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Contradictions of Social Democracy:
History of the Wage-Earner Funds in Sweden, 1971-1983

By

Shannon Ikebe

A dissertation submitted in partial satisfaction of the

requirements for the degree of

Doctor in Philosophy

in

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in the

Graduate Division

of the

University of California, Berkeley

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Summer 2022

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This dissertation analyzes politics of the Wage-Earner Funds (WEF) in Sweden in the 1970s and 1980s. Rudolf Meidner and Anna Hedborg, researchers for the powerful Social Democratic union confederation LO, first proposed the WEF plan in 1975, which would mandate an obligatory annual transfer of new corporate shares into union-owned funds. According to their plan, the Wage-Earner Funds would eventually gain majority ownership of firms constituting much of the Swedish economy within a few decades, radically transforming the capitalist relations of production. This plan, which I call the Meidner-Hedborg Plan (MHP), was among the most extensive program for a socialist transformation proposed in an advanced capitalist society in the 1970s, the last period in which legitimacy of capitalism was seriously challenged.

Even though the Meidner-Hedborg Plan was adopted by the LO Congress in 1976, its radical aspects were soon attenuated and removed in the negotiations between the LO and the Social Democratic Party (SAP) leadership. The conventional narrative suggests that intense business mobilizations against the Wage-Earner Funds decisively undermined its transformative potential. However, a careful analysis of archival materials demonstrates that most of the capitalist anti-Fund campaigns occurred after the MHP had already been deprived of its transformative character and replaced by other moderate versions of the Wage-Earner Funds. I demonstrate that the cause of the Meidner-Hedborg Plan's defeat was the Social Democratic Party leadership's staunch refusal to support it, combined with the weakness of mobilizations for the plan.

The structural root of these factors is the hierarchical and hegemonic character of Swedish Social Democracy. The party leaders rejected the MHP, since they embraced the capitalist "mixed economy" upon which they had built the welfare state. Social Democratic militants strongly supported the Meidner-Hedborg Plan, but could not organize for it in defiance of the leadership, because of the weakness of autonomous structure and culture to empower an organized internal dissent. Furthermore, certain institutional features of the plan, as well as the ambiguous, polysemic character of the discourse of "economic democracy", made it challenging to concretely articulate how the society and workers' lives would be transformed under labor control of firms.

As the Meidner-Hedborg Plan was defeated internally, the Wage-Earner Funds were completely re-interpreted by the SAP leadership around Kjell-Olof Feldt, as a tool to secure increased capital formation while minimizing class conflicts. The new version of the Wage-Earner Funds, which I

call the Feldt Plan, was congruent with the neoliberal turn of the SAP leadership in the early 1980s. The Swedish Parliament finally enacted the Wage-Earner Funds in 1983, based on the modified version of the Feldt Plan. But it had a very limited impact on the Swedish economy and society during their seven years of operation.

The Meidner-Hedborg Plan was the most paradigmatic, ideal-typical example of the social democratic path to socialism. Based on an analysis of this critical case, I posit that contradictions of social democracy are rooted in containment of autonomous rank-and-file movements. The case of the Wage-Earner Funds in Sweden highlights the vital importance of internal democracy in struggles for an emancipatory society, not only as a matter of principle, but also as a question of strategy.

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Abbreviations

ABF	Workers' Educational Association (social democratic)
DGB	German Trade Union Confederation
LO	Swedish Trade Union Confederation (social democratic)
MHP	Meidner-Hedborg Plan
SAC	Central Organization of Workers in Sweden (syndicalist)
SAF	Swedish Employers' Confederation
SAP	Swedish Social Democratic Party
SIF	Swedish Union of Clerical and Technical Employees in Industry (TCO affiliate)
SPD	German Social Democratic Party
SSKF	Swedish Social Democratic Womens' Federation
SSU	Swedish Social Democratic Youth League
TCO	Swedish Confederation of Professional Employees (politically independent)
VPK	Left Party Communists
WEF	Wage-Earner Funds

Timeline of Events

1969	Miners' wildcat strike
1971	LO Congress adopts a motion to create a research committee on the Wage-Earner Funds
1973	LO's research committee on the Wage-Earner Funds was created, Meidner appointed as Chair
1974	Meidner and Hedborg embark on a research trip to Germany and Austria, decide on the transformative option
1975	The state commission on the Wage-Earner Funds was created
August 1975	The Meidner-Hedborg Plan was released publicly
Fall 1975	Educational groups and information events on the Meidner-Hedborg Plan
March 1976	The LO Board expresses support for the Meidner-Hedborg Plan
June 1976	LO Congress adopts the Meidner-Hedborg Plan
June 1976	TCO Congress discusses a report on Wage-Earner Capital
Sept. 1976	General Election, the Social Democrats lose power
Spring 1977	The LO-SAP working group begins work, with Hedborg as Chair
February 1978	The LO-SAP compromise plan on the Wage-Earner Funds released publicly
April 1978	The first wave of campaigns against the Wage-Earner Funds begins
June 1978	The SAP Board rejects the February 1978 plan and faces strong opposition from rank-and-file militants
July 1978	The TCO proposal on Wage-Earner Capital released
Sept. 1978	SAP Congress upholds the leadership's position with minor modifications, after a heated debate
Winter 1979	Strong anti-Fund campaigns in the SIF
June 1979	TCO Congress refrains from taking a position in support of the Funds
Sept. 1979	General Election, the bourgeois coalition retains power
1979-80	Another SAP-LO commission on the Funds, chaired by Feldt
February 1981	The Feldt Plan released publicly
Sept. 1981	Both LO and SAP Congresses endorse the Feldt Plan
1981	End of the state commission's work, without any conclusive report
1981-83	Intensive business mobilizations against the Wage-Earner Funds
Sept. 1982	General Election, the Social Democrats return to power
May 1983	A further revision of the Feldt Plan
Oct. 1983	October 4 th mass demonstration against the Wage-Earner Funds
Dec. 1983	The Wage-Earner Funds based on the Feldt Plan adopted by the Swedish parliament
1984	Beginning of the operation of the Wage-Earner Funds
1990	End of the operation of the Wage-Earner Funds
1992	The Wage-Earner Funds dismantled and dissolved

Preface

Capitalism isn't working. While the few control untold trillions of dollars of wealth that they have extracted from people and lands across the world, the many live in precarity, indebtedness, squalor, misery and destitution. Since the global defeat of the emancipatory movements of the 1960s and 70s, neoliberalism has ruled the world with brutal repression and the myth of the bourgeois interest as the universal interest. But the global financial crisis of 2008 laid bare its deceit and a wave of mass movements and uprisings across the world in the 2010s greatly destabilized its hegemony.

People in rage and defiance occupied public squares - Syntagma Square and Puerta del Sol, Zuccotti Park, Gezi Park and la Place de la République – fighting for protection of people's livelihood, essential social services and public resources from the ravages of austerity and power of creditors. In Greece and Spain, hardest hit by the crisis of 2008, the movement of squares was joined by a series of general strikes, posing a profound challenge to the austerity regime. The 2010s also saw numerous student uprisings against commodification of higher education, most notably in Chile, Québec and the UK, and against the climate catastrophe in the Fridays for Future school strikes across the world. Propelled by the street mobilizations, new parties that came from the left – Syriza, Podemos, France Insoumise – and socialist politicians such as Jeremy Corbyn and Bernie Sanders transformed the political landscape. The Arab Spring, which toppled multiple governments, was also fueled by immiseration of the vast majority of the population, caused by imposition of neoliberal politics across the region.

These 2010s' emancipatory movements have focused on fighting against commodification, marketization and distributional inequality. They are a reaction of the society against domination by the market – which Karl Polanyi called double movements. Polanyi (1944) saw commodification of “fictitious commodities” – land, labor and money - as the basic contradiction of a market society, and therefore the solution would be decommodification of fictitious commodities, to limit the stranglehold of a self-regulated market over society. In the squares and corridors of left parties, inequality and corporate greed were decried, and policies such as corporate regulations, wealth tax and universal basic income are pursued. Indeed, market exchanges and distribution are where ravages of neoliberal capitalism are intensely experienced. But what has attracted relatively little attention, even in the resurgence of socialism in the past decade, is what Karl Marx called the “hidden abode of production”.

The sphere of production has always remained central to capitalist accumulation, even if the sphere of exchange may be more visible. The problem is not only commodification, but capitalism itself - relations of production rooted in private ownership of means of production. It is because the vast majority are deprived of what they need to produce their livelihood, they must sell their capacity to work to those who do own the means of production. It is this fundamental disparity of power that enables capitalists to make a profit by exploiting workers. As Thomas Piketty (2014) has demonstrated, the main driver of accelerating inequality of wealth is the rate of return on capital greater than the rate of growth. Capital can generate such high returns through exploitation, by virtue of their control over the means of production.

In a capitalist society, capitalists control decisions on production and investment – what is to be produced and how – based on maximizing their profits, rather than the interests of workers or the public. They invest and produce, or refrain from doing so, without concerns for workers' employment, social usefulness of products or ecological damages; these are supplementary concerns at best. Indeed, even capitalists are compelled to maximize profits due

to their own market dependence for reproduction. Surveillance capitalism is one of the starkest manifestations of such private appropriation of economic power. The remarkable advances in information technology have been used and channeled to extract our behavioral data and predictions about our future in an ever-more sophisticated and minute fashion, only to be sold to the advertisers who are also seeking to maximize their profit. (Zuboff 2019) The potential of the technology to create a democratized public sphere and a more humane economy is precluded, because for-profit corporations own the means of technology.

Capitalism's profoundly undemocratic character is further demonstrated in politics. Not only do the private actors control vital economic decisions that are of critical public concern, but they also exert a systematic power over the state. Even where its leaders are elected through universal suffrage, the state is structurally subordinated to capital's interests, since they depend on capital's investment for the state revenue, creation of employment and livelihood for people. Capital can, and do, cease to invest whenever its profitability is constrained by policies that favor the interests of the working-class and society. Therefore, capital's stranglehold over the state extends far deeper than explicit corruption or their direct financial contribution to politicians, and decommodifying efforts continuously face such structural obstacles. Alongside their structural power over the state, capitalist firms constitute "private governments" of their own, as philosopher Elizabeth Anderson (2017) described. They are arbitrary and unaccountable dictatorships that "impose a far more minute, exacting, and sweeping regulation of employees than democratic states do in any domain outside of prisons and the military"; (Anderson 2017: 63) capitalism and democracy are plainly contradictory.

The most devastating failure of capitalism is the climate catastrophe. Anthropogenic emission of greenhouse gases, produced mostly by burning of fossil fuels, is destroying the material foundations of the entire modern society. The rise of fossil fuels in the early 19th century England was propelled by the class interest of the emergent industrial capital, whose preference for fossil fuels stemmed from its flexibility that enabled them to crush workers' power. (Malm 2016) The power of fossil capital has now grown to the point of devouring the entire planet. Even as its devastating effects have been conclusively established, more than three decades of scientific reports, international conferences and solemn pledges have been accompanied with nothing but continuous growth of carbon emissions, year after year. The ruling class has proven itself to be plainly incapable of securing conditions of its own reproduction, as well as of the livelihood of humanity as a whole.

A program of decommodification faces its limits because the power over production and accumulation is determinant in the final instance. The necessary solution involves common ownership of means of production, which has the goal of the socialist movement since the beginning of industrial capitalism. It is only when the means of production are owned publicly and run by the workers themselves, that resources can be allocated for the common good, socially useful production can be possible, and labor can become "not only a means of life but life's prime want." It is the only way in which a human civilization can overcome its existential ecological threats.

The devastating deterioration of the power of the working-class since the 1980s has greatly constricted the scope of our vision and ambition, so that a political project for collective, democratic control of capital may have appeared rather unrealistic, even in the insurgent moments of the 2010s. But considering the depth of the crisis, it is necessary to start imagining that possibility again. Erik Olin Wright's (2010) "Real Utopias" project explored numerous emancipatory projects on a smaller scale, offering an invaluable starting point for such an

analysis. But what can further enrich the literature is an analysis of a historical example of a macro-scale, comprehensive plan for working-class ownership and control of the means of production.

The Wage-Earner Funds plan in Sweden in the 1970s is among the most far-reaching transformation of ownership of capital proposed in an advanced capitalist society. The Wage-Earner Funds, in its initial form, sought to socialize much of the economy in several decades, by gradually transferring shares of most firms into labor funds. Developed by union researchers Rudolf Meidner and Anna Hedborg, it was officially proposed by the powerful Swedish union confederation LO in 1976. The transformative Wage-Earner Funds failed to be adopted, even in Sweden, where the working-class organization reached its zenith in the history of capitalism anywhere. History of the rise and fall of the Wage-Earner Funds offers us a critical case of the social democratic path to socialism, and contributes towards constructing a socialist imagination, in the world where “it is easier to imagine an end to the world than an end to capitalism.”

Introduction

Ever since Karl Marx and Friedrich Engels called for abolition of private capital and common ownership of means of production in *the Communist Manifesto*, the spectre of socialism has haunted capitalism everywhere. In an advanced capitalist society, nevertheless, socialist revolutions and possibilities thereof appear to have receded, as capitalism is protected by the sturdy fortresses of the state and civil society. (Gramsci 1971, Anderson 1976) What are the prospects for a transition from advanced capitalism to socialism, and what are the contradictions of a social democratic path to socialism? The crucial moments of crisis, when a significant challenge to reproduction of capitalism emerges, offer a unique and valuable perspective on understanding how hegemony is maintained. In this dissertation, I explore these questions through a concrete historical account of the significant attempt at introducing worker ownership of means of production; the “Wage-Earner Funds” (*löntagarfonder*) proposed in Sweden in the 1970s.

Real Utopias and Theories of Transition to Socialism

Erik Olin Wright’s (2010) theory of “Real Utopias” provides a foundational theoretical framework to investigate “the feasibility of radically different kinds of institutions and social relations that could potentially advance the democratic egalitarian goals.” (2010: 1) Wright envisages three broad typologies of transition to socialism, conceived as ideal-typical paths; revolutionary (“ruptural”), anarchist (“interstitial”) and social democratic (“symbiotic”). (2010: 303) He considers the social democratic path, based on a series of mutually beneficial arrangements between the classes, as the most realistic one in an advanced capitalist society, even though no paths are without serious obstacles. (2010: 307)

In the symbiotic strategy, these “positive” class compromises occur when reforms that promote working-class interests also happen to be useful to capitalists. He argues that while an increase in working-class power usually undermines capital’s material interests, after a certain point, their associational power can “help capitalists solve certain kinds of collective action and coordination problems.” (Wright 2000: 978) For example, when working-class institutions grow in size and resources, in the form of labor parties, unions and works councils, they can also benefit capital by delivering stable corporatist cooperation, increased productivity and cooperation at the workplace, as well as Keynesian demand stimulation. (Wright 2000: 979) In such cases, where there is a mutually-beneficial relationship between “*the associational power of the working class and the material interests of capitalists*,” the former could grow without intense capitalist opposition. (Wright 2000: 958)

According to Wright, the social democratic path to socialism emerges as an eventual consequence of a series of positive class compromises, which would increase the associational power of workers significantly to the extent that they could have the power to transform capitalist relations as such. He acknowledges that accumulation of associational power would not have “the potential of cumulatively transforming the system as a whole” on its own, and that the symbiotic path has not been historically successful in leading to transcendence of capitalism. (2010: 364) While class compromises may bring a society to the brink of socialism, the class interests would inexorably and diametrically be opposed when it comes to transformation beyond capitalism.

Nevertheless, the social democratic path envisages that growth of working-class associational power through class compromise would necessarily be a positive factor in realizing

such an emancipatory transformation, and that the sole obstacle would be lack of sufficient associational power to overcome inevitable opposition of the dominant classes. Wright assumes the political orientation and interest of such working-class associations to be invariable and directed towards emancipatory transformation; he therefore conceives class struggle linearly as a contest between dominant and dominated classes, whose outcome is determined by the amount of class power held by each. The assumption is that there is no obstacle for associational power of the subordinated classes to be deployed towards struggling for an emancipatory transformation, other than the lack of sufficient such power; the question then always becomes that of capacity rather than interest. The linear approach to “associational power” that Wright uses, namely the numerical strength of unions and social democratic parties, such as high levels of union density and electoral support, misses the most important dynamics.

In contrast to Wright’s emphasis on dominant class mobilization as the primary obstacle to Real Utopias, a number of scholars have proposed mechanisms centered on *consent* in a Gramscian sense. Antonio Gramsci argues that in Western advanced capitalist states, class rule is maintained not only or even primarily through directly coercive measures, but through hegemony that is the “combination of force and consent.” (1971: 238, 80) Consent is based on presentation of the interest of a hegemonic group as equivalent to the universal interest; hegemony involves an “entire complex of practical and theoretical activities with which the ruling class not only justifies and maintains its dominance, but manages to win the active consent of those over whom it rules.” (Gramsci 1971: 244) In order for relations to be hegemonic, the subordinated must gain something concrete beyond a figment of ideological imagination; even while the interests of the hegemonic group prevail in the final instance, the ruling class cannot simply impose their narrow, immediate material interests in its entirety. (Gramsci 1971: 182) I suggest that we can identify three distinct foundations of such consent, which I term as rationalist, culturalist and institutional.

Adam Przeworski offers the most comprehensive theory of a *rationalist* interpretation of Gramsci. Przeworski argues that advanced capitalism creates a structure in which it becomes rational for workers to reproduce capitalism, rejecting explanations based on repression or ideological domination. (1985: 3) For Przeworski, hegemonic consent requires material foundations that continuously reproduce itself, which is no other than ownership of means of production. (1985: 136) Because workers are depending on them for production, investment and employment, it is in the real interest for them to support what increases the level of profit, at least in the short-term, rather than challenging power of private capital which could lead to disinvestment and capital flight, both through capitalists’ expectations and the actual reduction of profit. “Under capitalist organization of production, capitalists appear as bearers of universal interests,” Przeworski (1985: 139) argues, because it is indeed the case that “the realization of interests of capitalists is a necessary but not a sufficient condition for the realization of interests of any other group.” Therefore, the working-class could benefit if “capitalists are made to cooperate” in growing production and make material concessions to them. (Przeworski 1985: 145) This aspect of the theory conforms to the “social democratic peak” of the Wright’s symbiotic path, as well as the logic of postwar social democracy in Europe; but unlike Wright, workers in this theory would have no reason to pursue a direct challenge to the ownership of capital. Even if workers eventually gain far more under socialism than they would under capitalism, they nevertheless face the “valley of transition”, in which the situations for the whole society – including the workers – become worse before it can even potentially get better.

The character of electoral politics further compounds the problem for socialism. Under democratic capitalism, social democracy has no realistic choice but to participate in elections. But the structure of elections is inherently biased against transformative aims, because of its individualizing and short-term character. Parties are compelled to maximize their electoral performance on a short-term basis, which makes it impossible for them to transcend the valley of transition under regular circumstances of a capitalist democracy. Furthermore, Przeworski argues that electoral politics structures voters as individuals rather than an (already-formed) class and that the class structure of an advanced capitalist society does not provide a solid “working-class” majority of voters (defined solely as blue-collar, industrial workers and their families). A combination of these factors creates a dilemma between what he calls working-class centered strategy and cross-class strategy. If they seek to expand the electorate through cross-class appeals, because of the absence of a “working-class” majority, they weaken their own working-class character and its support base among the “working-class,” disorganizing them. Similarly with this line of argument, Poulantzas (1973: 189) argues that the main function of the liberal state disorganizing workers into individuals rather than a class.

In contrast, many theorists have argued that consent to capitalism on the part of the dominated classes is created culturally and discursively, such as through the mass culture and media, educational institutions, and political discourses that articulate political identities and meaning. In a culturalist theory, control over means of ideological production by the dominant classes and their allies enables cultural domination over the working-class, constituting the predominant mechanism of hegemony in an advanced capitalist society. Therefore, they interpret Gramsci as first and foremost the theorist of symbolic and idealist dimension of hegemony.

Stuart Hall (1985), a preeminent theorist of cultural hegemony, emphasizes active construction of bourgeois hegemony by the dominant class. His analysis of Thatcherism’s success in Britain identified construction of “authoritarian populist” ideology by the Conservatives, as a hegemony-seeking project, as the key to its success. Hall (1985: 118) emphasizes “the ways in which popular consent can be so constructed, by a historical bloc seeking hegemony, as to harness to its support some popular discontents, neutralize the opposing forces, disaggregate the opposition and really incorporate *some* strategic elements of popular opinion into its own hegemonic project.” Laclau and Mouffe (1985) share with Hall the centrality of ideological struggles, and argues that socialists must focus on discursively shaping hegemony by articulating “chains of equivalence” – connections between various disparate concepts that can be shaped into a coherent politics through discourse. While the mechanisms of construction of consent in this vein of analysis differs from the rationalist framework, this strand of analysis tends to share the view that workers themselves did not (or were made not to) want it; and both of these theories fail to analyze interests and views of “workers themselves” as distinct from those of workers’ institutions and their leaders.

Other scholars, such as James Scott (1985: 316), engaged with Gramsci more critically. Scott counters what he takes as Gramsci’s view of false consciousness, and argues that the dominated are generally skeptical of the values and discourses of the dominant, being “able to penetrate and demystify the prevailing ideology on the basis of their daily material experience”, even when they act obediently to avoid repression. (Scott 1985: 317) At the same time, that consciousness is not a radical or a revolutionary one; “the objectives sought by rank and file of revolutionary movements are usually reformist and limited”, he argues, and they act in a revolutionary manner only when even the reformist goals could not be met otherwise. While

Scott criticizes Gramsci, it is the ideational interpretation of Gramscian theory that he engages with.

