

Class Struggle Built the Swedish Welfare State

Swedish social democracy produced one of the most humane societies in history. That wouldn't have happened without a militant labor movement and a working-class political party.



A rally during a wildcat strike of Swedish miners in 1970. (Reportage photography / Arbetarrörelsens arkiv och bibliotek from Folket i Bild / Kulturfronts arkiv)

Sweden is often held up as the gold standard of postwar social democracy. At its height, Sweden was one of the most egalitarian societies in the world, with a generous welfare state committed to assuring all its citizens a comfortable standard of living. Even compared to other European countries, which also developed relatively strong social democratic movements and welfare states, Sweden stood out for its accomplishments: achieving the lowest level of income inequality and remarkably low unemployment levels, in large part due to unrivaled redistributive policies.

How did Sweden's remarkable welfare state come about? The answer is simple: decades of class struggle and organization.

In his classic 1983 study of Swedish social democracy, [*The Democratic Class Struggle*](#), sociologist Walter Korpi challenged prevailing orthodoxies on the evolution of class conflict in economically developed societies. Against theorists who claimed that class was less and less important for conflicts over economic distribution in advanced industrial societies, Korpi argued that conflict between the classes was still central; it simply took on new forms. And against those who held that workers' organization and parliamentary politics did little to further working-class interests, Korpi argued that trade union organization and socialist control of government allowed workers to fundamentally change the balance of power in society and extract major concessions from the capitalist class.

Korpi tried to show how the class struggle in Sweden had evolved to encompass not just industrial shop-floor disputes but electoral contests and policy fights, leading to the development of an exceptionally equal society — and also why Sweden’s decades-long social democratic advance was ultimately halted. Today, as the Left grapples with the task of revitalizing the socialist movement — winning [social democracy](#) along the way — and the political significance of [class](#) is again being called [into question](#), Korpi’s arguments can provide key insights for socialists.

“Power Resources”

Comparing data from a number of developed countries and using Sweden as his central case study, Korpi argued that working-class organization and control of government were essential to explaining the generosity of Sweden’s welfare state and its high degree of social equality. Central to this argument was the “power resources” theory.

Capitalists’ control over the means of production gives them inordinate power over the working class, whose members have nothing to sell but their labor power and little ability to influence state policy. Capitalists use their advantage here — in what Korpi calls power resources — to dominate workers and to direct the state to serve their interests at workers’ expense.

But by organizing and acting collectively in unions and political parties, workers can organize and fight back. If they build strong enough [organizations](#), they can challenge the power structure of capitalism itself.

“If they build strong enough organizations, workers can challenge the power structure of capitalism itself. That is exactly what Swedish workers did.”

That is exactly what Swedish workers did. Starting in the late nineteenth century, workers built a strong and well-organized trade union movement, organized along industrial lines and united by a central trade union federation, the Landsorganisationen (LO), which worked closely with the Social Democratic Workers’ Party of Sweden (SAP).

Early twentieth-century Sweden was characterized by a series of bitter shop-floor disputes, including general strikes and industrywide lockouts. “Measured in terms of the number of working days per worker,” Korpi writes, “from the turn of the century up to the early 1930s, Sweden had the highest level of strikes and lockouts among the Western nations.” From 1900–13, there were 1,286 days of idleness due to strikes and lockouts per thousand workers in Sweden. From 1919–38, there were 1,448. (By comparison, in the United States last year, according to National Bureau of Economic Research data, there were fewer than 3.7 [days of idleness per thousand workers](#) due to work stoppages.)

In the 1930s, the socialist bloc (including the Social Democrats and the Communists) won a majority of votes for the first time, and the increasingly successful SAP strengthened its hold on government power. This development led both workers and capitalists to change their strategies — shifting the class struggle, we might say, from a “hot war” to a “cold war.” Similar to how the potential of a devastating military conflict made direct confrontation between the Soviet Union and the United States undesirable, the increasing power of the Swedish labor movement encouraged both capitalists and workers to shift to less disruptive forms of confrontation.

