

Chapter 5

THE CHALLENGE OF ECONOMIC DEMOCRACY: THE CASE OF SWEDEN

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No industrial country in the world better illustrates the legislative approach to reforming worklife than Sweden, and in recent years the Swedish system of industrial relations, its moves toward workplace democracy and its achievements in work environment reform have all been held up as examples for other industrial nations.

Sweden, like other Western industrial nations, has experienced the profound economic crisis caused by the internationalization of the world economy, global competition, the introduction of new technology and other related factors. Inflation, rising unemployment, slowed economic growth and other problems have emerged in Sweden, though on a substantially lesser scale than most other industrial market economies.

In this paper we outline the shift from social and industrial democracy to proposals to democratize the economy of Sweden. It is a logical extension of the “politics of production” scenario in Sweden during recent decades. Because of the economic crisis, however, the specific proposals and strategies for political mobilization have taken a distinct character which we examine. In short, the changing socio-economic environment of Sweden has shaped a different approach than that underlying the industrial democracy reforms of the 1960s and 1970s, but the connection is logical and continuous. While the primary objective of this paper is to detail and analyze the Swedish case, there are some clear implications for other countries which we note as well.

THE MOVE TOWARD INDUSTRIAL AND ECONOMIC DEMOCRACY

The emerging discussion about economic democracy, or shop floor worker control, which came throughout the Western world in the late 1960s and the 1970s was built on pragmatic as well as philosophical or ideological foundations. Clearly the matter of employee morale, productivity, and the broader context of participatory movements helped to shape the dialogue in most industrial nations (Deutsch, 1979). In Sweden some critical decisions were made in a complex of labor market policies. For example, while the 1950s and 1960s saw the need for considerable importing of labor, the decision was made to lessen that pattern and better utilize the one source of available labor within the country – women. As a result, less out of ideological persuasion than pragmatics, policies were shaped to include such inducements as job sharing for part time employment, company child care, extended maternity/paternity leaves and other features to increase female labor force participation.

In a similar fashion other reforms were enacted through a combination of ideological and practical arguments. The evidence did reveal greater worker satisfaction, higher morale and hence less turnover, and greater productivity through the use of restructured workplaces, including such improvements as autonomous work groups, job rotation, and worker representation in managerial policy making bodies. These reforms came about through voluntary or negotiated agreements. Because of employers’ concerns with productivity and

worker commitment, these increases in socio-technical participation at the workplace were seen by employers as the goal of the economic democracy movement. Labor, however, defined democratization of the economy differently and pushed for its historical mission of gaining greater control on the job. For labor the issue was one of redistributing decision-making power at the workplace which inevitably meant the reduction of managerial prerogatives. The combination of perceived resistance to granting such rights to labor by employers, and the fact that the Social Democratic Party (SAP) was in continuous political power during this period, resulted in growing pressures for legislative remedies and approaches toward work reform. This paralleled developments in some other countries (Deutsch, 1977; Gustavsen, 1982; Gustavsen & Hunnius, 1981; LO, 1982).

It was in the 1966 Swedish Labor Federation (LO) Congress that the issue of economic democracy first commanded labor's attention in Sweden (Dahlström, 1977). A committee was appointed to study the issue of economic democracy and offer suggestions for implementation to the 1971 LO Congress. Looking back at the report, we can see it replicated in the series of legislative acts on economic democracy from 1972-1978: Act on Employee Representation on Boards, Security of Employment Act, Promotion of Employment Act, Act on the Status of Shop Stewards, Worker Protection or Safety Act, Act on Employee Participation in Decision-Making (MBL), and the Work Environment Act (Martin, 1976, 1977; Albrecht, 1980, 1981; Forsebäck, 1980; Schmidt, 1977).

Taken together, this body of legislation has as its goal the increased influence of employees over their workplace. Although these reforms have not moved to transfer ownership or erode private capital, they go well beyond limited shop floor participation and call for a share in larger capital decisions on such things as plant investments, technological changes, and production decisions. Separately, some of this legislation has been more successful than others. But, at the same time, optimism over the Work Environment Act continues to grow.

Some of these legislative reforms were based on what is seen as fact in Sweden, but remains hotly contested and hence political or ideological in the United States. For example, the postulate that workers' health, both physical and mental, is enhanced by greater worker participation on the job is taken as factual in Scandinavia, and is built into the Work Environments Act in Sweden and Norway (Deutsch, 1981a). That postulate remains a matter of debate in the U.S. and is left to labor/management negotiations. The point here is a profound one: certain fundamental, underlying assumptions in Sweden take on an ideological character elsewhere. The Swedish social welfare system and the range of labor market policies are predicated on the standard that all workers should be able to work and that the government has certain responsibilities to maintain full employment and social services which protect the quality of life for all citizens. Even the idealized version of American constitutional rights and governmental role do not build on that base.

There is always a debate between what, in Gorz' terms, are reformist versus revolutionary reforms. According to Evelyn Stevens (1980) those which lead to further structural changes fit into the second category. "Practically any scheme of participation has the potential to generate challenges to the status quo if a strong and ideologically committed union mobilizes workers to realize fully structural given possibilities" (p. 6). It seems clear that the LO/SAP programs which emerged in the 1960s was one which emphasized the erosion of older

notions of managerial prerogatives, and put into practice the historical social democratic view that labor is to gain ever greater control (Tilton, 1979). In that sense, the series of legislative reforms not only gave labor greater control over the workplace, but made the connection between that level of participation and labor's control over capital decisions, or economic democracy. If labor was to sit on corporate boards, help to shape investment and disinvestment decisions, have a say about the rationalization of technology and the social arrangement of production, then it was almost inevitable to move towards greater control over total capital. In short, the industrial democracy program of past decades should be seen as organically connected with the economic democracy push started more recently. That connection, of course, is made in other Western nations as well (Deutsch, 1979; Gustabsen & Hunnius, 1981).

