

Why No Economic Democracy in Sweden?

A Counterfactual Approach

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Introduction

Nowadays, political scientists very rarely engage themselves with the issue of economic democracy.¹ This was, however, not always the case. In his highly acclaimed books *A Preface to Economic Democracy* and *Democracy and its Critics*, published in 1981 and 1989, Robert Dahl, maybe the leading theorist of liberal pluralist democracy, made a strong case for economic democracy at the workplace. He argued that there was no reason for why liberal democrats should shun away from this topic. Based in part on David Ellerman's *contract theory of power over the corporation* (see below), Dahl recommended an experimental approach to how such an economic system could be organized (Dahl 1989, 1985). The ideas put forward by Isabelle Ferreras about how to democratize corporations through a bicameral system is one way to introduce such an experimental approach (Ferreras 2020, 2017). Contrary to various forms of nationalization of companies and central planning, economic democracy in this form has much that speaks for it. Companies that are owned or governed by the employees, either through some form of cooperative arrangement, stock ownership plans or an employee trust, has been studied empirically for almost four decades. Overall, the results seem to be quite clear. Economically, such companies are on average performing better than firms that are governed by outside capitalists/owners/investors and they pay somewhat higher wages (Blasi et al. 2014; Blasi et al. 2017; Erdal 2011; May et al. 2019). Studies also indicate that the combination of ownership and control is an important factor in the increased productivity (Rosen and Quarrey 1987). In addition, they have far less turnover of personnel and employees are more satisfied with their working conditions. In many cases, such companies are contributing to decreasing economic inequality because in addition to their salaries, employees also benefit from the capital in the company, usually in the form of substantially higher pensions (Witkowsky 2018). The enormous increase in economic inequality since the 1980s makes this is an important but often overlooked argument for this type of economic democracy (Rothstein 2020). To this one can add research showing that people working in employee owned cooperative firms tend to be more pro-democratic and

¹ None of the more than five hundred articles published in the *Annual Review of Political Science* since its first volume in 1998 is about economic democracy.

civic oriented (Weber et al. 2019). Given these (and many other) positive results, the starting point for this paper is a straightforward and counterfactual question. Namely why have economic democracy in the form of employee owned and/or governed companies not been on the political agenda in Sweden? The reason to ask this counterfactual question is that, as will be shown below there are many reasons for why we should have seen such companies mushrooming in Sweden. However, the country has comparatively very few such companies and the issue has been almost “stone dead” in the political debate since the early 1930s (Nachemson-Ekwall 2018). Thus, the counterfactual question, explaining why something that we should expect to happen did not come about (Tetlock and Belkin 1996).

Sweden: The Counterfactual Case

There are many reasons for asking this “why not Sweden” question. First, Sweden is a country known for its many extensive welfare state policies including extensive policies for increasing political participation and gender equality (Rothstein 2015). Secondly, the country has a comparatively very vibrant and well-organized civil society (Trägårdh 2007). The latter includes many different types of organizations including an unusually well-organized union movement with the highest union density in the world (Kjellberg 2017). In addition, the Social Democratic party has been holding the post as Prime Minister for more years than any other labor party in the industrialized world since representative democracy was established (65 out of the last 100 years). Thirdly, the country has been dominated by very strong organized interest groups in almost all sectors of society, which for most of the 20th century have worked in close cooperation with the state as well as with each other in a system known as neo-corporatism (Rothstein 1991, 1992a; Williamson 1985). Thus, doing things by organizing “together” for common purposes has been a defining part of the Swedish political culture. A fourth thing that is important is that Sweden, together with the other Nordic countries, is world- leading when it comes to social trust. According to the surveys carried out by the World Value study, the country average for the percentage of the population that agrees to the statement: “in general, most people can be trusted” is 29 percent. In Sweden, it is about 60 percent (Holmberg and Rothstein 2017). One way to think about a democratic corporation is that it has the same character as what Elinor Ostrom in her modern classic “Governing the Commons” (1992) labelled “common pool resources”. As she showed, such resources are not doomed to what Garrett Hardin called “the tragedy of the commons”,

caused by extensive “free-riding”, because local communities often turned out to be able to manage them in a sustainable way through democratic procedures. However, Ostrom did put forward that one reason for the successful cases was that these communities could rely on a huge amount of historically established “social capital” in which social trust is a main ingredient (Ostrom 1990, p. 12). My point is that a country like Sweden with an unusually high level of social (interpersonal) trust and social capital (Rothstein 2001) would be well suited for employee owned and managed corporations.