In contrast to these theories, I propose a framework centered on structures and operations of working-class institutions themselves to explain reproduction of capitalism at its most critical moments. Class struggle is not an unmediated confrontation between classes, but rather channeled through institutions, whose political character is determined through their internal structures and struggles. Working-class institutions must be analyzed as crucial sites of struggle on their own, rather than assuming their unitary character. Because of the tendency towards internal centralization of power that creates a leadership stratum within them, whose interests are distinct from the class generally, labor parties and unions are both simultaneously the pivotal sites for organization of resistance and generation of consent. (Michels 1915, Offe and Wiesenthal 1980, Miliband 1969, Panitch 1986) While the rationalist and culturalist approaches to Gramsci offer useful insights, they can best be understood as operating in relation to organizational dynamics. These internal struggles within working-class organizations are not separate from inter-class struggles between labor and capital; the former is structured by, and in turn affects, the latter.

Gramscian Hegemony, Michelsian Oligarchy

For Gramsci (1971: 238), a political and social order is maintained through force in societies where civil society is weak and “gelatinous”, while the hegemonic form of domination based on consent is enabled in situations with an extensive civil society. Workers and other members of the subordinated classes can be incorporated through civil society organizations without a class basis, or through disorganization, both of which correspond to weak associational power of the working-class. However, I posit that hegemony is in fact most effective when the *institutions of the subordinated classes* themselves actively participate in its creation and maintenance. When the working-class is well-organized and their organization is inclined to maintaining the existing system in which they have a substantial power, they would be more effective than the bourgeoisie itself at incorporating, integrating, disciplining, and securing active consent among the workers, so that they do not pose a threat to capital accumulation and the social order more broadly. In particular, the mass party is an exceptionally powerful mechanism of incorporation of the dominated classes into the existing rule through *hegemony*, precisely because of the strength of their attachment to the party and because the elite “sprang from the people.” The more firmly and prominently these institutions are integrated in the state, and the broader and deeper their influence is among the whole classes, the more expansive and effective hegemony becomes, as workers are incorporated in the hegemony through the institutions of “their own” and gain an even greater interest in maintaining the existing system. In an expansive hegemony, rather than a bourgeois party constructing hegemony to win active consent of the working-class, that very function itself could to a large extent be delegated to the labor movement.

The theory of oligarchy by Robert Michels (1915) and many scholars following him help to substantiate this mechanism. Michels was a student and collaborator of Max Weber, and heavily influenced by Weber’s theory of modern bureaucracy. (Scaff 1981) But unlike Weber, Michels was a socialist, with some syndicalist leanings. Michels joined and participated in the Social Democratic Party (SPD) of Germany, the most influential of mass socialist parties in pre-war Europe, but he was disillusioned by the absence of democracy in the party. Combining Weberian sociology and syndicalist politics, Michels argued that there exists a strong tendency

towards oligarchy in any political organizations, even those that seek to democratize a broader society. He analyzed the oligarchical transformation of the Second International parties, particularly the SPD, to show that even revolutionary parties with their proclaimed commitment to thorough democratization of society and the state descended into a top-down, undemocratic structure. Therefore, he famously proclaimed that “who says organization, says oligarchy,” casting a grave doubt on any possibilities of democratization of society. (Michels 1915: 418)

Michels envisages numerous reasons for the oligarchical tendencies, which I argue can be categorized into the organizational and the psychological. Many of Michelsian mechanisms are rooted in what he calls the “technical indispensability of leadership.” (400) Due to the scale of necessary work for coordination, a modern party or union cannot function without a hierarchical leadership and paid bureaucracy. Technical and practical need for leadership in a mass organization leads to creation of specialized and hierarchical roles, which involve concentration of power, resources, expertise and symbolic capital in the hands of leaders and staff. These resources give them a decisive advantage over rank-and-file members. Once established, further concentration of power is legitimated and valorized in the name of maximizing efficiency to combat political enemies, on the basis that “social democracy is not democracy, but a party fighting to attain democracy.” (Michels 1915: 89) It is the party leaders who come to be identified as “the party,” hence party unity implies following them. Furthermore, the leadership stratum comes to depend on the organization for their career and livelihood, as well as their social connections, prestige and identity. This produces a powerful incentive for prioritization of organizational preservation and growth, such as maximal pursuit of members, their dues and votes, even at the expense of their ostensible political aims. Through a combination of these factors, the party itself becomes an end rather than a means.

The organizational mechanisms are, however, only half the story for Michels. He also develops a distinct strand of causes for oligarchy, based on psychological factors. The psychological mechanisms are based on the claim that masses are naturally obedient, apathetic and mindless. Michels (1915: 98) argues that rank-and-file members are possessed of “an instinctive need for stability,” and largely do not participate actively in party affairs, except to show gratitude and veneration towards their leaders. Influenced by Gustave Le Bon’s crowd psychology, he assumes the masses to be impressionable and manipulable by leaders. The former’s incompetence in politics is “almost universal” and thus “constitutes the most solid foundation of the power of the leaders,” Michels (1915: 86) asserts. Indeed, there can never be a hope for democracy, inside the party and in society, if he were correct to claim that “the objective immaturity of the mass is not a mere transitory phenomenon... it derives from the very nature of the mass as mass... because the mass per se is amorphous, and therefore needs division of labour, specialization, and guidance.” (Michels 1915: 404)

Michels is somewhat contradictory on the prospect of resistance from rank-and-file members. On the one hand, he posits that even if members are dissatisfied with labor leaders, they do not actively counter them; “the masses are often sulky, but they never rebel, for they lack power to punish the treachery of the chiefs,” he writes. (Michels 1915: 158) But he also envisions some ways in which such a concentration of power would, at least occasionally, be challenged by dissatisfied militant members, contrary to the popular imagination that the oft-invoked phrase “iron law of oligarchy” evokes. In fact, he raises multiple examples in the German SPD where members rose up, even though - as he is keen to emphasize - they rarely succeed. “It cannot be denied that the masses revolt from time to time, but their revolts are always suppressed,” he therefore concludes, rather contradicting the earlier claim that “they

never rebel.” (Michels 1915: 162) When a revolt occurs, the leaders would always triumph over rebelling masses if the former remain united, and sometimes by coopting capable leaders of the militant rank-and-file into the leadership cadre. (Michels 1915: 157, 177)

I interpret and apply Michelsian mechanisms of bureaucratization as general tendencies that are shaped, contested, and strengthened or weakened in each historical context, rather than as a deterministic “iron law”. The organizational strand in Michelsian theory allows for an analysis of internal contestations, and variations across cases on the level and character of oligarchy. On the other hand, explanations of oligarchy focused on psychological reasons are essentialist and ahistorical, and cannot explain internal contestations since they would not be supposed to happen. Consent of the masses within the parties has to be constructed, rather than psychologically assumed. They are an outcome of political contestations, rather than an invariable aspect of the human psyche.

An integration of the organizational part of Michels with Gramscian theory of hegemony provides a fruitful approach to understanding the contradictions that working-class struggles face in an advanced capitalist society. But Gramsci himself does not share the critique of hegemony as exercised within workers’ parties. Gramsci criticized Michels’ theory as “confused and schematic”, and that it ignores the fact that “to acquire democracy within the state it may be necessary – indeed, it is almost always necessary – to have a strongly centralized party.” (Gramsci 1992: 323-324) In his view, as well as that of neo-Gramscian scholars of political articulation theory (de Leon et al. 2009), the party is an essential agent to form and unify the working-class and then exercise a hegemonic leadership over other classes. For that purpose, Gramsci affirms that hegemony within a proletarian party is rather positive and necessary, a reflection of the leadership’s effectiveness in leading the party.

Gramsci envisions a leadership composed of “organic intellectuals” organizing consent internally through extensive popular education in the party, “the active participation of members in the intellectual discussions and organizational life of the parties.” (1992: 324) He writes that leaders *should* guide the rank-and-file through “conscious leadership” and create “unity between ‘spontaneity’.” (1971: 198) This type of leadership would obviate a threat of internal oligarchy and enables the party to embody “a collective will tending to become universal and total” or the “Modern Prince.” (1971: 129) He calls such a party “democratic centralist” as opposed to “bureaucratic centralist”; the former is “organic” in the sense of a “continual adaptation of the organization to the real movement, a matching of thrusts from below with orders from above, a continuous of insertion of elements thrown up from the depth of the rank and file into the solid framework of the leadership apparatus.” (1971: 188-189)

How does Gramsci’s view of an ideal party leadership relate to Michels’ critique of party oligarchy? Sociologist Darcy Leach’s (2005) interpretation of Michelsian categories helps to clarify it. Leach analyzes more deeply what is meant by “oligarchy”, whose definition is not necessarily clear in Michels. Firstly, Leach (2005: 329) defines oligarchy as “a concentration of entrenched illegitimate authority and/or influence in the hands of a minority, such that de facto what that minority wants is generally what comes to pass, even when it goes against the wishes (whether actively or passively expressed) of the majority.” Her distinction between authority and coercion depends upon whether the majority goes along with the leadership “willingly” (if legitimate), or “grudgingly” (if illegitimate), the latter being caused by rewards, sanctions or deceit. Therefore, Leach (2005: 330-331) argues that commonly used indicators of oligarchy, such as lack of leadership turnover, minority control of resources, and low participation levels are “suggestive but insufficient indicators of oligarchy.” These are not conclusive proofs of

oligarchy, she argues, because members may “want” the same leaders for many years and be happy to leave the work to leaders and resources may not be used “illegitimately”; in contrast, all forms of concentration of power are “illegitimate” for Michels.

Leach’s analysis helps to distinguish two main factors of oligarchy; concentration of power and perceived legitimacy. Leach herself rejects the view that legitimate authority constitutes an oligarchy. She defends the “subjective definition of legitimacy”, because to do otherwise would be to make a paternalistic judgment over members who willingly support the leadership. In Gramscian terms, if the leadership establishes hegemony over the rank-and-file, by convincing them through popular education so that they follow the leaders “willingly,” it would not be an oligarchy. Nevertheless, whether we label such leadership an “oligarchy” or not, we can identify the hegemonic type of party as one characterized by high level of concentration of power as well as high levels of perceived legitimacy by members. The hegemonic party allows its leadership the greatest capacity to pursue their own interests and policies, compared to the system of domination (which can invite more internal rebellion) or that with low concentration of power at the top.

	Consent	Coercion
High concentration of power	Hegemony (“democratic centralist”)	Domination (“bureaucratic centralist”)
Low concentration of power	Grassroots democracy	Conflictual

Table 0.1: Proposed typology of internal organization of parties

Internal Organization and Prospect for Socialism

Gramsci considers the hegemonic model of party as ideal, because he considers it as necessary for a working-class party to effectively challenge bourgeois hegemony. Following Lenin, he starts from the premise that spontaneous rank-and-file consciousness is limited and insufficient because of bourgeois hegemony in society; therefore, organic intellectuals of the working-class *should* establish hegemony internally so that they can best lead a class struggle against the bourgeoisie. In working-class parties, it is imperative that “hegemony will be exercised not by privileged groups but by the progressive elements,” he emphasizes. (1971: 189) But Gramsci appears neither to seriously consider the possibility that such an imperative may not be fulfilled, nor develop a theory of why it *would* be fulfilled.

Michels’ own case for why high levels of concentration of power in a party preclude the possibility of accomplishing socialism – his grim conclusion that “the socialists might conquer, but not socialism, which would perish in the moment of its adherents’ triumph” (1915: 391) - is based only on the inevitable oligarchization of parties that are nevertheless necessary to construct a socialist society. But I suggest that additionally, high concentration of power in a socialist party in fact strongly predisposes them towards accommodation to bourgeois hegemony, because the leadership faces the greatest structural pressures and constraints pulling them towards an accommodationist approach. This has been analyzed in the Marxist tradition from the beginning, most notably by Rosa Luxemburg (1961 [1904]). Criticizing Leninist centralism according to which “the Central Committee would be the only thinking element in the party” and “all other groupings would be executive limbs,” she counters that opportunism is caused by parliamentarism and “considerable material means and influence of the large Social Democratic organizations.” There is nothing other than mass activity of the working-class itself that can prevent the rise of such opportunism from above. History of socialist movements across the

world since then has vindicated Luxemburg's case, and many theorists have elaborated on these mechanisms.

Firstly, as Offe and Wiesenthal (1980) argue, leaders of these organizations become predisposed to prioritize minimization of risks to the organization itself, rather than political aims of the class, by acting only through established modes of political action. By doing so, they seek an "external guarantee of survival" independent of the power of organized workers themselves. Their actions towards that end often include minimizing, if not actively suppressing, contentious actions by the workers, even though in the longer-term it weakens a political capacity of the organized class, as it was militant labor struggles that compelled capital to compromise in the first place. Indeed, this mechanism is implicit in Wright's symbiotic path too, even though its implications are not fully accounted for in the model. In the symbiotic period, labor gains "associational power" with tacit permission of capital partly or largely by reducing their militancy. Offe and Wiesenthal (1980: 81) capture the relationship better in their model of an inverse U-curve between labor's "potential of power" – which corresponds to "associational power" – and their "ability to exercise power"; the latter rises along with the former at lower levels, but after an optimum point an inverse relationship sets in and union power declines due to bureaucratization and demobilization.

Relatedly, a leadership of labour parties and unions in an advanced capitalist society is predisposed towards a commitment to maintaining capital's profitability, even at the expense of immediate interests of workers. (Panitch 1986) Under capitalism, as production largely depends on private investment, the entire society is dependent on investment for the sake of profit. (Przeworski 1985) The working-class dependence would indeed deepen when workers have obtained concessions in the form of the welfare state. Przeworski (1985) invokes this as evidence that workers in general have at least a short-term interest in maintaining profitability; but it is in fact power-holders in working-class organizations, directly involved and integrated into class compromise and management of the existing capitalist economy, who are most directly saddled with such "responsibilities." A claim for barriers to anti-capitalist politics based on rational material interests must distinguish between those of workers and their leaders. Furthermore, the latter generally cultivates close cultural affinities and personal social ties with the ruling class milieu, as Miliband (1969) and others have demonstrated. Even if bourgeois cultural hegemony may permeate the entire society including the proletariat, its effects are distinct between the leaders of powerful working-class organizations and their rank-and-file; the former are distinctly more susceptible. These are why we must consider rationalist and culturalist mechanism of bourgeois hegemony as incorporated in, and mediated through, mechanisms of internal hegemony of proletarian organizations.

A mode of rule with a high level of internal hegemony in working-class political organizations can be called an "expansive hegemony," based on "the creation of an active, direct consensus resulting from the genuine adoption of the interests of the popular classes by the hegemonic class, which would give rise to the creation of a genuine 'national-popular will'." (Mouffe 1979: 183) A hegemonic working-class leadership plays an integral role in strengthening consent to the bourgeois hegemony, turning Gramscian theory upside down. Economically, an expansive hegemony provides tangible economic benefits to the subordinated classes, such as the welfare society, mass consumption and various forms of popular property ownership, beyond workers' dependence on capital's profitability that leads to a sufficient level of investment and production. These benefits usually come out of concrete concessions on the part of capitalists, through progressive taxation, the reduction of levels of profit through

regulations, etc. Ideologically, it is based on substantive integration of the worldviews and consciousnesses of the dominated classes in a hegemonic ideology; the dominant ideology in a hegemonic system does not simply reflect the ideology of the dominant class and its unmediated class interest. (Poulantzas 1973: 189, 203) To the extent that subordinated classes are actually incorporated hegemonically, its ideology involves a “rearticulation of existing ideological elements,” results in “the creation of a new world-view which will serve as a unifying principle of a new collective will.” (Mouffe 1979: 191-192)

Therefore, even though a hegemonic leadership within left parties may appear beneficial as it fosters party unity, it eventually stifles their capacity to act as an agent of radical transformation of society. We can then see the contradictions of the symbiotic path in a new light. Its obstacle is not necessarily that the working-class can’t counter the capitalist opposition at the decisive moment, but that it undermines the condition for the working-class to do so in the first place; and that is because accumulation of working-class associational power is dependent upon its demobilization as the condition of ruling class tolerance, which precludes realization of further reforms along the symbiotic path.

The Swedish Wage-Earner Funds in Context

In order to analyze theories of socialist transformations, it is crucial to analyze historical moments in which realization of emancipatory socialism - in the sense of collective ownership and democratic control of means of production - became a serious, concrete possibility. Wright theorizes the three ideal-typical paths to a “Real Utopia”, but they are described in a highly schematic fashion. Meanwhile, his discussions of concrete historical accounts are focused on various projects and institutions on a smaller scale, such as Wikipedia and participatory municipal budgeting. Considering that a successful, durable, large-scale democratic socialist society has not yet existed, all paths contain difficult contradictions. Nevertheless, careful, detailed historical accounts of attempts at large-scale emancipatory transformation of an entire society are crucial for a better understanding of the three paths.

The voluminous literature has been dedicated to various historical moments of a ruptural transformation. While the space permits only the briefest description here, the question of organization played a crucial role in undermining the emancipatory character of various revolutionary movements. In the classic case of the Russian Revolution, a centralized, disciplined organization was built on the basis that it was necessary to maximize the power and effectiveness of the revolutionary forces against the immensely powerful class enemy. Yet, after its initial triumph, the same centralized, disciplined organization was turned against the revolution itself, forming the basis of a new autocratic regime. The global revolts of 1968 rejected such authoritarian state “socialism”, and emancipatory socialism was in the air across the world. The questions of bureaucracy and autonomy were a major theme in the upheavals of the era.

May 1968 in France, the Prague Spring in Czechoslovakia and the Popular Unity in Chile – among many others - sought to radically liberate their society, in a ruptural way, at least to some extent. In contrast, the Wage-Earner Funds (WEF), proposed in Sweden in 1975, is situated on the other end of the spectrum of transformative political projects of the long 1970s, a period of global upsurge of the left. The original WEF plan is a quintessential historical example of the symbiotic path to socialism - a parliamentary and gradual path towards socialism over several decades, through the exemplary mass organizations of labor embedded in a corporatist regime. Indeed, this is the concrete historical case that comes closest to the ideal-typical symbiotic

strategy in Wright's description. Nevertheless, compared to other historical examples, those of the symbiotic path - the one that Wright considers most realistic today - have been analyzed to a far lesser extent. Therefore, I posit that the events of the long 1970s in Sweden are worth examining in detail.

The original version of the Wage-Earner Funds was developed by Rudolf Meidner and Anna Hedborg, researchers working for LO (*Landsorganisationen*), the powerful social-democratic union confederation. They researched and wrote the proposal as an LO working group report, which they published in August 1975. This plan, which I call the Meidner-Hedborg Plan (MHP)¹, proposed to gradually and cumulatively transfer corporate shares to funds owned by organized workers, eventually leading to majority ownership of shares and thus control of the means of production by the union funds. The proposal would do so by mandating that all firms with more than 50 or 100 employees annually transfer newly-issued shares, worth 20% of the profits, to the "Wage-Earner Funds." The shares are to be inalienable from the Funds, so they will necessarily grow continuously over time and reach majority at some point. It was speculated that most firms would reach WEF-majority ownership in around 30 years, depending on the level of profit.

The MHP was greeted with a great fanfare and consternation. The LO newspaper proclaimed "now we shall take over!" while *Dagens Nyheter*, a liberal establishment newspaper, anxiously called it "Revolution in Sweden."² An overwhelming support from the rank-and-file workers shifted the LO leaders' position in a favorable direction, and the LO Congress in June 1976 officially endorsed the MHP, catapulting it in the national political discourse. But after its high point in 1976, the MHP was mired in endless negotiations between the LO and the Social Democratic Party (*Sveriges socialdemokratiska arbetareparti*, SAP), whose leadership was reluctant and skeptical at best towards what Meidner and Hedborg had proposed. The LO-SAP joint committee first produced a compromise WEF plan in February 1978, which substantially curtailed the MHP's radical aspects. This plan was itself rejected by the SAP leaders in June that year and led to another round of a joint committee producing a new WEF plan. In 1981, they developed yet another plan for the Wage-Earner Funds, which I call the Feldt Plan after its foremost proponent Kjell-Olof Feldt. The Feldt Plan was qualitatively distinct from the MHP and precluded any systemic transformation towards worker ownership, and its variant was finally enacted by the Social Democratic majority in December 1983.

Despite its eventual failure, Sweden came to the brink of socialism through the Meidner-Hedborg Plan. The plan offered an impeccably social democratic path to socialism, by socializing a portion of the firms' future profits without directly appropriating their currently-held assets, yet gradually leading towards a transformation of the relations of production based on the private ownership of means of production. It is no surprise, therefore, that Wright (2010:

¹ I refer to the 1975 and 1976 versions of the Wage-Earner Fund proposals, which included an in-built mechanism of continual transfer of profit-based shares to worker-controlled funds to the point of majority ownership, as the "Meidner-Hedborg Plan" (MHP). I use the term "Wage-Earner Funds" (WEF) to refer to all versions of plans for the Funds bearing that name (*löntagarfonder*), including the MHP in 1975 and 1976 as well as the later versions in 1978, 1981, and 1983, regardless of whether workers would gain a decisive control of the means of production. The plan is sometimes called the "Meidner Plan." Meidner, a prominent union economist, was the chair of the research committee and nominally the sole author of the 1975 proposal; however, as I demonstrate in Chapter 2, archival evidence shows that Hedborg played an equal part in developing the original plan with Meidner. Even though the plans after 1976 are also sometimes called the "Meidner Plan", I contend that such usage is inaccurate, since Meidner was only tangentially involved in drafting of the 1978 plan and did not support the later plans.

² *Dagens Nyheter*, August 27, 1975

355, 350) himself also raises the Wage-Earner Funds as one concrete example of the symbiotic path, noting also that postwar Sweden is the place that came closest to his ideal-typical model of symbiotic strategy. In social democratic Sweden, labor's gains were made in ways that also satisfy the capitalist interests in some ways, at least in the short- or medium-term. Swedish social democracy's associational power was unrivaled anywhere in the world; the party was in power for unprecedented 44 years between 1932 and 1976, while the union density remained above 80%. Their power was based on an agreement with the capitalist class, just as Wright theorized; unions delivered labor peace and high productivity for businesses, in exchange for consolidating their organizational power.

Power Resource Theory and the Linear Conception of Power

The dominant narrative of the failure of the WEF to socialize the means of production explains it as the limit of social democratic reforms and progress upon the wall of capitalist opposition. In this view, the emergence of the WEF as a radical project was due to the accumulation of working-class institutional power that enabled them to take the "next step" towards socialism, while its failure was due to their insufficient power in the face of the organizational might of capital.

