Was Sweden Headed Toward Socialism in the 1970s?

Sweden's extraordinary wave of reforms in the 1970s, an era of explosive radicalism, reveal the achievements — and the limits — of social democracy.

Swedish prime minister Olof Palme (left) shaking hands with British Labour politician Peter Shore, watched by a group of children, as they arrive at the House of Commons on April 7, 1970 in London, England. (Wesley / Keystone / Getty Images)

Sweden in the 1970s was the most advanced welfare society that had ever existed. The social reforms implemented during that decade were perhaps the most extensive ever seen. Over a period of ten years, the public sector's share of GNP grew by 50 percent and a series of reforms vastly strengthened the position of wage earners in the labor market. Most of the reforms now associated with the Swedish welfare state — ranging from the health insurance

system and parents' allowances to daycare for all and free abortion — were initiated or implemented during a few years in the early and mid-1970s, an era symbolized by the radical social-democratic prime minister Olof Palme.
The reforms aimed at creating an inclusive and universalistic welfare society based on a deep-seated faith in a strong state, a planned economy, and active government economic policy — all seen as necessary corrective complements to free-market forces. There were significant tendencies towards a decommodification of the welfare sector. What made this extensive wave of reforms special — besides its comprehensive reach — was its openly statist focus. All central components of the welfare system were financed, owned, and run by the state. A uniform state pension system had been established for all wage earners. The pension funds, which were growing quickly, were controlled by the state. The million units of housing that were built were financed, for the most part, with the help of state-guaranteed loans; a large number of these came, in turn, from state pension funds. And a strong, increasingly social-democratic oriented bureaucracy was developed that could implement the reforms.
The public sector came to spearhead the transformation of society. Would it also become part of a process that would replace capitalism with a socialist system?
The reforms that were implemented at this time were indeed so far-reaching that many, both in Sweden and in other countries, wondered how far the social democrats were willing to go. When LO, the trade union for blue-collar workers, backed Rudolf Meidner's proposal to create so-called wage-earner funds, many asked themselves if Sweden was in the process of becoming a different kind of country. Was this the case?
Even the conservative French president Georges Pompidou, used to say that his ideal society would be like Sweden, except with more sunshine.

A Social-Democratic Culture

There were several reasons why Sweden developed the way it did. Here, we will focus on three causes: the postwar economic boom, the strength of the social democrats, and the far-reaching social radicalization that took place in the 1960s and 1970s.
The Swedish economy got off to a flying start after the end of World War II, a conflict in which Sweden had remained neutral. Sweden benefited from the three-decade-long postwar economic boom, the so-called *Trente Glorieuses*. As the historian Eric Hobsbawn pointed out, it is perfectly justifiable to characterize the quarter-century between 1950 and 1975 as the period during

“which the most dramatic, the fastest, and the most wide-reaching revolution in people’s everyday lives” took place. There was a sort of symbiosis between the capitalists’ demand for mass production and the people’s demand for mass democracy. Fordist welfare societies were created on the foundation of economic growth.

In addition, the bourgeoisie was now willing to accept a far more active state. The state was to participate more actively in creating the infrastructure on which both modern industry and the welfare society depended. The state also took more responsibility for citizens’ welfare and safety, not least when these were threatened by the forceful structural changes engendered by the postwar boom. The emergence of the postwar era’s well-organized welfare state is often associated with social democracy. But German Christian Democrats, English Tories, and French Gaulists also created welfare systems and accepted greater state interference in the economic realm. Social democrats, however, also had an opportunity to formulate a strategy that could potentially lead to greater independence for workers from the labor market. Keynes’s theories made it possible to link the working class’s interests closely to national economic growth, combining economic planning, full employment, expansion of the welfare state, and the redirection of resources to compensate for inequalities created by the market.

It is impossible to overstate social democracy’s importance to Sweden’s evolution during the 1970s. The social-democratic party had more than one million members, in a country with eight million inhabitants. In the early 1970s, the party had been in power for forty years and held control of most of Sweden’s large cities. It had strong youth and women’s organizations. The trade union movement, in particular the blue-collar workers’ union LO, organized close to 90 percent of the workforce.

