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The Impact of the 'New Politics' and Globalization on
Social Democratic Corporatism: The Case of Sweden

by

John Capelli

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To my parents

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CHAPTER ONE

'SOCIAL DEMOCRATIC CORPORATISM' IN THE POSTINDUSTRIAL ERA

A function of social science is to provide a better understanding of both the process and the rules that guide interactions between individuals and organizations within a given society. As such, the activities of social actors and the structures within which their actions take place, have been an object of study for social science. Within the discipline, moreover, a great deal of interest and effort has gone into understanding the process of social change.

This thesis applies these general lines of inquiry to the forces that have undermined what has been referred to as the 'embedded liberal' order (Ruggie, 1982; Helleiner, 1994a), the 'neo-liberal historic bloc' (Cox, 1993), or more simply the 'Keynesian post-war consensus' (see Pierson, 1991: ch.4). All these terms describe a particular historical period in the development of advanced capitalist societies.¹ This period, which lasted from the end of the Second

¹For practical purposes, from now on this historical period will be referred to as the 'Keynesian historical bloc'.

World War to the mid-1970s, was characterized by the following: 1) a compromise between the two industrial capitalist classes, business and labour, which would lead to a curtailment of the disruptive antagonism of the pre-WWII years, and the start of an all-inclusive process of policy formulation mediated by government. 2) A commitment to full employment, sustained economic growth, and the provision of an extensive package of social services. 3) A concerted effort among leading capitalist states to ensure a greater degree of policy autonomy for the Keynesian 'interventionist' state² (under the rubric of the Bretton Woods financial order), so as to protect society from the destructive effects of a self-regulated market.³ By the mid-1970s, the 'Keynesian historical bloc' had come to an end. Not only had Western societies undergone some fundamental changes, but so had the capitalist productive structure and the state's ability to operate autonomously in an ever expanding global market. More significantly, a new cultural and intellectual orthodoxy had developed, which was able to successfully articulate an understanding of the meaning and significance of these changes; such orthodoxy, commonly referred to as neoliberalism, supplanted Keynesian principles and developed a new consensus among Western mass publics.

²The Keynesian doctrine is predicated upon the belief that a self-regulated market is susceptible to economically and socially disruptive declines in demand. Keynes believed that the market needed to be managed by governments; during times of decreasing demand and investment (usually resulting in increased unemployment), governments would be expected to promote demand and investment by boosting economic activity through measures such as public works, monetary policy and the manipulation of interest rates (Pierson, 1991: pp.26-7).

³The normative assumption that is made here, borrows heavily from Karl Polanyi's (1944) seminal work on the relations between society and the market. As we shall see, in their attempt to contain what were perceived as the adverse effects of unrestricted capital movements, the drafters of the Bretton Woods Agreement (1944) made the same assumption (Helleiner, 1994a: ch.2). This issue will be discussed at greater length in the pages that follow.

The demise of the 'Keynesian historical bloc' can be attributed to shifts in values and attitudes among Western mass publics associated with the rise of the so-called 'new politics', as well as the structural changes associated with the process of globalization. In short, the 'new politics' can be construed as the redefinition of the socio-political agenda of postindustrial societies, resulting from the growing disaffection among Western mass publics with both conventional structures of political participation and intermediation, and the inadequacies associated with traditional cleavage structures (Muller-Rommel, 1989, 1990; Poguntke, 1989; Inglehart, 1990a; Kitschelt, 1994; Knutsen, 1998). The mass mobilization that came to symbolize the rise of the 'new politics' stemmed from the reaction to the lack of effectiveness with which advanced industrialist states accommodated the growing diversity of preferences among Western mass publics. Globalization, on the other hand, represents the process of economic and political restructuring of the international economy characterized by 1) the development of a globalized organization of production, 2) the emergence of autonomous transnational financial markets and institutions, and 3) the development of a global consumer culture (Cox, 1993; Cerny, 1995; Barber, 1995; Wilks, 1996).⁴ Significantly, the 'new politics' and globalization have not only undermined the 'Keynesian historical bloc', but have had a much greater impact on its 'social democratic corporatist' variant than on liberal democratic pluralist systems, normally associated with societies found in the Anglo-American

⁴These concepts will be discussed at greater length in the pages that follow.

tradition.⁵ This is seen specifically in the case of Sweden, often viewed as the state that most resembles the 'ideal' social democratic corporatist type (Schmitter, 1979a; Panitch, 1979; Lash, 1985; Pierson, 1991; Lewin, 1994; Hoefer, 1994). The thesis will conclude that while the 'new politics' have undermined Sweden's brand of social democratic corporatism from within, globalization has had the same effect from without. Furthermore, it will be argued that the decline of the corporatist arrangement in Sweden has signaled a move towards pluralist structures which have, subsequently, undermined the level of social integration which is associated with highly corporative societies. This development has curbed Sweden's historical tendency to promote the interests of society as a whole, and has concurrently promoted an environment conducive to the rise of competing and socially divisive sets of interests. Interestingly, this phenomenon is consistent with the assertion that the 'new politics' promotes a fragmented view of society which is deprived of universal identities and laden with a multitude of preferences that do not conveniently fit into models of cleavage structures.

'Social democratic corporatism' can be understood as the combination of a particular structure of interest representation (corporatism) with a value system (social democracy). A good definition of social democracy is provided by Kesselman:

⁵In fact, it can be argued that these systems have had a much easier time adapting to the changes associated with both the 'new politics' and globalization. Liberal democratic pluralist systems not only promote structures of political intermediation which are more consistent with the needs and demands arising from the 'new politics', but have also much less difficulty accepting the more limiting role that the process of globalization ascribes to the state.

First, an acceptance of a capitalist economy is coupled with extensive state intervention to counteract uneven development. Second, Keynesian steering mechanisms are used to achieve economic growth, high wages, price stability and full employment. Third, state policies redistribute the economic surplus in progressive ways, through welfare programs, social insurance and tax laws. And, finally the working class is organized in a majority-bent social democratic party closely linked to a powerful centralized, disciplined trade union movement (1982: p.402).

To this already extensive definition it is important to add the element of 'de-commodification', whereby citizens are, as a matter of right, able to "freely, and without potential loss of job, income, or general welfare, opt out of work when they themselves consider it necessary" (Esping-Andersen, 1990: p.23), and are, as a result, removed from their dependence on the sale of their labour power. As such, de-commodification occurs "when a person can maintain a livelihood without reliance on the market" (Esping-Andersen, 1990: p.22). The greater the degree of de-commodification, the more a system moves to resemble the 'ideal' social democratic arrangement. While social democratic corporatist systems give priority to full employment, redistributive measures and social assistance, they arrange such demands through corporatist structures. Schmitter has defined corporatism as:

a system of interest representation in which the constituent units are organized into a limited number of singular, compulsory, noncompetitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports (1979a: p.13).

With particular reference to social democratic corporatism, the constituent units of interest representation have arranged themselves along the triad of labour-business-government. Based on the findings relating to the Swedish experience, the thesis will also include a framework for the general assessment of the future viability of social democratic corporatist structures. It will be argued that while the restructuring of social, economic, and political institutions is a direct result of both technological change and the 'new' division of labour (associated with postindustrialization), the cultural and intellectual environment within which the restructuring takes place, serves to reinforce and to legitimize a particular interpretation of a stage of capitalist transformation.

This thesis, therefore, identifies the assumptions of both 'institutionalist' and 'structuralist' schools as incomplete,⁶ and as a result attempts to integrate aspects of a cultural theory associated with Antonio Gramsci, which centres on the relationship between the state and society. This integrative approach can be construed as an attempt to arrive at a more satisfactory explanation for the transformation of social democratic corporatism. To this end, while Gramsci's conceptualization of the relationship between the state and society does emphasize the significance of political and economic structures, and therefore structural change, much emphasis is placed on the role of society and its values. The assumption which forms

⁶These schools of thought tend to focus strictly on political institutions or economic structures as determinants of change, such as the role of the state as an autonomous agent in policy formulation (see Nordlinger, 1981; and Skocpol, 1985), or the development and absorption of new technologies and the changing structures of capitalist production (see Schmitter, 1979b), respectively. While significant, these approaches fail to attribute the appropriate consideration that civil society deserves as an agent of change.

the basis of this approach, therefore, is that while political institutions and economic structures do impact on society's attitudes and values, it should be recognized that the relationship can also be reversed. As such, it will be argued that the dissolution of the 'Keynesian historical bloc' can be partly attributed to the lack of fit between the ideological articulation of its proponents, and the exigencies arising from a society that is trying to make sense of a new reality (the postindustrial era).

It will also be argued that following the collapse of the Bretton Woods financial order, advanced industrial states were forced to choose between deregulating their capital markets, and hence lose the degree of political and economic sovereignty which was made possible under Bretton Woods, or retain capital controls and witness the gradual migration of mobile business and capital to pre-existing deregulated markets (namely those of the United Kingdom and the United States). Ultimately, international capital mobility worked to both increase the degree of 'competitive deregulation' and simultaneously to undermine the alliances which provided the thrust for the creation of social democratic corporatist structures. As Garrett (1995) summarized: "[i]nternationalization generates new constellations of preferences that cross-cut the traditional labor-capital cleavage" (p.663). This would become evident during the 1980s, particularly among states that were characterized by open economies, such as Sweden. These developments have combined to transform the Keynesian 'interventionist' state into what Cerny

(1995) has defined as the 'residual' state.⁷ The Gramscian concepts of 'hegemony' and 'historical blocs' not only help to explain the relative harmony (or lack thereof) that can exist within a given society, but are also effective tools for analyzing the process of social, political, and economic transformation.

THE STATE AND SOCIETY IN THE POSTINDUSTRIAL ERA

This thesis is concerned with the challenges to social democratic corporatism in the postindustrial era, as well as the changing structures that link society to the state in advanced capitalist states. As a result, the thesis will focus on political parties and interest organizations, given their pivotal function as structural linkages of interest articulation and aggregation between the state and society. A central assumption is that the transformation to such linkages emanates from the changing needs and demands of society. Moreover, it is argued that such changing needs and demands are the direct result of a mix between systemic changes to the modes of capitalist production, and the social and cultural interpretation that is assigned to such changes. In other words, the contention here is that although capitalism at different stages exerts different demands on

⁷Cerny's 'residual' state is characterized above all by the loss of the state's autonomy in formulating policies, resulting from the structural shift in power away from the state and towards global financial markets. Cerny summarizes his argument in the following manner: "the more economies of scale of dominant goods and assets diverge from the structural scale of the national state...then the more that the authority, legitimacy, policymaking capacity, and policy-implementing effectiveness of the state will be eroded and undermined both without and within" (1995: p.621). To this Cerny adds: "[t]he central paradox or dilemma facing states in public policy terms in today's world, therefore, is not that states simply lose power to other structures; rather, they undermine and legislate away their own power, confronted by the imperatives of international competitiveness" (1994: p.321).

society, at the same time changes that occur in capitalism are not to be construed as either being historically pre-determined or outside of the influence and control of society. One should not forget that historically markets have been subservient to the needs of society, and that even in instances when a self-regulated market did exist, this was the case because a class, or a coalition of classes, deemed it necessary.⁸ It is as a result of this assumption, that the normative interpretation of the system which mediates the needs of capitalist reproduction with those of the social community, and the degree of success with which a class (or an alliance of classes) can articulate such interpretation, is one of the focal points of this thesis.

This framework provides the basis for analysis of the institutions that link the state and society. Such institutions are channels through which ideas can be disseminated and which can lead to the transformation of society. Therefore, when structures linking state and society no longer reflect the values of society, a legitimation crisis, or "crisis of authority" may occur.⁹ Such crisis can be resolved by changing the formal and informal links between society and state in order to reflect the values of society. In a capitalist system, these changing structures of interest intermediation can be seen as part of changes in capitalism itself, while a newly emerging dominant set of ideas and values can be construed as the binding element which enables modalities of

⁸For an illuminating discussion on the relations between society and the market, see Polanyi (1944).

⁹It should be noted that this does not imply that a legitimation crisis can either be caused only by structures linking the state and society, or that a legitimation crisis can and does occur with frequency. With relation to the first point, state institutions themselves may no longer reflect societal values, and as a result may have to conform to new exigencies in order to avoid a crisis; secondly, institutions are generally not only very resilient, but are also highly adaptable.

interest intermediation, among other things, to reinstitute legitimacy during a period of transition.

As such, it is important to discuss the challenges to social democratic corporatism in a framework of analysis which takes into account the rise and fall of consensus built around a set of norms and values that guide the relation between the state and society.

Gramsci's notion of hegemony is useful in this setting because, as Hewitt suggests,

Gramsci's idea of hegemony as the 'political consciousness' of a social group that dominates other groups, suggests a developing ideology that positions social classes in a particular direction, draws into its momentum an increasing number of social groups, and thereby constitutes a particular structure of state and society (1992: p.7).

It is within this understanding of the formation of a hegemonic force, that one must appreciate the role that the advent of the industrial revolution played in the formation of the 'Keynesian historical bloc'. Not only did the industrial revolution initially work to expand the institution of the state as a rational and efficient form of organization (Esping-Andersen, 1990; Spruyt, 1994), but it also generated social divisions which would form the base for an eventual compromise among classes that led to the consensus allowing for the expansion of the welfare state.

It can be argued that the demands emanating from society during the industrial age eventually culminated with the introduction of universal suffrage, thus allowing for the successful mobilization of the interests of subaltern classes (Pierson, 1991). Interestingly, it can also be argued that the clarity with which the industrial age was able to structure social divisions, furthered the

impetus towards establishing corporatist structures of interest intermediation in many advanced industrialist states (Panitch, 1979). Other elements responsible for the institutionalization of corporatist structures were: the efficacy with which permanent organizations could articulate collective class interests; a general shift in public policy objectives; the declining role of parliament in decision-making; the increase in international competitiveness; the need to contain inflation under conditions of full employment (Schmitter, 1989: p.55); and lastly, the successful articulation of social democratic principles, which found resonance among wide segments of Western societies.

Since the 1970s social democratic corporatism has been under attack from the challenges associated with postindustrialization.¹⁰ This is ironic, given the fact that postindustrialization has generally cultivated the support for the welfare state project among Western mass publics. Such support stems largely from the growth in public dependence on both employment and services provided by the social service sector (Alber, 1988; Pierson, 1994). Nevertheless, the transition from an industrial to a postindustrial order has also given rise to a series of transformations which have affected the dynamic of political conflict associated with an industrial society, where

¹⁰In the words of Esping-Andersen: "The idea of post-industrial society emerged in the 1960s, provoked by contemporary revolutions in technology, management, consumption, and employment. It portrays a new world where technicians, professionals, and managers predominate; where old-fashioned manual labor disappears; where consumers' appetites are driven towards services" (1990; p.191). According to Hewitt (1992), the growth in the service sector that is associated with postindustrial societies, has given rise to a large segment of the population whose interests cannot be reduced to those of either capital or labour. Furthermore, Hewitt (1992; p.124) points to Lash and Urry's argument that "[o]nce attaining a certain threshold of development and mobilisation, this new class itself begins to have a dislocating effect on the relationship between capital and labour and an irredeemably disorganising effect on capitalist society in general" (1987, pp.161-2).

conflict has often been class-based. While it can be argued that this conflict was instrumental in the creation of both social democratic parties and the modern welfare state, the development of a postindustrial society has coincided with the emergence of a new set of cleavages, usually value-based as opposed to class-based (Inglehart, 1984, 1990a, 1990b, 1997; Muller-Rommel, 1989, 1990; Poguntke, 1989). This can have a threatening effect to social democratic corporatism. Postindustrial occupational structures (and the increasingly global division of labour) have also undermined traditional industrial patterns of social stratification which helped cultivate working class' partisan attachments to social democratic parties (Esping-Andersen, 1990; Piven, 1991).

The Swedish experience, in fact, has shown that its particular path to postindustrialization engendered a pattern of social stratification which also seriously undermined corporatist structures of interest representation. While, therefore, it is of significance to note that the hegemonic rise of social democratic corporatism marked the successful entrenchment of the labour movement within the state structure, it is also important to note that this occurred on the eve of postindustrialization. In fact, it can be argued that the recent emergence of the neoliberal consensus which stresses, among other things, less state interference in individuals' lives, monetarist policies, and demands for pluralist structures of interest intermediation, can be ascribed to postindustrialization.

This turn of events has seriously undermined social democratic corporate structures in two ways: first of all, postindustrialization manifested itself through the rapid expansion in service sector jobs.

Given the fact that the consensus behind social democratic corporatism resulted, in part, from the identities forged by 'Fordist' productive structures,¹¹ the rise of an occupational structure which is less clearly stratified has subsequently invited a plurality of identities, which have had difficulty finding expression in corporatist settings. Secondly, the gradual rise of the neoliberal orthodoxy, has worked to undermine traditional social democratic discourse on the role of the state. In sum, as the success of social democratic corporatism owed much to the rise in the forces of industrialization, its *denouement* is partly the direct result of the rise of the postindustrial order.

The other significant challenge to social democratic corporatism has come in the form of the internationalization of markets. The new global economy has further limited the state's ability to formulate socio-economic policies free from international market pressures. The ease and ability with which foreign investors are able to extract capital from states that may not seem to provide the competitive advantage for their investments, has become an everpresent consideration among political decision-makers (Andrews, 1994; Sinclair, 1994). Significantly, policymakers' decisions are partly guided by present day financial and economic orthodoxies, which are ultimately dictated by financial institutions and subsequently adhered to by international investors. For instance, Sinclair (1994)

¹¹'Fordism' can be defined as the organization of production characterized by mass-manufactured goods, economies of scale, a large workforce concentration, and a highly rigid and stratified hierarchical structure of command. 'Post-Fordism', on the other hand, is indicative of a new model of production which is much more flexible, de-centralized, characterized by a workforce that is more segmented and hence lacking in a common identity, and which operates in a structure which is much more compartmentalized (Cox, 1993; p.261).

has made a convincing argument that bond rating agencies not only display open favouritism towards neoliberal government policies, but that this also reaffirms to investors the usefulness of neoliberal orthodox criteria in the evaluation of investment decisions.

This thesis will conclude with some considerations on the future of the new stage of capitalism, associated with postindustrialization. The argument will be made that although the forces of globalization and the 'new politics' worked to undermine the 'Keynesian historical bloc', such forces are inherently contradictory. In fact, it can be argued that the most distinct feature of the process of globalization, that is the re-emergence of the self-regulated market, is antithetical to the liberal democratic principles which stand at the heart of the 'new politics'. Just as social democratic corporatist structures have been undermined by societal values associated with the 'new politics', it may not be long before the re-regulation of the market may arise as a direct result of the same pressures.