And lastly, producer- and consumer cooperative economic enterprises have been and still are plentiful. Large parts of the agricultural sector, for example food production and sawmills are cooperatively owned by the producing farmers. One of the main super-market chains in the country is organized as a consumer cooperative. Housing cooperatives are abundant, including not only the more affluent part of the population but also many working class and lower middle class families. It should be added that housing cooperatives in Sweden are “more cooperative” and democratically governed than their counterparts in most other countries.² The list can go on, my point is that doing things “cooperatively” is very common in Sweden as well as in the other Nordic countries. In sum, if there would be one country where economic democracy in the form of employee cooperatives or other forms institutionalized representative democracy within corporations should have been high on the agenda, there is much that speaks to that it should have been Sweden. In fact, the reality is quite the opposite. Compared to other countries, such companies are quite rare in Sweden (Nachemson-Ekwall 2018). Figures are difficult to get but an estimation is that less than half a percentage of the workforce work in companies where the employees have a majority of the shares. Furthermore, according to a report from the European Union, Sweden has about the least institutional devices in place for supporting employee ownership (Lowitzsch and Haschi 2014). Moreover, there is no large and well-known employee owned company in the country (such as for example the Mondragon conglomerate in Spain, the John Lewis company in the UK or Publix in the United States) that can work as a showcase or model. It is symptomatic that the recently published seven-hundred page Oxford Handbook on this topic does not have

² The form of housing co-operatives that exists in Sweden (and to some parts in Norway and Finland) is unique and have a special legal form. You do not own the apartment but instead you are a member of the housing co-operative and have to right to use the apartment and to sell that right. The members collectively manage the building by electing a board among themselves. You are supposed to live in the apartment, which implies that you can only sublet it for a shorter period given that you get the permission of the board (for example if you temporarily work in another city of country). Thus, one cannot buy a number of such apartments and then sublet them to earn money. The point is that housing co-operatives in Sweden are true co-operatives.

an index entry on “Sweden” (Michie et al. 2017). The employee owned companies that exist in Sweden are small, not well-known and seems to keep a low profile. However, the few that exist seem to follow the pattern in other countries in that they are doing well, both in terms of economics, persistence, and employee satisfaction with working conditions. It should be added that initiatives to start a discussion about this possibility for a profound change of the economy and working life has been met with very little interest both in the political debate and among various interest groups, in particular the unions.³ This is also somewhat strange since democracy as an ideology has an almost sacred position in the country. Being one of the most, if not the most, secular country in the world, democracy has to quite some extent replaced Lutheranism as the dominant ideology. For example, the current Swedish constitution, adapted in 1973 states that “democratic values should be the guiding principle in all spheres of society”. So far, this has not had much impact on working life. A law about employees (read: union officials) right to co-determination exists but it is generally regarded as a rather toothless piece of legislation.⁴ Lastly, since Sweden from a “counterfactual” perspective as argued above, should have been a “heaven” for establishing representative democracy within corporation, in thinking through this failure, there may be important lessons to learn for those of us who believe in this idea.

Paradoxically, the western country that in many aspects is the antidote to Sweden, namely the United States, has a much larger part of its workforce working in companies where the employees are either the majority owner or own a significant part of the shares. These ESOP companies (Employees Stock Ownership Plans) now employ about ten percent of the workforce in about 7000 companies in of which more than 4000 have the employees as majority owners. Moreover, establishing such companies is not a politically controversial matter in the U.S. since both the Democratic and the Republican parties support the ESOP-model (Nachemson-Ekwall 2018; Witkowsky 2018; May et al. 2019). Thus, super capitalistic US with a very weak labor movement and no Social Democratic political party has more of economic democracy than “semi-socialist” Sweden with its strong unions and politically dominant Social Democracy (Berman 2006). How can this paradox be explained? My tentative three answers are the following:

³ This is based on personal experience, the author published his first article about this issue in Swedish in 1984 (Rothstein 1984).