Wright's (2010: 353-355) own explanation is as follows;

What happens to capitalist class interests as working-class associational power approaches this theoretical maximum? The control over investments is perhaps the most fundamental dimension of "private" ownership of means of production within capitalism. In most capitalist societies, even as working-class power increases, this particular power of capital is not seriously eroded... this fundamental aspect of capitalist property rights is not generally threatened within the normal range of variation of working-class power. When working-class associational power approaches its theoretical maximum, however, the right of capitalists to control the allocation of capital is called into question. Indeed, this is the heart of the definition of democratic socialism – popular, democratic control over the allocation of capital. This is what so scared the Swedish capitalist class when the Meidner plan of share-levy wage-earner funds was proposed in 1976. [...]

From the point of view of economic performance and even the middle-run profit interest of Swedish firms, it was arguable that this might be beneficial for Swedish capital, but it raised the possibility of a long-term slide towards democratic socialism by significantly enhancing the power of Swedish labor. The result was a militant attack by Swedish capital against the Social Democratic Party.

This observation serves the basis of his theoretical graph. It shows an upward slope in which "working-class associational power" and "extent of realization of capitalist interests" rise together in a symbiotic fashion up until the "social democratic utopia" of "optimal cooperation between capital and labor for mutual benefit"; after that peak, they are in an inverse relationship. (Wright 2010: 355) This downward slope is labelled the "zone of unattainability", which capitalist opposition does not permit. Even though Wright does not explicitly state that a "militant attack by Swedish capital" was the *cause* of the Wage-Earner Funds' failure, it is implied in his reference to "massive, hostile reaction by the Swedish capitalist class which launched a successful campaign to discredit it." (2010: 163) This premise is indeed rooted in the

entire framework based on a literally two-dimensional view of labor's power and capital's interest.

Wright's theory is congruent with that of the Power Resource Theory (PRT), championed by social democratic scholars such as Walter Korpi, Gøsta Esping-Andersen and John Stephens. As Korpi (1983: 4) puts it, the PRT's premise is that "in a capitalist democracy the probability of a development in the direction of economic democracy depends primarily on changes in the distribution of power resources between its major classes and collectivities." Power resources are conceived largely as the numerical strength of the unions and social democratic parties. High levels of union density mean more resources for unions, which lead to a better material outcome for workers. Even more importantly, the working-class parties can capture governmental power with more votes, which they can effectively use to institute policies that favor workers. Power resource theorists have established an influential framework for explaining the welfare state outcomes comparatively, demonstrating that social democratic strength in Sweden is the primary cause of its extensive welfare state and egalitarian economic outcomes. (Esping-Andersen 1990)

From the PRT perspective, Swedish Social Democracy took a radical turn in the 1970s because their organization became sufficiently strong to pursue a transformative agenda, but they could not achieve the most far-reaching transformation they sought because they were not strong enough against the power of the capitalist class. The PRT attributes the rise of radicalism to progressive accumulation of social democratic power and advancement of other social democratic reforms. The Swedish Social Democrats' unparalleled record of electoral success enabled them to establish a comprehensive welfare state under full employment conditions, realizing "a profound impact on the citizens' conditions of life and on social structure." (Korpi 1978: 100) Meanwhile their base had expanded, due to the expansion of the working-class caused by the long economic boom, and social democratic policies³ themselves that organized the growing white-collar workers into their column. (Korpi 1978: 323-324, 1983: 107, 210) These gains enhanced associational power of the workers and served to "move the frontiers of conflict... to the left," enabling them to press for more transformative reforms in an "attempt to go beyond the welfare state towards socialism." (Korpi 1983: 210, Stephens 1980: 190) Likewise, the absence of something like the Meidner-Hedborg Plan in other European countries such as Germany and the Netherlands was due to their comparatively weaker labor movement (Stephens 1980: 204, 199). Esping-Andersen (1985:10) further sees the WEF itself as a demand that can further unite the interests of the whole working class and can enhance its institutional power, compared to distributive conflicts that could pit fractions of workers against each other.

This narrative, shared by PRT scholars as well as Social Democratic leaders of the era, envisages a gradual, linear progression of reforms that culminate in socialism. "Economic democracy" is cast as the third stage in the long, gradual process towards democratization, after political democracy (universal suffrage) and social democracy (welfare state). (Korpi 1983: 209) Such a story paints the WEF as a rather conscious attempt on the Social Democrats' part to realize socialism, which they always wanted but could not take up earlier due to the lack of sufficient power resources. (Stephens 1980: 177, Korpi 1983: 221) Stephens further invokes the WEF to claim that "the transition to socialism has not and will not be prevented by the absorption of the Social Democratic labour movement into the capitalist system," against neo-

³ In particular, implementation of the General Supplementary Pension (*Allmän Tilläggs pension*, ATP) in the late 1950s, which provided a public earnings-related supplementary pension beyond the basic flat-rate pension, played a key role in incorporating the "middle-class" workers to the Social Democratic base. See Esping-Andersen (1985) for the role of social democratic policies in expanding its own base.

Marxist critics of social democratic corporatism who saw it as an integration into capitalism; the absence of such a radical program in the earlier periods had been due to their lack of power and not because they were “a sell-out.” (Stephens 1980: 194) The power resource theory is less oriented towards explaining the failure of the Funds, as it emphasizes the associational power of the Swedish working-class. Esping-Andersen (1985: 110-111), for example, describes the cause of its loss rather vaguely as “the gradual exhaustion of the postwar social democratic political model which... appear[ed] tired and uninspired” but admitting it was “difficult to pin down concretely.” Nevertheless, the PRT approach is congruent with the dominant view in the literature on the Wage-Earner Funds; that it failed because the power resources of businesses dwarfed that of labor, which became evident when the plan encountered the intense capitalist opposition.

Mark Blyth (2002) offers an influential account that emphasizes the massive business mobilizations as central to the failure of the Wage-Earner Funds, which he situates as the main part of his ideational account of the rise of neoliberalism in Sweden. Blyth argues that the “coordinated action by the SAF [the Swedish Employers’ Confederation] was key in turning the tide against embedded liberal ideas and institutions”, referring to postwar social democracy. (2002: 209) He describes how the SAF began to take a new, class-antagonistic strategy from 1977 under the newly-appointed director Curt Nicolin, increasing a portion of the budget devoted to propaganda and founding the new Timbro think tank in 1978. Blyth contends that these business-led think tanks and campaigns played a role whose “importance cannot be overemphasized” in disseminating neoliberal ideas – such as perception of the public sector as a burden on the economy, primacy of reducing inflation at the expense of full employment, a balanced budget, etc. - and these ideas then began to influence establishment newspapers, as well as some prominent (former) social democratic economists such as Assar Lindbeck and Nils Elvander. (2002: 215)

The ideational offensive by the SAF also decisively shifted the terrain on the Wage-Earner Funds. Blyth focuses on the unprecedented 60 million krona⁴ spent by the SAF for the anti-Funds campaign in 1982 alone, as well as the October 4th rally in 1983, which brought 75,000 people to the streets of Stockholm to march against the Funds and was coordinated by top-level industrialists. (2002: 210) The WEF became the issue of great political symbolism, and defeating the Funds was the beginning of the SAF’s triumphant ideational march, which they furthered in the course of the 1980s though neoliberalization of the Social Democratic economic policy. (2002: 214) Blyth ties in his analysis of the WEF’s defeat with the broader theoretical argument for the centrality of ideas in institutional transformations, as opposed to the “brute” economic factors” or the “nature of the constraints of the global economy.” (2002: 222) For other scholars advancing a capital-centric interpretation of social democracy and corporatism, such as Swenson (1989: 176), it was “rather unsurprising” that the WEF failed because it “deeply antagonized employers in SAF, mobilizing and unifying the economic and political Right to a degree highly unusual in Sweden.”

The focus on business opposition as the primary cause has become such a dominant narrative, as to have been adopted by many other scholars who reference the history of the Funds in the broader context, as the quintessential case of a socialist reform gone too ambitious to meet the irresistible wall of capitalist counter-offensive. Wright’s (2010) work is the most prominent of such example; McCarthy (2018) and Gindin (2016) similarly attribute it to capital’s opposition, but in particular their ability to disinvest in the face of their threats to class power.

⁴ \$18.3 million in today’s (2018) US dollar. <http://www.scb.se/hitta-statistik/sverige-i-siffror/prisomraknaren/>

But the Power Resource explanation of the rise and fall of the Wage-Earner Funds does not reflect the historical development of the plan. As I shall demonstrate, historical evidence shows that it emerged neither because of the numerical strength of the labor movement, and nor because the leadership of the labor movement decided it was time to fight for socialism. As Pontusson (1984: 87) noted, this radically transformative plan was not a “conscious decision to opt for a strategy of transition.” When it comes to an explanation of the failure, the Wage-Earner Funds’ failure to transform class relations in Sweden cannot be primarily attributed to the business mobilizations against the Funds. As we shall see, the organized capitalist opposition played only a marginal role in the demise of the Meidner-Hedborg Plan, because by the time the first counter-campaign began in 1978, the radical phase of the Funds plan was largely over. It was demise of the Meidner-Hedborg Plan in particular, rather than the Wage-Earner Funds in general, that undermined any possibility of substantially democratizing the economy. The Meidner-Hedborg plan was rejected and then replaced by system-reinforcing Feldt Plan by 1981, primarily due to political forces and factors internal to the Social Democratic institutions. The business counter-mobilizations of a gigantic scale occurred in the 1981-83 period, after the Feldt version of the WEF had officially been adopted by the Social Democratic Party leadership.

Critique of the PRT and Production of Consent

Jonas Pontusson has offered one of the trenchant critiques of various assumptions and implications of the Power Resource Theory. Pontusson criticizes the PRT for assuming the labor movement to be a “more or less unitary and rational actor with an inbuilt system-transformative drive.” (1992: 17, 1984: 86) Because the labor movement’s goal is assumed to be pre-given and static, and that the greater level of organization automatically leads to more power as well as a higher level of aspiration among workers, the PRT grants little importance to political struggles within the movement. (1984: 96) Furthermore, the PRT ignores the qualitative difference between social democratic and socialist politics, treating the latter as if it were “as a more developed form of the class consciousness” cultivated by traditional social democracy. (1984: 88) Instead, Pontusson (1984: 86) argues that while the distribution of power resources is certainly significant, they should be considered more as a “constraint on, rather than a motive for, class action”, because the amount of power resources it possesses doesn’t determine what it fights for. His critique of the PRT’s theoretical basis offers a starting point for developing an alternative account of history of the Wage-Earner Funds, focusing on formation of labor movements’ own preferences.

While Pontusson’s account is a nuanced and multicausal one, his basic framework can be called a rationalist one, interpreting its politics “in terms of labor’s interests and the economic conditions for their realization.” (1992: 18) Pontusson (1992: 19) criticizes Przeworski’s theory for determinism too rigid to explain emergence of radicalism in social democracy and allow for any possibility of socialist transition. Furthermore, Przeworski’s (1985) theory of electoral constraints for social democracy assumes that socialist policies cannot appeal to those beyond the “working-class”, which he unduly defines as limited to industrial blue-collar workers. It is worth noting that Przeworski (1977) himself had developed a far more historical and contingent account of class formation, contradicting his later work. Despite these critiques, however, Pontusson shares the later Przeworski’s basic premise that labor’s interests and goals are shaped rationally by changes in the process of capital accumulation, and seeks to apply it to the rise of the Funds as well as its fall.

Pontusson attributes the rise of labor radicalism to the crisis of the postwar economic model, that it was a “response to economic developments that undermined the viability of labor’s postwar strategy and made private control of investment an increasing problem for the labor movement.” (1992: 97, 1987: 15-17) Development of the global economy led to divergence of private investment patterns from labor’s interests, as maintenance of full employment became increasingly challenging. Increasing global competition undermined the competitiveness of Sweden’s exports, further rationalization generated less new employment out of new investment, and enhanced capital mobility in the advanced sectors of industry ruptured the link between profit and new investment. (1992: 122, 104) Consequently, labor “would have had to accommodate a major increase of private profits or introduce reforms that involved collective ownership” in order to ensure a sufficient level of investment, aligning their interest with the latter. (1992: 122)

When it comes to an explanation of the fall of the Funds, Pontusson offers numerous causal factors, yet his explanation ends up as not so distinct from the PRT framework. After all, he considers business opposition as the primary cause, even though he allows for the subsidiary role of the SAP leadership’s opposition. Pontusson considers labor-side and capital-side explanations as both important, though ultimately concluding business opposition as the primary explanation of the WEF’s failure. Pontusson identifies a combination of four causes as a “fairly exhaustive” explanation; business opposition, reluctance of the TCO (the Swedish Confederation of Professional Employees⁵), the SAP’s reluctance, and opposition from the centrist parties. (1992: 228) But among those four factors, he establishes a “hierarchy of causes”, that the strength of capitalist counter-mobilizations was the prior cause, which itself caused other factors. Firstly, “the radical nature of the Meidner Plan mobilized the business community” because it posed a fundamental threat to their class interests, unlike other reforms. Then “the campaign against wage-earner funds neutralized TCO; and that the neutralization of TCO in turn created tensions between LO and SAP,” he argues. (229) As such, while Pontusson recognizes both explanations as valid and complementary, he ultimately puts a causal primacy to the capitalist counter-mobilizations over internal politics in the labor movement.

Lewin (1988) offers another rationalist interpretation of the trajectory of the WEF struggle, using a game theory framework. Lewin’s aim to explain the reasons and implications of the Social Democrats “outstretching the hand” seeking cooperation, while the bourgeois side rejecting it in favor of the confrontational approach. According to Lewin, cooperation was preferable than confrontation for the Social Democrats, as it meant they could retain the “Swedish model”; for the businesses and non-socialists, confrontation was better than cooperation, because their priority was to avoid the Meidner funds, which they believed the Social Democrats were pursuing. (Lewin 1988: 297-301) The outcome was enactment of the modified 1983 funds, which was a suboptimal outcome for both. For Lewin, rationalism works at the level of rational pursuit of their goals by each political actor. The reasons for preference ordering, especially that for the Social Democrats (for whom mutual cooperation was supposedly the most preferred outcome), is another question.

Alongside interpretations based on rational interests, various cultural and discursive accounts of the Funds have been advanced, though sometimes as part of other forms of explanations. For example, business-centered arguments are usually focused on the propaganda campaign through which the forces of capital won the battle, which is a matter of discursive

⁵ TCO is a white-collar union confederation that is, unlike LO, politically independent of the social democrats. TCO represented 31% of the unionized workers in 1980, while LO represented 61%. (Kjellberg 2013: 8)

struggle. Blyth (2002) is the most emblematic in this regard, as he situates this history as the critical case of the paramount role that ideas played in changing regimes of accumulation, including both the rise of Keynesian welfare state (or “embedded liberalism”) and rise of neoliberalism. Pontusson (1987: 27), Ryner (2002) and many others also discuss how “the labour movement lost the debate” and could not present an attractive vision of what the Funds could accomplish, because of the “welfarist” ideology of postwar social democracy and business control of much of the mass media. Jenny Andersson (2006) traces changes in social democracy through the lens of discourse; radicalism of the 1970s was centered on balancing growth and security as necessary for each other, but by the 1980s the discourse shifted away from security to that of efficiency, giving rise to neoliberalism.

One type of literature on Swedish social democracy emphasizes proclivity towards compromises and moderation in Swedish political culture. For some (Österberg 1989, Trägårdh 1997), it is part of the Swedish national character, tracing back to culture of independent farmers and their political representation in the early modern era; for others (Berman 1998, 2006), it is a result of the deliberate political choices made by the early Social Democratic leaders at the beginning of the 20th century, culminating in their triumph of the 1930s. Elements of such discourse have also become a dominant narrative among the Social Democrats themselves. (Linderborg 2001) While direct references to the Wage-Earner Funds in this literature are sparse, it is compatible with the notion that intense antagonism in the Wage-Earner Funds were an aberration in Swedish politics and that failure of a project that diverged from the tried-and-true formula of compromise is unsurprising. Furthermore, whether particularly rooted in Swedish culture or not, the assumption that radical programs are naturally and inevitably unpopular is sometimes implicitly ingrained in arguments about construction of interests and political strategies.

Institutional Context of Interests and Discourses

The rationalist and culturalist analyses do contain some important insights; the Social Democratic Party leadership indeed saw the Meidner-Hedborg Plan as both contrary to their interests and ideologically objectionable, which shaped their actions against it. But these theories tend to treat the Social Democrats as if they were a unitary entity, without sufficient distinction among different groups, including the leadership and the rank-and-file militants. Even where it is acknowledged that rank-and-file members supported the plan and there were internal contentions, this dynamic is marginalized and not well-integrated in their narrative and explanation. For example, Pontusson (1992: 24) claims that the division between members and leaders did not play a significant role, compared to the SAP-LO division, which he considered as one of the explanatory factors. While the importance of the latter is undeniable, it does not negate the former. Pontusson dismisses the internalist explanation because the LO leadership’s support for the radical turn was long-lasting, and therefore could not just have been a maneuver to placate the base; but the LO leadership’s support for the radical aspects of the MHP was not necessarily as solid as that for the WEF in general.

I propose that a historical account of the rise and fall of the Wage-Earner Funds as a radical project of social transformation is best told from an institutional perspective, with an analytical focus on the labor movements’ institutions and internal contestations in them. As historian and Meidner’s biographer Lars Ekdahl (2005: 301) argues, “the defeat of the Wage-Earner Funds... were first and foremost the labor movement’s own deed,” the story whose centerpiece lies in the development *within* Social Democracy. Ryner’s (2002: 124) analysis is

one of the few in the literature on the Wage-Earner Funds that pays significant attention to internal politics on each side, as the key part of “the distinctly political and contingent nature of the defeat” of radical social democracy in the 1970s. He places at least an equal importance to the absence of labor mobilization as to the presence of the capital’s. On the business side, the SAF counter-campaign was a successful project to “take on the role of an aspiring hegemonic party” by uniting the capitalist class around opposition to the Funds and taking a leading role in creating new neoliberal worldviews. (Ryner 2002: 169) The mobilization on the labor side hardly began to match them; the sheer absence of mobilizations for the Meidner-Hedborg Plan is the hidden yet remarkable and consequential aspect of this history. Why was the labor mobilization so weak, even though the plan would shift the balance of power drastically towards them?

An explanation based on unpopularity of the Funds in the broader population, advanced by Lewin (1988) and many others, are inadequate since the MHP enjoyed broad support from the Social Democratic base; in 1976, 55% of SAP voters supported the plan, with only 18% against. (Gilljam 1988: 162) Furthermore, the plan enjoyed an enthusiastic reception among active grassroots militants; as tens of thousands of workers joined the study and discussion groups on the plan, and they expressed overwhelming support for the plan. For Ryner, the failure of mobilizations can be attributed to that of party intellectuals;

“The division of roles that the institutional form of the welfare state itself assigned the different branches of the labour movement made it exceedingly difficult to devise a coherent strategy that would be pursued with vigour and energy. The intellectuals of the party, who ultimately had to make the issue one of electoral politics, were interpellated into a social policy discourse that had no intrinsic interest, or capacity, to deal with an issue pertaining to production politics. Although party intellectuals were by no means necessarily adverse to the idea of wage-earner funds as such, they found it difficult to understand what the significance of the particular technicalities.” (Ryner 2002: 173)

Consequently, the SAP politicians in the “social policy complex” – those who manage the welfare state at the national as well as local level – did not understand the plan’s significance and possibilities, even though they constituted “significant portions of the political cadres necessary for mobilization”. (2002: 173) “A united alliance of trade unionists and welfare state politicians and cadres,” which he contends would have been necessary to counter the SAF offensive, failed to materialize. Early Pontusson (1984: 90) concurs that the structure that had “been a source of strength in corporatist policy bargaining and wage negotiations” instead became a “source of weakness in a conflict situation that requires rank-and-file mobilization.” The types of power resources necessary to win reforms and transform the entire economy are distinct.

The failure of articulation of the Funds’ meaning and political significance is definitely an important part of the history, and separation of politics of production and reproduction did hinder its articulation and mobilization. But I argue that this story must be situated further in the context of power structures of the social democratic institutions, without downplaying the contentious politics within them. The party leadership was “recalcitrant” towards the WEF in general, but they were clearly opposed to the MHP in particular. And what led to the MHP’s defeat was the combination of the SAP leadership’s opposition to worker-majority ownership and the absence of organized countervailing forces mobilizing for the MHP. To better understand

this dynamic, it is necessary to understand the character of postwar Social Democratic hegemony in Sweden.

Sweden as Bourgeois Hegemony Through Social Democracy

The postwar Swedish welfare state is a social democratic variant of bourgeois hegemony, shaped by the working-class party's capture of governmental power for 44 years and deep embeddedness of the unions in the corporatist structure. In their application of Gramscian theory to the Swedish case, social theorists Christine Buci-Glucksmann and Göran Therborn (1981) offer a powerful framework to understand the meaning of Social Democratic rule; this "expanded Social Democratic state" in Sweden was based on the "national-popular compromise with bourgeois dominance." (1981: 245) There are two main characteristics that enable the hegemonically-oriented Social Democracy to be effective at managing the existing system; strong orientation towards class collaboration with the bourgeoisie, and centralization of the party and industrial relations. The Social Democratic Party itself functioned as a mechanism for bourgeois hegemony in this period, in the sense that the party machine largely bolstered capitalism through incorporation of counter forces. They absorbed and subordinated the members in the name of unity, marginalized left forces outside of its orbit, and dedicated itself to management of the capitalist state rather than to undermining it. Therefore, Buci-Glucksmann and Therborn (1981: 270, 196) conclude that in Sweden, "social democracy as a mass movement, a societal party and a state party is the result of a passive revolution of the labor movement," and their reign is a form of transformism.