The organization of the thesis reflects the necessity to first understand the general process of transformation that is associated with postindustrialization, and second to narrow the discussion to the particular impact that such transformation has had on Sweden. As such, Chapter Two will introduce the theoretical framework that provides the basis for analysis of the thesis; the framework derives from Antonio Gramsci's theory of state-society relations, a theory which most importantly manages to integrate both structural and interpretive elements as causal explanatory variables to the process of change. Chapter Three traces both the development of the 'new

politics' and globalization, and the impact that such phenomena have had on the structural and conceptual legitimacy of the 'Keynesian historical bloc' throughout advanced democracies. Chapter Four then focuses on the origins and development of Sweden's 'social democratic corporatist' model, while Chapter Five will look at the 'Swedish experience' between 1980 and 1995, a time in which the full impact of the exigencies arising out of the 'new politics' and globalization would not only be reflected in a shift in societal values, government policies, and in the structures of interest intermediation, but that would also culminate with Sweden's entry into the European Union (1995). This event in particular marks the attempted convergence of Swedish social democratic values with those associated with the push for greater European economic integration, values which above all tend to be neoliberal in nature (Ryner, 1998). It is for this reason that 1995 is chosen as the cut-off date for analysis; Sweden's entry into the European Union, in fact, provides the clearest indication yet of Sweden's reluctance to seek indigenous solutions that would halt the disintegration of its social democratic corporatist model. Finally, Chapter Six will conclude with both a discussion on the lessons that may be learned from the 'Swedish experience', and an assessment of the ascendancy of neoliberalism as a possible future 'historical bloc'.

CHAPTER TWO

STATE-SOCIETY RELATIONS IN THE POSTINDUSTRIAL ERA: GRAMSCI'S CONCEPTUAL MODEL

A THEORETICAL OVERVIEW

The study of the process of social, political, and economic transformation (in other words, the whole of the process of societal change) that is associated with postindustrialization can be approached from three different perspectives: 1) the 'institutionalist' approach, which would emphasize the state's role (among other formal political institutions) as an independent agent of change;¹² 2) the 'structuralist' approach, which would focus predominantly on systemic changes to the modes of capitalist production as the

¹²Models that ascribe explanations of change to political institutions tend to stress the role that the state plays as an autonomous agent in formulating policies and structuring society. For instance, as Skocpol suggests "states may be viewed as organizations through which official collectivities may pursue distinctive goals, realizing them more or less effectively given the available state resources in relation to social settings" (1985: p.28). Moreover, Skocpol suggests that "states may [also] be viewed more macroscopically as configurations of organization and action that influence the meanings and methods of politics for all groups and classes in society" (1985: p.28). This thesis, perhaps, is best exemplified in Nordlinger's work, which suggests that "the democratic state is frequently autonomous in translating its own preferences into authoritative actions, and markedly autonomous in doing so even when they diverge from those held by the politically weightiest groups in civil society" (1981: p.203).

fundamental explanatory variable to larger societal change;¹³ and 3) the 'society-centered' model, which would emphasize societal needs and demands as the primary source of social transformation. Clearly, all three explanatory models are important, although each is weakened by their respective lack of cross-referencing with the other models. In an attempt to avoid the pitfalls of each model, the thesis will utilize Antonio Gramsci's theoretical framework, which manages to integrate both political institutions and economic structures as explanatory variables, while focusing predominantly on societal determinants of change.

Gramsci's framework is useful for a variety of reasons: in the first instance, Gramsci's theory of 'hegemony' is particularly effective in assessing democratic systems where, it can be argued, societal consent and class alliances are often a necessary prerequisite for policy formulation. Secondly, Gramsci's model of state-society relations retains its explanatory value, whether applied to systems characterized by a greater degree of societal integration into state structures (as is the case in corporatist systems), or to systems characterized by clear lines of separation between state and society (as is the case in pluralist systems). This is especially significant, given the fact that presently Western political systems are under both domestic and international pressures, which threaten their

¹³According to Schmitter, structuralists view "[t]he invention and assimilation of new technology [as] the underlying propellant force, if not the singular determinant, of these changes" (1979b; p.77). Moreover he states: "This way of conceptualizing societal change and interest intermediation is 'economistic'...in that the occupational structure engendered by the production-distribution of goods and services is the system's fundamental determinant and motive force" (1979b; p.77). To this approach, one can add that of classical Marxist theory, which likewise emphasizes changes to the productive structures in capitalism as the primary explanatory variable responsible for the general restructuring of society.

specific state-society arrangements. Thirdly, while Gramsci's framework holds society as the mediating agent between the 'economic structure' and the state (Gramsci, 1971: p.208),¹⁴ the significance that is attached to civil society as the mediating agent varies between systems. For instance, Gramsci recognized that in systems characterized by weak civil societies and strong states, the role of civil society was of lesser significance than in systems characterized by strong civil societies.¹⁵ As such, Gramsci's method can be applied to any system, regardless of how it structures state-society relations. Lastly, and perhaps most importantly, Gramsci's theories suggest that formulating a legitimate¹⁶ and integrative interpretation of one's particular moment in history is crucial to both the formation of 'hegemony' and a 'historical bloc', in other words, an interpretation that takes into account and makes sense of the complex relations between productive structures, the state and society.

¹⁴It should be noted that Gramsci makes reference to the State as either 1) 'political society' when referring to the state's purely coercive, juridical, legislative, and administrative functions (1971: p.12), or in a broader sense as 2) the "State = political society + civil society, in other words hegemony protected by the armour of coercion" (Gramsci, 1971: p.263). These conceptual differences and Gramsci's theory about the relation between the economic 'structure' and the state or 'superstructure', will be dealt with at greater length in the pages that follow.

¹⁵This subject, in fact, is discussed at great length in the *Prison Notebooks*, especially as it relates to the Italian experience during the fascist regime. Similarly, when comparing Russia's experience in state-civil society relations with that of the West, Gramsci states: "[i]n Russia the State was everything, civil society was primordial and gelatinous; in the West, there was a proper relation between State and civil society, and when the State trembled a sturdy structure of civil society was at once revealed. The State was only an outer ditch, behind which there stood a powerful system of fortresses and earthworks" (1971: p.238).

¹⁶By 'legitimate', it is simply meant that it is built around societal consensus. In this sense, the term 'legitimate' should be deprived of any normative connotation.

GRAMSCI: 'HEGEMONY' AND 'HISTORICAL BLOCS'

Antonio Gramsci's contribution to both the study of the relationship between state and society, as well as to our understanding of the process of social change, not only offers a significant, as well as a positive departure from classical Marxist thinking on the subject, but also provides an important starting point to a more holistic approach to the study of societal and structural change, both domestic and global. The Gramscian approach has been described as "non-structuralist historicism" (Gill, 1993: p.22), because while suggesting that social interactions occur within a structure which pertains to a specific moment in history, the potential for changing such historically bound structures is to be found in the creative and interpretive function of a society that seeks to explain its social reality. It can be argued that in some ways, Gramsci's theories are a precursor to existentialist thought, at least to the extent that Gramsci, like existentialists, felt that one's perspective dictates the interpretation of phenomena.

Ultimately, Gramsci's theory is a useful explanatory tool, for it attempts to synthesize the structural and interpretive components, which make up the whole of the process of social transformation. Gramsci's particular approach begins with the rejection of the instrumentalism and economism of traditional Marxist thinking (Gill and Law, 1989; Rupert, 1993). Nowhere is this more apparent than in Gramsci's theory of the 'state' and 'civil society', concepts which are central to the understanding of Gramscian thought on 'hegemony' and 'historical blocs'.

Conventional interpretations ascribe to the 'state' those structures which foster the public interest through order, such as the military, and the legal and administrative institutions, whereas 'civil society' has come to represent the realm that concerns private interests, through organs like the market, the family, and voluntary associations (Keane, 1988a). Interestingly, until the middle of the eighteenth century both concepts were coterminous: the term 'civil society' described "a type of political association which place[d] its members under the influence of its laws and thereby ensure[d] peaceful order and good government" (Keane, 1988b: p.35). By the nineteenth century, however, a distinction began to develop between the two terms. This increased distinction was a reflection of the idea that the state, which had acquired an authoritarian form, was a threat to society. As such, 'civil society' increasingly began to inspire notions of social equality and civil liberties, concepts which at this historical juncture were antithetical to both regulatory and authoritarian forms of state power (Keane, 1988b).

Hegel's dialectic not only proved to be the catalyst in the movement to distinguish the state from civil society (Bobbio, 1988), but more significantly was to be the point of departure for Marxist theory on the subject.¹⁷ Although social equality and civil liberties were not a concern for Hegel, his system of dialectic prompted the state-civil society dichotomy (whereby the state, or political society, is viewed as the antithesis of civil society). For Hegel this conceptual distinction was a necessary by-product of modernity (the result of

¹⁷It is important to acknowledge the fact that the Hegelian conception of the state and civil society is simply one of many. It is discussed briefly here because it provides an understanding of the intellectual origins of Gramsci's analytical framework.

the rise of the liberal state); as such, the state structure was needed to impose order, rules and control over a civil society which was prone, in the words of Hegel, to "dissoluteness, misery and physical and ethical corruption" (Bobbio, 1988: p.80). While Marx and Engels adopted Hegel's state-civil society dichotomy, they chose to invert the power-relationship between the two organs, by outlining the subordinate role that political society (the state) held in relation to civil society. Significantly, whereas Hegel's civil society comprised of "private individuals, classes, groups and institutions whose transactions are regulated by civil law" (Keane, 1988b: p.50), a definition that thus incorporates judicial and administrative structures, for Marx and Engels civil society was limited to the realm of economic relations. This purely 'material/productive' conceptualization of civil society in turn leads to the formation of the Marxist 'base/superstructure' dichotomy, whereby the economic structure of society (i.e., civil society) forms the 'base' upon which the legal and political 'superstructure' is laid (Bobbio, 1988). In the words of Marx, "[c]ivil society embraces the whole material intercourse of individuals within a definite stage of the development of productive forces" (Marx and Engels, 1976: p.89).

Gramsci's conceptualization of the relationship between the state and civil society is consistent with that of Marx only to the extent that both viewed civil society as the active and determining historical agent, and thus relegated to the state a subordinate role. Nevertheless, Gramsci provides a fundamental departure from traditional Marxist thought by placing civil society in the realm of the 'superstructure', as opposed to the 'base' (Gramsci, 1971: p.12).

This distinction is an indication of Gramsci's different interpretation of the relationship between 'base' and 'superstructure'. Whereas for Marx the 'base' (i.e., the economic-productive structure) is the primary and determining historical agent,¹⁸ for Gramsci the relationship is reversed; it is the 'superstructure' (i.e., the cultural/ideological realm which envelopes both civil and political society) that subordinates the 'base' (Gramsci, 1971: pp.12, 208).

In sum, it is within the 'superstructure' that a war of ideas is waged, which in turn determines society's interpretation of the structural nature of the 'base'.¹⁹ Significantly, Gramsci does recognize that changes to the productive structure (the 'base') can have a destabilizing effect on the legitimacy of a social, ethical, and political system (the 'superstructure'), and that as a result of such structural changes, the 'superstructure' may no longer reflect the reality generated by the productive and material forces of the time, thus precipitating a hegemonic crisis (see Gramsci, 1971: note 42 on p.242; and pp.180-2). Nevertheless, according to Gramsci, greater emphasis needed to be placed on the function of ideology²⁰ during such moments of crisis. For Gramsci, ideas gain significance only if they can be related back to the productive structures. When a shift in productive structures occurs, the 'old' ideology begins to lose its

¹⁸This schema, in fact, forms the basis for the economic structuralism that is normally associated with classical Marxist theory.

¹⁹In Gramsci's framework, the 'base' is construed purely in productive terms, that is relating solely to the physical instruments of production (Gramsci, 1971: p.12; p.208).

²⁰Gramsci defines ideology as the "science of ideas" which is historically grounded in the "superstructure of a particular structure"; that is to say, it arises out of civil society's attempt to relate to present material relations (Gramsci, 1971: p.376). This definition varies from the more predominant and 'vulgar' meaning (according to Gramsci) of "system of ideas". Elsewhere, Gramsci refers to ideology as "a conception of the world that is implicitly manifest in art, in law, in economic activity and in all manifestations of individual and collective life" (1971: p.328).

moral and practical significance and, as a result, society's consent (Gramsci, 1971: pp.242, 275-6). It is during such an historical phase, he argues, that a 'new' ideology grounded in the new productive forces will emerge: "the phase in which previously germinated ideologies..., come into confrontation and conflict, until only one of them, or at least a single combination of them, tends to prevail,... to propagate itself throughout society - bringing about not only a unison of economic and political aims, but also intellectual and moral unity" (Gramsci, 1971: p.180). And it is precisely this 'intellectual and moral unity' which can bring about hegemony.

Given Gramsci's assumption that it is the cultural-ideological realm which is the primary agent of history (Gramsci, 1971: pp.208, 268, 407) and not economic structures, as Marx had previously postulated, it becomes a much easier task to lay out Gramsci's conceptualization of hegemony and the role that civil society plays in its formation. Gramsci defined civil society as the "political and cultural hegemony of a social group over the entire society, as ethical content of the State" (1971: p.208). Furthermore, Gramsci's definition of the 'state' provides an important departure from the classical Marxist understanding of the 'state' as an instrument. For Gramsci, in fact, the state (understood in the 'integral' sense)²¹ was more than just political society (i.e., an instrument of domination); Gramsci wrote: "by 'State' should be understood not only the apparatus of government, but also the 'private' apparatus of 'hegemony' or civil society" (1971: p.261).

²¹By 'integral' state Gramsci makes reference to the sum of political and civil society (1971: p.239).

It is important to note at this juncture, however, that in Gramsci's schema while both civil and political society occupy the space at the 'superstructural' level, the former is the active element, while the latter holds the subordinate role, just as the 'base' did with relation to the 'superstructure'. The significance of this distinction is that for Gramsci, while both civil and political society operate from the superstructural sphere, it is only civil society which is capable of achieving 'hegemony' (although the state apparatus may be used in the process), while political society is only capable of 'domination' (through the threat and/or use of force), hence incapable of establishing hegemony (Gramsci, 1971: pp.12, 239, 271). Gramsci attributes the latter form of rule to states which have not been capable of both integrating and expressing the interests of other groups, thus having to resort to coercion as a means of domination. States which are instead capable of attracting consent from subordinate groups (what Gramsci defined as 'integral' states), are not only hegemonic, but are also construed as belonging to a higher stage of 'state development', one which Gramsci associated with consensual "liberal, democratic regime[s]" (Gramsci, 1971: p.271; see also pp.181-2).

Thus, an 'integral' state can only exist if a class, or an alliance of classes that is seeking hegemony can "transcend the corporate limits of the purely economic class, and can and must become the interests of other subordinate groups too. This is the most purely political phase, and marks the decisive passage from the structure to the sphere of the complex superstructures" (Gramsci, 1971: p.181). It is only through this passage, that hegemonies are formed: "the

dominant group is coordinated concretely with the general interests of the subordinate groups, and the life of the State is conceived of as a continuous process of formation and superseding of unstable equilibria...between the interests of the fundamental group and those of the subordinate groups" (Gramsci, 1971: p.182) This more expansive understanding of the Gramscian 'modern State', therefore implies a balance between political and civil society, whereby hegemony is "exercised through so-called private organizations like the Church, trade unions, or schools" (Gramsci, 1973: p.204). Under such circumstances, these organizations can be construed as hegemonic instruments which help disseminate the dominant ideology. In summary, the centre-piece to Gramsci's conceptualization of hegemony is the idea that ideologies are not only both the product of civil society and the primary agent of history, but that they also help shape structures and ultimately are capable of creating a 'new reality', or in the least a new interpretation of reality.

When a historical congruence exists between the 'base' (the productive forces) and the 'superstructure' (political and civil society), Gramsci then referred to hegemony as operating within a 'historical bloc' (Gramsci, 1971: p.137), whereby the dominant ideology functions as the glue that helps cement the 'historical bloc', by providing unity between the productive forces, civil society, and political institutions (Gramsci, 1971: pp.376-7). To this extent, Gramsci's 'historical bloc' is built along two dimensions: the first, is the horizontal alliance of classes which allows for the formation of hegemony, whereas the second involves the vertical linking of the

'base' and the 'superstructure' (Gramsci, 1971: pp.137, 366). Significantly, civil society functions as the primary mediation between the 'base' and the 'superstructure', that is, between "the economic structure and the State" (Gramsci, 1971: p.208). Moreover, within civil society, it is the intellectual's role to not only organize consent (and thus act as either an hegemonic or counter-hegemonic instrument), but also to articulate and disseminate an 'organic' interpretation of the complex interrelations between the 'base' and 'superstructure' (Gramsci, 1971: p.12). Given the importance that Gramsci attributes to ideology as the 'primary agent of history', it is imperative to stress his impression that intellectuals are the "functionaries" of civil society (Gramsci, 1971: p.12).

According to Gramsci, any particular historical bloc is constantly challenged by some element/s of civil society; when the balance between political and civil society (thus the balance upholding the hegemonic rule of a particular 'integral' state) is disrupted significantly by the ideology of a subaltern class or group, the possibility for the emergence of a new historical bloc is enhanced. The displacement of a historical bloc by some alternate 'cultural expression' arises out of a "crisis of authority" which will occur only if the articulation of a possible new historical bloc highlights effectively the contradictions inherent in the present historical bloc. According to Gramsci, this occurs when "the great masses have become detached from their traditional ideologies, and no longer believe what they used to believe previously" (Gramsci, 1971: p.276).

In sum, Gramsci's framework synthesizes the structural and interpretive elements of 'institutionalist', 'structuralist', and 'society-

centered' models. Out of this synthesis emerges Gramsci's model, which provides the analytical tools for assessing the complex interactions between society, political institutions, and economic structures. More importantly, this model allows for the analysis of the process of structural change and societal transformation by linking societal changes to the reorganization of relations of production and the more fundamental transformation of state-society relations. For instance, while the model helps recognize that the absorption of civil society into state structures depends largely on the system of interest intermediation that a society utilizes,²² it also helps to identify the historical and cultural determinants that paved the way for the consensus built around such system, consensus which may have ultimately helped forge a 'historical bloc'.

As the discussion on the Swedish experience will show, Gramsci's theoretical framework will provide clues as to why the 'social democratic corporatist historical bloc' emerged in Sweden, and why such an historical bloc has come under attack in the form of both endogenous and exogenous forces. Before doing so, however, we will turn to a broader discussion on how the same forces worked to undermine the 'Keynesian historical bloc' throughout advanced democracies.

²²Corporatist systems (like that of Sweden, for instance) will have a greater tendency to incorporate organized elements of civil society into state structures, so much so that it becomes difficult to differentiate whether some organs belong to civil society or political society (in the Gramscian sense of the terms). This varies significantly from pluralist systems, where the distinction between organs that belong to civil society, as opposed to political society, remains very clear.

CHAPTER THREE

THE DEMISE OF THE 'KEYNESIAN HISTORICAL BLOC': THE IMPACT OF THE 'NEW POLITICS' AND GLOBALIZATION

The emergence of two distinct, yet interrelated phenomena can be linked to the demise of the 'Keynesian historical bloc' in advanced industrial societies. The rise of both the 'new politics' and globalization, which coincided with the transition from the industrial to the postindustrial order, combined to undermine the equilibrium that Keynesian orthodoxy managed to establish during the latter stages of the industrial era. The thesis will now look at the origins of both the 'new politics' and globalization, and assess the kinds of impact that these phenomena had on the 'Keynesian historical bloc'.