Toward Workers' Collective Wage Funds

It was the same LO Congress that supported the industrial democracy report in 1971 that also initiated the move toward economic democracy in the form of wage-earners' investment funds. The original impetus came from the Metalworkers Union and their concern for the growing problems arising out of the "reverse side" of the LO's wage policy of solidarity. This wage policy has been in effect for many years and stresses the solidarity among workers with a special commitment to the lower-paid workers (Meidner, 1974). This solidaristic wage policy is basically a policy of equal pay for equal work, where pay is determined by the kind of work done rather than a firm's ability to pay. What this has meant in operation is that wage-earners in the more profitable firms have practiced a form of wage restraint and wage differentials in Sweden have diminished over time in favor of greater inequality. With the growing success of this solidaristic wage policy, however, "excess profits" began to accrue in the hands of private capital in the more profitable enterprises. Because of the growing discontent of labor with this undesirable side-effect of the wage policy, a solution needed to be found. To that end, a committee was appointed under LO Labor economist, Rudolf Meidner, which was instructed to come up with a plan to solve the problem of "excess profits." In addition, the committee was to seek a solution that would also counteract the concentration of wealth in Sweden and would increase the influence of workers over the economic process.

The Meidner committee set out to construct a proposal to satisfy these goals. A first version draft was circulated in union study groups which acted as consultants in the process. Responses by 18,000 LO members who participated in the study program on wage-earner funds were overwhelmingly supportive of the outlined plan (Meidner, 1978). A final report was then prepared by the committee and presented to the LO Congress. Referred to as the "Wage-Earners' Investment Funds," (Meidner, 1976) it was unanimously supported by that Congress. The report called for the transfer of a certain percentage of a company's profits into shares that were to be collectively owned and controlled by employees and their unions. Even the dividends were to be collectively used for labor education and research (Höglund, 1978). As the plan was designed, a suggested 20 percent of the pre-tax profits of an enterprise would be transferred yearly into these funds in the form of labor-owned shares. That proportion of profit transferred from capital owners to labor would remain within the enterprise, and "share issues" would be transmitted to a central wage-earners' fund. The responsibility of this central clearing fund would serve both as a depository for these share issues, and the administrator of the dividend income from these shares for the benefit of employees as a whole. Voting rights to the shares were not vested in this central fund, but rather were to be divided between local plant unions and

inter-industry funds. As Meidner explained it, “The object of this part of the proposal was to strike a balance between the demand for decentralization and the need for some coordinating body covering employees in different companies” (1981, p. 211).

At that time it was predicted that profitable firms could theoretically have a labor majority ownership in 20-30 years. The report was to be interpreted only as a set of guidelines where the actual details would be worked out at a later date. However, the report was clear about the fact that these funds were to be collectively owned by labor, and that the solution to the excess profits issue and the concentration of wealth problem involved a partial transfer of ownership from private capital to labor influence.

The Meidner proposal was immediately controversial and sides were quickly drawn along traditional socialist/non-socialist lines. It is important to point out that the debate was sharply focused. There had long been agreement among political and economic groups about the need for some form of employee profit sharing (Åsard, 1978). The point of disagreement was the manner in which labor had chosen to do this, i.e., collective ownership. Rather than distributing the profits to employees in some individualized profit-sharing scheme, the profits were to remain within the enterprise under the control of labor in the form of shares. The solution accomplished the three distributive goals; financed by a percentage of the “excess profits,” the compulsory share issues and the dividends accruing to them were placed under collective labor ownership and influence, and in turn, reduced the concentration of wealth.

The 1976 election reflected the intensity of the conflict over the wage-earner funds. The non-socialist parties were singularly opposed to the plan, calling it a move toward excessive concentration of labor power and the outright confiscation of property. For their part, SAP and LO did not present a unified position on the plan. Claiming they were not ready to discuss the issue of wage-earner funds, the Social Democrats attempted to remove the issue from the election debates. Their attempt failed, and in the end, the wage-earner funds debate was considered one of the main reasons for the Social Democratic electoral loss after 44 years of power (Pettersson, 1978).

One of the main ways the Social Democrats attempted to subdue the electoral controversy over wage-earner funds involved reference to the Public Commission on Wage-earners and Capital Formation. Olof Palme, whose Social Democratic government was responsible for setting up the commission in 1975, sought out the commission as a defense for his party’s inability to articulate a position on wage-earner funds in the election, stating that they needed to wait until the question had been fully explored by the commission before taking a stand. This happened again in 1978 in preparation for the next national election to be held in the fall of 1979. The Social Democrats, with the concurrence of the LO, chose to postpone the discussion of wage-earner funds until after the election and the presentation of the final report of the commission in 1981.

Throughout the operation of the commission, and often contrary to the apparent continuing divisiveness of the issue, there was always an underlying hopefulness that the commission could pull together the disparate set of plans into a consensual solution. This hope, however, ended in 1981 when the commission was unable to resolve the internal controversy over the conclusions and recommendations for the final report. The severity of the disagreement

was apparent when the chair, Allan Larsson, resigned from the committee. Although there was talk at that time of disbanding the commission altogether, it was reinstated under a new chair and an attempt was made to salvage the six years of work that already gone into the preparation of the final report. In 1981 (*Dagens Nyheter*, May 22, 1981), however, the commission gave up when it again found itself unable to agree on the important sixth chapter that was to be the outline of the different alternatives and details of their construction in terms of such issues as organization, financing, and investment policies. This chapter, which was considered the most important one of all, was noticeably absent from the final published report which was drawn from the five completed chapters on the historical and international background of the issue *Statens Offentliga Utredningar* (SOU, 1981).