Expansive bourgeois hegemony in Sweden operated at the economic, political and ideological levels. Firstly, at the level of economy, Sweden remained firmly capitalist; this determines the ultimate class character of the hegemony in this period as bourgeois. The economy was primarily driven by profit-seeking private corporations, and the portion of productive capital owned by private capitalists was even higher than in many other advanced capitalist countries such as France. It is undeniable that substantial material concessions were made to the unionized working-class through the welfare state and collective bargaining, to the furthest extent within capitalism. (Esping-Andersen 1990) However, even if the capitalist class did lose out in the immediate terms through income redistribution in various forms, capital accumulation itself was hardly interrupted and the solidarity wage policy actually accelerated rationalization of productive apparatuses and concentration of capital during this period.

At the political level, the Social Democratic control of the governmental apparatus and various intricate corporatist institutions all played a role in the expansive hegemony. This expansive hegemony of Swedish social democracy was rooted in internal hegemony over the rank-and-file. The SAP was for many decades a highly unified party without significant organized dissent, unlike other working-class parties such as the British Labour Party. No splits had occurred since 1917, and hardly any internal tendencies even existed since the 1930s, when small left dissident tendencies in Stockholm and Gothenburg were quickly suppressed from above. (Buci-Glucksmann and Therborn 1981: 182) It was a party with a massive base, counting one in eight of the Swedish population as members, as well as extensive reach into the civil society, such as through cooperatives, community and cultural centers, institutions of popular education and newspapers. It was not a "party of militants" but a "party of managers with a more or less active social base"; they were nevertheless largely incorporated through real allegiance to the leadership, rather than simple demobilization and disorganization typical of social democratic parties in the neoliberal era. (Glucksmann and Therborn 1981: 172) Precisely because the party

leadership was so skilled at maintaining support of the members, they could exercise hegemonic power over them.

The LO unions were run similarly as “a gigantic organizational pyramid that leaves very little space for workers’ democracy at the base.” (Buci-Glucksmann and Therborn 1981: 184) Control of negotiations and strike rights at the central level, for which competitive elections hardly occurred, shaped the relationship between the leadership and the base in “mediated, bureaucratic and repressive” ways. (Buci-Glucksmann and Therborn 1981: 225) Very high level of militancy in the early 20th century was replaced by the class compromise line in the 1930s, whose foundations were laid down in the Saltsjöbaden Agreement of 1938 between the LO and the SAF. Centralization of the LO opened a way towards coordinated bargaining starting in the later 1940s, driven by the sense of political responsibility they developed as a powerful partner of the Social Democratic government. (Bengtsson 2022)

The rise of peak-level bargaining left the LO with a further hegemonic role. Usually, unions’ primary functions of representing and struggling for its members’ interests happen at the “economic-corporate” level, demarcated separately from the “political.” (Gramsci 1971) But in Sweden, the LO moved beyond the purely economic-corporate realm. Bargaining for the entire economy meant that its immediate, economic-corporate task – collective bargaining – could not but have a macroeconomic impact; collective bargaining necessitated them to transcend politics at the “economic-corporate” level based on narrow economic interests and concern itself with the national, the universal, the hegemonic. This was the key mechanism of the rise of the Funds; the peak-level bargaining was the structure through which the path to solving immediate, everyday problems led to a macro-political solution.

Ideologically, the ubiquitous discourse of “People’s Home” (*folkhemmet*), developed by the SAP Prime Minister Per Albin Hansson in the 1930s, was the discursive linchpin of such a “national-popular compromise with bourgeois dominance” in Social Democratic Sweden. The idea of People’s Home played a pivotal role in establishing the universalist welfare state, but it also valorized class compromise and rejected any overt challenge to capitalism. In a home, people’s basic needs are to be met, but conflicts are out of place. Consequently, the *folkhemmet* discourse also entailed that of the necessity of a unified and disciplined organization that is “mature,” “responsible” and collaborative with another classes; labor militancy was irresponsible in a People’s Home. As political scientist Jenny Jansson (2012) has demonstrated, diffusion of such ideas in educational and media apparatuses of social democracy played a pivotal role in justifying reformism and concentration of power in the 1930s, including the Saltsjöbaden Agreement and further central control in unions including deprivation of local right to strike.

Folkhemmet is integrated in the Social Democratic historiography of national history, which casts itself as the latest phase in the “national continuation of the tradition of self-government” that has existed in Sweden since forever. (Linderborg 2001: 262, 482) In her extensive work on Social Democratic historical narratives, Swedish historian Åsa Linderborg (2001: 29-30) writes;

the Swedish Social Democracy has, for many decades, inserted its People’s Home ideology in a larger bourgeois hegemony whose ideological expression can be described as social-liberal. They succeeded in uniting the imperative of class cooperation, a strong private ownership, profit-guaranteed industry as well as economic growth, with words such as ‘equality’ and state-protected welfare... Social Democracy united with the liberals on what the politics

should deal with and shouldn't deal with, and how politics should be practiced.... Social Democracy has not only influenced the hegemony, but sustained and fortified it.

These discourses coalesced in the ideology of “functional socialism” in the postwar period, playing a crucial role in fortifying its bourgeois character while concealing it at the same time. The notion of functional socialism was systematically developed by Gunnar Adler-Karlsson (1969), who claimed that social democratic Sweden was already “functionally socialist” despite private ownership of means of production, because the “functions” of private ownership had been stripped away through social democratic reforms. Therefore, the “formal ownership of the means of production is a secondary issue”, and instead what is of prime importance is “the distribution of the economic and political functions which are hidden beneath formal ownership.” (1969: 7) Because “functions” of ownership, such as investment decisions, labor process, wage-setting, distribution of profits and property, etc., are already widely divided between owners, directors, managers, the state and workers through state regulations, taxations, public investment, collective bargaining, and other means, “it is not necessary to undertake wholesale socialization in society in order to achieve socialist goals.” (Adler-Karlsson 1969: 20)

The Swedish Case as the Critical Case for the Social Democratic Path to Socialism

Folkhemmet was the stable base of Swedish social order for several decades. But starting from the late 1960s, the Social Democratic hegemony faced its crisis of legitimacy, provoked by the rank-and-file revolt and the New Left. This crisis led them to seek further incorporation of the subordinated classes. On the union side, the crisis manifested as crisis of the solidarity wage policy, and the LO leaders sought to deal with the excess profits that were generated due to wage restraint in the peak-level bargaining. This was the opening in which strategically-located radical union intellectuals, Rudolf Meidner and Anna Hedborg, could exercise creative agency and play a decisive role at the decisive moment, proposing to capture the excess profits in funds and use them as the tool to control ownership of firms. On the party side, the concept of “economic democracy” was promoted to counter the critique and reabsorb the base; against their intent, the discourse of economic democracy served to further promote the MHP.

The MHP rose neither because of increasing working-class associational power, but nor because insurgent radicals took power within social democracy. It is because of the ambiguous character of Social Democratic hegemony. On the one hand, it pursued the welfare state while managing capitalism, based on the idea that there was no need for socialization of means of production because they had already achieved a “functionally socialist” society. But its expansive hegemony still incorporated workers *as* workers, maintaining its class basis. The political ideology and culture it fostered among the base contained sufficient ambiguity and openness towards critique of capitalism, if articulated in a way compatible with the political language it operated in, especially in the times of rising radicalism. As we shall see, the discourse of “economic democracy” was the floating signifier that could be interpreted both in line with more traditional social democracy, as well as in an anti-capitalist way. The Meidner-Hedborg Plan was able to seize this opening. Furthermore, the LO began to pursue collective capital funds because of the macroeconomic, hegemonic perspective they had developed through the peak-level bargaining. The rise of the MHP was a manifestation of the ambiguous and contingent character of expansive hegemony. (Gramsci 1971: 181)

The Social Democratic Party leadership unsurprisingly opposed the MHP from the beginning, due to their political and ideological commitment to functional socialism, and the role

as managers of the capitalist state. Their opposition was not caused by the business counter-mobilizations. Both rational interests and discursively-shaped aims could be invoked to explain their position. But this only pertained to the SAP leadership, not the whole of the Social Democratic movement. The LO leadership declared support for the MHP, but prioritized compromise with the party leadership. The social democratic rank-and-file largely supported the MHP and many of them spoke out against the leadership's refusal to support it. But because of the long-standing highly centralist organizational structure, they could not organize internally against the leadership position in an effective manner, lacking capacity for disruptive mobilizations beyond voicing their views in orderly internal processes. They had no strategy except to appeal to the Social Democratic leadership – though occasionally in very strong language – and hope for the best. Furthermore, the domination of functional socialism and weakness of autonomist ideas in the Swedish left made it difficult to develop a coherent ideological project around the MHP, a vision of how exactly the Funds can transform society and lives of workers. In short, “the union left lost the battle even before fighting it.” (Buci-Glucksmann and Therborn 1981: 176) When it comes to the left forces outside Social Democracy, they were largely indifferent at best to the MHP, thinking of it as further reproduction of Social Democratic hegemony rather than its rupture.

Social Democratic leaders succeeded in containing the plan that could undermine the capitalist relations of production, skillfully deploying its centralized power and hegemony they established over their members, and demobilizing rank-and-file militants who supported the MHP. Ambiguity of the Wage-Earner Funds as such, which gave possibilities for a radical design but also for a system-reinforcing one, enabled them to reject the former while claiming support for the “Wage-Earner Funds” in general. The extensive and well-organized base of the party indeed strengthened the hegemonic effect, turning the Modern Prince on its head; in other words, precisely because pro-capitalist social democrats were so well-mobilized, socialists – those who sought to challenge and abolish capitalism, inside and outside the party – were disorganized.

The primacy of internal mechanisms as the reason of the MHP's failure does not mean that forces of capital played no role; they shaped Social Democratic institutions and ideologies through incorporation. The significance of capitalist forces' class power lay in their structural role, rather than direct and active deployment of its resources. Therefore, this analysis does not downplay the significance of inter-class conflict, but rejects the linear conception of such a conflict; the effects of capitalist class offensive are often rather mediated through the organizations of the workers themselves. The great irony is that the very centralization of the labor movement formed the necessary basis for the solidarity wage policy, manifestation of whose problems created an opening for the MHP, yet also created political conditions unfavorable for the plan's realization at the same time.

What does our understanding of the history of the Wage-Earner Funds, then, mean for the theory of transition to capitalism? Pontusson draws a broader theoretical implication from this history, seeing it as demonstrative of *the Limits of Social Democracy* as the title of his book goes. Because “in no other capitalist country... has the labor movement been more influential” (Pontusson 1992: 1) than in Sweden, an outcome of its radical push in the 1970s represents the limits, even though he is careful to rule out any deterministic conclusions about impossibility of the social democratic path to socialism in the future. (1992: 236) He recognizes that that the “Swedish case is far from ideal” as a critical case, because of the reluctance of the SAP; in order to answer the question of “how tight... the constraints [are] that the power of business imposes on

labor reformism in advanced capitalist societies,” he writes, “we need at least one case of a strong, unified labor movement pursuing a coherent strategy” to introduce socialism. (Pontusson 1992: 227) But because Sweden comes closest and there is “no other national labor movement that fulfills the requirements of the ideal case,” the discrepancy between the ideal-typical case and the historical reality is dismissed as an unfortunate but unavoidable imperfection, rather than a fact with a theoretical significance on its own. (Pontusson 1992: 227)

But the absence of such a case is not a random accident of history. It is precisely the point that illuminates the main obstacle for the social democratic road to socialism. It is in the logic of the path, as Wright clarifies, that working-class organizations gain power by providing something useful for capital; most often that involves assuring labor peace and compromise by construct organizations that preclude and repress a radical path. Politics of the Wage-Earner Funds was indeed rooted in *limits to social democracy*, but the limits were placed internally, rather than externally, to social democracy. While the ruptural path is countered by what Przeworski calls the valley of transition – capital flight and disinvestment – as well as violent coups, the symbiotic path encounters the valley of bureaucratization, incorporation and demobilization. That is why the Swedish case was a unique one, as the exception that proves the rule.

Methodology

This project is based on extensive archival research of primary sources in Sweden. I have read and analyzed the minutes of congresses, boards and executive committees of the LO and its affiliate unions, the SAP and its affiliate bodies, as well as those of the TCO, the SAC and the VPK. I have also invaluablely benefitted from the materials on the wage-earner fund committees – including notes, minutes, recollections and commentaries - collected by Meidner and Hedborg themselves. Newspaper articles in union newspapers, particularly *LO-tidningen* (*Fackföreningsrörelsen* until 1975), *Metallarbetaren* and *Kommunalarbetaren*, as well as articles about Wage-Earner Funds in bourgeois newspapers, also contributed significantly to my analysis. Other sources I have consulted include report on the LO’s educational campaigns, local union records of the *Metall* local in Gothenburg, and Meidner’s personal papers. The vast majority of the sources I collected are located in the Swedish Labour Movement’s Archives and Library (*Arbetsrörelsens arkiv och bibliotek*), in Stockholm suburb of Flemingsberg. I have also visited the LO Headquarters in Stockholm for some materials of the LO leadership, the TAM archive in Stockholm for materials of the TCO, and Gothenburg Regional Archive for materials of *Metall* Local 41 and its oppositional caucus. I have consulted an extensive array of union, party and movement newspapers in the Swedish National Library in Stockholm. Furthermore, I have utilized a wide range of secondary sources on the Wage-Earner Funds as well as history of Swedish Social Democracy and the labor movement, in order to complement my findings based on the primary sources. Finally, personal interviews with Anna Hedborg and Per-Olof Edin have helped to confirm, clarify and complicate the archival findings, enabling me to situate them in the richer and deeper contexts.

Outline of the Dissertation

I will develop history of the Swedish Wage-Earner Funds as follows. In Chapter 1, titled “Institutional Forms of the Wage-Earner Funds”, I explain in detail the concrete features of the Meidner-Hedborg Plan, in the context of collective profit-sharing in general and in comparison with other plans for collective funds. I trace the emergence of such discussions in postwar West

Germany, which influenced plans in all other European countries including Sweden. The general pattern of political contestations in Germany and across Europe show an affinity between moderate, class-collaborationist tendencies in labor politics and support for collective funds; most of these plans were designed in ways that hardly enhance working-class power. In contrast, the particular institutional features in the MHP made it a radical exception. I will then explore each of the factors that made the Swedish plan transformative - obligatory emission, rate of transfer, individual shares and inalienability, applicable scope of firms, internal structure of the funds, dividend use – in comparison with the other plans in Sweden and Europe.

In Chapter 2, titled “Origins of the Meidner-Hedborg Plan”, I cover the rise of the MHP in Sweden. In contrast to the PRT explanation of its rise that and various other explanations previously proposed, I argue that it was a combination of the solidarity wage policy, rise of labor militancy since the late 1960s, and timely intervention by well-placed intellectuals (Meidner and Hedborg). Collective profit-sharing was first considered as a way to incorporate the working class in the face of crisis of legitimacy for the solidarity wage policy, and the postwar Fordist-social democratic order in general, that militancy from below triggered. However, due to the politically ambiguous and liminal character of collective funds that I have identified in the previous chapter, Meidner and Hedborg were provided with an opportunity to take it in the radical direction.

In Chapter 3, titled “Explanation of the Failure of the Wage-Earner Funds”, I discuss the dominant view of the failure of the WEF in the literature, which attributes it to power of the bourgeois mobilizations against it. Based on an analysis of historical timelines, I demonstrate that much of the anti-Fund mobilizations by businesses occurred after the changes in the WEF plans within Social Democracy, which had stripped most of the transformative aspects that characterized the original plan. Therefore, the reasons that the envisioned radical transformation failed to materialize can be primarily attributed to the positions of the SAP leadership that refused to support the MHP from the beginning. While LO leaders did protest the SAP’s rejection of the MHP through internal channels, they lacked leverage and reluctantly accepted it, as they were committed to maintaining the close LO-SAP relationship as a priority.

In Chapter 4, titled “Absence of Mobilizations for the Meidner-Hedborg Plan”, I analyze the puzzling absence of mobilizations from below for the MHP, despite widespread support for it among rank-and-file workers. The absence of mobilizations enabled the party leadership to successfully jettison the MHP. Rank-and-file members made their opposition clear, through letters and statements, when the party leadership rejected the radical proposal; but no further actions took place. Hierarchical and highly-centralized organizational structures of social democracy hindered internal organizing for the MHP, as the grassroots members who strongly supported the MHP were left without tools, experiences or inclinations to organize independently from the leadership. Meanwhile, the left outside Social Democracy was free from such constraints, but they generally tended to be more skeptical of the MHP to begin with, and hence neither did they mobilize for it.

In Chapter 5, titled “Ideological Articulation of the Meidner-Hedborg Plan”, I outline various debates over the Wage-Earner Funds. While right-wing opponents of the Funds blasted it as a totalitarian menace to democracy, its proponents failed to articulate concretely how worker ownership of shares would concretely transform workers’ lives and democratize economic power. Institutional features of the program - rooted in ownership of shares - made such an articulation difficult, which was compounded by weakness of politics of self-management (an interstitial strategy) in Sweden. These weaknesses led to oft-heard complaints that debates on the

Funds became too technical and difficult to understand; they also later led to the demand for an individual share of the Funds for each worker, further weakening its prospect as a tool for collective democratization.

In Chapter 6, titled “the Feldt Plan and Its Aftermath”, I trace the rise and eventual implementation of a version of the Wage-Earner Funds officially adopted by the SAP and the LO in 1981, championed by SAP’s Finance Minister Kjell-Olof Feldt. This “Feldt Plan” was focused on channeling more resources towards industrial investment, and contained provisions explicitly designed to prevent accumulation of substantive power by the Funds. Even though it bore the same name – the *Wage-Earner Funds* - as the MHP, the Feldt Plan became part of the new neoliberal turn of the Swedish Social Democracy; the plan facilitated their strategy of economic recovery driven by high profit rates in the private export sector, while simultaneously seeking to legitimate it among their base. In the end, the Funds played an insignificant role in their seven years of existence.

In Conclusion, I reflect on the rise and fall of the Wage-Earner Funds as a radical project of social transformation and situate it in the broader history of the left. History of the Swedish Wage-Earner Funds, at the apogee of social democratic power, reflects the deep contradictions of social democracy as a political project - its accumulation of power is rooted in abandonment of grassroots militancy. The failure of the Wage-Earner Funds as a radical project turns out to have been the historical turning point, marking the rise of neoliberalism. I conclude by examining various contemporary plans with some similarity to the Wage-Earner Funds, and the implications of my findings for the emancipatory movements today.

Chapter 1: Institutional Forms of the Wage-Earner Funds

Overcoming of domination of our society by private capital, through common ownership of the means of production, has been the perennial goal and guiding light of the modern socialist movement. In contrast to direct and rapid government expropriation of corporations typical of the “ruptural path”, a gradual path to socialism through collective profit-sharing, as proposed by the Meidner-Hedborg Plan, emerged from a strand of thought that was originally far from socialism. In this chapter, I introduce the historical basis and political logics of collective profit-sharing, and its similarities and differences with various other forms of non-private ownership of firms. Through an analysis of debates over these funds in various European countries, in particular Germany, and specification of the various institutional features of the original Meidner-Hedborg Plan, I seek to highlight the MHP’s distinctiveness, in particular its built-in mechanism to transfer majority ownership of the Swedish economy to the Wage-Earner Funds over the following several decades. The MHP is further contrasted with the subsequent WEF plans proposed by the LO and SAP in 1978, 1981 and 1983, as well as those by the white-collar union confederation TCO and by the employers. By comparing them and situating them in a broader typology of plans for worker share ownership, I identify the particular institutional features that made the MHP the only plan that was transformative of class relations on a macro scale.

Socialism Through Collective Capital Formation

Among many possible institutional designs for socialism, the Meidner-Hedborg Plan can be characterized as *socialism through collective profit-sharing*. Collective profit-sharing refers to a wide range of systems in which a portion of productive capital accrues to a collective organization of workers in the form of shares. Collective profit-sharing, also called collective capital formation, does not necessarily enhance working-class power, if the proportion of shares held by workers is small and the number of applicable firms is limited; but it could drastically transform capitalism if workers own a majority of shares in a significant proportion of firms. As we shall see, profit-sharing is an essentially contradictory phenomenon as it relates to its class character, as it can entrench or threaten reproduction of capitalism. This duality is crucial for understanding the political dynamic of the Wage-Earner Funds.

The tendency in modern capitalism towards increasing levels of concentration of productive forces lays the first necessary foundation for collective capital formation. In *Capital* Volume III, Marx had already identified joint-stock company as the “form of social capital” (*Gesellschaftskapital*) that rests on “a social mode of production”, as opposed to completely individual and private capital in earlier forms of capitalism. It means that stock companies constitute “the abolition of capital as private property within the framework of capitalist production itself”, and hence “a necessary point on the way to reconverting capital into property of producers, this no longer being the private property of individual producers but their associated property, that is, immediate social property.” (qtd. in Ferreras 2017: 53) As such tendencies accelerated, Rudolf Hilferding further theorized the process of capital taking a social form without social content. The increasingly organized character of production under capitalism through concentration of financial capital meant “the liberation of the individual capitalist from his function as industrial entrepreneur”, and it was paving way for socialization of capital in its form, he argued; but it was “a fraudulent kind of socialism, modified to suit the needs of capitalism,” which continued to be operated for private profit. (Hilferding 1981: 107, 180)

There have been various attempts to bridge the disjuncture between the socialized character of processes of production and private capitalist ownership of its means. On the one hand, nationalization of production in certain sectors has occurred in some countries in postwar Europe, such as Britain and France. But in no capitalist countries had they approached the level of control of the whole “commanding heights of the economy,” and they also faced constraints of the demands of the world market and deficit of substantive democracy in the production processes. On the other hand, in its most extreme and individualized form, profit-sharing can take the form of Employee Stock Ownership Plan (ESOP) or bonuses to individual employees linked to profitability. Almost half of private sector workers in the United States are estimated to be part of some type of profit-based compensation schemes, where they enjoy significant tax incentives; and they are also growing in European countries in recent years. (Blasi et al. 2016: 57) In ESOPs, share-owning workers usually have no substantive power or mechanism to actually influence how the firm is run. Therefore, despite some material benefits individual workers obtain through such schemes, they often have a clear aim of inducing worker cooperation and enhancing productivity by binding employees’ interest with higher profits, which may sometimes involve an explicit anti-union intent and/or effect. (Kruse 1996: 517) Individualized ESOP is a neoliberal dream; its founder Louis Kelso called it “universal capitalism”, while Margaret Thatcher sought a society “where owning shares is as common as having a car.” (Rothschild-Whitt 1985)

These examples show that the idea of social ownership of firms and/or shares in profits has complex political implications without an inherently emancipatory consequence. Collective profit-sharing is characterized in particular by ambivalent duality and contradictions inherent in the program, which can become either transformative or system-reinforcing depending on the political and institutional context. In these plans, capitalists redistribute some of their wealth to the organized workers by sharing their profits, through which the workers collectively gain a direct stake in profitability of firms and become part-owners of capital in a still-capitalist society. It produces a certain cross-class convergence of economic interests between the classes; the higher levels of profits would be in direct interest of the unions as it would accelerate the transfer of shares, and by becoming part-owners, they are also directly saddled with responsibilities for capital accumulation. The usual dependence of workers on capitalist-owned means of production for their own employment and livelihood is magnified to a much greater extent. Meanwhile, most profit-sharing schemes would offer only limited control of firms to workers, inducing class collaboration by offering the workers limited ownership without substantive class power.