Instead of attempting to make gains primarily through strikes, the labor movement turned to government policy as the means for advancing its interests. Social democratic leaders believed that, through a tactical compromise with capital, it could use government policy to gradually shift socioeconomic trends in its favor. Similarly, business on the whole shifted from a stance of intransigent opposition to labor to one of compromise. According to Korpi, a dominant faction of business believed that the Social Democrats would not be easily displaced from government, so they

might as well compromise with the Left rather than continue open hostilities.

So began forty-four years of nearly uninterrupted Social Democratic rule, during which time Sweden constructed the world's greatest welfare state and massively shrank inequality. Government policy successfully aimed at maintaining [full employment](#), established generous national [pension and health care](#) systems, and embarked on an ambitious [social housing](#) program, funded through progressive taxation.

The unrivaled nature of Sweden's welfare state can be attributed, in large part, to its powerful trade union movement and nearly half-century of uninterrupted social democratic governance. But the shift from workplace fights to policymaking was not a retreat from class struggle, in Korpi's view; rather, it was a strategic reorientation of the class struggle to the realm of democratic politics. Nor did the new strategic centrality of Social Democratic government policy mean a decline in union power or significance.

"The labor movement turned to government policy as the means for advancing its interests." The unions and the LO have often been the driving force behind Social Democratic policy. The LO was responsible, first, for directing the government to adopt "solidarity wage" and active labor market policies in the 1950s. Solidarity wage policy, enacted through nationwide collective bargaining agreements between the workers' and employers' federations, ensured that workers received similar pay for similar work and that wages of the highest-paid workers did not rise too far above those of the lowest-paid.

The government also pursued an active labor market policy, intervening to help match unemployed workers with employers — including through relocation and retraining services, as well as public employment for those who couldn't find jobs in the private sector. This interventionist labor market approach was meant to facilitate [full employment](#); it was also meant to correct for effects of the solidarity wage policy, which accelerated the closure of less profitable firms and prevented the most profitable firms from raising wages as high as they might to attract scarce labor.

[These policies](#) allowed the Swedish left to achieve multiple goals at once.

First, they served the government's macroeconomic policy goal of increasing firm productivity. This allowed Sweden to rapidly develop its economy and encourage the concentration of capital that Social Democratic leaders believed was a necessary prerequisite to socialism.

Second, they advanced the moral goal of a more equal distribution of wealth and income.

Third, by equalizing wages and employment opportunities, they built solidarity within the labor movement and therefore helped maintain a political base for redistributive policies over time.

During its tenure, the Social Democratic government facilitated the growth and [radicalization](#) of the labor movement. Union density continued to grow: from the end of World War II to 1976, nonagricultural union density shot from 30 percent to 76 percent, by far the highest level of union density in the developed world. Labor's increasing dissatisfaction with capitalists' continued autocracy in the workplace, among other factors, led it to push for the revolutionary wage-earners' funds policy (the "Meidner plan") in the 1970s.

"The shift from workplace fights to policymaking was not a retreat from class struggle." As Mio Tastas Viktorsson and Saoirse Gowan [recount](#), the plan would have set up a number of "wage-earner funds," financed out of corporate profits. These profits would be translated into voting shares for the funds, which would be administered through boards largely composed of union representatives. The result would be a gradual conversion of firm profits into larger and larger shares for the wage-earner funds, until the fund would eventually have majority stakes in all major firms.

In essence, the plan would have slowly transferred ownership of capitalist firms to workers.

The first formal proposal for the wage-earners' funds came out of an LO committee in 1975. The SAP supported the plan's goals but hesitated to adopt the original LO proposal itself, in large part because it would require firms to issue voting shares in proportion to firm profits and because it gave majority representation on the fund boards to union appointees. The Social Democrats and the LO finally agreed on a proposal in 1981, and the party campaigned on it in the 1982 election.

This version of [the proposal](#), however, would only socialize "excess profits" over a certain level and would place more of a burden on employees by partly financing the funds through a new payroll tax. In addition, the SAP's pitch for the funds now emphasized its utility in raising investment capital, rather than its redistribution of power and wealth from capitalists to workers.