THE 'NEW POLITICS'

The shift to the postindustrial era has had a significant impact on the social, political, and economic foundations of advanced industrialized states. During the 1960s most advanced industrial states reached

levels of previously unattained economic growth and prosperity, which enabled them, among other things, to afford a vast expansion in the provision of social services. As a direct result of this transformation, levels of education also rose considerably; a more educated mass public, in turn, gave rise to a more sophisticated electorate, which seriously affected the participatory structures of Western liberal democracies. These structures first came under severe attack during the student movements of the late 1960s, only to be further disrupted by the rise of new social movements during the 1970s. This rise in the level of non-traditional participatory practices has paradoxically resulted in the emergence of new types of political parties, commonly referred to as 'left-libertarian' parties,²³ as well as undermining highly centralized and hierarchical structures of interest intermediation. Furthermore, this series of changes was accompanied by the emergence of different value structures in advanced liberal societies (Inglehart, 1984; 1990b). Data from the past twenty-five years has shown a consistent shift in values among Western mass publics from material concerns (such as physical and economic well-being), towards postmaterial concerns (such as quality of life and self-expression) (Inglehart, 1997; Inglehart and Baker, 1999).

²³The paradox lies in the fact that supporters of new social movements tend not to identify with traditional political structures, like political parties. It should be noted at this time that although this thesis is not directly interested in 'right-authoritarian' parties, it does recognize that they are also part of the process of political change that is associated with the rise of the 'new politics'. Unlike left-libertarian parties, right-authoritarian parties are concerned with immigration, law-and-order issues, and issues relating to regional self-determination, and that such parties tend to receive a disproportionate level of support from the working class (Inglehart, 1997: ch.8). In some ways, the rise of right-authoritarian parties reflect the re-emergence of preindustrial cleavages, such as ethnicity and regionalism.

Left-libertarian political parties can be placed within the context of the emergence of the 'new politics', and they are characterized by a new dimension of conflict which does not conform to the traditional Left/Right dimension. The 'new politics' can be construed as the structuring of the demands of the emerging postindustrial mass publics through non-conventional participatory structures; in other words, the structuring of demands through channels which are reflective of a new dimension of political conflict. As such, the 'new politics' are to be understood as rising from the inherently inadequate linkages between civil and political society experienced in advanced capitalist states.

Left-libertarian political parties have sought to embrace the spirit of new social movements, in a similar attempt to provide an alternate channel of political participation, albeit in a different institutional form. As Kitschelt has suggested, left-libertarian parties "are 'Left' because they share with traditional socialism a mistrust of the marketplace, of private investment, and of the achievement ethic, and a commitment to egalitarian redistribution. They are 'libertarian' because they reject the authority of private or public bureaucracies to regulate individual and collective conduct" (1990: p.180).

While others have argued that this is not entirely a new phenomenon (Brand, 1990), what seems to be significant about the social movements that have emerged recently, is that their development coincides with a fundamental shift in the nature of electoral alignments with political parties (Dalton *et al.*, 1984a; Inglehart, 1990a; 1997; Smith, 1990). Data suggest that although the

Left/Right dimension of political discourse has proven resilient by managing to incorporate elements of the 'new politics' into its framework, traditional partisan cleavage alignments reflect to an ever decreasing level the value orientations of West European mass publics (Knutsen 1995, 1998). Perhaps more significantly, the growth of a sophisticated electorate, coupled with the emergence of postmaterialist values, have undermined traditional liberal democratic patterns of political participation associated with the 'Keynesian historical bloc'.

Increasingly, as studies spanning the last two decades have shown, European electorates are becoming less partisan, more politically active, and highly volatile (Dalton *et al.*, 1984b; Inglehart, 1990a; 1997; Richardson, 1995; Schmitt and Holmberg, 1995; Lane and Ersson, 1997). The implications for political parties in general, but particularly for those aligned along the traditional cleavages of social class and religion, are serious. Not only are the changes among the electorate placing strains on party systems, but they are also forcing political parties to limit their function to one of structuring the vote and providing the governing elites (Richardson, 1995). As Dalton *et al.* (1984b) have suggested, political parties are increasingly no longer performing the social and political roles which they fulfilled during the greater part of the twentieth century. The further bureaucratization of government, the increased level of available information, and the rise of an electorate with greater political skills and resources have all served to limit the function of parties as providers of both information and political cues, functions

which traditionally worked to ensure a degree of partisan predisposition among the electorate.

The rise of the 'new politics' has predominantly been described as an expression of the decreasing significance of the class-based polarization of politics, and its gradual replacement by a value-based polarization (Muller-Rommel, 1989, 1990; Poguntke, 1989; Rohrschneider, 1993). As Inglehart (1997) has suggested, traditional West European party systems have recently begun to reflect the realities imposed upon them by the postindustrial era. The once predominant cleavage of social class is slowly being replaced by value cleavages. This observation is substantiated by data which suggest that class voting in Western Europe has declined significantly in the past decades (Inglehart, 1984: p.30n; 1997: p.255; Nieuwbeerta, 1996; Lane and Ersson, 1997). Significantly, a recent study on value trends in eight West European countries has found that "middle-class Postmaterialists are more likely to support left parties than are working-class Materialists" (Abramson and Inglehart, 1995: p.10). This finding provides a clear indication of a fundamental restructuring of the West European political landscape, away from the traditional class-based interpretation and towards a value-based conceptualization. Moreover, Inglehart (1990a; 1997) has been able to trace the development of new value structures among West European generations born following the Second World War. These generations, classified as possessing to an increasing degree postmaterialist values, give a higher priority to non-material needs, such as freedom and quality of life, while at the same time placing less emphasis on material issues such as economic and

physical security. Furthermore, evidence suggests that individuals possessing postmaterialist values are less likely to have confidence in hierarchical institutions (Inglehart, 1997: ch.9).

Inglehart bases his theory of value change on two hypotheses: the scarcity hypothesis suggests that "[o]ne places the greatest subjective value on those things that are in relatively short supply" (1990a: p.68). As such, if basic survival needs like food and economic well-being are met, one can expect an individual to place greater value on objects which are in shorter supply, such as aesthetic needs. The socialization hypothesis, on the other hand, suggests that "to a large extent, one's basic values reflect the conditions that prevailed during one's pre-adult years" (1990a: p.68). This hypothesis stresses the impact that an individual's formative years have on their value system, while undermining, to some extent, the potential of drastic life-cycle changes. As a whole, the theory of value change proposes that "while the scarcity hypothesis implies that prosperity is conducive to the spread of Postmaterialist values, the socialization hypothesis implies that neither an individual's values nor those of a society as a whole are likely to change overnight" (Inglehart, 1990a: p.69). Inglehart recognizes that short-term periods of scarcity will lead to a sudden increase in materialist values; nevertheless, Inglehart suggests that long-term value change towards postmaterialism results "mainly from intergenerational replacement" (1997: p.131). In fact, data suggest that each cohort polled over an extended period of time, remains "about as Materialist or Postmaterialist as it was when it was first sampled" (Abramson and Inglehart, 1995: p.28). Therefore, although

there are fluctuations among cohorts which are directly related to economic recessions, over the long-term values for each cohort remain about the same.

Given the fact that since the end of the Second World War the basic economic and security needs have been met increasingly in Western Europe, younger generations have progressively been displaying a greater tendency towards postmaterialist values (Inglehart, 1990b; 1997; Abramson and Inglehart, 1995). Clearly, the problem with Inglehart's value change analysis is that it bases its predictions of increased levels of postmaterialist values on the assumption that economic conditions will continue to improve over time. Just as short-term effects (such as recessions) result in increased levels of materialist values (Abramson and Inglehart, 1995), it could be argued that an extended period of economic stagnation, or a gradual decline in economic performance may lead to the long-term reassertion of materialist values. For the moment, however, all indications are that a gradual shift towards postmaterial values is still occurring (Inglehart and Baker, 1999). As Dalton *et al.* have suggested, "the younger and more educated voters in advanced industrial democracies are beginning to define political competition more in terms of value cleavages than class cleavages" (1984b: p.453). Stemming from this theory, one can expect that as younger generations join the ranks of the politically active (either by simply voting, or by joining a social movement), the nature of political conflict in Western Europe will change to reflect the rise in postmaterialist values.

This, in fact, is what both Muller-Rommel (1989; 1990) and Poguntke (1989) suggest has been taking place in Western Europe since the 1960s. As Europeans experienced a decrease in interest for traditional political issues such as public order, economic growth, and national security, the salience of 'new' issues provided the impetus for the creation of new groups, who sought to place such new issues squarely onto the political agenda. New issues, such as environmental quality, alternative life-styles, and minority rights were initially not readily absorbed by the traditional structures of political discourse and had to, therefore, find alternate means of receiving recognition. In fact, while during the 1970s 'new politics' parties were present in only three West European states, by "the 1989 elections to the European Parliament, New Politics parties won at least 10 percent of the vote in eight of the 12 European Community countries" (Inglehart, 1997: p.256). Knutsen's (1998) study of electoral support for 'new politics' parties shows a noticeable increase in support from 1982 to 1993 among the left-libertarian parties of thirteen West European countries. Of the thirteen countries, only Danish and Italian left-libertarian parties experienced a decrease in support during this period, while Austria, France, Spain, and Sweden experienced the greatest increase in support (7, 6.4, 5.5, and 4 per cent, respectively) (Knutsen, 1998: see Table 3b).

By the 1990s, however, mainstream political parties in Western democracies had begun to absorb elements of the 'new politics' into their party programmes (Rohrschneider, 1993). While throughout the 1950s and 1960s socialist policies were a major theme in most

party programmes (on average mentioned five times per party programme), by the 1980s environmental policy had surpassed socialist economic policy, receiving on average eleven mentions per party programme by the early 1990s (Inglehart, 1997: pp.252-3). Furthermore, Rohrschneider (1993) has found that in states that utilize proportional electoral laws, traditional Left parties are likely to absorb elements of the left-libertarian agenda, in order to limit the drain of support to the new Left.²⁴

The sudden rise of left-libertarian parties,²⁵ but particularly the success of green parties during the 1980s, has caused scholars to question Lipset and Rokkan's (1967) assumption that a "freezing" of party systems took place in Western Europe, at the beginning of the twentieth century. Lipset and Rokkan have argued that the class cleavage had become the most salient dimension of political conflict within Western Europe because when the extension of the suffrage took place, around the turn of the century, class issues dominated the

²⁴In fact, electoral systems have proven to be a significant factor in the successful rise of left-libertarian parties. In general, proportional systems with low threshold levels have facilitated their creation. Similarly, party systems have had a noticeable impact. Muller-Rommel (1990) has suggested that party systems are a more significant predictor of left-libertarian parties' success, than is the strength of the new social movement support within a country.

²⁵For a concise illustration of the electoral success of left-libertarian parties in Western Europe see Muller-Rommel, 1990: Table 11.2 on p.216. By the mid to late-1980s, most West European states had witnessed the relative electoral success of left-libertarian parties. As early as 1982 the Parties of the Green Progressive Accord received 5.7 per cent of the vote in the Dutch national elections, soon to followed by the Icelandic Women's Party (5%) in the 1983 Icelandic national election; The Green Alternative (5.2%) in the 1984 election in Luxembourg; Agalev and Ecolo (7.1%), Socialist People's Party (14.5%), and Greens (8.3%) in the 1987 Belgian, Danish, and West German elections, respectively; and the Left and Environmental parties combining for a total of 10.6% in the Swedish elections of 1988 (Kitschelt, 1990: p.183). By the early 1990s, the French Ecologist Party received 8% of the vote (1993), while the Dutch Democrats '66 and the Green Left combined for a total of nearly 20% (1994). The German Greens received 7% of the vote (1994) (Inglehart, 1997: ch.8), and would eventually form a national coalition government with the Social Democrats in 1998, although in order to do so many of their positions had to be compromised.

political discourse. They have suggested that social cleavages emerged following periods of major social transformation, such as those which followed both the National and Industrial revolutions.

In short, the first revolution gave rise to two sets of cleavages: the 'center/periphery' cleavage witnessed cultural conflict between the dominant national elites and the masses residing in the provinces. The 'church/state' cleavage, on the other hand, arose from the conflict over the distribution of power among the traditional structures of the church vis-a-vis the newly founded sovereignty of the state. Likewise, the Industrial Revolution gave rise to two sets of cleavages: the 'land/industry' cleavage was primarily based on the conflict between traditional landed interests and the emerging class of industrialists. The 'owner/worker' cleavage, which produced the congealment of the party systems along the social class dimension, arose from the industrial conflict between the proletariat and the bourgeoisie. According to Lipset and Rokkan, the class cleavage is not only responsible for traditional forms of party alignments, but has also become firmly entrenched in Western European politics, resulting from the institutionalization of traditional political parties. Moreover, it is important to note that political parties were able to conform these cleavages to the ideologically driven Left/Right dimension of political conflict, thus further incorporating the significance of Left and Right politics throughout Western Europe.

Given the recent emergence of a series of left-libertarian parties in Western Europe that reflect the rise of postmaterialist values, scholars have begun to observe some fundamental changes to the traditional structure of partisan alignments with political parties

(Dalton *et al.*, 1984a, 1984b; Inglehart, 1984, 1997; Smith, 1990). Two alternative types of partisan alignments that are commonly recognized as possibly taking place are those of an electoral *realignment* along some new social cleavage or cleavages, and that of an electoral *dealignment* resulting from a redefinition of the participatory structures in Western European democracies (Smith, 1990: p.251). This does not necessarily suggest a dichotomy of partisan alignments, but rather a range of possibilities from extreme forms of realignment to equally extreme forms of dealignment.

It is significant to note that the notion of electoral alignment has traditionally been associated with voters' identification with a particular political party, and that such identification, in turn, has been viewed as giving rise to a sense of loyalty between voters and parties. The growing fractionalization and volatility of West European party systems²⁶ which began in the early 1980s, has resulted in the debate over whether these loyalties are simply changing (hence a realignment), or whether we are witnessing an absolute decline in partisan identification (hence a dealignment).

Dalton *et al.* (1984b) suggest that two theories of party systems and partisan change conform to the two possible forms of cleavage alignments discussed above:

[t]he *social cleavage* model attributes change in party systems to the rise and eclipse of social cleavages. The transition between electoral eras is marked by a realignment, as parties and the electorate adjust their positions along a new cleavage

²⁶See Tables 1.1 and 1.2 in Dalton *et al.*, 1984a: pp.9-10. Fractionalization is defined as the process of introduction of new parties and/or the breakup of established parties, while volatility is defined as "fluctuations in voting results between elections" (Dalton *et al.*, 1984a: p.9).

dimension. The *functional* model posits that recent electoral trends are the product of changes in the social and political roles served by parties and party identifications (1984b: p.454).

Although these authors recognize that both a realignment and dealignment of West European electorates seems to be occurring simultaneously, the *social cleavage* and the *functional* models speak, specifically, to one of the two forms of partisan change that are hypothesized to be taking place, that is a realignment and a dealignment, respectively.

The social cleavage model adopts many of the assumptions inherent in Lipset's and Rokkan's (1967) work; as such, cleavages arise from fundamental societal transformations. In this model, the West European shift to the postindustrial era could be construed as having dramatically altered society, to the degree that traditional social cleavages no longer adequately reflect the demands of the mass public. As a result, a possible scenario may be the rise of an 'industrial/postindustrial' cleavage, which would reflect Inglehart's 'material/postmaterial' cleavage (Dalton *et al.*, 1984b).

There does not seem to be any clear indication that the 'industrial/postindustrial' cleavage has overwhelmed all others; Smith (1990) suggests that two major stages of European electoral and party development have taken place, with a third and newer stage occurring during the 1980s. The significance of this analysis is that the three stages of development do not displace one another, but rather provide the foundations for the subsequent stages. The first stage is characterized by the alignment of political parties and electorates along the traditional class cleavage. The second stage is

characterized by the parties' realization that following the end of the Second World War, Europeans began to shed their identification with their particular social class. The massive growth of the middle class, during this period, promoted the creation of a 'homogenised mass culture', which in turn resulted in the declining ideological polarization of parties. The post-World War II era, therefore, gave rise to the 'catch-all' party and undermined the parties positioned at the extremes of the Left/Right axis.

Smith (1990) suggests that although the impact of the third stage (the rise of the 'new politics') on the traditional dimension of political conflict is not entirely clear, this Left/Right dimension has proven to be very resilient. Not only have traditional parties of the Left been able to successfully promote the 'old' ideological style of politics, but also, in the words of Smith, "electoral psychology translates party competition to unidimensional framework, usually a left-right one, even though a multidimensional mapping would be more appropriate" (p.264). Inglehart (1984), in fact, has found that voting behaviour is much more aligned with voters' placement of parties along the Left/Right dimension, than on whether or not a party shares the voters' materialist or postmaterialist predisposition. More recent studies support the proposition that although the rise of the 'new politics' has undermined traditional social cleavages, they, in turn, have proven to be very difficult to eradicate (Knutsen, 1995, 1998). In the words of Alber, "there is change and persistence. The binding force of the old cleavages has diminished but not disappeared" (1989: p.196). Lastly, one should not underestimate the capability of traditional political parties to conform to the 'new'

demands that are being placed upon them; their receptiveness, coupled with their willingness to adapt, can ultimately ensure a less drastic realignment of the electorate (Rohrschneider, 1993).

The functional model, on the other hand, would suggest a permanent dealignment of the electorate. This model stems from the assumption that some of the political party's functions are becoming less relevant, as the Western European mass public becomes more sophisticated and much more politically active. Dalton *et al.* suggest that a "dealignment seems to be concentrated among groups whose greater political skills and resources enable them to be more functionally independent: the better-educated, the middle class, and the young" (1984b: p.462). Moreover, these authors point to the recent changes involving the style of politics, which is inherently more participatory; unconventional methods of political participation, such as protest marches, sit-ins, and demonstrations, point to the fact that West European mass publics have become less willing to be confined to the more traditional participatory roles, like that of voting. As a result, this model would predict partisan attachments to decrease considerably in postindustrial states, while issue-based voting would be expected to increase significantly.

These kinds of changes seem to be substantiated by data which suggest that Western Europe has witnessed a radical increase of opportunity structures for political participation (Richardson, 1995). These structures are reflective of the growth in public demand for a more direct involvement in the process of decision-making, and the resulting rise of new social movements and interest groups as channels for this greater demand in activism. Interestingly,

Richardson (1995) suggests that not only are most West European political parties witnessing a steady decline in membership, but that this traditional form of participation is being supplanted by less hierarchically structured and more single-issue oriented forms of participation. As a result, there has been a proliferation in number of organizations that seek to win over active members, and that promote a single-issue (see Richardson, 1995: pp.133-4). This dramatic increase in opportunity structures for political participation has had a significant impact on corporatist modes of interest intermediation. Not only have these new structures undermined the power of corporatism which is predicated upon a 'representational monopoly', but they have also spurred demand among members of corporatist groups for more direct control over the decision-making process (Schmitter, 1989). Significantly, the participatory structure of organizations which are said to be part of the 'new politics' borrow a horizontal structure from new social movements, coupled with an orientation towards the promotion of a single-issue, or a cluster of similar issues.

Kitschelt's (1990) and Muller-Rommel's (1989; 1990) work supports this proposition. Muller-Rommel, in fact, has found that the policies of left-libertarian parties reflect the value system and ideological orientation of the followers of new social movements. Three fundamental characteristics separate these parties from traditional ones: in the first instance, their ideological orientation is one which stresses the need for equal rights, the preservation of the environment, and unilateral disarmament, among others. Secondly, left-libertarian parties display a strongly decentralized

organizational structure, thus allowing for greater opportunities for participation in the decision-making process at the grass-roots level. Lastly, supporters of these parties display characteristics which differ significantly from those of the supporters of traditional parties: "[n]ew Politics voters are mainly younger, new middle class, urban, highly educated, with new value orientations, and a general left-wing orientation" (Muller-Rommel, 1990: p.218). Interestingly, these characteristics are the ones which Dalton *et al.* attributed to a dealigning electorate.