Nevertheless, collective profit-sharing opens up a possibility that, if taken to its logical conclusion and workers gain a decisive control of ownership, it could be turned upside down on its head. After all, it deals with one of the fundamental bases of capitalist social relations - private appropriation of profits and control over means of production. The Meidner-Hedborg Plan in Sweden was a case – indeed the only case to date – that approached such a possibility. Despite the shared basic institutional characteristics, political implications of various forms of collective profit-sharing are vastly divergent. Therefore, it is essential to identify the institutional features and conditions that determine its political character, between working-class incorporation and takeover. Worker ownership through collective profit-sharing in advanced capitalism is itself *a terrain of struggle*; the struggles over the extent of the programs in a quantitative sense have a qualitative implication. What are the lines between systems that reinforce bourgeois class power and those that augment working-class power? Let us look at historical debates over collective funds in various European countries.

Collective Profit-Sharing Plans and Debates in Germany

The first comprehensive plan for collective profit-sharing and share ownership emerged in the heart of corporatist “social market economy” in postwar West Germany. The plans developed in Germany provided an institutional blueprint for similar plans in all other countries, including Sweden. Indeed, Meidner (2005: 52-53) recalls that “a large part of the thinking for a fund system had already been done by the German economists” when his team began the research for a Swedish plan. The political debates and struggles over various plans in Germany also clearly illustrated the dual and contradictory character of profit-sharing funds, which presaged the similar but more intense struggles in Sweden.

Bruno Gleitze, the economist who headed the German Trade Union Confederation (DGB)’s research institute, developed a plan for collective profit sharing (*überbetriebliche Ertragsbeteiligung*), starting in 1957. Gleitze’s plan would mandate all firms to transfer a portion of their profits to “social capital funds” or “social funds.” His aim was equalization of asset ownership, to counter the increasing concentration of property in large, capital-intensive firms, and to secure growth without an excessive concentration of wealth. (Gleitze 1969: 38) The corporatist compromise in West Germany created a legitimacy problem, that workers contributed significantly to massive accumulation of assets through wage restraint but they did not benefit from those assets. The task was to mitigate the political fallout from German labor’s accommodationist stance; Gleitze sought to address the problem in a way complementary with continued wage restraint to stimulate productive investment. (Gleitze 1969: 16-17) The Gleitze Plan is historically significant for having established a general framework for increasing share ownership through *obligatory profit transfer on a macro-scale*, in which a portion of productive capital growth would accrue to the employees collectively instead of remaining as private profits. Despite his generally egalitarian motives, Gleitze (1969: 31, 17) denied that it was “veiled socialization” or “substitute for socialization,” seeing it as a further expansion of the principles of the German social market economy. (Meidner 2005: 53)

Gleitze’s contributions served as the starting point for German debates on social funds over the following two decades, giving rise to a wide range of fund plans with diverse institutional configurations and political implications. While discussions of collective profit sharing were initially limited to academics and policy-experts, rising labor militancy and legitimation crisis of the corporatist settlement in the late 1960s thrust it onto the public agenda, under the name of politics of asset ownership (*Vermögenspolitik*). The government report in 1968, which revealed that 1.7% of the population owned 70% of productive assets, further stimulated discussions of *Vermögenspolitik*. (Pitz ed. 1974: 40) The debate was “characterized by an extraordinarily wide spectrum of opinions... there are completely contradictory views about the goals and means of *Vermögenspolitik*. Some mean stabilization of the capitalist economic and social system, while others mean their overcoming, while both use the term ‘*Vermögenspolitik*’”, DGB economist Wilfried Höhnen wrote, succinctly capturing its dual political character. (Pitz ed. 1974: 27)

Nevertheless, the general political dynamic on this issue in the German labor movement was characterized by support coming from its class-collaborationist wing and vehement opposition from the militant wing. (Swenson 1989: 178) Gleitze himself was more moderate compared to his predecessor Viktor Agartz, who had advocated for a more class struggle-oriented line. (Swenson 1989: 193) Gerhard Weisser, the main architect of the landmark 1959 Godesberg Program of the German Social Democratic Party (SPD) that steered the party away

from Marxism, was one of the strong supporters of the Gleitze Plan. (Pitz ed. 1974: 28) Moderate unions developed various profit-sharing plans with a more explicitly class-collaborationist bent. Georg Leber, the president of the construction union (*Bau*) and the leading figure on the labor right in Germany, proposed a plan that would extract 1.5% from the wages, to be reinvested in the industry; it was essentially a forced saving scheme that would ensure greater supply of investment capital for the employers. (Swenson 1989: 191) Another major accommodationist union, the textile and garment workers' union (*Gewerkschaft Textil-Bekleidung*, GTB), proposed a scheme of "Investment Wage" (*vermögenswirksamer Lohnbestandteil*), which called for the investment "wage" that would remain as capital in the firm. (Swenson 1989: 183) Their plan was directly and explicitly connected to the union's abandonment of militancy to demand real wage increases, seeing the investment wage as a way to legitimate such a retreat and an acceptance of wage stagnation.

Despite the general class-compromise tendency in German *Vermögenspolitik*, however, they also contained seeds of radical possibility that could lead to a decisive shift in relations of class power, if growth of worker ownership is on a large-scale and unrestrained. Some liberals and conservatives saw such a possibility from the beginning. When the Gleitze Plan was first proposed, the conservative newspaper *Frankfurter Allgemeine Zeitung* already criticized it as a new variant of socialization. (Gleitze 1969: 17) Some on the SPD left, most notably its youth wing Jusos, pursued this line and called for "socialization of profits in a central fund" in 1969. (Swenson 1989: 195) But the radical line did not see the light of day until two DGB economists, Höhnen and Gerhard Leminsky, were commissioned by the DGB leadership to prepare a more comprehensive report on collective profit sharing in the late 1960s, when the DGB came to affirm the basic tenets of the Gleitze Plan. (Pitz ed. 1974: 43)

Höhnen and Leminsky's plan involved mandating all firms with profits over DM 200,000 to contribute 4-15% of the profits (determined depending on the profit level), instead of taking it out of wages as envisaged in the *Bau* or GTB schemes. Furthermore, they were to be paid in the firm's own shares, to the regionally established capital-formation funds (*Vermögensbildungsfonds*). All workers with less than certain income (DM 24,000) would be issued equal shares in the board, two-thirds of which would be composed of representatives from the worker-shareholders and the rest from the public. (Swenson 1989: 198-199) Similarly to Gleitze, they also framed the plan as the corporatist third way between capitalism and socialism, but they also expected massive political oppositions due to the potentially "system-changing" consequence of their proposal. (Pitz ed. 1974: 27, 44) Höhnen and Leminsky took a significant step towards a radical interpretation of profit-sharing in two key ways - the idea of transfer in the firms' own shares and an explicit focus on working-class power as a goal, making the funds the source of anti-capitalist counter-power. (Pitz ed. 1974: 44)

On the other hand, these plans for profit-sharing funds faced strong opposition from more militant unions, most notably the IG Metall, by far the largest union and a leader of the "class struggle" wing of the German labor movement. (Markovits 1986: 14, 20) IG Metall's politics was militant but also economic, focusing on winning the maximum wage gains for their own members, while rejecting that unions should consider macroeconomic responsibility. (Swenson 1989: 192) Metall opposed the social funds on the basis that such funds would not give any meaningful economic benefits to individual workers, as long as shares are kept in the original firms. On the contrary, it would harm the struggle for higher wages and to improve social services (such as public education and healthcare), and bind themselves to shared interest with

the capitalists while undermining solidarity across different groups of workers. (Swenson 1989: 200, Pitz 1974: 18, 24)

While the Höhnen-Leminsky plan was considerably more radical than the other schemes, the militant wing of the DGB was nevertheless not convinced. They were not just opposed to the conservative versions of profit-sharing like Leber's, but all forms of it. Metall's opposition actually intensified after 1972, which saw the rise of these debates to a prominent place in the labor movement as well as the parliamentary arenas. IG Metall's Executive Board adopted a decisive and unambiguous policy of opposition to profit-sharing in October 1972. In their statement, they argued that measures of *Vermögenspolitik* would "directly or indirectly shrink the scope for wage demands and prevent a fairer distribution of tax burden." (Pitz ed. 1974: 53) Karl Pitz, an IG Metall researcher and its leading opponent, argued that concentration of productive assets is first and foremost a problem of economic power, rather than simply that of distribution; broader distribution of property would not affect the right of disposal (*Verfügungsgewalt*) over the means of production and therefore would not lead to any democratization of the economy. (Pitz 1974: 22, 24) Thus collective capital formation only offers an illusion of control and represents a "grotesque misunderstanding" of the unions' role, which instead requires "sober acknowledgement of the dominant forces in the economy and society." (Pitz 1974: 17, 10) IG Metall was allied with various public-sector unions (such as ÖTV, GdED and GEW), also considered to be on the DGB's militant wing, in their anti-profit-sharing stance. Many of these unions, representing socially-reproductive workers in the public sector, focused on expansion of the welfare state as the primary struggle. (Pitz ed. 1974: 45)

The inherent duality of collective profit-sharing, between its basic class-conciliatory character and the radical potential, worked against it in the German case. Supported by the DGB's Federal Executive Board (*Bundesvorstand*), the Höhnen-Leminsky Plan was discussed and passed at the DGB Congress in 1972. But the DGB's Federal Executive Council (*Bundesausschuss*) – the larger body above the Federal Board, and composed primarily of representatives from each member union – managed to affirm support for the plan in April 1973, only by the barest of margin of 55 to 52. (Markovits 1986: 21, Pitz ed. 1974: 54-55) The SPD's 1973 Congress also supported the general idea, and later developed a joint proposal with the market-liberal Free Democratic Party (FDP) that they were then in coalition with, unsurprisingly far weaker compared to the Höhnen-Leminsky plan. Regardless, the top SPD leaders - including Finance Minister Karl Schiller and future Chancellor Helmut Schmidt – did not see any benefits or political advantages to such plans, radical or moderate, and the division among the unions further discouraged them from supporting it. (Swenson 1989: 197-198) The plans for collective capital formation in Germany soon lost its momentum.

Collective Profit-Sharing Across Europe

The German debates over profit-sharing began to inspire similar plans across Europe since the late 1960s, as the systemic crisis of Fordism began to manifest. Politics over collective funds across Europe, following the German pattern, demonstrated a general affinity with politics of class collaboration. They were most commonly proposed by social democratic leaders, as well as some liberals and moderate business figures, to address working-class discontent in a way that would reproduce the class-collaborationist regime. They sought to combine maintenance of profitable investment levels and equalization of asset ownership, while some social democrats considered it also as a step towards economic democracy. It was considered a way to "resolve the zero-sum distributive conflict" between classes by disassociating investment volume from

capital's share, channeling surplus away from consumption to investment without taking it away from labor to capital. (Esping-Andersen 1985: 290) In other words, with collective profit-sharing, an increased share for labor becomes compatible with the need for higher investment and restraints on present consumption; the need to restrain demand to contain inflation would not necessitate reduction of the workers' income.

Collective capital formation has emerged as a significant political agenda mostly in countries with corporatist industrial relations similar to Germany, characterized by their relatively high levels of union density, well-developed institutions of collective bargaining at the sectoral or national level and low strike rates. In Denmark, Austria and the Netherlands, profit-sharing ideas emerged at the higher level in the social democratic circles and made their way to the government. Meanwhile, in countries with a more militant labor movement such as France, Italy and Britain, profit-sharing was mostly confined to moderate unions and bourgeois politicians, while left unions and parties largely rejected them in favor of redistribution of income, expansive social policy and direct nationalization of industries.

In Denmark, the metal union – the Danish Blacksmith and Machine Workers' Association - took an initiative to commission Viggo Kampmann, former Social Democratic Prime Minister, to draft a plan that pioneered a discussion on collective profit-sharing. Even though their concern was driven by the savings deficit and negative effects on investment, their plan contained partially obligatory transfers and was adopted by their union congress in 1969. (Esping-Andersen 1985: 303) The Kampmann plan opened up a debate on collective funds, spurring a flurry of new proposals – all of them more pro-capitalist than the original - by the Danish LO, the Social Democratic government and the Employers' Federation, though none of the plans were realized. In Austria and the Netherlands, similar discussions occurred in the 1970s, primarily as a program for class collaboration, led by figures in the social democratic union confederation (ÖGB) in the former and the party in the latter (PvdA), but without developing into a significant political agenda. (Wréden 1976: 83)

These patterns in corporatist countries can be contrasted with countries with more conflictual class relations and high rates of strikes, such as France, Italy and Britain. (Korpi and Shalev 1978) In France, discussions on profit-sharing originated among left-Gaullists, such as Louis Vallon and Marcel Loichot. (Billard 2005) De Gaulle's government instituted a compulsory profit-sharing funds called *réserve spéciale de participation* (RSP) in 1967, as a compromise between left-Gaullism and business interests. The system mandated both employers and employees to contribute to the RSP, which can be invested in the firm's own shares or in the market, and can be withdrawn by employees after five years. (LO 1976: 246, Vaughn-Whitehead 1995: 56-58) The first actually-enacted system of profit-sharing had nothing to do with the French working-class struggle, which reached its apogee in May 1968 with 10 million workers on general strike. Many employers responded favorably to the RSP, but unions were entirely opposed to any form of profit-sharing; not only did the largest, Communist-affiliated union confederation CGT oppose it, but even the moderate FO was against it.⁶ The Communist Party and the Socialist Party instead campaigned on an ambitious program of nationalization and welfare state expansion, upon which the Socialist François Mitterrand won the presidency in 1981. While the Mitterrand government implemented a series of significant reforms in its first year, its expansionary policy soon precipitated a balance-of-payments crisis and then a currency

⁶ Rudolf Meidner, "Systemer der fremmer formuedannelse hos lønmodtagere." November 3, 1975. *Landsorganisationens arkiv*, Rudolf Meidners Handlingar, 2964/F/22/A/9. Arbetarrörelsens Arkiv och Bibliotek.

crisis, to which they responded with the decisive neoliberal turn towards marketization of the economy in March 1983. (Hall 1986, Singer 1988)

In Britain, the left-wing of the Labour Party pursued a similar set of radical reforms as their French counterpart, which they called the Alternative Economic Strategy (AES). The AES was based on a mixture of nationalization and reflationary stimulation of the economy, complemented by exchange/import control and industrial democracy at workplaces. The AES never won backing at the highest level of the movement, as the Labour left failed to gain an upper hand in the intense internal struggles in the party, while the Labour government turned to the proto-neoliberal policy path as early as 1976 to stave off stagflation. (Panitch and Leys 1997) The Trades Union Congress (TUC) leadership largely sided with the Labour Party leadership and not with the left, only promoting a weaker version of Keynesian reflation. Discussions of profit-sharing were largely absent except for a brief moment, when a party study group led by economist Nicholas Kaldor proposed a “National Workers’ Fund” in 1973, similar to the Danish government plan but with a much smaller transfer. (George 1993: 145-146) The proposal was not supported by any tendencies in the party and never gained any traction.

In Italy, profit-sharing was similarly absent in political discourse. But after the Meidner-Hedborg Plan was proposed in Sweden, it attracted some attention in the Italian Communist Party (PCI), whose theoretical journal *Rinascita* quickly translated the plan. (Quirico 2012) Their interest was fueled by the PCI’s turn towards Historic Compromise – an accommodation with the dominant Christian Democracy (DC) – and attendant increase in interest in the social market economy. Some intellectuals associated with the Italian Socialist Party (PSI) also expressed enthusiasm, as a more “responsible” path to socialism. (Quirico 2012: 650) Nevertheless, no collective fund plans in Italy were actually proposed by any of the left forces. Instead, it was the moderate, Catholic-influenced union confederation CISL that proposed the “Solidarity Fund” in 1980, which they saw as a way to legitimate the wage restraint they had signed up for and ensure that “sacrifices made by workers would result in higher employment rates” (Quirico 2012: 654) Their plan was roundly opposed by the PCI and the Communist-affiliated union confederation CGIL, and instead gained support from the DC, though without any actual implementation.

The affinity between collective funds and a class compromise orientation also holds in the case of Québec labor funds. The FTQ - the largest and more moderate union confederation in Québec – established the “Solidarity Funds” (*Fonds de solidarité*) in 1983, based on voluntary contribution by workers rather than obligatory transfer. The FTQ developed the idea as part of the turn towards the *partenariat* approach, away from militant confrontations against capital. To create the Funds, they made a deal with the government for a legislation that would provide tax incentives for collective savings, with hardly an opposition from capitalists. (Fournier 1991) It was heavily opposed by the left, including the CSN, the second-largest and more radical union confederation; though the CSN later founded their own collective fund called *Fondaction* in 1997, after having also made a turn away from militancy. As of 2020, the FTQ Solidarity Funds and *Fondaction* hold \$15.6 billion and \$2.26 billions of capital respectively, comprising a considerable portion of the Québec economy and constituting the most extensive case of actually-existing labor-sponsored collective funds in the world. (Fonds de solidarité FTQ 2020: 3, *Fondaction* 2020: 3) But these funds have been embedded in, and heavily constrained by, the broader logic of capitalism. As Macdonald and Dupuis (2018) have demonstrated, even though they have adopted specific policies on what to invest – focus on Québec-based firms for the FTQ funds and the Québec’s social economy sector in particular for *Fondaction* – they have otherwise

largely failed to act differently *as owners* or even to advocate strongly for workers in the firms in which they invest.

A special case of collective capital funds is pension funds. Pension funds have come to accumulate trillions of dollars of assets, by orders of magnitude greater than those of the Québec union funds. In some countries such as the US, union pension funds played a key role in cementing a shift towards class compromise, as they are modeled after the trend-setting agreement in 1950 between the United Auto Workers (UAW) and the General Motors – the so-called “Treaty of Detroit” – that marked the end of the UAW’s militancy. After the UAW-GM agreement, more than 8,000 new union pension plans had been created across the US through collective bargaining by the 1970s, accumulating up to a quarter of equity capital. (Drucker 1976: 7)

Based on such a development that “employees through their pension funds [were] becoming legal owners... of capital,” Peter Drucker (1976: 1) claimed that the US had become the “first socialist country in the world” through this “unseen revolution.” But shareholder powers for shares “owned” by pension funds in many countries are in fact opaquely exercised among trustees, managers and consultants for the pension funds, leaving little room for the workers to deliberate and exercise any power over how the firms are run, even though workers are paying into the funds. In the US, in fact, their powers are restricted by law. (Blackburn 2002: 114-121) Therefore, as Blackburn (2002: 121) argues, “pension assets represent a large cloud of indefinite, irresponsible and ill-defined property rights,” comprising “grey capital,” rather than a potential source of workers’ power. Furthermore, pensions are usually strongly pressed, if not obligated, to maximize financial gains for “plan holders”, as Drucker (1976: 83) himself accepts; in the US, such fiduciary duties are indeed legally mandated. (McCarthy 2017: 110-111) Consequently, little room is left for pursuing democratic and emancipatory objectives distinct from those currently pursued by capitalist owners. Drucker misidentifies various collective fund plans proposed in Europe, including the Swedish ones, as same types of plans as the US pension funds, ignoring the distinctions between mere ownership and power. The key question is to identify aspects of institutional design that allows for workers’ institutions to capture the commanding heights of the economy.

Overview of Various Collective Profit-Sharing Plans in Sweden

The debates on collective funds in Sweden developed later than in many other European countries, but bore similarities in terms of its ambiguities and contradictions. Differences between numerous versions of Wage-Earner Funds within Social Democracy were of a qualitative character and of fundamental significance to its politics. As Ekdahl (2005: 301) writes, “a productive discussion on the Wage-Earner Funds must begin with a clear distinction between different proposals and their profound significance.”

Following the decision of the 1971 LO Congress, the LO research committee chaired by Rudolf Meidner was formed and released their plan publicly in August 1975. (Meidner 1975) This was the radical plan for majority worker ownership that caused sensation across Sweden, evoking passionate enthusiasm as well as alarm and fear. After the mass survey of 18,000 LO members in Fall 1975 that showed overwhelming support, the MHP was proposed as the report to the LO Congress in 1976 (LO 1976), which was adopted at that Congress. The three objectives of the plan were established as “to complement the wage policy based on the principle of solidarity”, “to counteract the concentration of wealth which stems from industrial self-

financing”, and “to increase the influence which employees have over the economic process”. (Meidner 1978: 15)

After the 1976 LO Congress decision, a working group comprised of LO and SAP representatives formed to revise the plan and reach a compromise. The LO-SAP group released their plan in February 1978, which weakened the original Meidner-Hedborg Plan on various key points, most symbolically expressed in the addition of capital formation as the fourth goal of the Funds to the original three aims. Despite the strong grassroots support for a radical iteration of the plan, the SAP leadership rejected even the 1978 compromise, and the second iteration of the LO-SAP committee was formed to develop another plan, under the strong influence of Shadow Finance Minister (and future Finance Minister) Kjell-Olof Feldt. The plan established by this committee – which I shall call the Feldt Plan – was released in 1981 and differed significantly from the earlier plans, emphasizing capital formation as the foremost aim. The Feldt Plan was heavily debated in the following two years, especially around the 1982 election in which the Social Democrats won. After another modification to weaken its threat to the existing capitalists, by putting strict limits on acquisition of shares by the funds, the Feldt Plan was enacted in December 1983.