The public debate began with the original Meidner proposal prepared for the LO Congress, and, like the Public Commission, its history has been marked by controversy. To date the original proposal has undergone a number of revisions. The first such revision came in the Spring of 1977 when a new working group was formed composed of both LO and SAP representatives.

The revised plan was published in 1978 and mirrored the growing concern over the worsening economic situation and the declining capital necessary for industrial investments. Sweden and its dependence on imported oil was heavily affected by the international recession. Domestically, the structural problems in major industries such as iron and steel, shipbuilding, and forestry contributed further to Sweden's economic problems. The felt need for increased capital for investments in order to revive the Swedish economy and its competitiveness on the world market resulted in the addition of a *fourth goal* to the wage-earner funds (Höglund, 1978). This new goal was to increase collective capital formation for productive investments. Its addition substantially changed the structure of the funds by introducing "development funds."

The LO/SAP working group was committed to both the original three goals set out in the Meidner proposal and this new fourth goal. Unlike the Meidner plan, however, which sought a solution to all the distributive goals within one set of funds, the new plan called for two separately designed funds. One set of funds were similar to the Meidner plan in that "excess profits" were to be transferred from capital to labor in the form of share issues with the money remaining within the enterprise. The second set of "development funds" were to be financed by a certain percentage of the annual payroll (3 percent) to be paid by employers, and were specifically designed to address the fourth goal of collective capital formation. Made up of two nationwide funds and 24 regional funds, the "development funds" were for the express purpose of providing capital for investments for such things as industrial expansion and technological development. This new plan, then, was a combination of both profit sharing and compulsory savings.

It was thought at that time that this new plan would form the basis of LO and SAP's united political position on wage-earner funds for the next national election. The expectation was that this plan would be followed by a massive educational program and hopefully made into a successful election issue. This scenario, however, was never played out. Although LO and SAP approved the four goals, they did not endorse the plan in its entirety. Rather, as mentioned previously, they chose to postpone the discussion until after the commission report and their national congresses.

Wage-Earner Funds in Contemporary Perspective

The process of hatching an investment fund scheme involved a complex incubation period (Bulletin of the European Communities, 1979; Eidem and Öhman, 1979). The initial impetus came from LO and fed into SAP. The failure to agree on the role of the initial wage-earner funds in the past elections has led to some resolve to come together and place this issue before the voters in such a way as to help the Social Democrats regain power.

In 1980 the International Centre of the Swedish Labor Movement (AID) held a major international conference on the theme of “Capital and Economic Democracy.” At that time it was abundantly clear that the ranks of LO were not solidly behind the plan for wage-earner funds, as it stood then, and the leadership of SAP certainly was cautious. Foreign participants at this meeting would have joined with the Swedish press in anticipating a declining commitment to push for such a proposal in the subsequent LO and SAP Congresses, while at the same time sensing a good deal of support within the ranks of labor and the Social Democrats. Of course, the Public Commission was then expected to generate a report which would form the basis of the real discussion and nothing in the few remarks between one of us and Allan Larsson suggested the skepticism and despair which led to his resignation. Given the events since that time, it is clear that hard-headed strategists and committed unionists and Social Democrats have come together to mold a proposal which is both a logical development towards increasing the control of work by labor and which is more palatable to the Swedish electorate.

This proposal was ultimately presented and represents the most comprehensive plan since the original Meidner report in 1975 (LO News, 1981). Some of the central aspects of this new plan were presented earlier in an LO/SAP position paper to the Public Commission (Hancock, 1981). For the first time there was a link made between wage-earner funds and supplementary pensions. These supplementary pensions (ATP) have an important history of their own preceding their adoption in 1959 (Hancock, 1972; Molin, 1966; Stephens, 1980; Wheeler, 1975). Essentially, these pensions augment retirement benefits with supplementary payments based on an employee’s salary in his/her best 15 years of work. They are compulsory and under public control (Korpi, 1978), but because of rising inflation, there is growing concern that the supplementary pensions will decline in value without some kind of financial increase. Therefore, it was suggested that the wage-earner funds could be set up in connection with the supplementary pensions. The wage-earner funds would purchase shares to be collectively owned by labor, with the dividends being fed back into the ATP system to insure its continued ability to supplement retirement benefits. The financing of these funds would be from “excess profits” and an employee payment of an “ATP fee.”

The plan both modified and expanded the earlier position paper. This new plan served as the working paper on wage-earner funds for the LO and the SAP national congresses in 1981. Though structurally different, it resembles the LO/SAP 1978 revision more than the original Meidner proposal. The most important aspects of this new version are its linkage to the ATP system, the change from compulsory share issues to cash payments for the purchase of shares on the open market, and the greater emphasis placed on the fourth goal of collective capital formation. The plan placed a high priority on the wage-earner funds as a way to help solve the economic crisis in Sweden. Ingvar Carlsson at the 1981 Social Democratic Party Congress listed the major problems for the Swedish economy: large budget deficit, trade deficit, rising inflation,

and a low level of investments (Carlsson, 1981). The wage-earner funds was seen as a part of an overall economic program to remedy these problems. And to do so, the fourth goal has been given added weight. This message is clearly articulated by LO in its Congress reports (LO, 1981):

The working party's proposal is based on the fundamental principles laid down earlier within the labour movement. However, the present proposal is, to a greater extent than earlier proposals, intended as the outline of an Employee Investment Fund system directed towards safeguarding employment and contributing towards a solution of the economic crisis in which Sweden finds itself (p. 13).

