Europe. So far Sweden is one of the greatest supporters of the open method of co-ordination and of soft law, particularly regarding the social sector and the labour market. This might seem a bit paradoxical given the fact that Sweden have a

long tradition and experience of social welfare and could because of this have a lot to contribute with to European level discussions on this topic.

This fear is most clearly seen with regard to taxes. As is well known the EU in its employment strategy suggests that member states shall lower taxes especially on low paid wages in order to increase wage and labour market flexibility as well as to increase employment. The response to such recommendations, most strongly set in the Commissions answer to the Swedish action plans of 2000 and 2001, has so far been very negative indeed. Thus it is stated in the Swedish action plan for 2000 that:

“The primary purpose of taxes is to finance the welfare system and thereby contribute to social security and justice”. This is stated in the Swedish Action plan for employment 2000. It is certainly true that the Swedish welfare state as we know it is seriously challenged by the EU recommendation that we should lower income taxes and labour costs. Therefore, lowering income taxes by about one percent causes a lot of controversy.

Once again in 2001 the commission’s advice to Sweden prior to the new action plan 2001 was to lower non- wage labour costs and taxes and to set up a goal for this. (Seven other member states also received the commission’s advice about lowering their taxes, but only Sweden received the advice of setting a goal). However, up until now there is has been no political will in Sweden in favour of setting a target or a goal concerning the tax burden or non-wage labour costs. To set goals and then work to reach these is a common method in Swedish policy. We have goals for employment and inflation. But concerning tax policy there is no will to do this. Employment and disposable income are issues regarded as more important to deal with. Lowering taxes is not viewed as a political goal whatsoever. Even the new government with Fredrik Reinfeldt seems not to be too keen to cut taxes – even though they have said that they will cut them for the lowest incomes

The question about cutting down taxes for the lowest earners is a particularly tough one for Swedish actors. There have been two state committees (1992 and 1997) dealing with the possible reduction of non-wage labour costs, which still has not resulted in any political decisions. To subsidise the private service sector by decreasing employer contributions is not of any current interest, as it probably - at the moment of course (who will know for the future) would lead to overheating situation in that sector.

5.

As everybody know, of course, Sweden has so far chosen to stay out of the European Monetary union. This can largely be explained with the same factors which I already have emphasised: the fear of too close cooperation and integration with the rest of Europe. However, also another important factor must be emphasised here at the end of this talk.

As I already have explained the often used argument why Sweden for so long stayed outside the EU is Sweden's status as a neutral country during the Cold War. However, at least as important has been the strong feeling in Sweden to preserve its independence in terms of monetary policies. Hence, in the beginning of the 1970's when Sweden was close to join the EEC – almost 25 years before we actually took the step – the real reason for not joining was the preservation of monetary independence. It was only after the presentation of the Werner plan – the forerunner of the EMU – that Sweden decided that it did not longer would seek membership –once again using the foreign policy neutrality argument.

It is no secret that Sweden during the last seventy years have gained much from its – sometimes quite skilfully administrated it must be admitted, but also sometimes by chance – independent monetary arrangements, from its open devaluation of the currency and from its floating exchange rates. Hence, Sweden's export industry gained much from the abolishment of gold in 1932 and the successive (undervalued) peg to the Pound Sterling. After the Second world war we have devaluated the *krona* numerous times, especially frequently in the 1970's and early 1980's. Since the beginning of the 1990's Sweden have a floating exchange rate system. Most independent experts are in agreement that especially the export economy has gained much from these policies – an most probably also the economy as such. Without doubt this is of utmost importance to notice if one shall be able to understand the result of the EMU referendum in Sweden two years ago.

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However, in the end, we must conclude that a main reason why Sweden has stayed a reluctant member of the European Union is that it still feel a strong commitment to “the Swedish model” and to the Swedish welfare state. The fear of that it is threatened by Europe explains to a large extent the present Euro-scepticism. The paradox is however that Sweden during the last decade or so has carried through a number of reform as well as cuts in the welfare sector in order to be more competitive. So there might

perhaps not be so much reason to worry. However, as we know from historical enquiry generally mental maps or models are difficult to get rid of. There is what social scientist have described a strong force of path dependence involved here. To what extent there will be a change of path in the future is an open question but depend largely on what is happening on the global scene. Sweden is a small country – but seems sometimes to forget this rather obvious fact!