Furthermore, the LO and SAP plans were far from the only Wage-Earner Funds plans proposed and discussed in Sweden in this period. There were in fact two other major proposals in 1976 alone, the TCO plan and the so-called Waldenström plan proposed by the employers’ association. The TCO, a white-collar union confederation representing one-third of unionized workers then (Kjellberg 2009: 179), began research on “Wage-Earner Capital” (*löntagarkapital*) in 1973, driven by concerns about “the questions of capital provision.” TCO economists published a preliminary report in 1976, which was accepted at the TCO Congress in the same year simply as a basis for further research, without officially committing to support the plan. (TCO 1976: 143, 157) The TCO working group further elaborated a plan and published it in July 1978 as “Wage-Earner Capital through Funds” (*löntagarkapital genom fonder*), which focused on capital formation as the main aim. But a strong opposition campaign developed within SIF, a large private-sector affiliate of the TCO, facilitated by employers organization. Consequently the TCO Congress in 1979 refrained from supporting it or taking any stance on the Wage-Earner Funds.

In parallel with the LO and the TCO, the employers’ side was also considering various profit-sharing schemes. There had been a long-running strand in bourgeois politics that favored a form of profit sharing with individual workers in their own firms. They considered it would not only enhance capital provision, but also align workers’ interest with that of employers and promote class harmony. The employers also sought to influence the debate on profit sharing led by various unions, by presenting a capitalist-friendly version to counter Meidner’s influence. Erland Waldenström, CEO of the iron ore mining company Grängesbolaget, was appointed to lead the employers’ research group in 1974, and the Waldenström report came out in spring 1976. (Stråth 1998: 157) The Waldenström plan sought labor peace and increased employee motivations, increase in savings for investment and more equal property distribution; it was based on a voluntary agreement at the firm or sectoral level, with shares of capital accruing to individual workers rather than collective funds. (Viktorov 2006: 218) On the further right, the Swedish Share Investors’ Association (*Sveriges Aktiesparares Riksförbund*) proposed “wage-earner stocks” (*löntagaraktier*) as an explicit alternative to the MHP, which they sought to undermine. This plan would give tax benefits for each worker to save up to 1,000 krona a year to

invest in companies of their choice, which would give industries an extra 2 to 3 billion krona a year of investment capital.⁷

The Meidner-Hedborg Plan in Detail

The Wage-Earner Funds plan of the LO working group, developed by LO researchers Rudolf Meidner and Anna Hedborg with assistance of Gunnar Fond, was a unique form of collective share ownership plan that would systemically transform the economy into an eventual worker-majority ownership of much of the economy. This may be considered as socialism on its own, or at the least, the fundamental material basis necessary for a socialist society. Meidner and Hedborg based the basic institutional framework of their plan on the German models, but devised specific institutional features that constitute the MHP's built-in mechanism towards worker majority ownership. In this chapter, I explain each of these features of the MHP in detail, in comparison with all other plans that would not lead to majority worker ownership. The political development of how and why the transformative plan rose to prominence in Sweden will be covered in the following chapter.

The basic framework of the Meidner-Hedborg Plan, in their own words, is as follows;

the ownership of part of the profits which are ploughed into an enterprise is simply transferred from the previous owners to the employees as a collective. A proportion – we propose 20% - of the profit is set aside for the employees. This money does not however leave the business. Instead, a company issues shares to that amount, and these are transmitted to the employee fund. Legislation will be required to regulate the forms in which these directed or restricted share issues are made, irrespective of whether a system of funds could be set up via collective bargaining negotiations. (Meidner 1978: 47)

This summary captures many aspects of the institutional construction of the MHP that made it fundamentally transformative of capitalist social relations, unlike all other fund plans proposed. Firstly, it mandates an obligatory emission of newly-issued voting shares, rather than just giving an incentive for firms to establish a voluntary scheme for such transfers, and rejecting transfer in cash. Secondly, the rate of transfer is set at 20% of profits, high enough for the funds to obtain a majority within a generation, and the share transfer is to continue indefinitely without a ceiling— either in terms of duration or percentage – seen in many other schemes of collective profit sharing. Thirdly, the transfer is obligatory for all firms with more than 50 or 100 employees, encompassing the vast majority of the economy. Fourthly, the MHP stipulates no individual shares in the fund itself or over the dividends, precluding the possibility of dilution of ownership through selling of shares by individual workers, and reducing the structural pressure to maximize the dividends. Finally, the shares in the Funds are themselves inalienable in perpetuity, ensuring that accumulation cannot be halted through selling of shares by the Fund itself.

These are the key institutional features that ensure an eventual majority worker ownership. There are also several other questions that affect the socialist potentialities of the future WEF-based economy, even if they did not directly affect the trajectory towards majority ownership. The first is the question of structures of fund organizations – whether funds should be organized regionally or industrially, relations between fund organizations at the national,

⁷ Sveriges Aktiesparares Riksförbund, "Löntagaraktier – alternativet till kollektiva löntagarfonder." November 30, 1977. *TCOs arkiv*, F3e 1. TAM-arkiv.

regional or local level, how decisions by and within the funds should be made, etc. Another concerns distribution and use of dividends. Let us examine each of these issues in detail, in comparison with various other collective fund plans.

a) *Obligatory emission of new voting shares*

The fundamental building block of the Meidner-Hedborg Plan is obligatory emission of new voting shares to the Wage-Earner Funds. Meidner and Hedborg focused on shares in particular, because that is what matters from the perspective of power and constitutes the “strategic ownership” that gives power over decision-making in firms. (Meidner 1975: 75) Shares are not simply another form of asset, as its owners hold control over productive capital and hence power over production. They estimated that 58.5% of productive capital in Sweden was owned by private stock corporations (*aktiebolag*), while the state and municipalities held 29%, with the rest being held by individuals and cooperatives. (Meidner 1975: 41) If most of these corporations come under control of the Wage-Earner Funds, then the vast majority of productive capital in the country would be held by the workers through the Funds, or by the government.

The obligatory character of the MHP is its foundational and distinguishing characteristic. Many schemes proposed by bourgeois liberals and moderate unions in various countries were voluntary, either through tax incentives or proposed as part of a collective agreement. For example, Swedish employers’ Waldenström plan stipulated tax incentives for individual workers to buy shares. Introduction of voluntary aspects was heavily discussed in the 1977-78 LO-SAP group as well, as some party representatives insisted on application of voluntary transfer in certain situations, such as share accumulation beyond 45% ownership⁸ (which was not adopted) and firms with less than 500 employees, which was adopted. (LO and SAP 1978: 32) Furthermore, such voluntary schemes at the firm level had already been widespread in some countries, either through collective agreements or unilateral schemes by the management. For example, in West Germany in the 1970s, around 7.5 million workers had union agreements that included such capital accumulation payments.⁹ In Sweden, a bank called Handelsbanken had established a fund system on its own, in which employees would get shares every year and be able to sell them when they retire.¹⁰ Evidently, employers are more likely to institute profit-sharing funds voluntarily if the system enhances capital provision for the firm without ceding substantive power to the workers.

The medium of transfer in shares rather than cash was also imperative for the MHP, whose basic operation was that “every year, the Wage-Earner Funds get a number of new shares without old shareholders getting a corresponding share.” (LO 1976: 47) In contrast, cash transfer hardly guarantees steady increase in ownership rights and power. If the cash is held in a bank account or used to make loans, it would not give the WEFs any power over capital. Even if the Funds actively seek to maximize their power through ownership by using the entire transferred cash to strategically purchase shares on the market, the existing shareholders can easily prevent the funds’ acquisition of a significant portion of their firms by preventing the WEFs from buying

⁸ Anna Hedborg, “Minnesanteckningar från arbetsgruppen för löntagarfonder den 24 oktober 1977.” October 26, 1977. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

⁹ Rudolf Meidner, ”Systemer der fremmer formuedannelse hos lønmodtagere.” November 3, 1975. *Landsorganisationens arkiv*, Rudolf Meidners Handlingar, 2964/F/22/A/9. Arbetarrörelsens Arkiv och Bibliotek.

¹⁰ Lena Askling, “Andel i vinst kan aldrig bli modell för ett generallt system.” *LO-tidningen* 19, June 16, 1977. p. 5

them. (Meidner 1975: 76) The conscious political aim to democratize the economy, rather than just to redistribute assets to workers, foregrounded specification of shares as the medium of transfer, instead of in cash or any other form of property.

To ensure that the Wage-Earner Funds continue to accrue strategic power, the MHP instituted protection against various potential maneuvers by firms to dilute power that comes with an increasing ownership of shares. For example, some firms have different classes of shares with wildly unequal voting rights per share, often called A-shares and B-shares. While the Swedish legislation then put a limit on such disparity to maximum of 10 times, some older shares bear 1,000 times more voting rights than other shares in the same company, leading to a situation such as at LM Ericsson where 16% of shareholders had 190 times more votes than the remaining 84% of shareholders. Therefore, legislation must stipulate that the shares transferred to the Funds must not carry lesser voting rights. (LO 1976: 48) Furthermore, the then-existing Companies Act (*aktiebolagslagen*) stipulated that no one shareholder should exercise more than 20% voting rights, which must be repealed for the Funds to gain majority. (LO 1976: 49)¹¹ Other plans for profit-sharing do not necessarily include protection of voting rights, if they are concerned more with equal distribution rather than class power. Some even proposed the exact opposite, such as the 1975 Dutch government plan, which purposefully provided that the shares directly transferred to the funds would *not* entail voting rights. (Wredén 1976: 135)

Obligatory transfer of shares was a feature of some other plans, such as the 1972 German DGB plan. Some plans involved a more complex mixture. In the Danish Kampmann plan, half of the transfer would occur in the form of shares, staying in the firm. (Grapard 1991: 75) The 1978 LO-SAP plan also envisaged two distinct funds, one for share transfer as in the MHP and another for cash transfer. The Danish Social Democratic government plan in 1973 stipulated a mixture of cash and shares for transfer, with two-thirds to be transferred in shares for larger firms. The 1974 German SPD-FDP plan gave firms a choice of payment form so that they can avoid the “confiscatory” threat whenever a threat manifests. (Wredén 1976: 174, 25) Meanwhile, many plans solely depended on cash transfer. Plans proposed by employers and liberal or conservative governments usually chose cash transfer, such as the Gaullist participation scheme and the 1972 plan by the Danish Employers’ Confederation. (Wredén 1976: 175)

In Sweden, the Feldt Plan in 1981 mandated transfer in cash, which the funds could use to buy shares, and so did the 1978 TCO plan. (LO and SAP 1981: 85) The Feldt Plan acknowledges that only a small portion of the total shares are available for purchase on the open market, as only 130 out of around 100,000 joint-stock companies (*aktiebolagen*) were then listed on the Stockholm Stock Exchange. (LO and SAP 1981: 86) For the vast majority of firms that are not listed on the exchange, the possibility to acquire shares in non-listed firms are “entirely dependent on the existing owners’ willingness to sell their shares, and their will to issue new shares to the funds”. (LO and SAP 1981: 92) Moreover, even for the listed firms, only around 3-6% of shares are traded on the market every year, for which the Funds are merely one buyer among many. Acquiring shares entirely depends on the firms’ willingness to issue new shares on the market or for the existing share owners to sell them to the Funds; the new shares could be preemptively bought by the existing owners, and they could also easily prevent the selling if the Funds begin to threaten their interests. (LO and SAP 1981: 86-91) The plan called for “some rules... to ensure supply of new shares” on the market, but without further details or no specific provisions to enable the Funds to buy them.

¹¹ It allowed for an exception if the corporate statute explicitly stated it, and most firms had such an exception; but they would likely repeal it if faced with a takeover by the Wage-Earner Funds. (LO 1976: 49)

A system of voluntary transfer would evidently presuppose the firms' active interest in growing such funds, that may occur only in systems clearly advantageous for them, such as one at the expense of wage restraint. While not to the same degree, cash transfer would also depend on capitalist cooperation to some degree. In the working group discussions, Feldt posited that acquisition of shares would not be a problem "provided that there is no well-organized resistance from the side of private owners" and the funds were not too politically contentious,¹² and commented that the Funds should "discuss with firms about directed emission of shares"¹³ to them voluntarily. Even the staunchest opponents of Meidner within Social Democracy appear to have been skeptical whether many firms would voluntarily contribute. Whatever merits there may be in the party leaders' conviction that their version of the Wage-Earner Funds would not threaten capitalist interests, the possibility of such a collaborative relationship with capital appeared rather implausible in the face of intense oppositional campaigns from the businesses.

b) Rate of transfer

The Meidner-Hedborg Plan proposes to transfer 20% of *all* pre-tax profits to the Wage-Earner Funds. Basing the transfer amount upon profits, rather than wages, ensures that it is to be paid by capital; and it helps make a direct link between the growth of a company and that of the WEF's share in the company, hence ensuring the WEF's steady march towards a majority. (Meidner 1975: 73) The high level of transfer was intentional, as the authors emphasize that "the rate ought not at all events to be less than that [20%]." (59) The transfer would be exempt from corporate tax, reducing the cost to owners while maximizing transfer to the WEFs given the cost. The obligatory transfer of new shares at this very high rate is the crucial mechanism that sets the "formula for revolution" in motion. The speed of progressive accumulation of shares in each firm is a function of the transfer rate and the profit rate. They estimated that if the profit rate was 10%, it would take around 35 years to reach a majority; at 15% profit, it would be reduced to 25 years, and firms with 20% profit rate could be taken over in 20 years. The takeover can be speeded up if the Funds decide to use the dividends to buy more shares on the market.

Year(s) after introduction	5% profit margin	10% profit margin	15% profit margin	20% profit margin
1 year	1%	2%	3%	4%
5 years	5%	9%	13%	17%
10 years	9%	17%	24%	30%
15 years	14%	25%	34%	42%
20 years	18%	32%	43%	52%
25 years	21%	38%	50%	60%
35 years	29%	49%	62%	72%
50 years	38%	62%	75%	84%
75 years	52%	76%	88%	93%
100 years	74%	85%	94%	97%

Table 1.1: Wage-Earner Funds' share in each firm, at the transfer rate of 20%, depending on the profit margin (LO 1976: 65)

¹² Kjell-Olof Feldt, "Diskussions-PM ang. löntagarfondernas aktieförvärv och tillgången på aktier." November 28, 1980. *Rudolf Meidners arkiv*, 401/74. Arbetarrörelsens Arkiv och Bibliotek.

¹³ "Ombudmannakonferensen i Älvsjö den 29-30 januari 1981." *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/Ö/1/A/240. Arbetarrörelsens Arkiv och Bibliotek.

20% of all profits was a much higher rate of transfer than proposed in all other profit sharing plans of the era. The 1972 DGB plan set the transfer level between 4% and 15%, depending on the amount of total profit. (LO 1976: 238) The 1981 Feldt Plan, meanwhile, substantially reduced the rate of transfer by limiting it to 20% of “*excess*” profits, rather than 20% of all profits. The “excess” profits are defined as profit above a “necessary” profit based on the inflation and interest rate; they suggested “normal” profit level as 15-20% then. (LO and SAP 1981: 83-84) Based on the data from 1978 and 1979, limiting the transfer to excess profits would reduce the amount by as much as two-thirds. (LO and SAP 1981: 83) The TCO plan also only targeted excess profits, and so did the union plans in Denmark and the Netherlands. (Nycander 2002: 354, LO 1976: 251, 249)

Not only did the MHP have a high rate of transfer, but it also imposed no limits on accumulation of shares by the Funds, measured based on either time or proportion of shares. In Swedish Social Democracy, such limits began to be proposed soon after 1976 by those opposed to eventual worker control. In the LO-SAP committee in 1977-78, some SAP representatives proposed to set the maximum limit of WEF ownership of each firm at 45%. While this was not included in the 1978 plan, it instead restricted the 20% transfer rate to the first five years, and stipulated that the rate of transfer for subsequent periods would be determined by the parliament every five years. (LO and SAP 1978: 39) The actually-enacted 1983 plan in Sweden set a 7-year limit on transfer, which began in 1984 and ended in 1990. Proposals for a time limit were common in other countries as well. Gleitze (1968: 17) floated the limit of 5, 10 or 20 years, the 1971 Danish LO-Social Democratic Party plan would cease fund accumulation after 9 years, and the Dutch government plan would stop after 7 to 10 years.¹⁴ (Esping-Andersen 1985: 303)

One significant question related to the transfer rate – a technical one, yet affecting the transfer system at the core – is that of calculation of profits and valuation of employee shares. They rejected using the market value for calculation. Rather, the profit should be understood as the “difference between the value of the company’s own assets at the end and the beginning of the year,” with some additional safeguards against manipulations such as paying excessively high salaries to the owners themselves to reduce “profits,” or exaggerating the depreciation of capital. (Meidner 1978: 55, 52) For the purposes of transfer, share value would be based on “some sort of substantive valuation based on the actual assets of the company,” rather than price on the market. (Meidner 1978: 55) While there was some discussion that using the market value would speed up the WEF’s accumulation if the stock market goes down upon introduction of the system, they sought to prioritize protection against manipulation of share prices by large shareholders, which would be fairly easily done in a small stock market like the Swedish one. (Meidner 1978: 54)

The method of calculation of value of shares and profits was seen as the difficult technical question from the beginning of the Meidner committee’s work.¹⁵ This was left open in the committee’s initial 1975 report, and it was one of the few major aspects that shifted between 1975 and 1976, as they settled on the “substance principle” for calculation. (Åsard 1978: 167-168) The discussion remained open in various LO-SAP groups for many years, where the issue

¹⁴ Rudolf Meidner, ”Systemer der fremmer formuedannelse hos lønmodtagere.” November 3, 1975.

Landsorganisationens arkiv, Rudolf Meidners Handlingar, 2964/F/22/A/9. Arbetarrörelsens Arkiv och Bibliotek.

¹⁵ Gunnar Fond, “Minnesanteckningar från sammanträden med Referensgruppen den 22 resp. 27 november 1974.” December 4, 1974. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/1. Arbetarrörelsens Arkiv och Bibliotek.

was frequently raised as a major technical difficulty with the original profit-sharing plan. In the February 1978 plan, the issue was omitted, and the SAP leadership invoked “ambiguity” of the definition of profits as one of the reasons to reject the February plan.¹⁶ The successive LO-SAP committees routinely referred to its difficulty, and the technical problem with valuation of shares was invoked as one of the reasons in the Feldt Plan to renounce emission in the share form. (LO and SAP 1981: 85) Despite the possible challenges in implementation, the “substance principle” stipulated in the MHP was never demonstrated to be unworkable. Hedborg commented at one point that different technical calculations of profits may not be consequential as long as the profits, the book value of firms’ assets and the value of shares are calculated on the same basis.¹⁷

c) *Individual shares and divided use*

The question that provoked most heated debates in many countries is that of individual shares in the funds. In a system with individual shares, each worker is given ownership of a part of the funds, which they can sell at a certain point. While individual workers could gain an income by selling their part, it comes at the expense of eroding collective accumulation of shares by the Funds. The question of individual shares was closely connected to that of lock-in period (*spärrtid/Sperrfrist*), the period during which individual workers would not be able to sell their part of the funds. Some proposals may lock-in the shares for 5 or 10 years, after which individual workers could sell their part; others may allow them to sell them once they reach a retirement age. The right for individual workers to dispose shares is distinct from the question of distribution of dividends for them, which will be discussed in the section below on the use of dividends.

A provision for individual shares was common in most countries. In Germany, the question of the lock-in period became a significant point of contention. The Höhnen-Leminsky plan suggested two alternatives; one option that individual shares are in principle perpetually locked-in except for “situations of economic emergency” for the worker, and another option of a lock-in period of 10 years with limited exceptions. (Wréden 1976: 166) Höhnen and Leminsky themselves, as well as the DGB secretariat, favored the first option for reasons similar to Meidner and Hedborg – that sellable individual shares would weaken collective power of the Funds while steering it towards profit maximization, while rather insignificant for the individual workers’ standard of living – but they included the 10-year option as they thought workers may not support the perpetual lock. (Pitz ed. 1974: 44)

While perpetual lock-in period appears similar to the absence of individual shares, the “financial emergency” provision still provided a possibility for selling and they can even be inherited. (Wréden 1976: 166) Furthermore, designation of portions of the Funds as “belonging” to individuals inexorably steered towards limits on the lock-in period; if it is “theirs”, why should they forever be prohibited from disposing them as they see fit? The SDP-FDP plan stipulated a time-limited lock-in (12 years, and 7 years if exchanged for other stocks), and so did the Danish (7-10 years) and Dutch (7 years) government plans. (Wréden 1976: 137, 180) But as IG Metall President Eugen Loderer criticized, enabling selling of individual parts after the lock-in period would undermine the original goal of equalizing property distribution, since workers could sell their shares back to the original firm or other workers who may be better off. (Pitz ed. 1974: 18)

¹⁶ Sveriges socialdemokratiska arbetareparti. “Partistyrrelsens utlåtande över motionerna till partikongressen om ekonomisk demokrati.” *Rudolf Meidners arkiv*, 401/72. Arbetarrörelsens Arkiv och Bibliotek.

¹⁷ Anna Hedborg, “Grupparbetsfrågor – löntagarfonder.” October 20, 1978. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/3. Arbetarrörelsens Arkiv och Bibliotek.