⁴ In companies with over twenty-five employees, and where there is a collective union contract, the unions have the right to appoint two members of the board.

Unions against Economic Democracy

When working with an edited volume about economic democracy in 2012 (Rothstein 2012), I decided to carry out a type of mini-experiment. The background was that it had become possible for private organizations to, under a kind of charter-contract, deliver public services in for example health care, elderly care and education. A for me puzzling question was why very few of these new companies had been organized as employee cooperatives. While for example many private charter schools have been established, very few are governed or owned by the employees. Instead, large capitalist businesses have started many such schools.⁵

One long-term study has shown that having employee cooperatives run public services works very well, both for the consumers/citizens and for the employees (Lindkvist 2007). The mini-experiment we did consisted of contacting four central trade unions, all with a large number of members working in the public services. These were the National blue-collar union (LO), the Municipal Workers' Union (organizing people working in for example elderly care, pre-school teachers, and bus drivers), the National Teachers' Union and the Union for Local and City Civil Servants. The person who called introduced herself as a member of the union and asked a simple question, namely if she and her co-workers could get some assistance and information on how to start an employee cooperative. The answers we received were either completely negative or the union official really did not understand the question. Thus, it turned out that there was no support or help available to establish democratically run companies from these Swedish trade unions. Moreover, several of the union officials answered that if the member (and her co-workers) were going to start a co-operative, they would become employers and thus they should turn to an employers' federation for support! If the local city or municipality council wanted to hand over a public pre-school or home for elderly care to the private market, the unions had no preparation whatsoever for helping their members become the new owners of this operation. If the Swedish unions would have taken a more positive position in this "semi-privatization" of public services in Sweden, the country could now have had thousands of employee managed schools, local health care clinics, pre-schools, and homes for elderly care.

In his superb documentary movie about employee cooperatives made in 2015 – *Can We Do It Ourselves?* –, Patrik Witkowsky (2015) and his collaborators interviews a number of people, both researchers, public intellectuals and persons working in or managing co-operatives. One

⁵ Sweden is the only country in the industrialized world where companies that run charter schools financed by tax money are allowed to give dividends to shareholders.

of the persons interviewed is the then chief economist of the Swedish blue-collar central union (LO), Ola Pettersson. When asked why union members asking for help to take over the enterprises where they are working and make them into co-operatives got no help, he answered in the following way: “We do not have an organization that can respond to these initiatives so I am not at all surprised about the answers that they got”. He continues saying that this is an issue that has not been on the agenda for the central blue-collar union federation (LO). Historically, when different forms of profit-sharing have been discussed, Swedish blue-collar unions have been against, one reason being that they feared that their members would adopt a “capitalist mentality” (Nycander 2002, p. 462)

An illustrative example comes from the well-known Swedish car company Volvo. In 2008, the company was owned by the Ford Company that because of its own economic problems wanted to sell Volvo. The civil engineers union⁶ at Volvo took an initiative for making the company into an employee owned corporation by forming a special consortium that would organize the take-over. The plan could not be materialized for several reasons, one of which was that the large public pension funds in Sweden (in which the unions have a considerable influence) refused to give any credits. Another reason was that the blue-collar union at Volvo refused to support the idea (Nachemson 2018, p. 124). Today, Volvo is owned by a Chinese capitalist with strong ties to the Chinese Communist Party, an organization not known for its internal democracy.⁷ One of the few large-scale profit sharing plans in Sweden was introduced in one of the largest banks (Svenska Handelsbanken) in 1973. The employee-controlled foundation is now the largest share-holder in the bank and when an employee retires after about three decades of work in the bank, the persons gets about 2 mil. USD.⁸ However, when this scheme was introduced, the Swedish Union for Bank Employees (sw. Banktjänstemannaförbundet) was firmly against it, as was the Swedish Employers’ Federation (Wallander 1989).

There are probably many reasons for this complete lack of interest for any forms of employee owned or managed firms from the comparatively very strong Swedish union movement. I would suggest that this has not so much to do with their ideology but instead should be understood from an *organizational interest* perspective. The main idea is that when having to

⁶ The formal name in English is *The Association of Graduate Engineers*.