Referred to as the "Capital-Sharing funds," this revision involves the purchase of shares on the open market to be collectively owned and controlled by wage earners, as shown in Table 1 below. Financing for the funds would be drawn from the "excess profits" of companies and an increase in the contributions to the supplementary pensions system. "Excess profits" are considered to be 20 percent of the profits over and above an estimated inflation rate of 15-20 percent. The additional increase in the supplementary pension contribution would be 1 percent. Unlike the earlier proposal, this payment is made by the employers not the employees. Overall, this financing is expected to yield 2-3 billion Swedish crowns yearly. In terms of operation, both the "excess profits" and the additional supplementary pensions contribution would be turned over to the supplementary pensions scheme, which in turn, would transfer the money to the capital-sharing funds. There would be 24 regional funds for the 24 Swedish counties. The funds are to purchase shares. In the event that a company does not want to issue new shares, there would be a "trade union right to initiative" whereby the trade union could call for a new issue of shares. It is understood that a percentage of the dividends from these acquired shares would go to the supplementary pensions system. When a fund purchases shares, the voting rights are divided between the fund and the employees in the enterprise in which the funds are bought. The voting rights are equally divided between the fund and the employees until each has acquired 20 percent of the voting power in the company. After that, all the voting rights from subsequently purchased shares go directly to the fund. In this way, regional interests are given priority over single enterprise interests. The funds may purchase shares from any company within their own county or outside their county.

The proposal concluded with two alternative suggestions for how the funds can be managed. One way is to have a directly elected representative body for each county fund. This body would be elected by all "wage-earners," defined as individuals who have contributed to the supplementary pensions scheme. The second alternative is to have the government appoint representatives to the funds. These appointees would be representatives of the employees and would be drawn from a list of trade union nominations. This second alternative makes it clear that a majority of the representatives on the board of the funds must be employee representatives while allowing other representatives from the county and local councils.

Table 1
LO-SAP Capital-Sharing Fund Proposal

GOALS	<p>1 – To solve the problem of excess profits as a consequence of the wage policy of solidarity.</p> <p>2 – To counteract the concentration of wealth which stems from industrial self-financing.</p> <p>3 - To increase the influence which employees have over the economic process.</p> <p>4 – To increase collective capital formation necessary for productive investments and future job creation.</p> <p>Purchase of shares from enterprises to be collectively owned and controlled by wage-earners.</p>
FINANCING	<p>1 – Percentage of excess profits (20% of profits over and above an inflation rate of 15-20%).</p> <p>2 – Increase in employer contributions to the supplementary pension (ATP) funds (1%, with the understanding that a percentage of the dividends earned will revert to ATP).</p> <p>2-3 Billion crowns per year expected.</p>
OPERATIONS	<p>1 – Contributions and profits are turned over to ATP.</p> <p>2 – ATP transfers the money to the capital-sharing funds. In all, there are to be 24 regional funds, equal to the number of counties.</p> <p>3 – The funds are for the purchase of company shares, with a “trade union right to initiative” in case a company refuses to issue new shares.</p>
CONTROL	<p>1- Voting rights to the purchase shares to go</p> <p>a) the regional fund which acquires the shares, and</p> <p>b) the employees in the enterprise in which the shares are bought.</p> <p>2 – The voting rights are equally divided between these two until each has acquired 20% of the total voting rights in the company.</p> <p>3 – Any voting rights from shares purchased after this amount would go directly to the regional fund.</p> <p>4 – Each of the regional funds can purchase shares in companies of all lands inside or outside their county.</p>
MANAGEMENT	<p>There are two alternatives under consideration for the selection of board members for these funds.</p> <p>1 – The direct election of a representative body by the wage-earners in each county. Eligibility for voting would be open to all individuals who had acquired at least one ATP point.</p> <p>2 – Government appointment of employee representatives based on trade union nominations. Employee representatives based on trade union nomination. Employee representatives should be in the majority on the boards, county and local representatives should be included as well.</p>

As mentioned previously, the original wage-earner funds proposal was an LO initiated proposal, later joined by the SAP in its revised forms. It should be pointed out that the controversy over the idea of wage-earner funds is defined not only by external criticisms of the idea of funds but also by internal criticisms as well. For example, there have been two issues that have surfaced within the various factions of the LO and SAP that have consistently plagued unity over the issue of wage-earner funds. One has been a concern over the possible “double role” that workers would play in a system where they would be both workers and have a role in the ownership of the enterprise. Two has been a concern that funds based on one’s role as a wage-earner, and now specifically as a participant in the ATP system, may be undemocratic; alternatives have been suggested based on some form of citizen funds instead of wage-earner funds (Korpi, 1980; Korpi, 1981). These internal conflicts, however, seem to be of lesser and lesser visibility since the proposal and the Social Democratic Party’s commitment to that proposal as a main election issue for the future.

It should also be pointed out that the controversy over these funds has not only taken the form of direct criticism of the LO/SAP proposal by other political parties and employer organizations, but has also consisted of alternative proposals for the construction of funds. Although these proposals have a history of their own and have undergone changes through the course of the debate (Öhman, 1979; Hancock, 1981), they have typically opposed the principle of collective funds which would increase the influence of workers through their unions. When the Public Commission on Wage-earners and Capital Formation terminated, for example, there were three different models that had a following among the different political parties: the Social Democratic Party was in support of collective wage-earner funds; the Center Party and the Liberal Party were both interested in some form of citizen funds with individual benefits; and, the Moderate Party in alliance with the employers’ representatives favored some form of tax savings system that would encourage individuals to purchase shares.