The Meidner-Hedborg Plan firmly rejected any form of individual shares or dividends as fundamentally contradictory with its goal of democratizing ownership. Indeed, its rejection was the pivotal step that Meidner and Hedborg took to formulate a radical plan distinct from their German models, as I will detail in the following chapter. The MHP sought to prevent dilution of ownership of *capital* in particular, rooted in the perspective of power relations, as opposed to mere distribution; “possession of washing machines, one’s own home or vacation home would not change the economic power structure of the society,” they argued. (Meidner 1975: 84-85) The Meidner-Hedborg Plan similarly made a clear commitment to inalienability; “it is essential that that part of the growth in assets which accrues to the employees remains as working capital within the enterprise. We cannot stress this enough. The main objective would be frustrated if there were to be any withdrawals from the capital of the funds on a group or individual basis,” they wrote. (Meidner 1978: 45)

Instead of distributing the dividends to individual workers, the Meidner-Hedborg Plan proposed its collective use that would promote the labor movement’s political goals. The MHP’s emancipatory intent was evident in the proposed use of dividends, which would be guaranteed to grow as shares accumulate. Based on the principle that the Funds are to “be democratically administered institutions devoid of private profit and power aspiration,” the plan proposed that a large part of the dividends should be used by the labor movement to strengthen its capacity and enrich their lives through education, research and cultural activities. (Meidner 1978: 111) Workers’ education on political economy and business economics would build their capacity to effectively use the power acquired through the Funds to democratize the economy, and so would enhancement of research capacity of the unions to counter well-funded business think tanks. Furthermore, the dividends should fund cultural activities such as music, art and theater through the workers’ educational associations, countering commercialization of culture for profit. (Meidner 1978: 90)

The MHP explicitly committed workers’ education not just “for a slender cadre of union officials but for large groups on members.” They considered it as the “most effective counter to any bureaucratic tendencies in the unions and the best way of reducing the gap between elected officers and other members, because bureaucratization of the Funds can best be avoided “via broadening of this educational activity, and also by allowing union duties to circulate among many, and in general increasing union activities.” (Meidner 1978: 87) They further connected it clearly to democratization of the economy as the WEF’s goal, which “will stand or fall with the prospects for raising the level of education among those who one day will assume part of the functions of ownership.” (Meidner 1978: 87) This was the clearest statement in the MHP for empowering rank-and-file workers against internal bureaucratization. Similarly to rejection of individual shares, allocation of dividends to individual workers was precluded as counter to the Funds’ solidaristic goals, as it would incentivize support for policies to maximize dividends in the short-term; in the 1975 survey, 95% supported collective use of the dividends rather than cash allocation to individuals. (LO 1976: 190) As the transformative aim disappeared from the Wage-Earner Funds, the vision of collective use of dividends for emancipatory purposes similarly faded away; the 1978 proposal did not specify any particular use of the dividends.

Feldt and the SAP leadership also rejected the individual shares but on a separate ground from the MHP, that of the capital formation goal. In the Feldt Plan, resources of the Funds must be used for investment rather than consumption. To allocate shares to individual workers such that they could sell them later would undermine the Funds’ goal of securing sufficient capital for the Swedish industry. While individuals may re-invest some of the revenue, at least some would

be used for consumption instead. For similar reasons of capital formation, the 1978 TCO plan and the Danish Kampmann plan also rejected individual shares as fundamentally contradictory to its goals. (TCO 1978: 130-131, Grapard 1991: 76) But in the case of the Feldt Plan, rejection of individual shares did not mean inalienability of accumulated shares, because the Funds could simply sell shares on the market after having bought them with cash.

As for the dividends, the Feldt Plan stipulated that they be channeled into the pension funds, to be used eventually for pension payments. (LO and SAP 1981: 81) The integration into the pension system can entail a shift in priority towards maximization of returns, rather than focusing on long-term capturing of ownership power and/or shift away from profitability as the main criteria. But in any case, the rejection of individual shares by all these otherwise very distinct WEF plans in Sweden exposed them to certain political vulnerability, since the benefits to individual workers were unclear – or, as critics would say, nonexistent. The benefits of the Meidner-Hedborg Plan – power over firms and dividends – are to be used collectively. But in plans that were oriented to capital provision and without radical ambitions, what concretely would each worker get out of it? In 1981, Leif Blomberg, the new president of the powerful Metall union, demanded *raka rör* – “direct links” to each worker’s pocketbook – in the Wage-Earner Funds, turning the question of direct material benefits for individual workers into one of the biggest controversies in the debate.

d) *Applicable scope of firms*

The Meidner-Hedborg Plan mandated an obligatory transfer of shares to the wage-earner funds for all firms with at least 50 or 100 employees. They did not choose the exact number beyond that “the lower threshold ought not to be below fifty and not above one hundred employees.” (Meidner 1978: 74) Firms comprising 60-70% of the employees would be covered, and they would also have significant influences over many smaller firms in subcontracting relationships with major firms. (Meidner 1978: 74) The relatively low threshold ensured that the decisive portions of the economy would be covered by the Funds, but in terms of the *number* of firms, the vast majority would lie outside the Funds. (see Table 1.2) The report argued that workers in small firms should be similarly able to exercise influence as those in large firms, but also noted some obstacles for implementation particular to small firms. In many family businesses, it is technically difficult to determine the level of profit as the profit is “often taken out in the form of a salary paid to the owner and his [sic] family,” leaving a greater scope for manipulation of profits. (Meidner 1978: 71-73) A possibility of various other measures, such as using the total value of capital held by a firm as the threshold in addition to the number of employees, was discussed but not conclusively adopted.

Firm Size	Less than 50 employees	50-100	100-500	500-1000	More than 1000	Total
Number of firms	244,751 (98.2%)	2,251 (0.9%)	1,683 (0.6%)	204 (0.08%)	231 (0.09%)	249,120
Number of employees	785,718 (33.2%)	158,295 (6.7%)	344,321 (14.6%)	149,567 (6.3%)	927,137 (39.2%)	2,365,038
Revenue (in million kronor)	131,155 (33.9%)	27,680 (7.1%)	66,272 (17.1%)	26,250 (6.7%)	135,857 (35.1%)	387,214

Table 1.2: Number of firms, employees and revenue by firm size, 1972 (LO 1976: 85)

The question of threshold became the most contentious issue regarding the MHP's design, especially from the left, with many grassroots activists as well as some unions contesting it as too high. The impact of excluding small firms would be widely disparate across sectors. In some sectors, such as food, hospitality and construction, far less workers would be covered than in heavy industry, and some of their unions pressed Meidner to adopt lower thresholds.¹⁸ 95% of the Hotel and Restaurant union worked at firms with less than 20 employees, and the vast majority of the Building Workers' Union members would be below the 50-employee threshold.¹⁹ Similarly, in the LO's mass membership survey in Fall 1975, many respondents – who otherwise strongly supported the MHP – demanded lowering of the threshold below 50 employees, with many suggesting no threshold at all. (Meidner 1978: 72)

The question of threshold was also one of the most heated topics of debate at the 1976 LO Congress, where the support for the MHP was otherwise overwhelming. Six Metall locals in the Jönköping area in southern Sweden sent a motion to the Congress calling for all firms to be included, criticized the threshold as “not solidaristic” as it leaves out workers in small firms. (LO 1976b: 691-692) Torsten Sjödal, who organized this motion, argued that “all members are worth the same, whether they work at a large or a small firm” and proposed that the threshold be set “as low as possible” rather than 50 or 100 employees. (LO 1976b: 716-717) There was also a concern that it would provide an obvious avenue to evade the Funds, leading to many firms with 49 employees. (LO 1976b: 721) Remarkably enough, Sjödal's amendment passed in the Congress after LO President Gunnar Nilsson expressed support; it was the only amendment to the MHP passed at the Congress. (LO 1976b: 730, 733)

Even though the LO's highest decision-making body decided that the threshold shall be “as low as possible,” the party representatives in the following LO-SAP working group sought to instead raise the threshold to 500 employees, arguing that it would then predominantly affect market-listed firms as opposed to family firms.²⁰ The increase was adopted despite opposition of the LO delegates in the working group, who expressed a “strong concern that workers in small firms feel that they don't matter as much as other workers.”²¹

Once public, the 500-employee threshold triggered a firestorm of opposition from the rank-and-file, becoming one of the most heated points of contention over the 1978 plan. Voices from many unions including Hotel and Restaurant Workers' (HRF), Graphic Workers', Painters', Wood Workers', Textile Workers, Commercial Employees' Unions pointed out that it would lead to lack of enthusiasm among their members, since hardly any of them were working in firms above the new threshold.²² The effects would be very distinct across regions as well, since only some places are more dominated by large industries. For example, a workplace union leader in Jönköping county argued that almost the entire country would be left out of the Wage-Earner

¹⁸ Rudolf Meidner, “Samtal med Livsmedels den 29 oktober 1975.” November 7, 1975.

Landsorganisationens arkiv, Rudolf Meidners Handlingar, 2964/F/22/A/9. Arbetarrörelsens Arkiv och Bibliotek.

¹⁹ Michel Jernewall, “SAP inför nytt ATP-val? Inte med detta fondförslag?” *Grafia* nr. 7, 1978; Nils Johan Andersson, Alve Pålsson and Christer Rosén. 1976. “Löntagarfonder: Seminariuppsats i företagsekonomi”. Företagsekonomiska institutionen, Lund Universitet. *Landsorganisationens arkiv*, Rudolf Meidners Handlingar, 2964/F/22/A/36. Arbetarrörelsens Arkiv och Bibliotek.

²⁰ Anna Hedborg, “Minnesanteckningar från arbetsgruppen för löntagarfonder den 24 oktober 1977.” October 26, 1977. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

²¹ *Ibid.*

²² Michel Jernewall, “SAP inför nytt ATP-val? Inte med detta fondförslag?” *Grafia* nr. 7, 1978; Sune Halvarsson, “Trä och löntagarfonderna”, *SIA* nr. 8, 1978; Hotell- och restaurangfacket, *Kongressprotokoll 1978.*, pp. 313-318; Enar Ågren, “Fler arbetare i bolagsstyrelser ersätter inte löntagarfonderna,” *Fabriksarbetaren* nr. 12, 1978

Funds, as very few firms in the county – and none in his city of Värnamo – had more than 500 employees.²³

Recognizing the Congress decision and strong reactions from many constituent unions, the LO leadership had demanded a “clear compensatory measure for small firms” in exchange for the higher threshold.²⁴ For the 1978 plan, all firms not emitting shares (those with less than 500 employees and not voluntarily affiliated to the share transfer funds) would be obliged to pay alternative fees in cash, worth 1% of the total wage costs. Workers in non-covered firms could still vote for the regional representative bodies of the Funds with decision-making powers over the shares they hold, which are sometimes the firms that have subcontracting relationships over smaller firms in the same sector. Nevertheless, it is difficult to conceive of these compensatory measures as remotely comparable with actual inclusion in the obligatory transfer scheme, and they clearly did not satisfy militant rank-and-file workers. Interestingly enough, there tended to be less explicitly restrictive coverage of firms in programs based on cash transfer, which is easier to implement. Both the Feldt Plan and the TCO plan included no size restrictions as such; but the former limited application to joint-stock companies (*aktiebolag*). (LO and SAP 1981: 83)

In addition to the general threshold, there were various categories of firms excluded from obligatory transfer, including cooperatives, media companies and state enterprises. Consumer and most producer coops were excluded on the basis that they were already “conducted without the private profit motive, and have a democratic structure.” (Meidner 1978: 70) But cooperatives also employed workers distinct from member-owners, concentrated in certain sectors such as food services and agriculture. Meidner met with leaders of the Cooperative Federation (KF) of consumer coops, where they agreed to keep them out of the Fund system but also to explore how to enhance democracy for the coop employees.²⁵ The Food Workers’ Union, which had thousands of members in agricultural producer and consumer coops²⁶, opposed their exclusion because “workers experience their situation similarly, regardless of if the firm is owned by a cooperative or not”²⁷ and the possibility of coop workers gaining a substantive say was structurally limited, despite certain ideological affinity with economic democracy. (LO 1976b: 718) A delegate from the Paper Workers’ Union similarly demanded inclusion of producer coops, noting that 20% of their members are employed by producer coops. (LO 1976b: 717) But the amendment to include producer coops in the WEF system was withdrawn after failing to gain support of the LO President. (LO 1976b: 720, 733)

Regarding the media firms “whose objectives are primarily artistic or idealistic in nature,” the MHP proposed that they be dealt with differently; the plan suggested it could be run by non-profit foundations outside the WEF system, but with no solid conclusions. (LO 1976a: 84) The exclusion was opposed by the Graphic Workers’ Union that represented many workers in the media sector, whose representative decried the power concentrated in the private media owners. (LO 1976b: 720) Finally, the MHP stipulated that there be no Wage-Earner Funds for

²³ Tommy Hellström, ”Jönköpings län berörs knappt av löntagarfonderna – nu säger facket Stoppa Familjevælde.” *Smålands Folkbladet*, June 3, 1978

²⁴ Anna Hedborg, “Minnesanteckningar från arbetsgruppen för löntagarfonder den 24 oktober 1977.” October 26, 1977, LO Utredningsavdelningen. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

²⁵ Rudolf Meidner, “Minnesanteckningar från sammankomsten på Vår Gård 1975-10-06.” October 14, 1975. *Landsorganisationens arkiv*, Rudolf Meidners Handlingar, 2964/F/22/A/9. Arbetarrörelsens Arkiv och Bibliotek.

²⁶ Rudolf Meidner, “Samtal med Livsmedels den 29 oktober 1975.” November 7, 1975.

Landsorganisationens arkiv, Rudolf Meidners Handlingar, 2964/F/22/A/9. Arbetarrörelsens Arkiv och Bibliotek.

²⁷ *Ibid.*

the state industries, since it would be a kind of re-privatization. “In a democracy public activity can never be ‘taken over’ by its employees; but the public employer can and should be a model employer in the matter of employee influence,” they argued. (Meidner 1978: 72) Nevertheless, various delegates at the 1976 LO Congress debate contested it as insufficient and demanded their greater representation in the Funds and more concrete democratization of public workplaces. (LO 1976: 720, 729)

Another significant question concerning the applicable scope of firms was that of enforcing it on multinational corporations (MNCs). The MHP proposes that for MNCs, “only the profit generated in Sweden should be used as a basis for appropriation to the funds”; Swedish subsidiaries of foreign companies would be included in the obligatory transfer, while foreign subsidiaries of Swedish companies would not. (Meidner 1978: 61) Meidner and Hedborg acknowledge that MNCs “do present serious problems” in terms of implementation, since MNCs could evade the system by producing “abnormally low reported profits in Sweden” through manufactured intra-company transactions between Swedish and non-Swedish parts. (Meidner 1978: 61) The report noted that “it can be very difficult to penetrate profit manipulation of this kind”, because of a wide range of tools the MNCs have to manipulate profits between their subsidiaries in different countries. (Meidner 1978: 63) There is also the issue of dependence upon investment, planning and organization controlled by the foreign management. Some observers raised concerns that MNCs would remain in control of production even if WEFs take over their Swedish parts, because the MNCs overseas would retain access to technologies and intellectual property, or Swedish MNCs could transfer them out before the takeover; “even if IBM in Järfälla is taken over by the Wage-Earner Funds, they would still be forced to produce goods that go with IBMs data-system,” LO researcher Lennart Nyström warned.²⁸ Furthermore, they noted the risk of Swedish-based MNCs further evading the Funds by creating a holding company overseas and “formally altering the company’s nationality.” (Meidner 1978: 67)

The MHP suggests some possible mechanisms to counter these possibilities. To counter artificial reduction of profits in MNCs’ Swedish operations, they could institute a “triggering mechanism” when an abnormally low profit level is reported in Sweden by applying a standard profit based on the total profit level of the entire MNC. (Meidner 1978: 63) Also, a tighter capital control is necessary to prevent shifting away of production or corporate registration, noting that some of such controls were already present. (Meidner 1978: 66-67) Introduction of the MHP further fosters capacity of the workers themselves to monitor profit-dodging. (Meidner 1978: 53-54) The MHP proposed that once the WEFs obtain a majority, workers can begin to “develop... products and a range of outputs independent of the foreign parent concern.” (Meidner 1978: 65)

The extent to which multinational firms could have sabotaged the MHP remains a matter of hypotheticals. While MNCs comprised only 5-6% of the Swedish industry then,²⁹ as globalization has dramatically accelerated since the 1970s, it is most probable that only a spread of radical Funds to other countries could structurally ameliorate such problems. Furthermore, not only could the “Wage-Earner Funds in one country” could undermine prospect for socialism in Sweden, but the WEFs would end up as an employer over workers in other countries. The report notes the necessity of union collaboration between Swedish unions-as-employers and local unions, but would the international union ties be able to overcome the obvious contradictions of interest in such a situation? It is only with a rise of the WEFs in many countries, that “more

²⁸ Lennart Nyström, ”Att äga productionsmedlen räcker inte.” *LO-tidningen* nr. 20, 1977. pp. 10

²⁹ Anna Hedborg, “Grupparbetsfrågor – löntagarfonder.” October 20, 1978. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/3. Arbetarrörelsens Arkiv och Bibliotek.

democratic international economic cooperation... in accord with the aspiration of the labor movement” would become possible. (Meidner 1978: 68)

e) *Internal structure of the funds*

The basic principle of the Wage-Earner Funds’ structure was to be organized collectively beyond the firm level and run by workers’ organizations. The funds should include many firms rather than be firm-specific, to avoid them from becoming more attached to the interests of the particular firm as opposed to the broader working-class, which they called “company egoism” (*företagsegoismen*). (Meidner 1975: 80-81) The Funds in the MHP consisted of organizations mainly at two levels; central and sectoral. The central equalization fund for the whole country would be established, and it would only handle the administration and allocation of dividends; directors of the central funds would be appointed by unions at the national level. (Meidner 1978: 103) Voting power over corporate decisions, including on appointment to corporate board of directors, would rest in sectoral funds (*branschfonder*). If one firm operates in several industries, they could be apportioned proportionally by respective sectoral funds. Around half of boards of sectoral funds would be elected by national unions in that sector, and the other half by other unions outside the sector, which would ensure representation of workers in non-WEF firms and the public sector; additionally, one or two “societal representatives” would be included. (Meidner 1978: 101) They decided on sectoral funds since “many issues – market knowledge, product development, job environment issues – are sectorally shared” and the sectoral funds can support WEF-appointed directors. (Meidner 1978: 100) But before the sectoral funds would be given votes, the first 20% of the votes would be allocated to local unions for each firm, who could also nominate candidates for the corporate board to the sectoral fund board; this reflected the overwhelming support from members in the survey. (Meidner 1978: 97-98, LO 1976b: 191) This structure is meant to balance between the dangers of centralization and company egoism, and to give local workers a meaningful influence over their own work, while enabling workers in less profitable firms to benefit equally from the dividends. (Meidner 1975: 80)

The 1978 LO-SAP plan replaced both the central fund and the sectoral funds, with regional funds, which would be elected by all local unions in each region. (LO/SAP 1978: 43) They argued that regional funds would enable better coordination for promoting local economic development. The first 20% of the votes would be reserved for local unions, and then the rest would be allocated to the regional funds. For firms that operate in multiple regions, each regional fund is allocated a proportion of voting rights in a firm equal to the proportion of workers in that region out of all workers in the firm.³⁰ The Feldt Plan of 1981 kept and extended the regional system into 24 regional funds; voting rights for local unions was reduced to half of the first 20% of shares, after which all voting rights would be allocated to the Fund boards. (LO and SAP 1981: 102-103) Two options were presented for composition of Fund boards, either direct election by all workers in the region or appointment by the government based on the unions’ recommendation. (LO and SAP 1981: 105-107) The implemented 1983 plan instituted 5 regional funds as part of the AP pension fund system, and opted against direct election, mandating 9 board members for each fund to be chosen by the government, 5 of whom must be union representatives. (Viktorov 2006: 108)

Various attempts were made to weaken workers or union representation in the Funds. For the 1978 plan, Feldt suggested various competing options for composition of the Funds that

³⁰ Anna Hedborg, “Löntagarfonder – organisation.” September 02, 1977. *Rudolf Meidners arkiv*, 401/74. Arbetarrörelsens Arkiv och Bibliotek.

would not result in working-class majority control; proposals included bipartite (labor and capital) or tripartite (labor, capital and the state) representations on the Fund boards, as well as a proposal to create Funds with a wage-earner majority alongside Funds with majority from “society and industry”.³¹ But this went too far for others to accept, and at least a modicum of union majority representation was preserved until the end. The similar dynamic manifested in the debates in other countries as well. In Germany, the SPD and FDP envisaged funds to be tied with the existing savings bank system with representation from the state and banks, while the DGB advocated for independent union-run funds. (Pitz ed. 1974: 51)

Another prominent proposal concerning composition of the Funds was called “citizens’ funds” (*medborgarfonder*). Walter Korpi, a prominent Social Democratic intellectual and sociologist, was the foremost advocate for the citizens’ funds. He argued that in an economic democracy, all citizens must be able to have an influence over the Funds, rather than just workers; they should be able to vote for Fund board members, just as they vote for parliamentarians.³² While it gained support from various Social Democratic intellectuals, Meidner and Hedborg were strongly opposed to the citizens’ funds, as it would undermine the main purpose of the plan – control of production by direct producers – which can be threatened by state intervention.³³ At the same time, Korpi’s idea was not widely embraced by the party leadership either, who had no enthusiasm for what appeared as too similar to classic forms of nationalization; the Feldt committee rejected the *medborgarfonder* for that reason. (LO and SAP 1981: 105)

Conclusion

The idea of collective profit-sharing and worker ownership of shares has emerged in many contexts, but with a wide variety of institutional designs and political implications. On its individualist end, worker ownership of shares can function to align the material interests of workers to that of profit maximization, while the collective funds behave similarly to private capitalist firms. The idea of collective profit-sharing in Fordist, corporatist Europe, starting in West Germany in the 1950s, had dual and contradictory implications; it sought more equal distribution of property and greater influence for workers, while at the same time promoting further class collaboration. But in Sweden, the original Wage-Earner Funds adopted features that made it qualitatively distinct from the German and other plans; a combination of obligatory emission of shares, a high rate of transfer, a wide scope of applicable firms and an absence of individual shares and dividends made the Meidner-Hedborg Plan a socialist one over the long-term. In the next chapter, we shall explore how and why the plan for the Funds developed as a radical project in Sweden.