Similarly, Kitschelt (1990) speaks of an *organizational dealignment*, when referring to the structures of left-libertarian parties as modes of representation for their constituencies:

[l]eft-libertarians believe political parties to be only one of many actors that ought to participate in governing and shaping social institutions, but not have a dominant focal position. In this respect, organizational dealignment symbolizes efforts to lower the centrality of political parties in the networks of interest intermediation and enhance the autonomous self-organization of citizens in social movements to gain access to the state (p.180).

As Kitschelt has suggested, these kinds of considerations are not conducive to electoral success; therein lies the paradox of left-libertarian parties, for if they are to promote a structure and a strategy which is consistent with their principles, they will be doomed to electoral failure. This point is made apparent if one looks at these parties' membership structure: not only do they attract a much smaller percentage of their electorate, compared to traditional parties (see Kitschelt, 1990: p.188), but membership turnover is also exceptionally high compared to that of traditional parties. These

findings should not come as a surprise, given the greater predisposition among left-libertarians towards a lack of partisan attachment and the need to seek alternate methods of participation.

The relationship between left-libertarian parties and their constituencies must be viewed in terms of the values which these constituencies embody; partisan alignments, in of themselves, are construed as being counterproductive. In his study of environmental elites, Dalton (1995) acknowledges that "[w]hile most environmental interest groups can identify potential partisan friends and foes, they nevertheless adhere to their apartisan rhetoric in avoiding formal association or direct contact with party elites" (p.320). Interestingly, the same could be said of their relationship with left-libertarian parties (see Kitschelt, 1990: pp.196-8; Dalton, 1995). Although many studies do show an inclination among new social movement activists towards electoral support for the Left (be it, left-libertarian or the traditional Left), it is nevertheless surprising to see the level of support that traditional parties are able to retain from this sector of the electorate.²⁷

Ultimately, if one is to predict what the future holds with regards to the type of electoral alignment or dealignment in Western Europe, the answer rests heavily on the predictability of survival and growth of left-libertarian value structures. As these value systems flourished during times of vast economic growth, their sustainment depends upon future levels of economic affluence. Moreover,

²⁷See Muller-Rommel, 1990: Table 11.3 on pp.226-7; and Dalton, 1995: Table 2 on p.308. Most surprisingly is the low level of votes that green parties receive from supporters of the ecology movement. Although these parties do receive a disproportionate (i.e., a much larger) amount of support from this group of voters, the level is not as high as one would expect.

uncertainty still remains with regards to the significant impact that life-cycles may have on value systems, as well as on the assumption that economic conditions will continue to improve over time. It could very well be that as one ages, and economic conditions worsen one may revert to materialist values.

In sum, a new dimension of political conflict has undoubtedly emerged. Whether this value driven polarization will supplant the Left/Right dimension is still uncertain. What is certain, however, is that West European mass publics have effectively articulated their desire for change in the methods of political participation, and that structures have adapted to such demands. What is less clear, for the moment, is to what degree the restructuring associated with the 'new politics' has undermined the 'Keynesian historical bloc', particularly its 'social democratic corporatist' variant. This will become apparent in the analysis of the developments in Sweden.

We now turn to a discussion on the process of globalization and the impact that such process has had on both the state and the 'Keynesian historical bloc'. It should be noted that although globalization is essentially an economic phenomenon, this thesis is primarily concerned with its political and societal implications. Therefore, while the discussion that follows focuses on the vast economic restructuring of the global economy, emphasis is placed on the effect that such restructuring has had on the relation of power between the state and the market.

GLOBALIZATION

Following the breakdown of the Bretton Woods financial order (1973), and the subsequent collapse of the capital controls regime which was central to this agreement, international capital flows throughout the advanced industrialized states increased in an exponential fashion. As Frieden points out, "the outstanding stock of international bank and bond lending was \$3.6 trillion in 1989, equivalent to 25 percent of the aggregate gross national product (GNP) of the industrialized countries, in contrast to under \$200 billion and 5 percent of aggregate GNP in 1973" (1991: p.428). The important aspect of this surge in economic internationalization, is that it has been led by the foreign exchange market. In fact, while in 1983 foreign exchange transactions were ten times larger than world trade, by 1992 they had become sixty times as large in relation to trade (Arrighi, 1997). By the 1990s the trend in internationalization had began to spread to emerging markets as well, providing further proof of the predominance of neoliberal economic consensus: "total net private capital flows to emerging markets in the 1990-96 period soared to \$1,055 billion, more than seven times the amount they received in the 1973-81 period" (Folkerts-Landau *et al.*, 1997: p.241).

Most would argue that the collapse of the capital controls regime associated with the Bretton Woods agreement spurred the integration of global financial markets (Cox, 1993; Goodman and Pauly, 1993; Cerny, 1994; Andrews, 1994; Helleiner, 1994a; 1994b; Strange, 1996). Moreover, many would argue that such financial

integration has significantly undermined the state's ability to formulate policies independently of the markets' influence (Cerny, 1995). Garrett has succinctly summarized this process: "the easier it is for asset holders to move their capital offshore, the stronger the incentives for governments to pursue policies that will increase rates of return on domestic investment." (1995: p.667). At the same time, this dynamic of 'competitive deregulation' resulted in the further liberalization of domestic markets in the advanced industrialized world, throughout the 1980s and 1990s (Helleiner, 1994a: p.12). There is less agreement on the cause for the collapse of the Bretton Woods financial order. Briefly, causal explanatory models tend to fall within two general types: 'actor-centered' models stress the role played by social actors (such as intellectuals, financial institutions, and multinational corporations, among others) in advancing the legitimacy of the 'idea' of global economic integration, while 'structure-centered' models focus mainly on structural change (such as the development of new technologies) as the variable responsible for the process of globalization. Before examining the various reasons put forward for the collapse of Bretton Woods and the implications that such collapse had for the role of the state, it is important to both define globalization, and to discuss the historical antecedents which led to the integration of the global economy.

Globalization²⁸ is defined here as the interrelated process of economic, political, and cultural restructuring of the international capitalist system. It is characterized by the following: 1) the newly

²⁸The definition of the term 'globalization' borrows from the conceptual interpretations of Cox (1993: pp.259-60); Cerny (1995: p.596, and p.613); Barber (1995); and Wilks (1996: pp.57-8).

globalized organization of production resulting from the increased mobility of productive capital. Such mobility allows producers to seek geographic locations that provide the most advantageous production costs, labour, and tax regimes. This new global organization of production, in turn, has given rise to an international division of labour which, among other things, has had the effect of cross-cutting traditional class alliances (See Frieden, 1991; Swenson, 1991). 2) The emergence of increasingly autonomous transnational financial markets and institutions, which are characterized by large volumes of instantaneously traded and highly deregulated transactions in money, credit, and equities. 3) The development of a global consumer culture, which finds its roots in the wants and aspirations of an increasingly self-regulated and dominant global market. This consumer culture is driven by market exigencies to produce, and thus to turn citizens into consumers. Significantly, this process of restructuring which constitutes the whole of the dynamic of globalization, is the consequence of a mix between national policy decisions and the opportunities provided by the technological changes associated with the Information revolution²⁹ (Andrews, 1994; Helleiner, 1994a; 1994b).

It is nevertheless important to note that, as Arrighi (1997) has suggested, globalization is indicative of a novel transformation only with respect to its "scale, scope and complexity" (p.2). In fact, it has been well documented that during the Gold Standard period (1870-

²⁹The Information revolution is indicative of the process of technological advancements which enabled the growth in the digitalization and computerization of information. The other significant aspect of this revolution is the speed with which information can be accessed.

1914),³⁰ the scale of capital flows relative to the combined Gross Domestic Product of capital exporters and importers was larger than it has been during the 1990s (Folkerts-Landau *et al.*, 1997: pp.234-5). Similarly, as Arrighi has pointed out, "foreign direct investment (FDI) grew so rapidly that in 1913 it amounted to over 9 percent of world output--a proportion still unsurpassed in the early 1990s" (1997: p.1). Thus, there is nothing distinctive about the integration of the global economy. What is significant about this particular era of economic integration is its complex structural form, its truly global reach, the unprecedented rise of a homogenized global consumer culture, and the lack of determined leadership that would ensure stability in the system.

Significantly, while the Gold Standard period functioned under the watchful eye of British imperial power (more specifically the financial interests of the City of London) (Polanyi, 1944: p.14; Gilpin, 1987: p.124), today's global economic power (the United States) has shown a reluctance to assume responsibility to insure order and stability in the global market (Arrighi, 1997; Soros, 1997). The only response to destabilizing financial crises have come in the form of *ad hoc* reactive measures; this is a direct result of the the lack of

³⁰This international monetary system was organized and managed by Great Britain, because of the City of London's predominance in world commodity, money, and capital markets. Such position of power enabled Britain to obtain universal acceptance to a system of a fixed exchange rate pegged to gold (Gilpin, 1987: pp.123-5). Gilpin suggests that "[a]s a consequence, the world economy in effect had a uniform world currency with relatively little inflation or currency fluctuation, and the resulting stability of exchange rates was a major factor in the steady growth of trade and foreign investment" (1987: p.125). With the gradual decline of British global economic leadership, the system began to falter, only to be replaced initially by a system of floating rates, and later by a system of competing monetary blocs (1914-1944) (Gilpin, 1987: pp.127-31).

institutionalized structures which could prescribe and implement crisis-prevention strategies (Sachs, 1998).³¹

Moreover, the present global structure shares with the Gold Standard era a wholesale acceptance of free-market principles, guided by the belief that "the common good is best served by the uninhibited pursuit of self-interest" (Soros, 1997: p.48). Nevertheless, as Polanyi (1944) so masterfully argued, it was the self-regulating market, with its predisposition to annihilate "the human and natural substance of society" (p.3), which would be responsible for the breakdown (during the 1930s) of a global financial order based on *laissez-faire* capitalist principles. For Polanyi the idea of a self-regulated market was nothing more than a historical aberration, or a "stark utopia", and that this became apparent following the Great Depression. In fact, the social ramifications would be so severe that the economy, as it had always been historically, was once again made to serve the interests of society, rather than those of the marketplace.³² This reaction, in turn, gave rise to what Polanyi defined as *The Great Transformation*.

Following the end of the Second World War, consensus among Western democracies was rooted in the need to achieve economic

³¹Following the economic crises of South East Asia (1997) and Russia (1998), the International Monetary Fund has in fact recognized the need to establish an "international financial architecture" to help prevent future crises (Fischer, 1998). Nevertheless, as Sachs (1998) points out, there still remains a great deal of apprehension among leading capitalist states (especially the U.S.) of providing the large amount of financial backing that an appropriate "international financial architecture" would require.

³²As Polanyi suggests: "never before our time were markets more than accessories of economic life. As a rule, the economic system was absorbed in the social system, and whatever principle of behaviour predominated in the economy, the presence of the market pattern was found to be compatible with it...Regulation and markets, in effect, grew up together. The self-regulating market was unknown; indeed the emergence of the idea of self-regulation was a complete reversal of the trend of development" (1944: p.68).

growth and full employment, and to create a stable world economic order (Gilpin, 1987: p.131). The Bretton Woods Conference (1944)³³ provided the opportunity to do just that, by allowing governments a degree of autonomy to pursue social and economic objectives, within a fixed exchange monetary system which theoretically would promote cooperation among advanced industrialized states: "[t]his so-called 'compromise of embedded liberalism' was an attempt to enable governments to pursue Keynesian growth stimulation policies at home without disrupting international monetary stability" (Gilpin, 1987: p.132); in other words, this settlement marked the beginning of the 'Keynesian historical bloc'. As Helleiner has suggested, although the Bretton Woods negotiations were characterized by differences among the two key negotiators (British and American representatives John Maynard Keynes and Harry Dexter White), "on the question of international movements of private capital, both strongly supported the use of capital controls" (1994a: p.33). In fact, they both felt that capital controls could remedy the practice of speculative movements of funds, which had caused much havoc during the 1930s. Moreover, given the fact that one of Bretton Woods' goals was to facilitate international trade, priority was placed on a stable exchange rate system. Keynes and White had felt that

³³The arrangement that was agreed to at this conference was predicated on a monetary order of fixed exchange rates, currency convertibility for current account transactions, and a possibility for changes to a states's exchange rate, only with international consent and under conditions of a 'fundamental disequilibrium'. The most striking characteristic, however, of this monetary order was its reliance on the United States: "[t]he American economy became the principal engine of world economic growth; American monetary policy became world monetary policy and the outflow of dollars provided the liquidity that greased the wheels of commerce" (Gilpin, 1987: p.133). Moreover, "[u]nder the system of fixed exchange rates...the achievement of macroeconomic policy coordination had been a rather simple matter. The United States maintained the gold parity of the dollar at \$35 per ounce and other countries committed themselves to peg their own currencies to the dollar" (Gilpin, 1987: p.149).

one of the lessons learned from the liberal international financial order of the interwar years had been that such a system was not compatible with a stable exchange rate system, and that an unstable exchange rate system would eventually both dampen international trade and limit the scope of activities of the new interventionist state (Helleiner, 1994a: pp.33-8). Ultimately, while these assumptions challenged orthodox liberal thinking they paved the way for the entrenchment of a new orthodoxy based on Keynesian principles.

The post-World War II era was thus characterized by a liberal trading order and a system of stable exchange rates. Financial liberalism would be sacrificed in order to achieve these objectives. However, even as early as the late 1940s, difficulties associated with cooperative behaviour among the leading capitalist states weakened the resolve that stood at the heart of Bretton Woods.³⁴ The creation of the Euromarket³⁵ by the 1960s, further highlighted the competitive dynamic inherent in unilateral financial deregulation and liberalization. Helleiner (1994b), however, has suggested that the maintenance of a closed (i.e., non-liberal) international financial order is plagued by collective action problems. Once the British liberalized their financial markets, they single-handedly undermined the collective action (i.e., cooperative behaviour) that was required of

³⁴For a detail discussion on the political difficulties associated with the Bretton Woods regime see Helleiner, 1994a: ch.3.

³⁵"The Euromarket has often been described as a 'stateless' financial market created by market operators outside the control of any national government" (Helleiner, 1994a: p.82). The Euromarket was based in London, and received support from both the British and American governments. The former provided not only the location but also a deregulated environment, while the latter "actively encourag[ed] American banks and corporations to move their operations to the offshore London market" (Helleiner, 1994a: p.82). American enterprises would thus be able to reestablish their dominant global position by escaping American financial regulations.

states within the Bretton Woods arrangement. To this extent, the British markets were thus able to 'free-ride' the international regulatory regime of capital controls. This competitive deregulatory dynamic would be further enhanced by the American government's decision to remove various capital controls in 1974, resulting in the full liberalization of New York's financial markets (Helleiner, 1994b: p.301). The British, in turn, would reply with the removal of their capital controls in 1979, soon to be followed by a series of deregulatory measures throughout the advanced industrialized world. "By 1988, all members of the European Community had agreed to remove their postwar capital controls within two-to-four years and the Scandinavian countries quickly announced similar commitments in 1989-90" (Helleiner, 1994b: p.302). Although these decisions were prompted by plans to further integrate European markets (specifically the financial markets) under the Economic and Monetary Union (EMU), it can be argued that it was the logic of 'competitive deregulation' which had in the first instance dictated the move to multilateral financial liberalization in Europe (Helleiner, 1994b: p.302).

Another 'actor-centered' model³⁶ which proposes explanations for the development of globalization, suggests that during the 1970s and 1980s the views of neoliberal advocates received increasing public approval leading to an eventual shift towards policies supportive of financial liberalization. Goodman and Pauly (1993)

³⁶As mentioned previously, these models stress the role played by social actors (be they states, intellectuals, the media, etc...) in advancing the process of global financial and economic integration. Other models, instead, focus upon 'structure-centered' explanations (such as the development of new technologies) for the rise of globalization.

suggest that although the growth of international financial markets and the globalization of production enabled businesses to adopt strategies of 'exit' and 'evasion',³⁷ costs were still associated with these strategies. As a result, multinational corporations and financial institutions mobilized against capital controls, by making it clear to their respective home-based governments that if controls were not removed they, nevertheless, could still utilize such strategies.

Similarly, Frieden (1991) has argued that since "increased financial integration implies an across-the-board, lasting increase in the social and political power of capital" (p.434), one can expect capitalists, specifically "owners of liquid financial assets", to press for the domestic liberalization of financial markets. Foremost among these actors are the internationally diversified multinational corporations and investors, who have a relative advantage over the mobility of their assets. Aside from labour, "the principal losers have been nationally based industrial firms" (Frieden, 1991: p.440). This dynamic helps to explain why the process of globalization has promoted sectoral alliances (for instance, among owners and workers of a particular sector of the 'old' economy), which cross-cut traditional class alliances.

The decline in the relative power of nationally based industrial firms that is associated with the development of post-industrialization, can also help us in examining the demise of the

³⁷Goodman and Pauly summarize this process as follows: "[m]ultinational structures enabled firms to *evade* capital controls by changing transfer prices or the timing of payments to or from foreign subsidiaries. The deepening of financial markets meant that firms could use subsidiaries to raise or lend funds on foreign markets. If controls in a country became too onerous, MNEs [multinational enterprises] could also attempt to escape them altogether by transferring activities abroad, that is, by exercising the *exit* option" (1993: p.58; emphasis mine).

'Keynesian historical bloc'. Helleiner (1994a: pp.43-4) has shown that the industrialist class of the post-World War II period were in favour of a restrictive financial order, but as their influence waned and that of the financial sector increased, the pressure to liberalize intensified. Moreover, this intensification was fuelled by new normative frameworks developed by neoliberal thinkers like Friedrich Hayek and Milton Friedman. In 1947 they formed the Mont Pelerin Society with the support and participation of a long list of prominent figures. Since then, Hayek and Friedman have worked to disseminate their neoliberal vision, which was highly critical of Keynesian orthodoxy.³⁸ Sinclair (1994) similarly looks at non-state actors which wield significant power in shaping public opinion relating to what constitutes acceptable economic policy. Specifically, Sinclair focuses on the effect that credit rating agencies have in "coordinating capital allocation behaviour by structuring information and subsequent decisions in particular ways" (p.447). As such, these agencies are viewed as private makers of global public policy. Moreover, Sinclair notes that the criteria that agencies utilize in assessing debt are openly biased towards neoliberal orthodox thinking, and that as a result one can expect governments that are issuing debt to be aware of what kinds of policies will receive a favourable review from these agencies.³⁹

'Structure-centered' explanatory models, on the other hand, emphasize the role that both technological and market forces play in

³⁸For an interesting discussion on the re-emergence of the neoliberal school, see Helleiner (1994a: pp.65-7).

³⁹A favourable review results in a higher credit rating, which translates into lower interest payments on the debt that is being issued.

the integration of the global economy. This approach is best exemplified by Wriston's assumption that: "[t]oday we are witnessing a galloping new system of international finance. Our new international financial regime differs radically from its precursors in that it was not built by politicians, economists, central bankers or finance ministers,...It was built by technology" (1988: p.71).