To complete the picture of the relevant actors involved in the issue, it is necessary to draw out the position of the TCO (Central Organization of Salaried Employees), the largest labor organization of white-collar workers. Throughout the debate on wage-earner funds, the TCO has been closely aligned with the LO/SAP fundamental idea of collective wage-earner funds. In fact, TCO’s 1981 fund proposal was quite similar to that of the LO/SAP (*Svenska Dagbladet*, January 29, 1981). However, recent developments within TCO may result in this central organization withdrawing its support for wage-earner funds and remaining neutral in the debate. TCO’s largest union, SIF, which is comprised of industrial white-collar workers, has polled its member unions on the issue of funds. Out of the 3800 local unions in SIF, 626 responded. Over half of these unions were negative to the idea of wage-earner funds, stating their opposition to any system that might transform the economy. The role that the TCO will take in the future is now unclear and according to its head, Lennart Brodström, is dependent on what position the majority of TCO’s unions will take (*Statsjanstemännen*, May 1981). SACO (Swedish Confederation of Professional Associations) which organizes professionals into unions in such areas as medicine and law has always maintained a position in opposition to collective wage-earner funds and has recently come out with a proposal in favor of some kind of citizen funds (*SACO/SR-Tidningen*, 1981).

This new revised plan by LO/SAP, outlined earlier, reflects much of the debate that has gone on since the first Meidner report. It incorporates into what is basically a plan for collective

ownership and influence a form of individual return via a percentage of the dividends being fed back into the supplementary pensions. Eventually, in the form of retirement benefits, these dividends will be passed on to the wage-earners. The plan is decentralized to the county level, where the county maintains dominant voting control to insure a certain degree of regional influence. In the second alternative for the management of the funds, the plan offers the possibility for citizen representation on the funds, addressing the often cited issue of societal influence in the employee funds.

Finally, the plan attempts to solve all four of the presented goals. Although the concern over “excess profits” has abated since Swedish industrial profits have declined, the financial base is still “excess profits,” with additional money coming from an ATP contribution. Concentration of wealth is diminished as these monies are transferred to labor control. Employees gain influence both through their collective participation on the ownership of companies and in their role in collective capital formation for investments.

The major point of controversy – collective labor ownership – has remained throughout all the stages of revisions in the plans. However, with the increasing emphasis on the need for collective capital formation, the nature of that ownership has undergone change. On the one hand, this new plan does not insure that collective ownership within a particular enterprise will, in fact, be accomplished. Unlike the direct link made in the Meidner report between “excess profits” and acquisition of shares within the enterprise, this new plan does not require the funds to purchase shares in any particular company. Could this result in the excess profits of one enterprise aiding the collective ownership of another enterprise rather than its own employees? On the other hand, this plan has the potential to strengthen the role of labor not only in ownership within enterprises, but in collective decisions on investments that affect all of the Swedish economy. Certain questions arise here also. For example, what could be the result of one county fund buying shares in companies in another county? Since voting rights are divided between the employees in the enterprise and the fund itself, what difficulties could arise where one county funds buys shares in a company outside of its region?

Hence we see that the current discussion revolves around broader sectors of the population (not limiting control to workers in a particular enterprise), is organized by geographic rather than production units, and stresses societal economic democracy versus a push towards worker ownership. Such, however, is “the Swedish way” and we might anticipate that the LO and SAP will go further towards gaining broadened support for the compromise proposal (Meidner, 1980). “The LO and the Social Democrats hope that this will help resolve the economic crisis prevailing in Sweden at the moment,” (LO News, 1981, p. 2). In short, the final scheme worked out at the Congresses in 1981 was geared to gaining popular support in future elections.

There are good reasons to believe that the idea of collective wage-earner funds will not pass away from the Swedish debate leaving no trace as has been the case in some other countries. A more likely prospect is that different concepts will, through a long and pragmatic process, melt into practicable solutions. Controversial issues earlier in the history of modern Sweden often eventually have developed into widely accepted elements of the Swedish welfare system (Meidner, 1981, p. 17).

THE SWEDISH ECONOMIC SITUATION

The major dimensions of the Swedish economy are in many instances parallel to those of other Western industrial nations, although the points of crises and their magnitude vary. For example, the early expansion of Swedish industrial production was largely for domestic markets, but accelerating in the 1960s, the economy has been increasingly tied to global markets rising to over 40 percent of total domestic industrial production. At the same time overseas capital investment by Swedish firms has increased at a rate far in excess of the domestic rate of increase, further internationalizing Sweden's economy and making the nation even more linked to global economic conditions. This becomes even more complex when we include the role of foreign-owned companies within Sweden, whose domestic and international sales have increased substantially. Sweden is more vulnerable than most countries in this market because it is "one of the few countries whose companies invest more abroad than foreign companies invest domestically" (Larsson, 1979, p. 94). To understand the Swedish economic situation, then begins with a recognition of its heavy involvement in the global economy.

One reason for the expansion of Swedish foreign investments and the total growth in production has been, of course, the rationalization of technology. Sweden also had the advantage of not having to rebuild a ravaged industrial base after the Second World War. Quite the contrary, the pattern of industrial expansion, plan modernization and expansion continued during the war years and immediately beyond. The growth of legislation which protected worker job security, maintained government commitment to full employment, and introduced labor market policies to implement these commitments, and LO's wage policy of solidarity, all contributed to Swedish labor supporting technological change in industry. However, from earlier conditions of expanded production, expanded social services, and improved quality of life, there has developed the rise in unemployment, capital shifts abroad, and the concern over capital formation. This changing economic situation has been a key factor in the wage-earner funds discussion. While the labor market philosophy and conditions have allowed Swedish labor to support increasing productivity through technological change, there are new pressures which have led labor to push for greater economic control over investments and production (Himmelstrand, 1981: Part IV). As Fredriksson says, "It is simply not possible to demand that union members show moderation in wage demands if those members cannot be certain that the resources they abstain from receiving do indeed go to productive investments in Sweden and give them sufficient influence in economic decision-making to guarantee this" (1980, p. 4). As the issue of excess profits decreased in significance and concern over capital formation increased, the position of labor on wage restraints and control over capital has also increased.