Capitalists and the Right, meanwhile, launched a full-scale [counteroffensive](#) against the idea. Their propaganda likened the Meidner plan to [Soviet-style socialism](#) and accused union and party "bosses" of making an economic power grab. The Right eventually won the battle for public opinion. The SAP, whose leadership had never been enthusiastic about the plan anyway (viewing it as electorally risky) or pushed for it aggressively as business pushed back, eventually passed a very [watered-down version](#) of the proposal in 1984.

The law established five small funds that would purchase funds on the stock market, financed largely by a tax on excess profits; the system would end after seven years. By the end of the program in 1991, the funds' assets were worth less than 5 percent of the value of the Swedish stock market.

The Unraveling and the Road Not Taken

Korpi makes a persuasive case for the importance of labor organization and parliamentary politics in shaping the welfare state. But writing in 1983 — when the Social Democratic Party's dominance had been broken, and the "historical compromise" between labor and capital was already coming apart — Korpi also attempted to diagnose where the Swedish left had gone wrong, and how it might recover from its missteps.

The decline of Swedish social democracy can't solely be laid at the feet of the poor choices made by the SAP, of course. Labor parties declined all across Europe and the world during this period; the political and economic circumstances highly constrained the options available to these parties. But Korpi argued that voters started deserting the Social Democrats mostly because the party was unable to continue maintaining full employment with the onset of the global economic crisis in the 1970s. It was "the content and consequences of Social Democratic policy, not structural changes in society, which [were] the major causes of the party's decline in the elections in the 1970s."

"During the late 1960s and '70s, an increasingly radical workforce had become more and more fed up with capitalists' near-complete control over the workplace."

As we know now, the SAP recovered somewhat in its electoral fortunes but still turned toward neoliberalism, like other [social democratic](#) parties around the world. Was another outcome possible? Korpi argued that one was.

The SAP, like many governments in the 1970s and '80s, confronted a crisis of profitability that led to slower growth, making it difficult to maintain both full employment and low levels of inflation. And, like many other governments, they ended up working to [squash inflation](#) at the cost of higher unemployment and less generous welfare benefits, [undermining](#) workers' quality of life as well as their bargaining power and willingness to engage in risky collective action. But the Meidner plan pointed to a different way out of the crisis — one of expanding economic democracy.

During the late 1960s and '70s, an increasingly radical workforce had become more and more fed up

with capitalists' near-complete control over the workplace, which was part of the impetus behind the Meidner plan. Korpi thought that workers could be induced to restrain their wage demands, and so facilitate greater investment while combating inflation, by being offered the collective ownership and democratic control over work that initial formulations of the plan proposed.

Unfortunately, the Social Democrats did not effectively fight for the wage-earners' funds as a path to economic democracy. The SAP ended up losing political hegemony, and even when they retook power, they instituted neoliberal solutions to Sweden's economic troubles.

Lessons for the Left Today

Progressives and socialists often look to Sweden and other strong European social democracies as a touchstone for the sorts of policies we want to see in the United States. And they should: the policy achievements of Swedish social democracy provide models for short- or medium-term goals for the Left here and in other developed countries today.

But we should also look at *how* Swedish social democracy accomplished what it did. As Korpi says:

The “secret” of the political and union strength of the Swedish labour movement is probably that the Social Democratic Party has largely remained a class party, which has pushed the basic interests of the working class, so that it has been able to maintain a good co-operation with a strong union movement.

Of course, the United States has never had a [workers' party](#). And the labor movement, despite some [encouraging](#) signs, is [on its back](#). The economic and political conditions of the United States today are different in many ways from mid-twentieth-century Sweden, meaning the path to building a strong [labor movement](#) and a [political party](#) here and now will look very different than it did in the Swedish case. But such a combination is crucial to winning a strong welfare state.

Korpi's study of Sweden also reminds us that politics and policy matters: a party's choices can help build and unify the labor movement and electoral support for social democratic policies, or they can undermine them. For a long time, the SAP and the LO succeeded in increasing worker solidarity, growing unions, and maintaining popular support for redistribution. But they faltered by failing to muster an adequate response to the economic problems of the '70s.

Ultimately, as Korpi and left-wing forces in Swedish social democracy advocated at the time, socialists need to move beyond mitigating capitalism's bad qualities and fight for economic democracy.