Although this hypothesis is extreme in its rejection of the role played by social and economic actors, most other 'structure-centered' explanatory models do seem to acknowledge, in the least, the role that the state played in 'legislating its authority away'. Strange (1996) has argued that as a result of the changes to the global productive structures, states are now having to share their authority with institutions which operate in the global market, most notably transnational corporations. Strange suggests that the source of change to productive structures (i.e., technological advancements) are "a prime cause of the shift in the state-market balance of power" (p.7). Similarly, as technological change has spurred the shift from the industrial to a knowledge-based workforce, it has undermined the base of state power, specifically for those states which are characterized by corporatist structures. Given the difficulty associated with fixing a standard price for the labour of this 'new' workforce, the tripartite negotiations between business, labour and government have become obsolete, thus simultaneously undermining the social and economic cohesive forces that corporatist arrangements had fostered during the industrial era (Strange, 1996: pp.51-2).

In keeping with this structural framework, Andrews (1994) has suggested that given the fact that "the degree of international capital mobility systematically constrains state behaviour by rewarding some actions and punishing others" (p.197), capital mobility needs to be viewed as a structural feature of today's global political order. One of the conclusions that Andrews arrives at is that, not surprisingly, increased capital mobility has restrained the state's ability to formulate monetary policy. Cerny's (1994) analysis, on the other hand, is critical of Andrews' assertion that capital mobility is a significant explanatory variable; Cerny suggests that "[i]t is the way that financial flows are structured, not just those flows *per se*, that gives global financial markets their autonomy and their capacity to impose 'embedded financial orthodoxy' on governments and societies" (1994: p.326). Faced with this structural reality, states are progressively becoming unqualified market regulators. In fact, Cerny argues that many of the public goods which the state was entrusted to provide during what he calls the "Second Industrial Revolution" (that is, the capitalist phase of development which coincides with the 'Keynesian historical bloc'),⁴⁰ have presently either become transnational in structure, hence out of the regulatory reach of states, or have simply become private goods (1994: p.328). Furthermore, the innovation of financial markets, exemplified by the growth in the derivatives market, is only one example of the

⁴⁰Among the public goods which Cerny describes as falling into this category are "national-level strategic industries and regulatory and welfare systems" (1995: p.607). For an extended discussion on both the nature of these public goods, and the "Second Industrial Revolution" see Cerny (1995).

sophisticated tools which make the process of regulation all the more difficult in today's environment.

Ultimately, the one common view that is shared by all these explanatory models is that a return to a system of capital controls, let alone a regulatory regime, is not likely in the near future. The logic of 'competitive deregulation' alone would make a state's decision to erect capital controls very costly. As Cerny suggests, "most [recent] international - intergovernmental - cooperation has been in the form of crisis management" (1994: p.337). For the moment, however, it will suffice to conclude by suggesting that globalization has, in fact, further limited the state's ability to function autonomously of the market's influence. Again, this will become more apparent when the discussion turns to Sweden's particular experience with the forces of globalization. Before doing so, however, it is necessary to discuss the origins and development of the Swedish 'social democratic corporatist' system.

CHAPTER FOUR

THE DEVELOPMENT OF SWEDISH 'SOCIAL DEMOCRATIC CORPORATISM': A NEW 'HISTORICAL BLOC'

Throughout the post-World War II period, observers marveled at Sweden's ability to maintain strong economic growth as well as an extensive universally-applied social welfare system. In time, this particular form of capitalism, highlighted by an institutionalized process of 'consensus-building' among the leading industrial interests, came to be defined as the 'Swedish model'.⁴¹ By the 1990s, however, many observers began to question the resiliency of this model. Sweden's economy plunged into a state of crisis matched previously only by the Depression of the 1930s (Freeman *et al.*, 1995). As a result, some observers argued that this economic downturn, marked by uncharacteristically high levels of

⁴¹The term 'model' is often applied to studies relating to the Swedish system (Mjoset, 1987; Ahlen, 1989; Premfors, 1991; Sainsbury, 1991; Petersson, 1991; Lane, 1991, 1995; and Wilks, 1996). As Petersson suggests, "[t]he Swedish social system in general, and the Swedish Welfare State in particular, have often been termed 'the Swedish model'. This term implies that compared with other countries, Sweden is characterized by certain qualities or by a particular form of government" (1991: p.173). The term 'model' should, therefore, not be construed to imply that Sweden's 'social democratic corporatist' system is the ideal type, but rather that it is a "simplified description of a system" as defined in *The Concise Oxford Dictionary* (1990).

unemployment, meant a 'breakdown' of the Swedish economic model (Freeman *et al.*, 1995; Pierson, 1996; Schwartz, 1994). Others, referring to the institutional framework, spoke of the decline of Swedish corporatism (Lewin, 1994; Micheletti, 1991; Petersson, 1991), while some even suggested the possibility that the Swedish model had reached a 'dead end' (Lane, 1995; Gould, 1993).

This chapter will develop the argument that the unraveling of the Swedish model has begun, and that although attitudes among the Swedish electorate towards the welfare state (one of the central pieces of the Swedish model) are still quite positive (Svallfors, 1995), both endogenous and exogenous forces have contributed to its gradual transformation. It will be argued that, domestically, the radicalization of the labour movement during the 1970s coincided with an exhausted Swedish economy, which could no longer provide the growth necessary to sustain the advancement of the social democratic goals set by the Swedish labour movement. This trend was matched externally by an intensified level of competitiveness in the global economy; the growth in the internationalization of capital flows placed limits on governments' autonomy, and thus their ability to pursue policies independently of the influence of global markets. This development has proven to be costly especially to those governments which have sought to actively minimize the impact of market exigencies on their populations; in other words, governments which have traditionally emanated from the Left. These factors, combined with the severe transformations associated with postindustrialization, have placed the Swedish model under considerable strain.

The implications for Sweden's social democrats were and still remain severe: the erosion of the means (high productivity and full employment) to maintain social democratic goals coincided with a transformation from a clearly defined dynamic of political conflict, based on the class cleavage traditionally associated with industrialization, to a new dynamic representative of the shift to the postindustrial order. In Sweden this new dynamic found expression along two separate fronts: on the one hand, the gradual declining significance of class politics⁴² coincided with increased divisions among public and private sector employees (Esping-Andersen, 1991, 1990; Kitschelt, 1994; Schwartz, 1994). This development not only undermined the traditionally concerted strategies of labour but also, paradoxically, limited and diminished the scope of the welfare state (Swenson, 1991). On the other hand, a shift to a postindustrialized economy has given rise to a new set of values among the Swedish public which correspond to those outlined in the 'new politics' literature. As we have seen, the transition to a postindustrial society is often characterized by the development of a value-based conflict structure, rather than the more traditional class-based cleavage associated with industrialization (Inglehart, 1984, 1997; Muller-Rommel, 1989, 1990; Poguntke, 1989; Micheletti, 1991). The 'new politics' school, in turn argues that this transformation has given rise to "quality of life, postmaterialist, or libertarian demands for

⁴²For a thorough discussion on the relationship between class and voting and, more importantly, on its declining significance in Sweden, see Oskarson, 1994, and Nieuwbeerta, 1996. See also Dalton *et al.*, 1984a; 1984b; Inglehart, 1984: p.30; 1997: p.255; and Lane and Ersson, 1997, for a more general discussion of recent trends in class voting in advanced industrial states.

individual autonomy and collective participatory governance beyond the institutions of market and state" (Kitschelt, 1994: p.4).

Given the fact that the Swedish model is inexorably tied to the political party that presided over both its foundation and expansion (Sainsbury, 1991), any discussion of the challenges that presently threaten its survival must, therefore, incorporate a discussion of the challenges which confront the Swedish Social Democratic Party (SAP). To this end, this chapter will posit that the most significant challenge for the SAP has been the rift within the labour movement, notably the division between the industry dominated private sector and the service dominated public sector unions. The origins of this rift can be traced to Sweden's particular path to postindustrialization, characterized by the vast expansion of the public sector, and therefore the welfare state following the 1960s.⁴³ It will be argued that the growth of the public sector ultimately placed an enormous strain on both economic growth and the process of centralized collective bargaining.⁴⁴ In the first instance, the public sector's insulation from market forces meant that Sweden's competitiveness was undermined. Secondly, the rise of public sector unions and their particular sets of interests, worked to weaken labour's solidarity. These developments, along with radical calls for industrial

⁴³Sweden's expansion of the welfare state, in fact, was the largest in the industrialized world, as is indicated by the growth in the public sector from the 1960s to the 1990s. The share of total public outlays as a proportion of GDP jumped from 29 per cent to 70 per cent during this period, compared to the OECD averages of 28 per cent and 42 per cent, for the same period (Lane, 1995: p.581).

⁴⁴The differences between the private and public sector unions stem from their diametrically opposed views on public spending. Workers in the tradables sector tend to oppose wage increases in the public sector "because higher deficits and inflation will put upward pressures on interest rates and the real exchange rate, decreasing the competitiveness of national products in international markets" (Garrett and Lange, 1995: p.638).

democracy in the 1970s, have not only led to the demise of the Swedish corporatist arrangement, which was a central component of the Swedish model, but have also precipitated a "crisis of authority" which has undermined Sweden's 'social democratic corporatist' historical bloc. As a result of the divisions among the SAP's traditional constituency (labour), and the difficulties associated with the mobilization and organization of service workers (specifically those in the private sector),⁴⁵ the rematerialization of corporatist structures seems unlikely in Sweden.

Before analyzing in detail the circumstances which led to the unravelling of Sweden's social democratic corporatist model, a thorough definition of what constitutes the Swedish model is required. This will be followed by a discussion of the challenges that faced Sweden during the 1970s. It is important to note that this analysis will be linked to the development of a postindustrial society and economy, and the significance this transformation has had on the component parts of Swedish society. This chapter will conclude by suggesting that Sweden's path to postindustrialization, though consistent with social democratic ideals, has undermined the high level of productivity and hence economic growth that enabled Sweden to create its particular brand of social democratic corporatism.

⁴⁵F.F. Piven concisely summarizes these difficulties as follows: "the characteristic work settings of much 'postindustrial' employment are small and dispersed, work schedules are more irregular, and work routines themselves do not build the solidarities that were fostered by assembly-line production" (1991: p.8).

THE SWEDISH MODEL

According to Jan-Erik Lane, "[t]he Swedish model is best understood as a mode of regulation. It comprises a set of concepts and ideas about what good government is and how to structure the public sector connecting the public and private spheres of the population" (1991: p.1). At the centre of this model's concept of good government is a process of compromise and consensus-building between the interests of business and labour. Traditionally, these interests have been formulated through peak organizations whose function it is to participate in the state's decision-making process in order to articulate their respective policy preferences. This particular form of interest representation falls within the corporatist mould. According to Hofer, "the corporatist model suggests that the only groups of consequence for policy-making are those which are the peak organizations (organizations of organizations) deeply involved in the governmental system" (1994: p.172).

Micheletti's conceptualization of Swedish corporatism, however, is more useful for our purpose, for it emphasizes the notion of 'encompassing' interest organizations, and their ability "to assume public responsibility for their actions" (1991: p.114). This argument is significant because, while drawing heavily from a 'public-choice' analysis of organizational behaviour, it seeks to explain why rational actors (in this case interest organizations) opt for policy outcomes which are conducive to 'social integration', rather than sets of more narrowly defined interests. As Lewin (1994) suggests, public-choice theory leads one to conclude that encompassing organizations foster

'social peace' since they are left with little incentive to free ride,⁴⁶ given that "they constitute such a large part of society that they do not judge it possible to roll over their costs to others" (p.62). It is as a result of Sweden's large encompassing organizations that a politics of compromise has become the norm in the process of policy formulation, which leads observers to define Sweden as one of the most corporative societies in the world (Lewin, 1994; Hoefer, 1994).

In Sweden, the interests of business have historically been represented by the Swedish Employers' Confederation (SAF) (Lewin, 1994), while those of labour have been expressed by the labour movement, comprised of the Social Democratic Party (SAP) and the Swedish Trade Union Confederation (LO) (Lane, 1991; Castles, 1978). Significantly, the status of these organizations has remained relatively unchallenged for most of this century. The only other major interest organization in Sweden is the Federation of Swedish Farmers (LRF). Given these clearly defined areas of interest articulation (i.e., farming, labour, and business), and given the fact that Sweden is an ethnically, religiously, and linguistically homogeneous society, it should come as no surprise that the only significant conflict structures to emerge from the industrial revolution in Sweden were the rural/urban and class cleavages. What is surprising, however, is the fact that even though the Swedish labour movement lacked significant elements of radicalism that are usually associated with continental European labour movements

⁴⁶Milner (1989) defines 'free riding' as: "deriving benefits from the regulated restrictions on what others are allocated but then violating those restrictions themselves" (p.26). He adds: "A main tenet of public-choice theory is that regulations based on free co-operative behaviour are inherently unstable since actors come to learn that their interest is best served by 'free riding'" (p.26).

(Lewin, 1994), Swedish politics have been dominated by a class conflict dimension (Therborn, 1991; Nieuwbeerta, 1996; Oskarson, 1994).

As is traditionally the case in advanced industrial democracies, conflict between business and labour takes place within both the political and the economic spheres. Politically, Swedish labour has rallied around the Social Democratic Party (SAP), while business has traditionally gravitated towards the bourgeois parties.⁴⁷ The latter have historically been fragmented, and since 1932 have only formed the government as bourgeois coalitions from 1976 to 1982, and from 1991 to 1994. The SAP, on the other hand, has been in power since 1932 (with the exception of these few years of interlude) either as a majority government or, as was often the case, with the support of other political parties. As Sainsbury (1991) has suggested, the SAP's electoral success is the result of many factors. In the first place, the organizational strength of the labour movement coupled with the firm ties between the party and trade unions, has had the effect of securing a high level of party identification among the working class with the SAP.

The labour movement's organizational strength, in turn, is the result primarily of two institutional arrangements. The first was the adoption, in the 1930s, of the Ghent administrative system of unemployment insurance (Lewin, 1994: pp.67-8).⁴⁸ This system allowed trade unions the right to control the distribution of

⁴⁷In Sweden, the phrase 'bourgeois parties' is commonly used when making reference to the non-socialist parties.

⁴⁸Lewin notes that "in countries where the Ghent system is used, the degree to which workers are unionized is comparatively high" (1994: p.68).

unemployment insurance funds, which gave workers an added incentive to join a union, since not only did the decision-making authority over who would receive support rest with union officials, but also because benefits were available only to union members (Lewin, 1994; Garrett, 1993). Following the implementation of this policy, Sweden's level of unionization increased dramatically,⁴⁹ cementing relations between the SAP and LO. The second factor was the adoption of the principle of collective affiliation as a means to obtain party membership. Members of trade unions that were affiliated with the SAP, automatically became members of the party, hence boosting the party's finances (Sainsbury, 1991). It should be noted that collective affiliation was officially abolished in 1990, following pressures not only from the bourgeois parties, but also the LO.

Another factor that explains the SAP's ability to become entrenched in Sweden's state-power structure was its "reformist programme in which a full employment policy and social reforms aimed at the entire population have been central" (Sainsbury, 1991: p.32). To this end, Svensson (1994) argues that the SAP, in fact, purposely sought the support of both the working class (via measures that enhanced the strength of the trade unions) and the rising new middle-class. These measures, he argues, were consistent with earlier Social Democratic multi-class strategies: "[i]n agrarian Sweden it soon became evident for the Social Democrats that it was

⁴⁹Data suggest that union membership increased from 36 per cent in 1930 to 62 per cent in 1950 (Garrett, 1993: p.535). This trend has continued up to the early 1980s, with membership levels reaching approximately 90 per cent among industrial workers and 80 per cent among service workers (Sainsbury, 1991: p.32).

not enough to depend on the working class" (1994: p.309). This multi-class strategy culminated with the alliance of the Agrarian Party and the SAP in 1932, which allowed them to adopt interventionist full-employment policies in exchange for a policy of agricultural price supports. Rothstein (1992) suggests that this alliance was facilitated by the propensity among both labour and farmer groups to support policies that enhanced the organizing efforts of their respective interest organizations. As such, the SAP and the Agrarian Party "were joined above all in their view of the relation of interest organizations to the state, for they regarded the former not as obstacles, but as instruments for *solving* the economic crisis" (1992: p.188). This crisis associated with the Depression, therefore, provided the SAP with the opportunity to forge the red/green alliance, which would not only formally institutionalize the corporatist arrangement, but would also foster social integration through the creation of encompassing organizations. It is precisely this red/green alliance which marks the beginning of the Swedish labour movement's 'hegemony', although it would not be until the compromise agreement of 1938 between business and labour at Saltsjöbaden, that the development of the 'social democratic corporatist' historical bloc was to fully materialize.

Weir and Skocpol's (1985) comparative analysis of the influence of both state structures and policy legacies on governments' responses to the Depression, attempts to explain, among other things, why the Swedish Social Democratic government embarked upon a Keynesian macroeconomic strategy during this period. Weir and Skocpol's findings point to Sweden's long tradition

of inclusiveness which, they suggest, has become embedded in the state structures. "Indeed, much of the answer to why the Swedish Social Democrats launched a deficit-financed recovery strategy in 1932-34 lies in the history of the Swedish state from preindustrial times and its long-established mechanisms for bringing experts, bureaucrats, and political representatives together for sustained planning of public policies" (1985: p.129).

This argument is supported by Knudsen and Rothstein (1994). They have argued that it was Sweden's state-building process that provided the foundation upon which a state-oriented labour movement could be established. As such, the traditional view that links Sweden's universal welfare state to a strong labour movement provides only part of the picture; in order to fully understand why political actors chose to behave within certain parameters it is, therefore, important to look at Sweden's state-building process. This process was marked by a long tradition of inclusionary monarchical rule, in which the peasant class was incorporated into the state's decision-making process. This tradition stimulated the rise of an antiliberal, corporatist philosophy which was incorporated into modern Swedish state structures. Thus, "[i]t seemed much more natural in Sweden to embark on a 'statist' path. The development of the Swedish state and society became a corporate project" (Knudsen and Rothstein, 1994: p.213). It should therefore come as no surprise that the Swedish labour movement would opt to pursue its interests within the corporatist framework, as the farmers had done in earlier times. It is within this framework that both the rise of the labour

movement and the future co-operation among labour and farmer groups must be understood.

Similarly, Therborn (1989) stresses the significance that the "interaction between the forces of capitalist development and social structures inherited from the past" (p.196) had on the development of public policy in Sweden. Moreover, his analysis emphasizes the role that 'popular movements' had in this process. While the reasons for the sudden rise of these movements throughout the 1880s and 1890s are not clear, it is apparent that such movements were instrumental in laying down the organizational networks for social mobilization which would later be utilized by the labour movement. Moreover, as Therborn points out, "Social Democracy became the main carrier of the popular movement tradition, but the political success of the former depended upon its using the resources of the latter in key policy choices" (1989: p.201).

Thus, both cultural and structural determinants placed Swedish labour in a strategic position conducive to the furthering of its own interests, but only insofar as it chose to abide by the rules of the 'corporatist game'. Labour's awareness of this reality is evidenced in the 1940s by its realization of the need to win the support of the growing ranks of the middle-class. This led to a shift in the provision of services away from means-testing and towards a universal system, which was soon followed in the 1950s by the introduction of the principle of earnings-related benefits (Svensson, 1994).⁵⁰ This

⁵⁰This period marks the expansion of Sweden's universalistic welfare state. The provision of services without means-testing has stood at the heart of Sweden's welfare state. According to Petersson, "[t]he universalist principle of social welfare policy has been seen as a method for achieving social integration, by reducing the importance of boundaries between social classes.

move clearly established the SAP's intention to shed its image as a narrowly defined workers' party, as well as its aspiration to be viewed as an all-encompassing people's party. The ability of the SAP to "transcend the corporate limits of the purely economic class" (Gramsci, 1971: p181), would not only further labour's hegemony by attracting societal consent, but would also lay the foundations for the future consolidation of the 'social democratic corporatist' historical bloc, which would provide cohesion between the productive forces, civil society, and political institutions.