There are a number of other major characteristics of all Western capitalist states which Sweden shares. Among these are rising unemployment and structural dislocation, stagflation, balance of trade problems, and deficit budgets and spending. While the proportions are dramatically different between double-digit unemployment in such countries as Canada and England and the relatively low rate of official unemployment in Sweden, the problem is still significant. Both unemployment and the diminished opportunity structure for youth in Sweden is critical. Structural dislocation is also significant in regard to the massive job loss in timber and wood products, steel, and shipbuilding. Sweden ranks among the leading nations in the world at the present time in dependency on imported oil. Gustavsen and Hunnius (1981) describe the Swedish economy as one where there is

a vastly expanding rate of concentration and centralization of capital as exemplified by the excessive rate of recent mergers, an export-dependent market which has not only outgrown the domestic market in terms of consumption but also in terms of potential for investment capital, a growing rate of capital intensity, accompanied by a falling rate of profit and a decline in the rate of investment. At the same time, these developments have produced a situation, together with an international recession, where employment is declining in the industrial sector, not only in relative but in absolute terms, and where conditions of employment in capital intensive industries are leading to occupational illness and the development of a secondary labour market.

These structural problems have added to the growing concern over capital, forms of new investment, and the future expansion of the economy.

Inflation is an additional problem, even where pension benefits and other social services and wages are geared to cost-of-living indices. The inflation factor also fits into the global economic situation with the revaluation decisions made on the Swedish crown at times indicative of the concern in international terms. Similarly, the concern over balance of payments and international trade is of mounting importance to the Swedish Government. Since the national debt and governmental spending is a major issue in the United States, and in years back Americans looked to Swedish long-term economic planning as an alternative to our notions of annual budget balancing, it comes as a surprise perhaps to note that per capita national debt for Swedish families is the highest in the world (17,000 SKr.).

In brief, it is important to understand the economic developments in Sweden since 1945, especially in more recent years, and to note some major similarities to other Western market economies. The ability of most nations to cope with their domestic economies will be ever more tied to the international political economy. Sweden is no exception. Nevertheless, there are very vital developments within Sweden which do reflect some of the unique and special features of the economy, polity, cultural components and the very important economic achievements in the past twenty years which have been built on social democratic philosophies. Contrary to the situation in the United States today where some calls have been heard for economic democracy or labor's involvement with capital to help salvage some of the economic crises, in Swedish it is necessary to place the contemporary discussion within a context which over the past decades has systematically legitimated the rights of labor and the social democratic issue of economic control (Tilton, 1979; Abrahamsson and Broström, 1980; Von Otter, 1980). There has not been a major move to socialize the means of production, and in fact, Sweden has a higher concentration of private ownership than the United States, but the legislative approach to reform has quite systematically extended the rights of labor in the economy.

Economic Crisis and Wage-Earner Funds Political Strategies

A key issue in Sweden emerging during more recent years was the debate over potential adoption of a unified position by the Swedish Labor Federation (LO) and the Swedish Social Democratic Party (SAP). The debate centered on the form of the wage-earner investment funds proposal and the degree to which the particular component parts were to be spelled out. There was no doubt as to the general support for the concept both within LO and SAP. However, there

developed a considerable amount of discussion between the more moderate and more radical elements within the Swedish Left. Just prior to the LO and SAP Congresses, national public opinion polls revealed quite clearly that a coalition of SAP and other Left Parties would win a substantial majority. The leadership of the Social Democratic Party took the position that the wage-earner funds proposal and all that it represents must be deeply debated. Olof Palme (*Aftonbladet*, September 13, 1981) has argued that if the issue of employment in the economic crisis in Sweden were to be solved the wage earner must have a share of ownership in the growth of wealth in the nation but *within the market economy* (emphasis added). Palme stated in particular, “You don’t get rid of the market economy but you change the distribution of wealth and influence within the market economy, that I see as democratization.” This view was articulated as well by others in positions of leadership within the Social Democratic Party. The speaker of the Riksdag, Ingemund Bengtsson, and the second secretary of the Social Democratic Party, Leif Andersson, were among the leaders who argued that of course the Social democrats in national elections would have an aggressive economic policy and the wage-earner funds proposal would be a part of it. Nevertheless, there was some indication that specific strategies in the working out of particular components would have to await the LO and SAP Congresses and strategizing sessions to follow.

Immediately before the opening of the LO and SAP Congresses the secretary of the Public Commission on wage-earner funds, Berndt Öhman, (*Dagen Nyheter*, September 9, 1981) took a very strong position challenging the Social Democratic Party and the Swedish Labor Federation to reaffirm its commitment to the market economy and make clear that the proposal for wage-earner funds would in no way jeopardize the Swedish system. This position, which was consistent with that articulated by much of the leadership of the SAP, was clearly designed to allay the fears of the electorate that the Social Democrats had in mind if they were to be reelected, a dramatic overhaul of ownership and the economic system. This is especially interesting in the light of the polls which indicated that the electorate was shifting away from support for the bourgeois parties who have been in power since 1976. The position of attacking the failures of the bourgeois parties’ economic policies since 1976 – the rise in inflation, unemployment, economic dislocation and general economic crisis – was characteristic of many speeches given at the time of the 1981 LO and SAP Congresses. For example, former Finance Minister Gunnar Sträng who gave the official SAP opening speech to the LO Congress on September 19, 1981 gave a strong critique of the bourgeois parties in their economic policies and laid out a blunt challenge to the Swedish Employers Federation stating, “come out of the trenches. Get your blinkers off and look at the future in a realistic way.” By that Sträng was arguing for the continued logical extension of political democracy and worker co-determination to economic democracy. However, while he sounded quite militant he nevertheless indicated that SAP supports the market economy but with constraints and within a social democratic framework. This seems to be indicative of the general position of leadership within the Social Democratic Party.