⁷ “China moves to increase Oversight over Tech Companies”. *Wall Street Journal*, September 23, 2019.

⁸ The amount an employee gets is strictly related to how long the person has worked in the bank, which implies that a janitor and a CEO can get the same amount.

choose between strengthening the organization and striving to realize ideological goals, organizations will prioritize the former.

Unions in Sweden have built their strength on being skilled in playing the “adversarial negotiation game”. Their competence lies in being skilled in not only wage negotiations, but maybe even more so in how to operate the large and complicated Swedish system of industrial relations laws in which they are a well integrated part (Carlson et al. 2008). These laws are about co-determination, how to handle processes when lay-offs are necessary, employment protections, work safety regulations, board representation and many more. Much of this power works as a “selective incentive” for employees to become union members. For example, if there will be lay-offs and you know that union officials will have a considerable say in who has to go, you better become a member. Also, if you run into a serious conflict with your employer, for example over working conditions, issues about harassment, or discrimination, it can be very costly in terms of legal fees for the individual employee to privately take legal action against the company (Carlson 2007). In cases like this, you are much better off having the union official on your side.⁹ Almost all the industrial relations laws build on the idea that employees have rights as union members, not as individuals. Moreover, the whole system of industrial relations laws is constructed in such a way that the union is one party and the management of the company is the other party, who are engaged in almost day-to-day negotiations, at least in larger companies. If the employees would become the owners of the company and/or have the right to appoint the management, the very “raison d’être” of the Swedish unions would evaporate. A huge amount of competence in how to operate this system of negotiations, which has been developed over many decades, by the large cadre of union officials, would become almost worthless. In simple terms, there would be no one sitting at the other side of the negotiation table. Lastly, it should be added that if employees would get substantial compensation for the dividends in the company, wage negotiations would become less important. In sum, while ideologically the blue-collar unions

⁹ Although almost seventy percent of the Swedish workforce is unionized, confidence in the unions is not high. The Society-Opinion-Media (SOM) institute at University of Gothenburg has carried out surveys measuring people’s confidence in various institutions since 1986. The question about confidence in the unions has been asked almost every year since 1986. The measure is a five scale (very low, low, intermediate, high and very high confidence) and can go from -100 (all answers are “very low”) to +100 (all answers are “very high”). The average for the unions over the years is about – 15, and there is not one single year when the unions are above zero. In comparison, the Police and the Courts score about + 40, public Radio/TV + 45 and the Public Health Care + 55. (Martinsson and Andersson 2018; Holmberg and Weibull 2010). A reasonable conclusion is that the high membership rate for the unions to a considerable extent is a result of the “selective incentives” which is a result of the construction of industrial relations laws (cf. Rothstein 1990).

may be favoring economic democracy, and while I think there would be a place for unions also in firms governed by the employees, as organizations they seem to perceive that they have much to lose and nothing to win by supporting firms governed by the people who work in there. This is probably the reason why we see many more such corporations in USA. History can be very ironic. A country with a very weak union movement that only organizes seven percent of the workforce have a considerable amount of employee cooperatives while Sweden, where the unions are strong and the degree of unionization is almost ten times higher than in the U.S. have very few such firms. In sum, the Swedish experience does not give much support for the positive role given to unions for establishing economic democracy as argued by Ferrara.

The Left's misunderstanding of capitalism and markets.

If we define “the political left” in Sweden as radical social democrats, union activists, the Left Party (Vänsterpartiet), leftist public intellectuals (including radical feminists and people engaged against various forms of ethnic discrimination), very few have been engaged in issues concerning economic democracy. What is surprising is that the enormous increase in economic inequality that has occurred since the early 1980 in most OECD countries has not been given much concern by the political Left. Sweden is actually one of the OECD countries where economic inequality has increased most (Pontusson and Weisstanner 2017; Bennich-Björkman 2019). According to a recent report from the Nordic Council, Sweden is now the most unequal country in this region.¹⁰ This has occurred despite the very strong unions which makes the lack of interest from the political left in policies (such as employee ownership/control) that could work against this development quite surprising. As Francis Fukuyama has noted for the U.S. case, during the last two-three decades, leftist radicals have mostly been engaged in picking “low hanging fruit” in terms of often very symbolic identity issues instead of taking on the more complex issues about economic inequality and economic power (Fukuyama 2018; cf. Piketty 2019). My firm impression is that the same has happened in Sweden (Franzén 2015).¹¹ The issue that has concerned the Social Democrats the most when it comes to power in the corporation during the last two decades has been quotas for

¹⁰ Nordic Council of Ministers. 2020. *State of the Nordic Region 2020*. Copenhagen: Nordiska Ministerrådet. www.pub.norden.org.