But the power of the social-democratic movement did not stop there. Social democrats dominated the political and social lives of thousands in towns and areas around the country, from the cradle to the grave. Young people would meet at the youth association, SSU, or for dances in the People’s Parks. They might buy an apartment in the cooperative housing organization HSB, purchase their food in Konsum, and refuel at the cooperative OK gas station. They would most likely be members of a trade union that was, in turn, a corporate member of LO. If married, the husband would be active in the workers’ commune and the wife in the social-democratic women’s organization. In the evening, they could take part in study circles arranged by the Workers’ Educational Association or watch movies at the People’s House — films produced by studios owned by the workers’ movement. They got their news from some of

the party's many newspapers. Their children could participate in the activities of the Young Eagles. Then, in their declining years, they could join the retiree organization PRO and would, in the end, be laid to rest by Fonus, the workers' movement's funeral home. Of course, not all Swedes' lives looked like this, but the example illustrates the extent of the network of organizations dominated by the social-democratic movement in postwar Sweden.

But the movement was not an end in itself. It was used systematically and successfully to give social democracy political influence. The party had, as a rule, 45-50 percent of the parliamentary seats and, in the early 1970s, the post of prime minister had been held continuously by a social democrat for the previous forty years. And in order to make a political career, it was usually necessary to have begun at the bottom, with practical work, in the SSU youth organization or in a labor union. Half the members of government had belonged to the blue-collar union LO when young.

The Radicalization of Society

Swedish social democracy had clear and extensive reform ambitions and purposefully worked to create the preconditions for realizing its program. But it was a reformist party. Even though social democrats sought to change the power relations between the working class and the bourgeoisie, they wished to abolish neither the free market nor capitalism. Nor did they promote state socialism; in Sweden, conservative governments have pushed through a greater number of nationalizations than have social democrats.

While taking pains to gain control of the state administration, the postwar social democrats were instrumental in developing strong corporative structures for the purpose of institutionalizing class cooperation and "regulating" class struggle. Most important were the government's relations to the labor market. In an agreement reached in 1938, in Saltsjöbaden, LO and the employers' associations committed themselves to avoid conflicts in the labor market. The agreement was institutionalized in a strongly centralized order of negotiations. The system was a great success and up until the early 1970s Sweden was among the nations with the fewest strikes.

Social-democratic politics thus was able to find a space within the fundamental structures of capitalism. Critics from the Left could coldly ask the bitter question: "A class compromise during a time of economic prosperity — was that all that social democracy could deliver?"

But a third factor is needed, besides the long period of economic prosperity and the strength of the social-democratic party and movement, to explain what happened during the 1970s. That factor, in short, was "1968."

Sweden was strongly affected by the radicalization of the 1960s. As in most other countries, it began with youth solidarity with the Third World. Swedish opposition to the Vietnam war was broad and influential. Swedish students joined others in demonstrations and in occupations. This new left contributed to pushing socialism further up on the agenda.

But the key point is that, in contrast to many other countries, the new social movement's radicalization continued and deepened during the 1970s. Most important in driving it forward was the new women's movement, organized by "Group 8." This group revitalized traditional women's organizations and joined with them in pressing through comprehensive reforms for women's equality. Meanwhile, a broad environmental movement almost managed to block the expansion of Swedish nuclear power. Many local environmental groups were also created in order to defend threatened rivers and woods and to combat environmental destruction. Now it was no longer only youths who participated in the new social movements; they expanded both socially and in terms of age groups.

Of decisive importance was that the Swedish working-class was also influenced by the radical spirit of the age. Until the late 1960s, good relations between the LO trade union federation and the employers had almost completely ended strikes in Sweden. But now, a notorious strike by five thousand miners gave the signal for an extensive strike wave that adversely affected Sweden's leading export companies. The strikes concerned more than wages. Demands for better working conditions and increased democracy at the workplace were equally central. And now the labor unions began, again, to talk about socialism. The strikes gained broad support from the public and contributed to deepening the radical spirit of the times. Radicalization had reached core groups of the working class.