One needs to understand that there has been a relatively low level of public awareness of the wage-earner funds issue or at least it ranks relatively low among the key issues in the minds of the electorate. The media in general continue to refer to the revisions of the wage-earner funds as basically, “the same old stuff” according to some analysts. Nevertheless, public opinion polls continue to show a substantial increase of electorate support for the wage-earner fund proposal (*Svenska Dagbladet*, October 11, 1981). As expected the overwhelming majority of

those in support identify with SAP; however, fully one-quarter of those in support are members of the Moderate Party which suggests something of a potential swing for future elections.

In short, by the time of the critical LO and SAP Congresses, a good bit of debate was generated among the Social Democrats within the Swedish labor movement over the strategy for trying to regain power. The dominant view of the SAP seems to indicate a stance which would be basically critical of the accomplishments of the existing governments since 1976 and an argument to the Swedish electorate that they, the Social Democrats, would revitalize the economy and return the nation to a healthier economic posture. Within that strategy there would be a muted reference to the economic democracy proposal and linking of the wage-earner funds proposal to the ATP pension system which also in the 1950s was initially unpopular and is strongly endorsed by the full Swedish population. On the other hand, there were those within LO and within SAP who took quite a contrary view and argued that the wage-earner funds proposal had to be a cornerstone of a general political strategy suggesting that Sweden was at a crossroads: one direction was the continued economic distribution under the bourgeois parties, the alternative was a vital socialist economic alternative. Those who took this position could point, for example, to Denmark where there was a failure of a labor program and there is an economic program that is distinctly aligned with the bourgeois parties. Also, the Labor Party lost power in Norway again suggesting a possible redirection, on economic dimensions at least, in their other Scandinavian neighbor.

People such as Per-Olof Edin and Anna Hedborg of the Swedish Labor Federation and persons who have worked closely with the wage-earner funds proposals since 1975, argue that the SAP leadership is firmer in its commitment to the proposal now and that these proposals cannot be kept in the background. Although wage-earner funds will not be a cornerstone policy, it will be important as a part of an overall economic program. Such persons point out that over 200,000 LO members since 1975 have participated in education programs on economic democracy and wage-earner funds and that the educational program is vital. They point out that during the ATP campaign in the 1950s the population was split with a substantial half in between and not well informed. Nevertheless, they understood that LO and SAP supported the ATP proposal and thus gave their endorsement. A similar strategy was argued for the wage-earner funds in later campaigns. That is, recognizing that the public was often already split in favor and against, but also that many are were undecided, the strategy has been to regain confidence among the electorate in SAP and thus win the elections.

All of this is to analyze the political climate in Sweden. A considerable amount of open debate has been generated over how far to go in endorsing the wage-earner funds proposals and whether or not to take a position contrary to or in support of the market system. Prime Minister, Olof Palme, took a position that he wanted a “free hand” to negotiate the entire issue of wage-earner investment funds with industry. He stressed only unspecified profit sharing, the need to invest in strong industries, and the issue of democratizing industry and utilizing employee representatives on boards, but he did nothing to stress either wage solidarity or some of the other component parts of the broad wage-earner funds debate. The SAP Congress stressed as aims of the wage-earner funds: 1) to support wage policy of solidarity; 2) to counteract the concentration of wealth and power in industry; 3) by means of co-ownership to strengthen wage-earner influence on the reforms of labor legislation; 4) to help increase collective savings for productive investments and industry. The language of the Congress makes clear what the point of emphasis

should be: "Wage earner funds must purchase shares according to their own assessment of the purpose of their investments. Thus the funds will be at liberty to buy shares or to acquire other types of holdings in limited companies of every kind. Considering that the need for risk capital and enterprise is one of the main arguments for introducing wage earner funds the Executive Committee endorsing this fundamental principle concerning investments by the funds." In short, LO and SAP have perceived that there is too little capital available for reindustrializing Sweden, and since they reject the means of tax incentives for providing risk capital, they must find an alternative.

It is interesting to analyze when the shift occurred in the wage-earner investment funds proposal debate and moved in the direction of capital formation. This basically happened in the LO/SAP working party revision in 1978 where the decision to incorporate the fourth goal of collective capital formation was first made and has proved to be a decisive change. According to Rudolf Meidner, when 20,000 participants in LO study circles looked at the wage-earner funds proposal they overwhelmingly favored the regional basis of the funds and were committed to the concept with a high degree of enthusiasm. He saw a good bit of that enthusiasm waning in the intervening years with debates over decentralization, expanding control beyond workers, and the various other changes along the way. He reflects on past elections with some trepidation noting the timidity of the LO and SAP leadership in pushing the wage-earner funds as a campaign issue. He wonders if the SAP will indeed prefer to stress the usual economic issues of inflation, unemployment, and the economy, and attack the bourgeois parties and back away from stressing a socialist program, including wage-earner funds, versus a traditional free market alternative ideology. Since he saw SAP on the defensive, he assumed that something would be learned, but he concluded that this was largely a repeat, and again the Social Democrats were on the defensive, attempting to ignore the wage-earner funds idea and refusing to articulate what the SAP would do if they regained power on this issue. Meidner feels this is publicly unacceptable and that SAP must come out with a clear position on the wage-earner funds if they are to regain power.

So the developments took on an interesting character. The debate within the labor movement and the Social Democratic Party has been considerable (*Ekonomisk Debatt*, 1981; *Principfrågor for Fondmodeller*, 1981; Skog, 1981). Both the LO and SAP Congresses have gone on record as strongly endorsing the wage-earner investment funds proposal. The leadership of SAP argues that the wage-earner funds idea will be part and parcel of a broad economic policy for the future of Sweden. But it is one of literally dozens of key platform positions in SAP and one of dozens of policy statements adopted by LO in their Congress.