¹¹ A search in the Swedish database “Artikelsök” that registers most published op-ed article gives a zero result for “Ekonomisk demokrati” for the Swedish main identity leftist publication ARENA.

increasing the number of women in the boards. From a gender equality perspective this may be seen as progress, but since they, as the male board members, would be accountable to the dominating capital owners, it has nothing to do with democratizing the corporation.

One major mistake in this discussion is that the political left has confused markets with capitalism¹². As shown by for example the historical “Annales school”, scholar Ferdinand Braudel, markets are much older than capitalism and will in all likelihood exist also when capitalism has faded away (Braudel 1985). In short, markets and capitalism are two very different things (Wallerstein 1991). Capitalism is an economic system where those who are in possession of the capital invested in a corporation also have the management power over the corporation. But, and this is very important, the right of the capital owners to have this management power cannot come from their ownership of the capital. Instead, as developed by David Ellerman, it comes from the construction of the “renting contract” (Ellerman 2007).

When labour (= the workers) and capital (=the capital owners) meet in the market place, it is not legally preordained which way the rental contract will be made. Capital may hire labour, labour may hire capital, or some third party may hire both labour and capital. The direct control rights over the use of the capital and the labour in the production are determined by the direction of that rental contract, by who hires what or whom (Ellerman 1983, p. 269).

This *contract theory of the power over the corporation* fundamentally changes the parameters for establishing economic democracy. Not realizing the importance of this logic has probably been the second most important mistake by the socialist and Marxist left over the last hundred years.¹³ People who invest their pension money in state-bonds do not have

¹² Among the latest of this conflation of markets and capitalism is Martin Hägglund’s (2019) much noted book “This Life: Why Morality Makes Us Free”, see for example pp. 278-281 and pp. 304-308. In Hägglund’s “democratic socialism”, demands from individuals will have no effect on what is going to be produced. Instead, “we can decide through democratic processes how and what we produce, based on which abilities we seek to cultivate and which needs we have to satisfy” (p. 307). I guess that when there are changes in tastes and fashion, for example from low to high-heeled shoes, the majority will decide if production should follow. My guess is that in Hägglund’s utopia, the majority will vote for very flat and truly “sensible” shoes.

¹³ The first main mistake has been the idea that the industrial working class would be the engine behind a new (socialist) mode of production. This makes no sense: It was not the slaves who did away with the slave society and created feudalism. And it was not the peasants that abolished feudalism and introduced capitalism. A sub-ordinate social class can fight for more of “the pie” (slave rebellions, peasant uproars, workers’ striking) but they will not be able to bake the new “pie”. For

ownership right of the state and certainly not even a minimal right to command what the state is going to do. The policy that would follow from the contract theory of the power over the production is of course that the shares that are traded on the stock market and that gives ownership over corporations would be transformed into bonds. This could be done in a radical one-shot transformation but it could also be carried out in a more reformist manner where gradually seats on the board of such corporations with its shares traded on the stock market would be transferred to representatives of the employees. The bicameral solution suggested by Ferrara would be one possible institutional form for such a gradual transformation. Such company-bonds would be traded and give a dividend related to the profit and the value would thus be based on how the market valued the economic situation for the corporation. But these corporation bonds would not give their owners the right to have any influence over the running of the company. Since a very large part of today's capital that is invested in large corporations comes from pension and mutual funds, this would in practice for the large majority of owners not make any difference.¹⁴

The logic of the contract theory is easy to understand. When a number of persons together decides to start a business and get a loan from the bank, the bank who is the owner of the capital used in the firm does not decide how they shall operate their company. Capitalism can be defined as a society where, in Marxist parlance, capital has the managerial power in the relations of production. If so, socialism cannot become a reality by just changing who these owners are (the state, the central planners, the unions....). Instead, socialism must logically be defined as when the ones who are working wields the power in the relations of production. Thus, we can rephrase the initial question to "Why has Social Democracy not been able to establish democratic socialism in Sweden".