A combination of expectations of continued economic growth, the unequaled strength and self-confidence of social democracy, and the pressure for social reforms from both labor unions and new social movements contributed, together, to a wave of reforms unprecedented in Swedish history.

The development can be illustrated by the radicalization of the women's movement. The second-wave women's movement had an enormous impact in Sweden, due mostly, at first, to Group 8. At the same time, the political parties' women's organizations were radicalized. There were several famous women's strikes, which further pushed the question of equality between the sexes to a central place in public opinion. Of decisive importance was the fact that the different women's organizations managed to organize common political actions to advance their demands. In demonstrations for an increase in the number of

childcare centers, for instance, not only left-wing organizations such as Group 8 and Lesbian Front, but also labor unions and social-democratic and bourgeois women's associations participated. The result was a number of reforms important to women, from free abortion to the right of all children to public childcare. A parent's insurance bill was passed, which gave parents the right to seven months' leave from work paid by the state insurance ministry. The parents could decide themselves how the leave would be divided between the mother and the father.

And then came the great wave of social reforms. Education was democratized. During the 1960s, this meant nine years of obligatory primary education plus a high-school system that soon included virtually all young people. Free teaching materials and school meals were the rules. Child benefits payments, which were issued to all children up to the age of sixteen, were now extended to children attending high school. During the 1970s, child benefit payments were doubled. College and university education were expanded massively. With a very few exceptions, all universities were run by the state. Attending university was tuition-free, and a system of student aid — a combination of government grants and loans to be repaid within twenty years or so — was passed for all students. Meanwhile, a system of state-administered sick pay was implemented which guaranteed employees 90 percent of their wages in case of illness. A uniform system of health care was organized, based on publicly owned local health centers. The fee for a visit was, in the beginning, established at 7 SEK — about one dollar. All hospital care was covered by state health insurance. To ensure a coherent public health care system, apothecaries and parts of the medical industry were also taken over by the state.

Paid vacations were lengthened to five weeks. The pension age was lowered from sixty-seven to sixty-five years of age. The pension system was arranged so as to give workers two-thirds of the wages they had had during their fifteen best earning years. Within ten years, a million new housing units were built — at a time when Sweden had eight million inhabitants. The communal housing companies built and owned most of the new units. To compensate for the higher costs of renting, a generous housing subsidy was put in place.

The social dynamic of these reforms, combined with the labor unions' demands for solidaristic wage policies, had the effect of powerfully diminishing social and economic disparities. They had never been as small as they were at the end of the 1970s.

The depth of the radicalization of Swedish society can perhaps best be read in the fact that the new laws were passed in great political unity. Usually, the bourgeois parties joined in voting for them, and sometimes wanted to take the

reforms even further.

Toward Socialism?

The most dramatic development took place, however, within the union movement, above all LO. LO was an integrated part of the corporative system that dominated labor-market relations after World War II. As a result, it had long been opposed to the use of state legislation and regulations in dictating labor-market relations. LO traditionally showed little enthusiasm for more pronounced socialist advances, such as the nationalization of private companies. In the 1970s, however, LO underwent a dramatic shift, inspired by the growing radicalization of society. Now, LO began to question the results gained by relying entirely on agreements reached with employers.

For these reasons, LO developed, in the early 1970s, an entirely new strategy. It now demanded extensive labor-market legislation. And the Olof Palme government delivered by introducing a series of new laws. The most important of these was the law on job security: legislation that deprived employers of the right to freely decide who should be laid off in case of redundancies. A new work environment law increased trade unions' ability to remedy dangerous work conditions. A high point of this wave of legislation was meant to be the adoption of a special law in 1976 which addressed workers' participation in company decision-making. Olof Palme presented this legislation as "the most important dissemination of power and influence that has taken place in our country since the introduction of universal suffrage." This turned out to be greatly exaggerated; radical workers soon began to deride the law's procedures as "the horn that employers have to honk before running over the workers." LO demanded more.

Rising dissatisfaction in the workplace among social democracy's key voters was a growing problem for the party and the LO. One aspect of this was the debate on excessive corporate profits that raged in Sweden in the early 1970s. Another was the demand for economic democracy.