In terms of the economic dimension of social conflict, the labour market (as is the case in all capitalist societies) has traditionally been the ground upon which business and labour have contended. Until the mid-1930s, industrial relations in Sweden had been dominated by frequent strikes involving large segments of the labour force (Lewin, 1994). This period of labour instability came to an end in 1938 with the historic signing of the Basic Agreement at Saltsjöbaden between representatives of the Swedish Employers' Confederation (SAF) and the Swedish Trade Union Confederation (LO). This agreement between business and labour sought to put an end to the widespread level of instability by pre-empting governmental interference in industrial relations. Ironically, as Lewin points out, "the result was to draw the organizations into the political process and to give them responsibility for a vital area of public affairs. The intention may have been 'pluralist'. The effect

If everyone is included by sharing both costs and benefits, the legitimacy and popular support of the system are strengthened" (1991: p.177).

was to expand the role played by organizations in public policy to such an extent that it deserves the name 'corporatism'" (1994: p.71).

The agreement sought to set out rules governing the process of collective bargaining, and to promote co-operation among the SAF and LO. In time, as both the process of centralized collective bargaining was strengthened, and as LO's ranks grew (thus transforming the trade union into an encompassing interest organization), the strategy of labour shifted from one of emphasizing the narrowly defined interests of the membership, to one of articulating the interests of society at large. Ultimately, this highly centralized process of negotiations fostered an environment conducive to relatively low wage increases in exchange for a rapidly expanding Swedish economy and extremely high levels of employment (Milner, 1989: ch.3).

These developments set the stage for the 'Rehn-Meidner' plan which provided the framework for much of the Swedish economic model.⁵¹ Rehn and Meidner had both been influenced by the 'Stockholm school' of economists, who anticipated Keynes by suggesting the need to stimulate consumption during recessions, a policy which in turn was adopted by the SAP government to fight the Depression of the 1930s. This school, however, diverged from Keynesian thinking primarily in the way in which it sought to maintain high levels of productivity and full employment, while keeping inflation under control (Milner, 1989). Rehn and Meidner

⁵¹This plan is aptly named after the two LO economists, Gösta Rehn and Rudolf Meidner, who were responsible for its conception. Initially published in a LO document in 1951, it became the focal point in Sweden's labour market policy and an integral part of the Swedish model (Milner, 1989).

fully understood the implications of inflationary pressures on levels of employment; as the economy expanded, so would demands for wage increases which, in turn, would inflate production costs. Higher costs meant higher prices, which would ultimately undermine Sweden's competitiveness, and subsequently lead to cost-cutting measures (i.e., lay-offs). It was as a result of this logic that non-inflationary growth became the centre-piece of the 'Rehn-Meidner' plan.

The plan was to be enacted by means of controlling profit levels through taxation, since lower profits would discourage demands for wage increases. Furthermore, the plan envisioned wage solidarity as a means to not only diminish inequality, but also to make the Swedish economy more efficient. By forcing firms to pay relatively equal wages, the less efficient firms that relied on cheap labour were forced out of business. Through an active labour policy, the displaced workers were then retrained and relocated to growth industries. As such, the 'Rehn-Meidner' plan consisted of an active labour market policy, wage solidarity, centralized collective bargaining, and a restrictive demand policy (Milner, 1989: p.125). In 1955, the SAP officially adopted this plan.

The plan met with some opposition from business, but given the stress on non-inflationary growth and, more importantly, given the relatively low average labour costs (which resulted in unprecedented levels of growth within the export-oriented manufacturing sector), the interests of business were soon

appeased.⁵² This growth allowed for the creation of jobs which immediately offset the job losses in the less efficient sectors of the economy. Business' acceptance of these measures can also be viewed as part of the historic compromise between business and labour, in which the former accepted the kinds of redistributive measures associated with the 'Rehn-Meidner' plan, in exchange for labour's restraint over the nationalization of business: "[t]he two sides shared an interest in fostering efficient production, industrial innovation and a competitive export industry" (Petersson, 1991: p.175).

To summarize, the Swedish model grew out of the corporatist arrangement which fostered the principles of compromise and consensus-building. This arrangement became institutionalized in the policy-making process, initially by allowing self-regulation between business and labour, and later by formally entrenching this structure of collective decision-making through the *remiss* process.⁵³ In the post-WWII period, this model grew to include the expansion of the welfare state which, in the words of Olsson, represented

a blend of (1) an active manpower policy keeping unemployment at an exceptionally low level internationally,...(2) a comprehensive social security network closely related to active labour force participation,

⁵²In fact, the Swedish economy as a whole continued to expand with an average growth rate of more than 3 per cent per year during this period (Lane, 1995: p.580). It should also be noted that Sweden has historically been highly exposed to international competition (given the small scale domestic market), and that as a result its economy has become dependent on the tradables sector.

⁵³This process was characterized by an extensive system of legislative commissions, whose function it was to study policy issues: "[d]uring this time they would set up research programmes, establish experimental projects and come up with proposals" (Gould, 1993: p.158). Their policy proposals, in turn, were made available for comment to organizations that were interested in the policy area. Their comments were then reviewed, and would either be accepted or rejected by the government of the day. This process, at times, would take up to a period of ten years (Hoefler, 1994).

(3) a large public service production - more or less a monopoly - in the spheres of health, education, and personal social services, (4) significant public regulations and subsidies in such areas as agriculture and housing, and (5) a system of extensive resource extraction - i.e. taxation - to finance the public household (1993: p.26).

The Swedish model came to be associated with the Social Democrats who were responsible for its implementation. They were able to sell their vision of a kinder and more socially integrated capitalist society through careful strategic planning. After gaining the support of the working class, the SAP managed to accommodate initially the interests of the farmer groups, and then the middle-class. By the 1960s, however, the ground upon which the system had been built began to shift. The growth of the public sector, associated with postindustrialization, began to not only undermine some of the principles of productivity inherent in the Swedish model, but also began to weaken the bargaining strength of the industrial unions, namely the LO. This resulted in the first economic structural challenges to the corporatist arrangement.

POSTINDUSTRIALIZATION AND THE CHALLENGES TO THE SWEDISH MODEL

Throughout Western Europe, the process of industrialization fostered the emergence of labour movements. As the suffrage was extended to all members of Western European societies, labour parties were created to promote the interests of this constituency. These developments led Lipset and Rokkan (1967) to argue that a 'freezing' of party systems along class cleavages resulted following the move to

democratization. Furthermore, this theory suggested that the class conflict dimension had become firmly entrenched in Western European political discourse and institutions. However, just as the shift from agrarian to industrial society brought about a redefinition of political conflict, the transformation to the postindustrial order has undermined traditional industrial cleavages.

Postindustrialization has come to define the rise of service sector employment in the face of a gradual decline in the forms of employment traditionally associated with industrialization. De-industrialization, however, is just part of a larger process of social transformation which finds new occupational structures, and the identities cultivated by them, as one of the primary agents for the decline of traditional cleavages. This shift to a new and less clearly stratified occupational structure coincided with the rise of a more educated work-force, that tended to favour libertarian values over traditional authoritarian viewpoints, and that rejected bureaucratic and hierarchically structured forms of governance (Kitschelt, 1994). Perhaps more significantly, postindustrialization is associated with the rise of postmodern politics. Characterized by "hostility towards the modern state,...including its orthodox political parties and interest groups" (Kaase and Newton, 1995: p.29), postmodern politics rejects traditional ideologies while promoting the increased fragmentation of attitudes, values, and beliefs. As Inglehart suggests, "[p]ostmodernization deemphasizes all kinds of authority, whether religious or secular, allowing much wider range for individual autonomy in the pursuit of individual subjective well-being" (1997: pp.74-5). This process of social decomposition thus renders

traditional models of cleavage structures inadequate, as postmodernity invites diversity and more complex sets of preferences.

Given this broad understanding of postindustrialization, it is important to stress the particular impact that this transformation has had on political parties that were dependent on the support of a particular socio-economic class. In the words of Piven: "the mass production industries were at the very core of the class politics generated by industrialism, and their contraction inevitably has a telling effect on labor-based political parties" (1991: p.7). The Swedish experience, of course, was somewhat different given the SAP's early decision to shed its image as a pure labour party. Nevertheless, it is interesting to note that the Swedish left's (the SAP and the Communists) largest electoral success (1940) coincided with the moment when the working class' share of the electorate was at its historical high (accounting for approximately 55 per cent of the electorate) (Therborn, 1991: p.105). It is also of importance to note that Sweden's historical peak in industrialization came in 1965, when fully 42.8 per cent of the labour force was employed in industry (Therborn, 1991: p.102). The decline in industry's share of the work force, marked the beginning of the expansion of the service sector, which for Sweden came to signify the expansion of the public sector.

Esping-Andersen's (1991, 1990: ch.8) seminal work on postindustrial patterns of social stratification, recognizes Sweden's trajectory to postindustrialization as stemming from the particular "institutional and political framework within which postindutrialization occurs" (1991: p.148). As such, while there are

common economic and societal transformations associated with postindustrialization (these were discussed above), the divergence in state's postindustrial trajectories is dependent upon the prevailing institutions. Esping-Andersen contends that the resultant patterns of stratification give rise to new cleavage structures, thus undermining the possibility of identical cleavage structures developing in all postindustrial societies. The significance of this hypothesis is that given Sweden's bias towards the expansion of the welfare state (a bias that was firmly grounded in Sweden's institutional, political, and cultural framework), the growth in postindustrial employment was to take place in the public social service sector of the economy.⁵⁴

The development of postindustrialization in Sweden provided the basis for the rift in the Swedish labour movement. The expansion of the welfare state and the subsequent growth of the numbers of workers employed in the public sector, developed a set of interests among its constituency which differed significantly from those in the industrial dominated private sector unions. While the former had a vested interest in the preservation, if not expansion of the welfare state, the latter were concerned with the promotion of Sweden's competitiveness in the international market. This dynamic would not surface fully until the first signs of an economic crisis in Sweden began to appear in the 1980s. Nevertheless, it is important

⁵⁴In fact, practically all the growth in employment from 1965 onwards has taken place in the public sector, particularly at the local government level. See Rosen (1995), especially Figure 2. This development coincides with a shrinking private sector: "[p]rivate sector employment constituted 80% of all employment in 1960 but amounted to only 56% in 1990" (Lane, 1995: p.586). Moreover, the expansion of the welfare state has coincided with the increased participation of women in the labour market: "virtually the entire increase in Swedish women's participation (75 percent) occurred in welfare state jobs (health, education, and welfare services)" (Esping-Andersen, 1991: pp.154-5). In 1965, women made up 37 per cent of Sweden's workforce. By 1987 their share had increased to 47 per cent (Milner, 1989: pp.93-4).

to establish a link between the expansion of the Swedish welfare state and the transformation of the Swedish labour movement.

Swenson's (1991) analysis of labour and the welfare state in Sweden, suggests that this link is central to our understanding of the subsequent divisions in the Swedish labour movement:

latent conflicts grow with the expansion of the welfare state, for private sector unions have material cause to reduce the well-staffed, well-organized, and well-paid service state. Public financing is the private sector's loss. Highly progressive taxes can break the link between nominal and real disposable pay increases, since pay raises can also bring tax rate increases (1991: p.381).

Thus, the expansion of the public sector not only began to raise concerns about the process of centralized collective bargaining, but also over the principle of wage solidarity. As such, the interests of labour would no longer be all-encompassing, but rather would begin to reflect the preferences of its constituent parts. Clearly, divisions among the labour movement had existed in the past,⁵⁵ but in no way did they reflect the dramatic change in the rules of the game that the division among private and public sector unions would produce.

The difficulties that the growth of the public sector imposed on Swedish corporatism were highlighted in 1966, when the Central Organization of Salaried Employees (TCO), a labour organization representing the interests of white-collar workers and professionals, was allowed to enter the centralized process of collective bargaining, previously dominated by the SAF and LO (Milner, 1989: p.90).⁵⁶ As a

⁵⁵For a discussion highlighting the Swedish labour movement's historical divisions see Swenson, 1991.

⁵⁶It should be noted that by this time a third, though somewhat weaker, labour organization had risen to prominence, i.e., the Swedish Confederation of Professional Associations (SACO), which represented mostly university-trained professionals.

result of these developments complications arose in the process of centralized wage-setting.⁵⁷ Given the inherent difficulties in assessing the level of productivity within the public sector (see Lane, 1995: p.586), the process of centralized wage-setting lost its effectiveness (particularly following the first oil crisis of 1973) (Milner, 1989). The expansion of the public sector (characterized by its increased demands for wage parity with the private sector, and its insulation not only from the forces of international competition, but also from the more general rules that apply to the markets), began to undermine Sweden's productivity and hence competitiveness in the international market. By the 1970s, according to Lewin (1994), Sweden's period of 'corporatist maturity' had come to an end: "[u]nions have gained and lost their monopoly...The simple opposition between two main parties - LO and SAF - has been transformed into an organizational structure of exceeding complexity with the consequence that wage negotiations have become considerably more complicated" (1994: p.68).

As postindustrial pressures on Sweden's interest organizations presented a new threat to both Swedish corporatism and, more generally, to the Swedish model, postindustrialization also invited a gradual redefinition of Swedish politics through the rise of a new set of value structures among the Swedish people. Although this development was not particular to Sweden, it would pose a threat to Swedish Social Democrats and the Swedish model. On the one hand, the rise in significance of a value-based cleavage would undermine,

⁵⁷This process came to be called the EFO formula, the acronym arising from the names of the three chief economists from LO, SAF, and TCO (Milner, 1989: p.94). The EFO formula sought to bring wages into line with Sweden's capability to remain competitive on the world markets.

to some degree, the class-cleavage which had predominated Swedish political 'conflict' throughout the twentieth century. This would force the SAP into adopting a strategy that could potentially alienate its traditional blue-collar support. On the other hand, the rise of a value-based cleavage would pose a challenge to both the bureaucratic and highly centralized welfare state structures, and the highly hierarchical structures of interest organizations representative of Sweden's corporatist arrangement.⁵⁸ Demands for what Kitschelt (1994) has defined as 'participatory-libertarian' preferences have increased considerably among the Swedish public, since the end of the Second World War. These not only included calls for more direct forms of participation, but also emphasized postmaterial predispositions.

Data indeed confirm that Sweden's post-war generations have experienced a gradual shift from materialist to postmaterialist values (Knutsen 1990a; 1990b). Knutsen has found that age and education are the most significant predictors for support of postmaterialist values in Sweden. The young and the more educated are more likely to display postmaterialist preferences, especially with reference to support for libertarian or participatory values (Knutsen, 1990a: pp.90-91). What is of particular interest is the finding that following age and education, sectoral employment (i.e., whether one is

⁵⁸As Lewin (1994) points out, not only had wage negotiations during the corporatist "period of maturity" taken place among delegations representing LO and SAF (later with the consultation of both TCO and SACO) consisting of only three representatives on each side, but also during this period agreements were no longer put to a vote before the union's membership (p.68-9). This shift towards more centralized and less democratic practices coincided with the rise in demands among Western European publics (Sweden included) for less hierarchical organizational structures, and for greater participation in the institutionalized decision-making process (Kitschelt, 1994; Muller-Rommel, 1990, 1989).

employed in the public or private sector) is the third strongest predictor of postmaterialist tendencies; "those who work in the public sector are more likely to support postmaterialist values than...those in the private sector" (Knutson, 1990a: p.100).

Clearly, as the 'new politics' literature suggests, this gradual shift away from the traditional Left/Right dimension of politics to a libertarian/authoritarian dimension had begun following the end of the Second World War. The rise of this dimension, however, would not become apparent until the student movements of the late 1960s, and the subsequent rise of left-libertarian or 'new politics' political parties during the late 1970s (Vedung, 1989). These parties reflected the demands among growing segments of the population for a redefinition of both structures and modes of participation within the political arena.

In Sweden, postindustrialization thus provided the catalyst that would undermine the social democratic project. However, it would not be until the late 1970s, following a global economic crisis and growing demands for industrial democracy among Swedish labour, that the Swedish model would be confronted with emerging exigencies for transformation. These exigencies would ultimately bring about a redefinition of the social democratic vision of a more equal and democratic society. A new vision would instead prioritize economic concerns over the lack of growth in the Swedish economy, concerns expressed mostly by industries in the tradables sector. The continued growth of the welfare state combined with Sweden's declining international competitiveness would finally make it clear to

labour that the strategy based on solidarity, which characterized the period of industrialization, was no longer tenable.

CHAPTER FIVE

THE DEMISE OF THE 'KEYNESIAN HISTORICAL BLOC': THE SWEDISH EXPERIENCE, 1980-1995

The 1970s signalled the beginning of a new era in the global economy, marked by an increased internationalization of trade and capital. The challenges inherent in this highly competitive environment would have serious ramifications for open economies, like that of Sweden, which were already more vulnerable to global markets. The OPEC oil shock of 1973 provided an added measure of uncertainty, as advanced economies came to experience increased levels of inflation and unemployment (so-called 'stagflation'), and the resultant weakening of Keynesian economic orthodoxy among political and economic elites.

As a result of these structural changes, Sweden's economic strategy was to expand the public sector while simultaneously subsidizing industries (Stephens, 1996: p.43). During this period Sweden was forced to expand on its rate of borrowing, thus incurring highly unusual budget deficits. In 1973 Sweden was running an overall debt surplus of 6.8 per cent of GDP. By 1982 the situation

had changed drastically; Sweden had now incurred a foreign debt of 21.8 per cent of GDP (Schwartz, 1994: p.533). While this strategy was helpful in stemming the high levels of unemployment which had afflicted almost all other advanced economies, it made Sweden all that much more dependent on foreign investors. Moreover, while a series of currency devaluations during the early 1980s managed to keep the tradables sector competitive internationally, the global financial markets began to question the profitability of their investments in Sweden.

By the mid-1980s, however, a neoliberal economic and political rationality would slowly begin to permeate all levels of Swedish society. The origins of this neoliberal rationality are to be found initially in the demands for greater economic performance in the newly developing global economy (Beeson and Firth, 1998). In Sweden, this neoliberal rationality would culminate with exogenous demands to open the highly regulated Swedish financial markets (Ryner, 1998), to be followed by endogenous demands to apply the logic of economic efficiency to Sweden's administration of public services (Pierre, 1993; Montin and Elander, 1995). As Beeson and Firth (1998) suggest, the neoliberal rationality results in the

increasing pressure to make relationships based on bureaucratic norms or ideas of the common good meet the standards of efficiency...The image of the market thus becomes the ideal to which schooling, education, health services, welfare and the agencies of the state which provide these services are encouraged to conform in order to ensure national economic survival (p.221).

Paradoxically, the logic of efficiency would be simultaneously sold to the Swedish public as a response to growing demands for greater

accountability, decentralization, and responsiveness in the provision of social services. Thus, demands for welfare state reform corresponding to those associated with the 'new politics', were gradually met by concurrently moving towards market inspired notions of productivity and efficiency in the public sector.