Ferdinand Braudel was one of the leading scholars in the above-mentioned "Annales school" in history. In his exposé of Braudel's theory about the difference between "capitalism" as control and monopoly, and "markets" as openness, transparency, competition, and liberation, Immanuel Wallerstein wrote this in 1991:

this, a new social class is needed. Today, we see quite a lot of employee ownership in the high tech sector, a process driven by the new "information and knowledge" class.

¹⁴ There is for sure a problem of how to handle entrepreneur-owners in this model. but I have presented a solution to this problem that I think would work (Rothstein 1991). Those who start a company using either their own or borrowed capital, should have the management rights due to the company being their intellectual property. However, when they leave the company, their shares are transferred to bonds. Their heirs would inherit the capital as bonds, not shares.

The policy implications for the contemporary world are massive. If capitalism – real capitalism – is monopoly and not the market – real markets – then what is to be done is a question that may be answered very differently from the ways in which antisystemic movements have been answering it from the past one hundred years (Wallerstein 1991, p 361)

Democratized corporations in which the employees control management are, and will in the foreseeable future be, operating on markets. When it is stated that such corporations are doing well economically (see above), this means that they are doing well in a market economy. This is not the place to make a full analysis of what is meant by a market economy, let me just state that I am talking about a system for voluntary economic exchange that is regulated by the state in such a way that the interests of consumers, the environment, work and product safety are guarded.

The left's critique of the market has often been based on the idea that markets are built on and will increase selfish, "economic man" type of behavior. A recent example is the philosopher Martin Hägglund who in his much acclaimed book writes that what markets will lead to is "to see ourselves as essentially self-interested, atomically constituted individuals who no inherent motivation to care for the common good" (2019, 307). And for sure, many neo-classical economics take this as the "default" for all human behavior. The left's critique is based on the premise that well-functioning societies must instead be built on solidarity, social trust and cooperation. A large research project in which anthropologists and economists have collaborated, shows results that indicate that both of these very dominant notions can be completely wrong. This group of (very prominent) researchers have conducted experiments aimed at measuring whether people are willing to share a sum of money they are given in the experiment with another person whom they do not know and will not interact with again. Many such experiments have been performed over the years and the result is that people are generally far from as selfish as the neoclassical "economic man" model has been based on. What is new from this interdisciplinary project is that the experiments were carried out in fifteen small local communities, some with indigenous peoples, who lived on different forms of farming, livestock, fishing and hunting. The results of the experiments carried out in these local communities showed the same type of results as experiments carried out in industrialized western countries, that is, the hypothesis about the dominance of self-interest is not supported (Steinmo 2018; Stevens 2019). But, the research group found that there were also quite large differences between the various groups in how much the individuals on

average were willing to share to "the other" in these anonymous "one-off games". The researchers then also measured the degree to which these population/groups were integrated in market relations by measuring how much of their food intake came from goods they bought from other groups. The quite surprising result for several of the researchers (some with a strong Marxist orientation) was that the more market-integrated these groups were, the less selfish and the more generous they behaved in the experiments. Moreover, the more hierarchical the production was organized, the more selfish the individuals behave (Henrich et al. 2004; Henrich 2001; Henrich 2010). These research results indicate that both the "left" and the "right" may have been completely wrong (for more than 150 years!) about what type of human behavior markets build on or generate. Well-functioning markets are probably neither built upon, nor do they create, as much selfish behavior as has been taken for granted in both neoclassical and Marxist economic thinking. Already in 1972, Nobel Laureate in Economics Kenneth Arrow stated the following: "Virtually every commercial transaction has within itself an element of trust, certainly any transaction conducted over a period of time. It can be plausibly argued that much of the economic backwardness in the world can be explained by the lack of mutual confidence." (Arrow 1972, 357). For any productive organization, be it private, co-operative or public, internal trust turns out to be utterly important for efficiency (Miller 1992; Cohen and Prusak 2001).