In response, LO decided to appoint a committee led by its chief economist, Rudolf Meidner. Few Swedish books have influenced the social debate more than the modest 120-page document that the committee published in the autumn of 1975. The basic thrust of the text was that every year, a portion of the profits of Sweden's large and medium-sized companies — in the form of shares — was to be transferred to funds controlled by the unions. It was apparent from a table included in the document that Meidner expected the system to give employees control of a majority of the shares in most companies in somewhere between twenty and seventy-five years. In delivering this proposal, Meidner had three

objectives in mind: to give employees a stake in company profits; to attack the growing concentration of power and ownership by creating a new ownership group; and to find a workable form of employee influence through ownership. The proposal was greeted with great enthusiasm by LO's members. "Now we will take over," the metalworkers union chairman declared.

For the party leadership, the proposal would prove to be explosive stuff, for it was in clear contravention of social democracy's fundamentally reformist strategy. The proposal acknowledged that ownership was a central factor, and sought to channel the exercise of influence through union-led bodies rather than the state. For the party — and Palme — the question was complicated. Palme's version of socialism has been called "functional socialism," a theory that was formulated in the young typographer Nils Karleby's near-legendary work *Socialism inför verkligheten* (Socialism in the face of reality), written in 1926. For Karleby, the question of ownership was of secondary importance. Instead, the labour movement was to focus on shaping and regulating the functions of the market. Olof Palme was an explicit proponent of this view. The deepening of democracy, a growing public sector, and greater state planning resources and laws to reduce the influence of the owning classes were important components of the raft of measures that he advocated. Ownership itself he refused to touch; the capitalist market economy was no obstacle to gaining greater influence.

The issue of wage earners' funds became, without doubt, one of the thorniest political problems that Palme had to deal with, perhaps even the thorniest. It took him six years of tactical maneuvering before he finally managed to present a diluted version that bore no resemblance to the original proposal.

Now Sweden, too, had reached the end of the magical 1970s. This was for a number of reasons. The long postwar boom had ended, replaced by recurrent economic crises. Keynesianism no longer worked, claimed economists, who instead recommended Friedman's neoliberal program.

The international radicalization had lost momentum. The promises of Portugal's 1974 "carnation revolution" were never fulfilled, and in Iran the revolution of the people became that of the mullahs. The social struggle faltered in Sweden as well. When central parts of Swedish industry, such as the wharf and steel industries, became seriously threatened, strike activity diminished. The environmental movement's narrow defeat in the 1980 public referendum on nuclear energy can be seen as the end of Sweden's "long 68."

In 1976, the social democrats lost control of the government. This was not — as many in Sweden claim today — because welfare had become too extensive or taxes too high. On the contrary: at the time, no party challenged the solidaristic welfare state, and the new bourgeois government continued to raise taxes.

Social democracy's loss might have been the result of a protest vote against a party that, after ruling for 44 years, had become overly autocratic. (The most important reason for the 1976 electoral loss, however, was the social democrats' support for an expansion of Swedish nuclear power. This brought it into conflict with the radical environmentalist movement.) By the time the party regained control over the government in 1982, its leaders had accepted the basic principles of neoliberal politics.

Since then, the welfare state had been successively weakened. Increasingly large parts of the public sector have been privatized. The pension system has been fundamentally revised, and today Sweden has growing numbers of poor pensioners. Large sections of the public-owned housing stock have been sold. Today, Sweden is among those European countries whose economic and social divides are increasing most rapidly. This is most notable in increased segregation within the educational sector, which has become increasingly privatized. Bourgeois governments have led the way in this development, but social democrats have accepted the reforms afterward. They have not attempted to launch alternative political platforms.

At the same time, despite the political consensus among the leaderships of the different parties, this development is deeply unpopular among Swedish citizens; discontent extends deep within the bourgeois parties' own core troops. A large majority of the population still supports a commonly owned public sector and is prepared to pay the taxes necessary to finance it. This fact comes as confirmation that the solidaristic welfare state of the 1970s represented a series of collective conquests by broad layers of the Swedish people.

When people in the rest of the world point to Sweden as a prototype, it is these conquests they mean — not the increasingly hollow welfare state that has survived to today.