Economic Democracy in Sweden and Possible International Implications for the United States

The move toward economic democracy in Sweden has flowed naturally from the increased emphasis placed on industrial democracy in the 1960s. This focus on greater worker participation has marked a new period in the transformation of Swedish society. The 1975 Social Democratic Party Platform refers to this period as the third stage in the democratization of Sweden: the first stage was political democracy, the second stage was social democracy, and now the third stage is one of workplace or economic equality, economic democracy. To John Stephens (1980), this development represents a move away from consumption politics. Whereas policies of the former are aimed at distribution of consumption, the latter policies are concerned

with the distribution of control. Others have similarly referred to this as the difference between economic distribution and the distribution of power (Martin, 1976) or, more generally, a move from questions of “economism” to ones of “control” (Giddens, 1973). The Swedish welfare state was shaped by a concern for policy output, i.e., that decisions should reflect the wishes of the majority and hence be egalitarian in their results. Issues of industrial and economic democracy, however, have supplanted this concern with a new one of policy making, i.e., that decisions should be made by the active participation of its members (Ruin, 1974).

The recognition that a fully egalitarian society could not be accomplished by dealing with economic distribution alone does not imply a dismantling of the welfare policies that have been established and continue to be considered, but only that such policies alone cannot insure the goals of societal transformation. As Castles (1978) explains it:

What has emerged from the debate on equality in Scandinavia in the last decade is that the existing reformist strategy combining social welfare and economic growth is not by itself sufficient to bring about an egalitarian society. At a minimum, the traditional strategy must be supplemented by an attempt to begin to reshape the fundamental industrial and economic relationships that determine a large part of social inequality. However, there is no evidence that the Scandinavian Social Democratic parties have any intention to depart from their long-cherished ideas of social harmony and democracy. The question for the future is whether the conditions which permitted a peaceful development towards a society with a high level of welfare state provision will be as propitious for a gradual but basic change in the economic system of capitalism (p. 92).

This next stage of economic democracy will be defined and played out within the context of growing economic problems. It has been mentioned previously that some of the key structural features of the Swedish economy today and points of crises are similar to those of other industrial nations. Clearly most of the West shares the dilemmas created by a global political economy and concerns such as oil dependency, foreign competition, balance of trade issues, and other such concerns. Additionally, the problems of stagflation – insufficient domestic economic expansion, high inflation, along with the staggering high unemployment – are all features of most industrial market economies today. As foreigners examining developments in Sweden, we are struck by the impact of the “Swedish model” and the potential impact abroad.

U. S. IMPLICATIONS

It is interesting to note that some of the debate in Sweden over the economic rights of labor were being echoed in the United States (Carnoy and Shearer, 1980; Woodworth, 1985). For example, there has been a rapidly rising discussion in the labor movement concerning worker pension funds and the rights of workers to help determine how this enormous amount of capital – over 600 billion dollars today and increasing at 11 percent per year – is used and how labor might influence such funds (Rifkin and Barber, 1978; AFL-CIO, 1981b). In particular, the AFL-CIO took an official position in favor of greater labor control over pension funds to create jobs, put investments in socially responsible areas (i.e., avoid South African investments or anti-union U.S. corporations), and help to shape the U.S. economy (AFL-CIO, 1981a, 1981b). This discussion has very much been influenced by Swedish developments, and the American labor

movement and its economic consultants have carefully studied the investment funds developments in Sweden.

Ralph Nader along with various labor and citizen groups has pushed for the Corporate Democracy Act which allows for worker and citizen representation on corporate boards and opens up the corporate books to allow for greater accountability to workers and communities (Bernstein, et. al., 1980). Federal legislation and laws in over 20 states are directed towards plant closings and run-away shops, again to give workers and communities greater influence over investment/disinvestment decisions which directly affect them. In virtually every instance the legislators and staff members have made reference to Swedish labor market policies and the push toward greater economic rights of labor in Sweden (Harrison and Bluestone, 1980; Labor Union Study Tour, 1979).

In most of the literature in the United States on job reform and workplace democratization, there is considerable appreciation for Swedish developments. Unions currently piloting new collective bargaining agreements with rights over the introduction of new technology into the workplace have carefully consulted their Swedish counterparts and the rich base of applied social research on work life in Sweden. The entire occupational safety and health field in the United States has been informed by Swedish sources and many of the proposed reforms here are influenced by such sources (Deutsch, 1981a, 1981b; Kelman, 1981).

It would be wrong for the United States to simply view Sweden as a blueprint for action. The differences in the countries need not be pointed out. They are both apparent and enormous. However, the fascination in the U.S. for Swedish developments are increasingly not in terms of the social welfare state – long the prime point of focus – but upon the major achievements in the area of industrial and economic democracy. But there is one striking difference which should be underscored. In Sweden the economic crisis, which has led to the continued commitment to wage-earner funds, came after more than a decade of legitimated workplace reforms. That is, the commitments to democratizing the workplace and giving labor increased control over work and economic activity were well developed and accepted before the discussions about economic democracy.

In contrast, in the United States, we have seen the calls for corporate democracy, corporate accountability over investments and disinvestments, etc., coming during a time of considerable economic crisis, but without a foundation of both a commitment to full employment and legitimate control by labor over the job. It is difficult to know what that difference will ultimately mean for the United States. Reforms in Sweden came during relatively good times economically, with new challenges in tougher times. Reforms in the United States seem to come mostly during times of economic crisis. Simply paying homage to Swedish developments, putting the President of the autoworkers union on the board of the Chrysler Corporation, hearing the calls for greater worker control over pension fund capital, seeing new plant closing laws, and the like, does not tell us what the short-run impacts Sweden will have for the United States. One thing is absolutely clear, the Swedish case for economic and industrial reform has had far-reaching impacts (Van Houten, 1981) and has contributed to a major way to the great increase in interest in Sweden and Scandinavian studies. That is a fact of no small import in itself.

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