Instead of having any confidence in the market, the Left, in Sweden as elsewhere, has put almost all its political efforts on state intervention.¹⁵ In some areas, such as social services, the regulation of markets and large infrastructure projects, the state has often been quite successful. However, when it comes to production of consumer goods and many services, this strategy has been nothing but disastrous. One doesn't need to point at the failure of central planning to make this point, the results of nationalization of many industries in for example

¹⁵ For a different and utterly unrealistic alternative, see Hägglund (2019:304-308). In Hägglund's version of democratic socialism, nobody will be forced to work out of economic necessity. The work that will not be performed out of pure pleasure (e.g., garbage collection, what Hägglund calls "social labor"), will be carried out by people being "intrinsically motivated to participate in social labor when we can recognize that the social production is for the sake of the common good". It seems like Hägglund is envisioning a world where opportunism in the form of "free riding" would never occur. This "world of Mother Teresas" relies of the existence of a humanity that never has and in all likelihood never will exist. In Hägglund's world, we will for sure have the right to "own our houses, our own computers, our own books". However, we cannot sell these items if this would imply that we obtained a profit. One wonders how a family can get a bigger (or a smaller) house if they need, or how they shall proceed if there arises need to move from one location to another. Exchanges can, I guess, be allowed, but probably only under some authoritative agency that controls whether or not the one family obtains better housing (= profit) from such an exchange. The National Board for Control of House Switching?

Britain after World War II should suffice. It is important to remember that the crushing defeat of the British Mineworkers under the leadership of Arthur Scargill in the mid-1980s was against a nationalized industry. One of the most serious labor disputes that has taken place in Sweden in modern times was the miners' strike in northern Sweden in 1969. The owner of the mining company was the Swedish state. Thus, the political left ought to by now to have realized that in a parliamentary democracy, the state is a very unreliable ally. As argued by Elizabeth Anderson (2017), markets were once supported by radicals as a mean to break feudal and mercantilist hierarchical systems of production. The latest main idea of the left, known as universal basic income UBI, is thoroughly a statist idea in making everyone a recipient of money from the state. As I have argued elsewhere, it is likely to crush the financial viability of the many services welfare states ought to produce, create enormous problems when it comes to political legitimacy, and is morally indefensible. It will also not work as a remedy against economic inequality (Rothstein 2017).

The Wage Earner Fund killing economic democracy

The well-organized and strong labor movement in Sweden has not been completely silent about economic democracy. In the 1970s, the Confederation of blue-collar Unions (LO) launched the idea of wage-earner funds (also known as the Meidner funds after the union economist that came up with the idea). The original proposal from the LO was very radical suggesting that all large companies should put 20 percent of their profits in union controlled funds. However, the main reason behind the funds was not to introduce economic democracy but to handle the problem of "excess profits" caused by the unions' solidaristic wage policy.¹⁶ A watered down version was after a decade of intense political strife about this policy, implemented a Social Democratic government in 1983. They were abolished by a conservative-led administration in 1992 (Furåker 2015) and has since then never been on the agenda again. Even the word "fund" has almost become term not to be used within the Social Democratic Party (Rothstein 2004).

¹⁶ As described by Furåker (2015, p. 122): "This policy meant that wages were held down in profitable and expanding industries and increased in less profitable and contracting ones. In that manner it was possible for companies in expanding industries to obtain higher profits than they would otherwise have done. Accordingly, it could be argued that workers subsidized profits in these companies by refraining from using their full strength to achieve wage increases. Wage-earner funds might thus be seen as a method of dealing with the problem of overabundant profits."

The reason for this is that wage earner funds led to one of the most crushing defeats for the Swedish labor movement. First, the proposal managed to mobilize and unite the until then often divided centre-conservative parties in Sweden and to radicalize the employers' federation and many other business organizations that until then had been keen on collaborating in various neo-corporatist arrangements with the unions and the Social Democratic led state (Lindvall and Sebring 2005). Moreover, the labor movement lost the battle over the public opinion about this issue. When the funds were introduced, about fifty percent of the LO members supported the idea but when they were established it was only one in four (Gilljam 1988). The defeat over the wage-earner funds can thus be seen as the starting point for the end of the dominance of the Social Democratic party in Swedish politics.