Furthermore, the global economy's neoliberal rationality, which finds at its centre calls for the deregulation and displacement of the self-regulated national economy (Beeson and Firth, 1998), would not only result in the division of the Swedish labour movement, but would also cause cross-class alliances which at the height of industrialization would have been considered impossible. It is to these considerations which we now turn our attention.

DIVISIONS IN LABOUR: RADICALIZATION, NEW ALLIANCES, AND REFORMS

In the 1980s changes occurred to both the structure of Swedish corporatism and to the salience of traditional cleavages. These developments would also be affected by a further decrease in productivity that the Swedish economy experienced from the mid-1970s onwards. Sweden's productivity level has decreased from 1975 (when it stood at 100 per cent in relation to the average level in the OECD countries) to 95 per cent, 92 per cent, and 85 per cent for the years 1980, 1985, and 1990, respectively (Lane, 1995: Table 7). According to Lane, "[s]ince 1970 Sweden has had the lowest increase in factory productivity among the advanced industrial economies...The difficulty is that investments have been made in

sectors where factory productivity is lower than in other countries with the consequence that return on investments has been weaker in Sweden" (1995: p.587).

The decrease in productivity was exacerbated by the Swedish central bank decision, in 1985, to deregulate the financial markets. The deregulation was both the result of speculative pressures, and the central bank's decision to give up "trying to follow constantly expanding financial innovation with regulation" (Ryner, 1998: p.108). The deregulation of Sweden's financial markets had an adverse effect on productivity. In the first place, the supply of cheap credit to industry, which had been provided throughout most of the post-World War II period, was no longer a possibility following deregulation. Secondly, following 1985, Swedish business increasingly began to invest profits abroad, causing a drain in investment capital (Stephens, 1996: p.51).

The deregulation of Swedish financial markets also worked to limit the government's ability to formulate socio-economic policy independently of market influences. According to Stephens, the deregulation "deprived the government of essential elements of its supply side policy that in the past had been used to secure full employment, price stability, growth, and redistributive aims. Active labour market policy became increasingly the sole remaining policy tool" (1996: p.49). Nevertheless, following labour's calls for industrial democracy during the 1970s and business' eventual decision to withdraw from the centralized bargaining process, even the latter policy tool began to lose its effectiveness.

The 1970s marked a high point in the Swedish labour movement's offensive to gain greater equality and democracy for its industrial class. Swedish labour felt the time had come to push for legislative changes that would not only provide increased equality and greater worker protection, but that would also transfer ownership of capital to workers through the 'wage-earners' funds'. Social Democratic governments introduced legislation in the early to mid-1970s that would formally bind the employers' federation (SAF) to government regulated forms of workers' protection in the areas of job security, safety in the workplace, and trade union rights. According to Therborn, "[t]his meant a clear change of policy of the party and of LO from a line of principled reluctance to use legislation, a principled preference for collective agreements as regulators of the labor market, and a *de facto* lack of serious trade union concern with job and workplace entitlements" (1991: pp.108-109).⁵⁹

This departure from the traditional modes of operating labour market activities, however, would not affect business' disillusionment with the currents of change, as the proposed wage-earners' funds would. This proposal provided the clearest indication of labour's (namely LO) intent to transform Sweden into a socialist society, characterized by the collective ownership of the means of production. Briefly, the wage-earners' funds would transfer part of the profits incurred by Swedish business into funds owned and managed by the trade unions. In turn, these funds would be

⁵⁹The Co-Determination Act of 1976, culminated the process of industrial democracy by transferring the power of regulating the work environment away from employers and into the hands of employees. According to Therborn, "in principle the employer was legally obliged to negotiate with the unions about all decisions affecting the workplace" (1991: p.109).

invested in Swedish companies on behalf of the workers. This policy proposal would essentially transfer part of the controlling interest of business into the hands of labour. Following an extended series of discussions mainly among the LO and the Social Democrats, a watered down version of the wage-earners' funds was enacted in 1983.⁶⁰

Along with the Co-Determination Act of 1976, the enactment of the wage-earners' funds led to the employers' federation (SAF) decision, in 1983, to withdraw from the process of central negotiations which had become such an integral part of Sweden's corporatist arrangement (Lewin, 1994; Stephens, 1996). According to Lewin,

SAF chose...to bid farewell to the whole corporative set-up; it broke the social contract from the 1930s, one might say. It broke off contacts with the LO at the central level. It abandoned the central negotiations for wage agreements. It said 'no' to giving continued priority to low-wage groups. SAF marched out of the board rooms of the central government agencies (1994: p.73).

The collapse of centralized bargaining, most importantly, placed greater bargaining power in the hands of the SAF; business would now be able to bargain at the local level, thus weakening the strength of labour's central bodies, particularly the LO. This change had not only the effect of increasing wage differentials (hence undermining the principle of wage solidarity) (Stephens, 1996), but also worked to heighten divisions and conflict within the labour movement.

⁶⁰The wage-earners' funds would eventually be abolished by the bourgeois government that came into power in 1991.

Sweden's decreasing economic competitiveness abroad would also provide obstacles to labour's solidarity. By the early 1980s, this economic reality had driven the Swedish private sector unions to complain bitterly about public sector and white collar unions' demands for wage increases that matched those of the private sector. The rhetoric reached a climax in 1982, when the leadership of a private sector union affiliated with LO referred to the public sector unions as "pay parasites" (Swenson, 1991). The private sector unions felt that the expansion of the welfare state, coupled with the demands among its labour force for increased wages, undermined Sweden's competitiveness abroad.

Given Sweden's reliance on the tradables sector, any decrease in their competitiveness would have serious repercussions for the Swedish economy as a whole. Swenson succinctly summarizes developments in the Swedish labour market during the 1980s, and the interclass conflict and cross-class alliances that resulted: "[i]n Sweden, problems of reducing government debt and adapting to international competition united the Social Democrats with unions and employers in the export sectors in a broad coalition against government workers' share of national income and against the current distribution of government pay" (1991: p.387).

Even to the Social Democrats the public sector unions had become a liability. The electoral defeat of 1976, was in part the result of critiques relating to size and efficiency of the public sector (Pierre, 1993: p.392). As early as 1982, the SAP had begun to implement changes to the public sector by pledging to stem its expansion and by establishing a new ministry of public

administration, the *Civildepartment* (Premfors, 1991). The new ministry was given the task of reforming the public sector; significantly, management methods adopted from the private sector would be introduced to attempt to curb inefficiencies in the system. As Pierre (1993) suggests, "[t]he overall objective of the program was to change the relationship between citizens and the state to a more client oriented model" (p.391). The decentralization of the administrative functions to the local government would provide the framework for the implementation of these changes (Premfors, 1991; Montin and Elander, 1995). Most importantly, however, a concerted effort was made to delink public sector wages from those of the private sector and to devolve the process of wage setting onto the local governments (Schwartz, 1994).

As Premfors has suggested, by the late 1970s the SAP had begun to consider the need to decentralize and provide less uniformity in the production of public services, "so as to allow for direct participation by those involved in and affected by the various programmes" (1991: p.85). This reaction, clearly stems from the expansion of postmodern preferences among the Swedish public. These preferences not only include calls for more direct forms of participation, but also pose a challenge to both bureaucratic, and highly hierarchic and centralized welfare state structures. Data suggest that throughout the 1980s, in fact, there was a gradual decline in support among the Swedish public for the public sector, and an increasing desire for cutbacks (Pierre, 1993: see Table 1).

It would be the fiscal exigencies of the early 1980s, however, which would force the newly elected SAP government (1982) to

establish a plan of public sector restructuring. Nevertheless, while efficiency was a consideration, the overriding concern was to stress "user participation" (Schwartz, 1994). In the words of Premfors, however, "while participation was the primary and economic efficiency the secondary set of values underlying decentralization in the late 1970s and early 1980s, the order among these was reversed from the mid-1980s" (1991: p.92).

This change in priorities could not have been made any clearer than by the appointment in 1988 of a former deputy Finance Minister as head of the *Civildepartment*. The constant struggle among factions within the SAP (mainly between those concerned with fiscal restraint and those that tended to cater to the ascendancy of postmodern preferences), eventually made drastic restructuring an impossibility. In fact, the hard-line fiscal conservatives would suffer a set-back in 1990, when their foremost spokesperson, Finance Minister Kjell-Olof Feldt, was forced to resign following pressures from the other factions who "found his views too extreme with respect to public sector contraction and decentralization" (Premfors, 1991: p.93).

This is not to suggest that no cutbacks or restructuring resulted from the creation of the *Civildepartment*. As Pierre notes, the result of "the social democratic program of 'renewing the public sector,'...is a public bureaucracy which appears to be very different from that of the 1970s" (1993: p.399). However, it is significant to point out that many of the changes that did occur have not seriously undermined the structure of the Swedish welfare state. Interestingly, as Pierson (1996) suggests, not even the bourgeois government of 1991-1994

made significant attempts to restructure the welfare state; the only programmes introduced by this government, which to some extent undermine the spirit of traditional welfare policies, have been in the areas of education and day care (Stephens, 1996). Nonetheless, these programmes (which have provided some opportunities for the expansion of private service provision in these areas) have been highly regulated and also not very popular with 'consumers' (Montin and Elander, 1995).

In many ways, this should not be surprising given the high level of support among the Swedish public for state provision of welfare services. It is important, however, to note that attitudinal surveys highlight the growing divisions among workers in the public and private sectors. Svallfors discovered that "in both 1986 and 1992,...public sector employees and the retired [were] significantly more supportive of the state than people working in the private sector and those not retired" (1995: p.68). Svallfors concludes that the public sector's dependency on the provision of welfare state services as a means of sustenance, explains their more positive attitudes towards the welfare state. Similarly, the private sector employees' declining support for welfare policies can be attributed to their impression of Sweden's declining competitiveness in the international market.

In as much as the rise of postmodern preferences among the Swedish public initiated calls for the restructuring of the highly bureaucratized and hierarchical system of public administration in Sweden (Pierre, 1993), similar preferences were to provide the

impetus for the restructuring of the Swedish political landscape, following the 1976 national election.

POSTINDUSTRIAL CLEAVAGES AND THE TRANSFORMATION OF THE SWEDISH MODEL

It is within this environment that postindustrial cleavages began to appear in Swedish politics, cleavages which seemed to crosscut the social class dimension. A clear indication of this development was the impact that the nuclear energy issue had on the Social Democratic defeat in the 1976 national election (Vedung, 1989: p.143).

According to Therborn, the Centre Party's (formerly the Agrarian Party) inclusion of a pro-environmental stance in their electoral platform "tipped the electoral scales against Social Democracy" (1991: p.114). For the first time since 1932 the SAP would not be part of the government; their pro-nuclear 'industrial' stance would be partly to blame for their loss.

The significance of this industrial-postindustrial dimension of political conflict would be highlighted by the realignment of two traditional political opponents along the postindustrial end of this new socio-political cleavage. The alliance among the anti-nuclear bourgeois Centre Party and the Communist Left Party (VPK), during the 1980 referendum on Sweden's policy relating to the expansion of nuclear power,⁶¹ in fact, points to a significant realignment of the

⁶¹In typical Swedish fashion a compromise was reached following the referendum, whereby a gradual phasing out of power plants would culminate with the full closure of all plants by the year 2010 (Therborn, 1991). At the present time it seems quite unlikely that this is going to occur.

Swedish party system (Vedung, 1989). On a 'postmaterialist' issue, both of these parties could set aside their traditional 'materialist' differences and come to a consensus.

Nevertheless, while it is important to stress that the class cleavage has diminished considerably in Sweden,⁶² social class to this day still remains a strong predictor of voting behaviour.

Nieuwbeerta (1996) has found that in comparative terms Sweden ranks highly among advanced industrial states with reference to class voting. Interestingly, while the Scandinavian countries and Britain have the highest levels of class voting, the same countries also display the largest declining levels in association between social class and voting behaviour during the post-World War II era.

Although studies on voting behaviour have highlighted the increased salience of issue voting in Sweden (Sainsbury, 1991; Oskarson, 1994), it is presently difficult to associate postindustrialization with the the rise of a 'new' social cleavage. Oskarson (1994) has found that while postindustrialization has promoted the decline of class voting, a new social cleavage has not risen in its wake. This finding is significant for it seems to support the contention that postmodern societies (like Sweden), give rise to a varied assortment of preferences among their populations which do not conveniently fit into models of cleavage structures. Nevertheless, Oskarson notes that the rise of the public sector in Sweden, which brought a large number of women into the labour force, has grown in

⁶²In fact, "[i]n the election of 1968, 70 percent of the voters were class voters...in 1988, 57 percent voted 'with' their class" (Oskarson, 1994: p.232). Moreover, Oskarson suggests that class awareness among members of the working class in particular has weakened, hence diminishing the overall significance of class voting (1994: p.231).

significance as a possible line of political division: "[s]ince the mid 70s public employees vote socialist to a higher degree than people in the private sector. This is especially true for the publicly employed salariat, for whom the interest as publicly employed often is more important when it comes to party choice, than is the interest as middle class" (1994, p.229). This finding again lends credence to the postmodernist argument that Swedish voters increasingly structure their vote according to a narrow preference (in this case the voter's means of survival, i.e., the welfare state), as opposed to an ideologically driven voting decision.

Equally significant has been the rise of the materialist/postmaterialist dimension in Swedish politics. According to Knutsen (1990b), however, it is of interest to note that although the materialist/postmaterialist dimension is more strongly correlated with party preference than social class,⁶³ "the left-right ordering of the parties and the placement along the MPM-dimension [i.e., the materialist/postmaterialist dimension] are very similar" (1990b: p.267). In fact, individuals with the most postmaterial tendencies are more likely to support a left party, while those with material tendencies are more likely to support right parties (see Knutsen, 1990b: Table 1). To this end, it is difficult to suggest the rise of a distinct party cleavage along the materialist/postmaterialist dimension, for such dimension seems to overlap the traditional Left/Right axis. Therefore, while it is still significant to discuss the impact of materialist/postmaterialist values on Swedish politics, such

⁶³The eta-coefficient between materialist/postmaterialist values and party preference in Sweden was .26, as opposed to .21 for social class and party preference (Knutsen, 1990b: Table 1).

values have had, paradoxically, "a comparatively modest impact as a party cleavage" (Knutsen, 1990b: p.267).

It is worth noting, however, that this dimension is not inconsistent with the rise of issue voting in Sweden, as is evidenced by the alliance between the Centre Party and the VPK on the nuclear issue. While these parties have traditionally been diametrically opposed on the Left/Right axis, on this occasion they were able to set their differences aside, thus crosscutting the conventional class cleavage. Ultimately, however, the rising significance of both the Green Party (which by 1988 was able to overcome the 4 per cent electoral threshold and gain 20 seats in the Riksdag) and the VPK (whose supporters display postmaterial and libertarian dispositions) (Knutsen, 1990b), implies the development of a left-libertarian challenge to the Social Democrats.

The Greens, in particular, have made an attempt not to conform with traditional definitions of class politics, and have thus affirmed their commitment to a 'new politics' dimension of conflict. In light of these challenges, Sainsbury (1991, 1993) notes that the SAP has undergone a process of programmatic renewal in an attempt to halt the possible drain in support to the left-libertarian parties. The SAP is not only promoting a 'greener' programme, but it is also incorporating postmodern and libertarian ideals like "freedom, autonomy, civil liberties and rights" into their platform (Sainsbury, 1991: p.42). This programmatic renewal seems to make sense in light of the fact that between 1982 and 1993 support for Sweden's left-libertarian parties increased from 5.6 percent to 9.6 percent (Knutsen, 1998: Table 3). Similarly, Kitschelt (1994) has argued that

the SAP lost support to both the Greens and the VPK throughout the 1980s. Kitschelt accounts the SAP's difficulty in adjusting to the new challenges to both the rigidity of the party organizational structure and the links with the LO. Some movement, however, has occurred on both fronts, thus allowing the SAP to recently distance itself from LO and to provide greater strategic autonomy for the SAP's leadership (Kitschelt, 1994).

Interestingly, levels of party identification in Sweden have been decreasing steadily since the 1960s (Holmberg, 1999). In fact, studies comparing levels of partisanship among West European states indicate that "Sweden stands out in showing an almost continuous decline of partisanship since the 1960s" (Schmitt and Holmberg, 1995: p.109). These facts seem to support the evidence that a dealignment of the Swedish electorate is gradually taking place, as the Left/Right dimension seems capable, to some extent, of absorbing new cleavages. As a study on the Swedish Green Party indicates, Green Party supporters tend to have the lowest degree of party identification among Swedish voters, and as a result tend to have a high tendency to switch parties (Bennulf and Holmberg, 1990). This is significant, because if Swedish voters increasingly continue to display postmaterial preferences, like those of Green Party supporters, we can expect a greater level of voters' volatility in the future.

Thus, by the end of the 1980s Sweden's political and economic landscape had changed considerably. Labour stood divided, corporatism seemed dead, the state was under pressure to streamline its services, and the Social Democrats were facing a slight

erosion in support to the left-libertarian parties. Eventually, the end of centralized bargaining coupled with the deregulation of the credit markets, prevented wage restraint (Stephens, 1996), thus placing Sweden's economy on a collision course with the international market. The collision would occur in 1991, further debilitating Sweden's 'social democratic corporatist' historical bloc.

A NEW MODEL?

The economic crisis of 1991 would ultimately spell the end of Sweden's full-employment policy.⁶⁴ Unemployment jumped from 3 per cent in 1989 to over 12 per cent in 1993 (these figures include persons enrolled in active labour market programmes) (Pierson, 1996: p.171). The decrease in the level of employment is attributable to both public and private sector lay-offs. While the former resulted from cutbacks in services, the latter resulted from the decreased competitiveness in the tradables sector, which could no longer count on the government to devalue the Swedish krona in order to make Swedish exports affordable on the international market. All this occurred with no tool in place to impose wage restraint on trade unions, thus further increasing the costs of production. From 1990 to 1993 Swedish GDP fell approximately 5

⁶⁴As it has been suggested, the principle of full employment stands at the heart of social democratic beliefs. The social democratic commitment to policies which promote full employment thus stands in stark opposition to neoliberal monetarist thinking; the latter does not view full employment as a goal in of itself, but rather is concerned primarily with the impact that tight labour markets may have on inflation. Social democratic normative orthodoxy, instead, holds that "[t]ight labor markets enhance the economic power of workers relative to employers and increase the probability that union demands will be met. From this strategic perspective, full employment is a public good and not merely a private good, since it benefits even those workers whose jobs are not in jeopardy" (Scharpf, 1991: p.16).

per cent, while industrial production fell by 13 per cent (Freeman *et al.*, 1995: p.8). The cost of supporting the growing ranks of the unemployed would be exacerbated by the shrinking revenues resulting from the smaller tax base. By 1993 government outlays reached an astonishing high of 73 per cent of GDP, while the budget deficit surpassed 14 per cent of GDP (Pierson, 1996: p.171).