Unlike most other large-scale social reforms launched by the social democrats, the funds never became popular and even most blue-collar workers were according to survey studies against them (Gilljam 1988). The wage-earner funds differ from the more successful Social Democratic reforms (pensions, health care, schooling, paid parental leave....) in that they were not connected to any social rights for the individual. Instead, the implications for individual employees working in the companies where these union-controlled funds owned shares were never clear. It was also not obvious how the situation for the employees in the companies where the funds would have a considerable influence through ownership of shares would differ from the situation in the companies where the funds did not invest. Moreover, no plan was presented as to which type of companies or branches the funds would become owners. Furthermore, there was no connection with the individual wage-earner's economic situation. In the government committee that prepared the policy, the unions and the Social Democratic party said no to any form of individual profit-sharing. It was also unclear what the funds would imply for the individual employee's possibility to influence her working conditions. In sum, the policy would give the central union officials ownership power but it was never made clear what this power was going to be used for or how this would benefit the ordinary union members. In sum, from the perspective of income inequality and economic democracy, as well as from the huge amount of research about which type of social reforms that are likely to get broad-based political support, the wage-earner funds were a particularly bad idea. The problem is that negative experience with the wage-earner funds has unfortunately made economic democracy a 'no go' area, not only for the Swedish Social Democrats, but I guess for most social-democratic parties ever since.

In line with the *contract theory of the power over the corporation* presented above, the main mistake in the wage-earner funds policy was of course that the policy was built on the fundamental capitalist idea, namely that it is ownership of capital that gives power over the corporation. It was by owning capital, not changing the rental agreement between capital and labour, that workers (read: central union officials) would get control of their work places. As I have argued elsewhere, it is astonishing that more than one hundred-fifty years of socialist thought have not confronted the basic capitalist idea—that owners of capital have the right of command in the relations of production. The idea behind the wage earner funds was in fact fundamentally the same idea as that on which capitalism is based, namely, that ownership of capital should give owners the right to command in the production process. Indeed, this is a nice example of what Antonio Gramsci called bourgeois ideological hegemony (Rothstein 1992b).

Conclusion

There are many reasons for why Sweden should have been a showcase for economic democracy in the form of employee owned or managed firms. A country infused with democratic ideology, a strong labor movement, a long history of producer- and consumer cooperatives, a high level of social trust, and a vibrant civil society. Despite all this, Sweden is a country with comparatively few such companies and with a very low level of institutional support for establishing such firms. Explaining this puzzle, a counterfactual approach has been applied, which means trying to find causes behind what has not taken place, but ought to have happened. Three such factors has been identified. The first, and probably the most important, has been the interests of the strong union movement. This is of course paradoxical, one would expect that strong unions would be interested in developing economic democracy. However, applying an organizational approach to the unions, their negative position towards employee owned or managed companies is very logical. Such a development would threaten most of the sources of power on which the Swedish union movement is built, in particular the construction of the many industrial relations laws that give unions a lot of their power. This may also be the reason for why this form of economic democracy is much more prevalent in the USA, a country with a very weak union movement.

The second factor pointed out has been the political ideology of the Swedish left, in particular their conflation of capitalism and the market-based economy. The dominance of identity

politics has probably also played a role in the reluctance of the left to mobilize around the issue of increasing economic inequality. The third factor presented is the disastrous experience from the experiment with wage-earner funds that took place in Sweden from the late 1970s and until the funds were abolished in 1992. The construction of the funds were particularly ill suited for developing broad-based support and political legitimacy for economic democracy. Moreover, the construction of the wage-earner funds policy was completely opposite to what characterized the many successful reforms launched by the Social Democrats in building the much appreciated Swedish welfare state (Svallfors 2015; Rothstein 2015). Being based on the fundamental capitalist idea that ownership of capital is what gives right to power in the corporation, the policy was doomed to fail as a strategy for launching economic democracy. These three factors can maybe be important lessons for the future and for other countries on how not to go about when constructing proposals for establishing economic democracy.

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