The attitudinal shift among Sweden's political leadership that was reflected in the austerity measures implemented throughout the 1980s, gained further vigour by the early 1990s. These measures were the result of diminishing revenues associated with increased levels of unemployment. However, as welfare state entitlements decreased, so did the degree of de-commodification that had characterized Sweden's social democratic system (Esping-Andersen, 1990; Stephens, 1996). As discussed above, de-commodification is one of the central tenets of social democratic belief, in as far as the basis for entitlements (be they income or public goods and services) is a matter of citizenship right, and that as a result of such right "individuals suffer relatively small losses of income from exiting paid work temporarily or permanently" (Stephens, 1996: p.36). In fact, although it would be the bourgeois government of 1991 that would implement the reduction in the general level of entitlements as a percentage of gross earnings, as well as increasing the waiting period before the provision of such entitlements, this was done either with the blessing of the Social Democrats, or following a decision that had already been made by the Social Democratic government during the early part of 1991 (Lachman *et al.*, 1995; Stephens, 1996). Furthermore, the newly elected Social Democratic government of

1994 would also enact policy changes which would make the decision to exit paid work financially more damaging to individuals (Stephens, 1996: p.48).⁶⁵ Thus, while the social democratic objectives of full-employment and de-commodification began to lose primacy, they were to be replaced by neoliberal objectives.

The Social Democrats' commitment to the neoliberal rationality of the global market is further substantiated by their decision to eliminate capital controls in July of 1989 (Helleiner, 1994a: p.165), followed by their announcement in the autumn of 1990 that Sweden would seek membership in the European Community. Helleiner (1994a) suggests that these decisions were the result of both competitive pressures and ideological shifts among elite members of the SAP. Global 'competitive deregulation', but particularly the further liberalization of the London markets in 1986 (known as the Big Bang), increased concerns over the possible move of financial business abroad. Moreover, increasingly "Social Democratic economic managers in the Ministry of Finance were integrated into the neoliberal elite consensus" (Ryner, 1998), including Finance Minister Kjell-Olof Feldt (1982-1990), and the head of the central bank, Bengt Dennis. Significantly, Feldt made his advocacy for free-market thinking public by stating in a 1989 interview: "I have never believed in planned economies. I have seen the results and I saw them earlier than some of my colleagues in the party" (Helleiner, 1994a: p.166). Although Feldt resigned in 1990 as a result of a lack

⁶⁵An example of this is provided by the parental insurance benefit. While the replacement rate for parental insurance was 90 per cent of the parent's gross income, for up to a period of twelve months (Lachman *et al.*, 1995; Ginsburg, 1992), the SAP government of 1994 lowered the rate to 80 per cent, in accordance with unemployment compensation, sick pay, and work injury insurance (Stephens, 1996: p.48).

of support within the SAP's leadership, Ginsburg has noted that "the influence of such new realist, pro-capitalist or market socialist views is gaining ground in the SAP" (1992: p.33).

Ginsburg's observation would gain legitimacy when in May 1997, the SAP government and the opposition agreed to a revision to the Central Bank Act which would enshrine "the commitment to price stability and the independence of the central bank" (OECD, 1998: p. 166).⁶⁶ It is important to note that this decision resulted from the need to conform to standards set by the European Union; nevertheless, the initial decision to ensure that Sweden's economy would attempt to meet the same criteria of other member-states of the European Union, underlies the commitment to what is fundamentally a neoliberal economic project (Ryner, 1998). It is within this context that we can speak of the culmination of a 'historical bloc'; a clear indication of this is provided by Feldt's open dissatisfaction with some of the fundamental tenets of social democratic thinking, as well as the SAP's support for neoliberal legislation that fundamentally undermines the strength of labour.

In essence, the economic crisis of 1991 spelled the end of the Swedish model. It forced the Social Democrats to comply with the competitive rules dictated by the global market. Clearly, the

⁶⁶This decision effectively removes the state's ability to control monetary policy, as had been the case for Sweden in the past. As Persson *et al.* have suggested, the Swedish central bank historically had been "very obedient to the short-run interests of the ruling party or coalition in the parliament" (1996: p.27). In broad terms, governments must decide whether to give priority to full employment or to price stability (i.e., lower inflation); while the latter decision is typified by monetarist, neoliberal governments, the former has been associated with social democratic governments (Scharpf, 1991: pp.25-37). Studies have shown that the greater the central bank's independence, the lower the inflation rate (Persson *et al.*, 1996: p.26). Thus by allowing greater or complete independence to the central bank, one can expect both the loss of government's power over monetary policy, and an increased concern over price stability.

denouement of this 'historical bloc' had began some years earlier, particularly with the decision of the employers' federation to pull out of the process of centralized bargaining, and the cross-class alliances that resulted from the divisions within the labour movement. It is interesting to note that coinciding with the de-corporatization of the Swedish system, a plurality of interest groups has emerged (Petersson, 1991; Micheletti, 1991). Hoefer (1994) in fact speaks of the existence, during the 1980s, of a mix of corporatist and pluralist structures in Sweden's social welfare policymaking process. Similarly, data suggest that during the 1980s the number of both voluntary and co-operative associations expanded vastly in Sweden; while the former grew by 39 per cent, the latter increased by 51 per cent (Micheletti, 1991: p.158).

These findings suggest that while there has been a shift towards more decentralized and pluralist structures of interest representation, there has also been a simultaneous trend towards alternative modes of participation which reflect postmodern preferences. Interestingly, while de-corporatization and postmodernism are in many ways consistent with one another, they seem to have different causal links. The decline of the corporatist arrangement is in part the result of the fragmentation of the Swedish labour movement following postindustrialization, and to this extent the causal link may have a semblance of postmodern influence. Nevertheless, as we have seen, it would be the calls for industrial democracy and the wage-earners' funds which ultimately mobilized the employers' federation against labour.

This, however, should not detract from the realities imposed by the rise of postmodern preferences. As Micheletti suggests,

[c]orporatist exchanges between the state and interest organizations presuppose member discipline and a similar frame of reference for all political actors. Today it is more difficult for established interest organizations in Sweden to assume this type of public responsibility because member solidarity has decreased and the country is more heterogeneous (1991: pp.161-162).

According to Lewin (1994), the decline of corporatism (characterized by the erosion of encompassing organizations) marks the deterioration of Swedish social integration in the face of increased conflict.

The implications for social democracy are serious; when the process of social integration deteriorates it becomes difficult to speak of a 'people's party', and likewise it becomes impossible to formulate a vision of the 'people's interest'. Thus, over the last two decades the SAP has witnessed its own gradual hegemonic decline, a decline if anything characterized by the divisions within its traditional core constituency, labour. The lack of a common vision that would be desirable for the whole of Swedish society has therefore made it difficult for the SAP to forge an all-encompassing strategy, as was done in the past. While the development of divisions between public and private sector workers and the 'new politics' have not produced new cleavage structures which supersede the class cleavage, the political battlefield in Sweden, as is the case throughout advanced industrial societies, has become more complex. Although the SAP has made some attempts to incorporate aspects of the 'new politics' into its strategy (the so-called 'greening' of the party, and the move to

decentralize administrative power structures), the division in labour has been difficult to handle.

Interestingly, the one element of the Swedish model that has proved to be more resilient has been what Piven (1991) has defined as the "main project of labor parties", i.e., the welfare state. Although some restructuring has occurred in recent years, the system has practically remained intact. This has much to do with the fact that welfare states create constituencies of both consumers and providers of social services (Pierson, 1994; Esping-Andersen, 1990), and that when such constituencies permeate all levels of society, as is the case in Sweden, any attempt to either privatize or residualize to a significant extent the provision of social services, is going to encounter considerable opposition. As a result political leaders do not want to be associated with unpopular policies of welfare state retrenchment. In fact, support for the welfare state in Sweden is still very strong (Svallfors, 1995). Rothstein (1993) has argued, however, that Swedes are growing impatient with the lack of choice in the provision of services, and that if such a choice is not provided, popular support for Sweden's universal welfare state will diminish. Interestingly, both supporters of market solutions and postmodern citizens uphold the principle of consumer choice. Choice, it is argued, would not only provide a more efficient delivery of services, but it would also appease Sweden's new 'heterogeneous' society. Although measures are available to retain the population's support for a universal provision of services, the same can not be said of Swedish corporatism. The highly centralized and hierarchical structures associated with corporatism are no longer viable.

In the final analysis, Swedish social democratic corporatism is being stretched and pulled apart by the forces of globalization (undermining the corporatist state's autonomy and creating cross-class alliances) and by the forces of the 'new politics' (undermining the corporate channels that link civil society to the state). Interestingly, both forces are expressions of opposite needs and demands in civil society. While the former found inspiration in the views of neoliberal intellectuals and subsequently materialized in the demands of both domestic and international business under the neoliberal rationality, the latter emanated from the reinterpretation of the democratic political process through demands for structures which would enable greater accountability, transparency and, 'seemingly', provide more effective modes of participation. Paradoxically, although these camps have sought different ends for different reasons, they have combined to inflict the final blow to the 'Keynesian historical bloc', raising in its wake the possible emergence of a new historical bloc characterized by, above all, the power of the self-regulated market.

CHAPTER SIX

A 'NEOLIBERAL HISTORICAL BLOC'?

This thesis began by asserting that following the end of the Second World War, a general consensus among advanced capitalist societies was achieved. This consensus, which provided a normative interpretation of how the state, society, and the economy should interact, functioned both on the domestic and international levels. Furthermore, it was built upon a formal commitment on the part of leading capitalist states and domestic class alliances. To this extent, one can speak of the establishment within and between advanced capitalist societies of a Gramscian 'historical bloc'. This historical bloc, was defined the 'Keynesian historical bloc'. It was predicated upon the integration of labour's demands for the expansion in the provision of social services and a commitment to the principle of full employment, as well as an international financial order which promoted a greater degree of autonomy for the Keynesian 'interventionist' state.

Furthermore, while a distinction was drawn between two 'ideal' types, or systemic variants which belong to the 'Keynesian historical

bloc', that is the 'liberal democratic pluralist' and the 'social democratic corporatist' systems, it was argued that the latter was structurally prone to a more difficult process of adaptation to the forces which have gradually come to undermine, or even displace the 'Keynesian historical bloc'. It was suggested that by limiting the scope of government intervention in regulating the market, as well as its ability to pursue Keynesian socio-economic policies, the neoliberal rationality (that is inherently part of the process of globalization) has had a far greater impact on societies which are culturally, historically, and institutionally inclined to favour state-centered modes of managing the economy, as well as to insulate society from market forces. Moreover, corporatist structures that link state and society came under greater pressure than pluralist structures from the societal shift in values associated with the 'new politics'. Corporatist structures, in fact, proved to be counterproductive to the demands for more decentralized and less hierarchically structured modes of interest intermediation.

These changes, furthermore, coincided with the shift among advanced capitalist states to the postindustrial era. It was argued, in fact, that postindustrialization helped promote the rise of the 'new politics'. The shift to 'post-Fordist' models of production as well as the rise of the service sector of the economy, contributed to a new structural differentiation in the division of labour, which in turn has undermined the relative ease with which the 'Fordist' industrial model of production fostered a common identity among the workforce. To this extent, the demise of the 'Keynesian historical bloc' finds as one of its causal links, the changing structures of

capitalist production. As was suggested, however, a shift in societal values was also linked to the growth in affluence among Western mass publics, following the end of the Second World War. The rise of a seemingly ever expanding middle-class, contributed to the development of postmaterial values among these publics, which in turn began to question the legitimacy of political participatory structures (such as political parties and interest organizations), as well as the institutional frameworks within which these structures operated. Lastly, the demise of the 'Keynesian historical bloc' also owed to the unilateral state actions of the United States and the United Kingdom. Had these states chosen not to support the creation of the Euromarket, other states would not have been forced to abide by the logic of 'competitive deregulation', which promoted the deregulation of financial markets.

During the 1970s, Keynesian orthodoxy no longer seemed to provide the appropriate steering mechanisms for the 'new' reality that confronted states and societies. A "crisis of authority" ensued. In Gramscian terms this meant that values and demands which had risen in postindustrial societies, became detached from, if not contradictory to, the ideas associated with the 'Keynesian historical bloc'. To the extent that corporatist structures functioned effectively and with legitimacy within industrial states, postindustrialization brought about new values and demands which could not be effectively fused with corporatist structures. This moment of crisis provided neoliberalism with an opportunity to displace those ideas and structures which were antithetical to the postindustrial reality,

and to articulate a new vision which to some extent fit this new reality.⁶⁷

Neoliberalism is a movement that simultaneously attempts to provide a normative interpretation of the postindustrial reality, as well as trying to conform global structures to its own vision (predominantly through the expansion of the self-regulated global market). As was discussed above, however, the criteria for the formation of an historical bloc requires that neoliberalism provide continuity and congruence among productive structures, political institutions and society during a particular moment in history. Utilizing our findings through the 'Swedish experience', it is to these considerations which we now turn.

NEOLIBERALISM AND THE SWEDISH EXPERIENCE

On the international level, the 'Keynesian historical bloc' began to unravel following the collapse of Bretton Woods and the ascendancy of the deregulated financial markets. Furthermore, Keynesian principles lost their legitimacy after the oil shock of 1973. They were gradually replaced by a neoliberal orthodoxy which stressed the need for greater integration of global financial markets.⁶⁸ Domestically, states that subscribed to social democratic principles were forced to accept the logic of 'competitive deregulation'. This led

⁶⁷As will be discussed below, in time it would become clear that the neoliberal vision would also be antithetical to some of the societal values and demands that arose out of the shift to postindustrialization.

⁶⁸This logic arises out of the neoliberal philosophical predisposition to emphasize the markets' ability to allocate resources more efficiently (Scharpf, 1991).

to the gradual shift in power away from the state and towards an ever increasingly self-regulated global market.

Economic 'openness' made the Swedish experience during this period of transition all the more susceptible to global market influences (Schwartz, 1994). At the same time, Sweden shared with other advanced industrial states the rising significance of the 'new politics', and thus the series of challenges that accompanied it. What was particular to the 'Swedish experience', was its trajectory to postindustrialization. As discussed, this trajectory was not only influenced by the "institutional and political framework", as Esping-Andersen (1991: p.148) postulates, but also by the cultural hegemony of social democratic principles, which dictated the expansion in the provision of publicly funded and administered social services. As the public sector grew, so did the difficulties associated with maintaining solidarity within the labour movement. The competing interests within the movement, however, would not fully surface until Sweden's competitiveness abroad began to be undermined. The cross-class alliances that resulted provided the clearest indication of the eventual undoing of the consensus which stood at the core of the Swedish model, and hence of the 'social democratic corporatist' historical bloc.

By the mid-1980s, the Social Democrats would push for changes which, on the one hand, appeased demands for consumer choice in the provision of public services while, on the other hand, complied with demands for efficiency, arising from the neoliberal rationality. It is of interest to note that one of the segments of society which stood the most to lose from the restructuring of the

public service sector (i.e., the employees in the public sector), was paradoxically supportive of the measures which would promote the de-centralization and de-bureaucratization of services, in accordance with its predisposition to postmaterial values. Thus, while upholding the postmaterial principle of 'consumer choice', public employees were inadvertently undermining their own means of survival. These circumstances, coupled with Sweden's decreasing competitiveness abroad, would lead in the 1990s to a decreased level of de-commodification associated with austerity measures in the provision of social services, as well as the relinquishment of the commitment to full-employment. These events, in conjunction with the dissolution of the corporatist arrangement during the 1980s, point to the end of Sweden's 'social democratic corporatist' historical bloc.

Caught in the currents of change, Sweden's Social Democratic party was forced to adapt to the new conditions associated with postindustrialization. The programmatic renewal that resulted comprised of the 'greening' of the party, and the assimilation of elements of 'market' socialism into the party's programme (Sainsbury, 1993; Taylor, 1993). Following the 1998 election results, however, much doubt was cast over the SAP's strategic decision to incorporate these elements into its platform, especially some of the neoliberal principles. In this election, "the Social Democratic Party had its poorest election results since the introduction of democracy in Sweden in 1921" (Möller, 1999: p.261), receiving only 36.4 per cent of the vote.

Analysis suggests that policy changes introduced by the SAP government during the 1994-98 mandate, namely tax increases and

cutbacks in the public sector, were the main reason for the SAP's electoral losses (Möller, 1999: p.263). The cutbacks were accompanied by a further reduction in the income replacement rates for unemployment, sick pay and other benefits, to approximately 75 per cent (Madeley, 1999: p.188). This policy decision is further proof that in this new global environment, the principle of de-commodification, within the SAP's leadership, had further lost its primacy to fiscal exigencies.

Ultimately, as Madeley has suggested, "[t]he Social Democrat and Centre parties [the other informal government coalition member], held jointly responsible for the pain inflicted by the austerity measures of the previous period [1994-98], were both punished by an unprecedented haemorrhage of support" (1999: p.192). It is of interest to note, in fact, that while the SAP in 1998 lost 8.7 per cent in support from the previous election (Madeley, 1999: Table 1), only 53 per cent of LO members voted for the SAP in 1998, compared to 66 per cent in 1994 (Möller, 1999: p.266), with most of these lost supporters voting for the 'left-libertarian' Left Party (formerly the Communist Left Party, or VPK). The latter, in fact, not only received 20 per cent of LO members' support in 1998, compared to 4 per cent in 1991 (Möller, 1999: p.266), but it almost doubled its base of support to 12 per cent, from the previous election (Madeley, 1999: Table 1). Möller points out that

the Left Party managed to break into groups that had traditionally been regarded as social democratic core groups. Those who moved from the Social Democratic Party to the Left Party were characterized by their view of themselves as standing 'clearly on the left,' by their low confidence in

politicians, and by their opposition to Swedish membership in the EMU (1999: p.266).

These are characteristics which generally point to both postmaterial and anti-neoliberal attitudes. These findings would seem to suggest that the SAP's attempt to adapt to neoliberal orthodoxies has led to a substantial drop in support. Interestingly, as Gilljam and Oscarsson (1996) have suggested, data from 1979 to 1991 indicate that "[a]ccording to voters, all the parties, with the exception of the Greens, have moved toward the right" (p.28) during this period. This is linked to the impression among voters that "a somewhat compressed left-right dimension with shorter distances between the parties" (p.28) has emerged.

Thus, while the 1980s provided the SAP with the opportunity to implement changes that would appease both postmodern and neoliberal demands for greater individual autonomy and efficiency, respectively, by the late 1990s some of the contradictions that are an inherent part of these diverse preferences began to emerge. It could be argued, in fact, that the only consistency between postmodern and neoliberal attitudes is that they both uphold the principle of 'consumer choice'. Once one moves beyond this similarity, however, contradictory tendencies begin to surface. In their rejection of most forms of authority and praise for individual autonomy, postmodern citizens must ultimately come to reconcile the authority of the marketplace with their desire for autonomy. To the extent that such contradictory tendencies began to manifest themselves within Swedish society by the 1990s, Ryner's contention that "one cannot (yet) speak of a stable neoliberal hegemonic bloc in what might be

called the 'Social and Christian Democratic Heartland' of Europe" (1998: p.85), seems to be accurate. As Montin and Elander (1995) suggest, there are "many indications that [Swedish] citizens at the local level do not in general perceive themselves only as consumers. They tend to organize in a collective way in order to defend their community" (p.48). This communitarian instinct, which is part of Sweden's historical and cultural tradition, will be difficult to fuse with the highly individualistic and market oriented ethos that is central to neoliberalism.

It can also be argued that on the international level, as the lessons of history have taught us, the antithetical forces of the self-regulated market and liberal democracy will likely clash. The further subordination of liberal democratic principles to the rules of the marketplace will only contribute to the realization of the contradictory nature of this relationship. As Polanyi wrote: "[t]he outstanding discovery of recent historical and anthropological research is that man's economy, as a rule, is submerged in his social relationship" (1944: p.46).

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