³¹ Kjell-Olof Feldt, “Några modeller för löntagarsparandets fondorganisation.” September 02, 1977. *Rudolf Meidners arkiv*, 401/74. Arbetarrörelsens Arkiv och Bibliotek.

³² Walter Korpi, ”Visst är fondförslaget bra – men ge rösträtt åt alla”. *LO-tidningen* nr. 12, 1981.

³³ Anna Hedborg, “Makten är odelbar.” *Tiden* 1976, pp. 217-225.

Chapter 2: Origins of the Meidner-Hedborg Plan

Introduction

In September 1974, two LO researchers Rudolf Meidner and Anna Hedborg traveled to Germany and Austria. One of the most distinguished union economists of his generation, Meidner had been appointed to lead the LO committee to develop a Wage-Earner Funds plan in Sweden, and Meidner appointed Hedborg – a young LO economist with whom he had developed a friendly working relationship – to join the committee. The committee had a wide range of latitude in designing a plan, and while its radical possibilities were apparent, but in no other country had there ever been proposed a system of Wage-Earner Funds with anti-capitalist implications. Meidner and Hedborg developed various potential proposals, and called the plans without transformative effects on power – plans with a limited scope and/or individual savings for workers – the “Small Solution”, as opposed to the “the Grand Solution” (*den stora lösningen*) that dealt with the question of power. Their decision to opt for the Grand Solution was made during the crucial research trip to the two countries with active discussions of collective profit-sharing through unions, where they met representatives and researchers from various unions and the party that were working on collective funds. (Ekdahl ed. 2002: 11)

Meidner recalls the moment when they decided for the Grand Solution;

“I recall the precise moment when we decided. We decided for the Grand Solution at the Heidelberg’s central station. The train was holding in there for a few minutes. Through the compartment window, we saw an ad that showed a happy, radiant union member in work clothes, who just received a stock certificate from a confident bank accountant. I was still toying with the idea of the Small Solution, that one would save individually in a bank, like pension savings, without any collective aspect... I then got the question from Anna, and I recall it so very clearly when she pointed towards the ad and asked: “is this what you want?” And I said, “No, that’s not what it should be.”

But Anna was no more insistent than me for the Grand Solution. We were completely united. The picture out there of the bank accountant and the worker gave an impression of a solution that we felt was completely wrong; that everyone should be a capitalist and the idea of the collective was entirely erased. It is clear that all my earlier work was directed towards the collective solution. But I was perhaps, with my thirty years of political experiences, a little more worried than Anna that this could go wrong. But I do not want to make it as some sort of problem between Anna and me. We have talked it out; we agreed in principle. That picture in the ad was enough. The train left the station.” (Greider 1997: 198)

What they decided was rather momentous. In few other circumstances in advanced capitalist societies, such a fundamental transformation of relations of production was pursued by non-marginal political actors.

The rise of such radicalism was sparked by the wave of labor militancy from below starting with the miners’ wildcat strike in 1969, and the New Left critique of the Fordist regime. They provoked a crisis of capital accumulation and of legitimacy of the existing order based on the postwar consensus of class collaboration, in which the Social Democrats played a decisive part. But these factors were not limited to Sweden. Workers’ militancy and New Left critique flourished across the advanced capitalist world, indeed with a much greater intensity in many other countries. Likewise, a wave of left reforms has occurred in this period across Europe, often

in the form of expansion of the welfare state and labor rights. Why did the Meidner-Hedborg Plan emerge in Sweden and only in Sweden?

At a first glance, considering that its numerical strength – its size, density and votes – were a comparatively distinguishing characteristic of the Swedish labor movement, the Power Resource explanation appears to have an explanatory advantage for the Swedish specificity of the MHP. But as I shall demonstrate, the Meidner-Hedborg Plan did not emerge as a conscious project by the Social Democrats to pursue transformation of relations of production as the next ambitious stage of democratization, as Power Resource theorists argue. The Social Democrats' plan for economic democracy involved other policy goals such as codetermination, but did not include the Wage-Earner Funds. It was a rather fortuitous outcome of combination of the peak-level solidarity wage policy, resistance from below, and agency of the strategically-placed intellectuals Meidner and Hedborg.

One of the pillars of Social Democratic rule in the mid-20th century was the solidarity wage policy, a system of peak-level bargaining since the 1950s. It was enabled by a long process of centralization of power in the unions, as a result of successful combat against grassroots power and autonomy in the preceding decades. While the LO did achieve a more egalitarian wage settlement across the working-class through the solidarity wage policy, the wave of wildcat strikes were in large part a revolt against the extreme centralization of bargaining. Not only did it deprive the rank-and-file workers of a meaningful voice, it made the price of the class compromise starkly visible in the form of “excess profits” - the differences between the centrally-set level of wages and the profit level in more profitable firms, which workers had foregone. In turn, the solidarity wage policy structurally magnified the systemic impact of such wildcat strikes, as significant wage concessions winnable at the local level further diverged from the centrally-negotiated rate.

Collective profit-sharing was one of the ways that social democratic leaders sought to contain these crises, to channel the “excess profits” into the workers' funds rather than capital's coffer, as a means to resolve the crisis through renewal of consent of the subordinated classes. Collective profit-sharing itself was hardly a radical program, and in fact often the opposite – as it was the case in Germany. It was here that appointment of Meidner and Hedborg to the working group, and their decision to choose the most maximalist plan possible within the framework of collective profit-sharing, proved to be the decisive necessary step. Certain ambiguity of the political character of collective profit-sharing provided a decisive opening for them to develop it radically, turning the table upside down into a program for worker control of the economy. Once the radical decision was made, the general climate of radicalization helped the plan gain mass support among rank-and-file workers. Let us now trace the historical developments that led to the publication of the Meidner-Hedborg report in August 1975 and its adoption with an overwhelming support at the 1976 LO Congress.

Centralization of the Swedish Unions and the Solidarity Wage Policy

Many scholars have commented on the key role played by the solidarity wage policy in the rise of the Wage-Earner Funds. Many scholars with otherwise diverse perspectives have discussed the effects of the solidarity wage policy - excess profits and concentration of wealth – and grassroots discontent with them as the driving force for the WEF in the beginning. (Åsard 1978, Esping-Andersen 1985: 294, Pontusson 1992: 188, Ekdahl 2005: 233, Viktorov 2006: 110) Even Power Resource theorists acknowledge that problems with the solidarity wage policy led to creation of the Meidner committee, even though it had little to do directly with power resources

as they conceive it. (Korpi 1978: 327, Himmelstrand 1981: 262) Peter Swenson (1989) further situates it structurally, positing that Swedish unions faced a “trilemma” among the three goals of wage leveling through the solidarity wage policy, full employment and higher wages, the two of which undermine the other. The WEF was aimed at securing legitimacy and stability of their preferred solution to the trilemma, to prioritize the solidarity wage policy and full employment at the expense of wage increase, and to secure its acceptance among the grassroots. LO’s choice among the trilemma was a “defensive move” to protect the existing model under threat, rather than a sign of labor’s strength. (Swenson 1989: 163) But to best understand the structure of constraints and options they faced, we must trace long-term historical origins of the solidarity wage policy, which is inseparable from the epochal struggle over centralization of the Swedish labor movement.

Founded in 1898 under the leadership of the Social Democratic Party, the LO was originally a decentralized, loose confederation, while the employers’ side first consolidated power at the national level. (Hadenius 1976: 18). The Swedish Employers’ Confederation (*Svenska Arbetsgivareföreningen*, SAF) was founded in 1902, quickly grew powerful and assumed veto power over all labor agreements signed by its members, prohibiting any contracts that did not contain guarantee of exclusive management rights for the employer. (Lundh 2002: 105) Wherever possible, the SAF promoted an industry-wide bargaining in order to control wage growth at the local level. Industry-level agreements were signed in several branches in the early 1900s, including engineering and typography. (Lundh 2002: 111) The late and rapid industrialization in Sweden in the late 19th century, with relatively high concentration of industry and capital in modern, technologically-integrated factories, is one of the main factors that enabled a high degree of centralization of the employers’ organization. (Esping-Andersen 1985)

The SAF gave support for firms in resisting union demands, and engaged in coordinated, multi-employer – and sometimes multi-industry - lockout as its most effective and favored weapon. The employers’ associations in each industry could compel firms to lock out their own workers - even if they are not involved in labor disputes themselves - with the threat of fines and expulsion. (Swenson 2002: 74) The immediate aim of a mass lockout was to inflict maximum financial damage on the LO by exhausting their conflict funds, but their more strategic goal was disciplinary, to induce them to control local militancy from above. As Swenson (2002: 74) puts it, mass lockouts “gave organized capital in Sweden the ability to hammer unions into a shape that made them useful as partners in centralized regulation of labor markets.”

The first significant mass lockout occurred in 1905, instigated by the Engineering Employers’ Association (*Verkstadsföreningen*, VF), which retaliated against the Metalworkers’ Union’s (*Metall*) strike by locking out more than three times the workers originally involved; only two VF firms refused to participate and were expelled. The effective lockout led to the VF-Metall agreement, which gave the employers a decisive victory on unrestricted managerial rights to control production processes, including rationalization through introduction of new machinery and hiring of unskilled labor – in exchange for union recognition and the minimum wage. (Swenson 2002: 78-79) The accord in the engineering sector was replicated at the peak level in 1906, when the SAF threatened a multi-industry lockout against various local disputes over workplace control. Facing the threat of a general lockout, the LO agreed to the landmark “December Compromise” with the SAF, which included recognition of total managerial rights in exchange for recognition of the workers’ rights to join a union. (Swenson 2002: 81) Against more recalcitrant unions, threats of general lockout were used to impose the similar terms, for example against dockworkers in 1908.

The high level of employer organization and coordinated offensive presented a formidable challenge to the nascent unions. Initially, it sparked discussions in the LO of a corresponding centralization to counter the SAF. At the 1906 LO Congress, some affiliated unions proposed strengthening of LO's capacity in order to make it an offensive organization strong and effective enough to fight the SAF. (Hadenius 1976: 21) However, enthusiasm for centralization was quickly dampened in the face of repeated retreats and defeats, especially the devastating loss of the 1909 general strike, undermining the legitimacy of the central body. (Hadenius 1976: 26) As such, the LO Congress in 1912 adopted a clear decentralization line, vis-à-vis affiliated national-level unions covering each industry (*förbund*). (Hadenius 1976: 28) Militant workers remained particularly wary of any centralized power in the LO that could constrain their mobilization. For example, the left socialists (who split from the SAP in 1917) gained a clear majority at the Metall Congress in 1919, and voted to retain control over strike funds at the local level. (Hadenius 1976: 125)

Sweden in the 1920s had one of the highest rates of labor conflicts in the entire industrialized world, as well as the highest number of work-days lost per strike. (Korpi 1978: 94-96, Jansson 2012: 2) Local labor militancy was often organized by the syndicalist SAC. While the SAC never seriously threatened the LO's dominance in terms of the membership numbers (never more than 20%), a significant proportion of the SAC-instigated struggles drew local support from LO unions, even as the national leadership of the LO and its affiliates had sought to prevent such local cooperation. (Jansson 2012: 82) Communists, as well as left Social Democrats, supported a militant line within the LO; the Communists controlled around one-fifth of LO locals at their peak in the 1920s, organizing a national gathering of "revolutionary opposition" within the LO. (Nycander 2002: 37)

The LO leadership remained cautious of militancy, but they could do little to contain strikes organized at the local workplace level. (Jansson 2012: 77, Hadenius 1976: 44) But repeated threats of employer lockouts, as well as the pressure from the state to contain labor conflicts, created a further momentum towards centralization. More unions began to impose contracts on recalcitrant members, and failing that, the LO put increasing pressures on affiliate unions to settle a contract even against the will of the members. For example, in 1928, the LO successfully pressured the Paper Workers' Union leaders to settle a weak contract after the threat of a comprehensive lockout, despite strong opposition among the membership and dubious legality according to the union's own constitution. (Swenson 2002: 117) A few years later, the Metall leadership imposed a wage reduction on its members to increase export competitiveness, overriding their majority opposition, while seeking to dampen militancy of workers in the domestic sectors such as construction, which negatively affected the former's cost of living. (Swenson 2002: 49) This tendency manifested more spectacularly in the case of the year-long construction strike in 1933-34 against wage cuts. The SAP, the LO and other LO union leaders began to attack them for their "selfishness", invoking their comparatively high wage level. Once the SAF threatened a multi-industry lockout, they managed to successfully strongarm the construction union leaders to sign the settlement with a significant wage reduction, which had been previously voted down by the membership. (Martin 1984: 198)

Formalization of centralized bargaining gained momentum in these circumstances, facilitated by continued pressure from the employers and the state. The SAF's explicit goal was to strengthen the power of union leadership vis-à-vis members, and that of LO against the affiliate unions. Ivar Larsson, SAF's vice president, indeed explicitly stated in 1933 that the employers should run "negotiations and conflicts so that the LO receive support for their demand

for increased influence for the *förbund* leadership as well as the LO.” (Nycander 2002: 70) The increased pressure from the state was another key factor. High levels of labor conflict were considered as a significant problem by the government, both bourgeois and Social Democratic after 1932, as they threatened proposals to restrict strike (and lockout) rights.

These pressures empowered those in the LO who sought stronger power of the center over the affiliates, and of the affiliates over the members. In 1933, the LO’s Representative Council adopted, by an almost unanimous vote, model bylaws (*normalstadgar*) for affiliate unions. The model bylaws stipulated that the *förbund* leadership would have veto rights over strike action anywhere, and eliminate a binding membership vote for contract ratification, making any membership votes only advisory. The latter was also advocated by the Social Democratic government commission in 1935, who noted that negotiators on the union side had no final authority to approve a contract unlike those of the employers. (Hadenius 1976: 85) The 1936 LO Congress affirmed these proposals for centralization, exhorting the affiliates to follow. By 1939, 29 out of the 45 *förbunden* adopted it in entirety, and further 9 stipulated a decisive leadership authority in the final instance. At the 1941 LO Congress, these model bylaws were made obligatory, and most strikes came to require approval of the leadership of the LO at the peak level, not only at the *förbund* level. (Hadenius 1976: 126) While the limited opposition came from communists and construction unions, they were largely ineffective in the end.

These consolidations of power were an essential precondition for the paradigmatic shift towards labor relations based on class cooperation, epitomized by the Basic Agreement (*Huvudavtalet*) of 1938 between the LO and the SAF – also known as the Saltsjöbaden Agreement, after the town where it was signed. The Saltsjöbaden agreement formalized the foundation of the corporatist industrial relations in Sweden. The adoption and effective implementation of the Saltsjöbaden line made the LO an agent of bourgeois hegemony in some ways. Centralization of LO’s power and the orientation towards class collaboration were two integral, mutually reinforcing pillars of the politics of Saltsjöbaden. Centralization was necessary for, and motivated by, pursuit of class collaboration, in the context in which moderate unionists usually held the upper hand and militants remained a minority.

Saltsjöbaden laid the path towards a system of national, centrally-negotiated collective bargaining between the LO and the SAF, but it did not begin immediately. After the strict wartime regulations, the postwar boom provided an opportunity for the unions to go on wage offensive. Wages increased by 30% on average in three years between 1945 and 48, as each affiliate union pressed for maximum gains for themselves. The Social Democratic government was sufficiently alarmed by the inflationary wage pressure, and made appeals and threats of a legislative intervention, to induce the LO to agree to a wage freeze in 1948 and 1949. (Meidner 1974: 31) LO’s Representative Council eventually yielded to their pressure, but unsurprisingly, it encountered significant skepticism within the LO, and its legitimacy was wearing thin especially in the second year. In the following year, in 1950, the entire LO went on a wage offensive to recover the lost ground and attained the 23% increase in wages on average, the largest in a single year. (Meidner 1974: 33-34)

Facing constant demands for wage restraint that posed a crisis of legitimacy, the LO leadership sought a more stable framework for a coordinated wage policy across the whole economy, which could maintain macroeconomic stability and growth while securing consent of the workers. The major driver for growing support for coordinated bargaining among the LO unions was the sense of economic “responsibility”, as powerful market actors and partners of the Social Democratic government. (Bengtsson 2022) It is in this context that the solidarity wage

policy – or the Rehn-Meidner model, called after Meidner and fellow LO economist Gösta Rehn – emerged, as a more comprehensive theoretical framework underpinning a peak-level bargaining. The solidarity wage policy would establish a common wage scale across the country, based on the principles of equal pay for equal work between firms as well as relative equalizing of wages across different jobs and sectors. While pursuing the egalitarian aims, it also had the function of controlling inflation, as an alternative to explicit incomes policy. Furthermore, it promoted efficiency by squeezing out unprofitable firms while leaving more profits for advanced firms, since both are to pay wages set in the central negotiations. Active labor market policy by the government was to facilitate retraining and relocation of workers in declining sectors. (Rothstein 1996)

The general framework of the solidarity wage policy was adopted at the 1951 LO Congress, and it began to be implemented starting in 1956. Following the historical pattern, the process of instituting a regularized peak-level bargaining involved the majority of union leaders overcoming opposition from more militant unions, such as in printing and construction, as well as some pressure from the employers. (Meidner 1974: 35, Swenson 2002: 55-57) The wage settlements did become increasingly egalitarian over time; across-the-board wage increases in the amount (rather than percentage) was used to close the gap between the sectors, and from the mid-1960s, further special increases for low-wage groups were implemented. (Swenson 2002: 57-58) Consequently, the income gap between different groups of LO workers had considerably narrowed by the early 1970s. It was also conducive to gender equality, as women were disproportionately represented among lower-paid stratum and sectors. (Jenson and Mahon 1993, Hirdman 2001)

They further envisioned the solidarity wage policy as part of a broader political program, including commitment to non-inflationary full employment, one of the most cherished goals of the labor movement. Not only does full employment prevent immiseration of workers' livelihood, but it also strengthens the structural power of the labor movement by weakening the threat of dismissal, which constitute the central aspect of disciplinary power of capital over the workers. As Kalecki (1943) argued, while full employment may involve a short-term increase in profits through a full utilization of productive resources, it is politically contradictory with the interests of capital by reducing their class power against the working-class. Therefore, Kalecki thought that full employment would become eventually incompatible with capitalism, either provoking a "fundamental reform" or otherwise "show[ing] itself an outmoded system which must be scrapped." (Kalecki 1943: 5) But the political situation in postwar Sweden was more ambiguous than Kalecki expected or hoped, as Social Democracy sought to reconcile full employment and capitalism.

The solidarity wage policy sought to accomplish it by integrating the wage policy in the broader, general economic policy. That included wage restraint, which was necessary because "full employment enables the workers to obtain regularly larger increases in nominal wages than is warranted by the increase in productivity." (LO 1951: 84) They thought that "a wage policy taking advantage of all the opportunities of increasing nominal wages, offered by full employment, would soon render full employment impracticable" due to inflationary pressures. (LO 1951: 79) At the same time, Rehn and Meidner also recognized that a system that demands constant and voluntary restraint on the part of unions was politically unsustainable. Unions' independence from the state, the long-cherished objective of the Swedish unions, was based on their voluntary commitment to a "rational and well-planned wage policy" in coordination with the macroeconomic policy of the SAP government, which they expected

would constrain overheating of the economy and prevent excessive profits. (LO 1953: 89) Therefore, for the LO, the solidarity wage policy became a “paradigm that allowed it to ensure that its internal terms of legitimacy corresponded to the terms of capital accumulation and historic compromise.” (Ryner 2002: 84)

Some scholars, such as Bengtsson (2014), have argued against the interpretation of the centralized bargaining as wage restraint, based on the steady of labor share of total products between 1950 and 1980, with growth in real wages eclipsing productivity growth. He argues that this gain was due to the high level of organizational power resources accumulated by organized labor, and thus “the ‘strength effect’... outweigh[ed] the ‘responsibility effect’” in Sweden. (Bengtsson 2014) Nevertheless, such a general rise of labor share does not obviate the dynamic of centralized control, which prevented *further* wage increase that workers could demand. The policy’s eventual egalitarian outcome likewise does not contradict the fact that it came out of a process of shaping the LO into an agent of expansive hegemony, delivering concrete gains while disciplining labor at the same time. Indeed, this Saltsjöbaden order reduced the level of labor conflicts (strikes and lockouts) from one of the world’s highest rate in the 1920s to one of the lowest in the 1960s. But such a period of labor peace was soon to explode.

Crisis of Social Democratic Hegemony

On December 9, 1969, a small group of miners in Svappavaara in the far north of Sweden spontaneously sat down and refused to work. They were rising up against relentless intensification of labor process through rationalization and dismal working conditions full of pollution and noise, as well as stagnating wage increases. While mines have always been a dangerous workplace, in the 1960s the management imposed a further speed-up called the Universal Maintenance Standards (UMS) developed in the United States, which the workers called “ultramodern slavery” or “without food in the cupboard” (*Utan Mat i Skåpet*). The most notable slogans featured in the strikers’ marches read “we are not machines!” (*vi är inga maskiner!*); a striking miner Reino Viktor Niemi succinctly put it that “we were regarded like a livestock, not as human beings.” (Arevik 2019) Despite these intensifications making a massive profit for the firm, the wages were stagnant, with the real wage even declining in some years. (Mohammadi 2018: 17) The strike quickly spread to other mines in the far north. The nearby larger mines at Kiruna and Malmfälten joined the strike within a few days, growing the strike from initial 35 workers to around five thousand, out of seven thousand miners in the far north. In addition to demands for humane working conditions and wage increase, the strikers also demanded monthly wages instead of piece-rate pay, retirement at 60 and withdrawal of LKAB – the state-owned firm that operated the mines - from the employers’ confederation. (Östberg 2009: 32)

The strike took the wildcat form, because centralization of unions meant that these issues could not be sufficiently dealt through regular bargaining processes. Local unions could not negotiate much over wages, and non-wage issues were successfully marked by the employers as beyond the reach of collective bargaining. (Martin 1984: 250) Productivity increase through rationalization was, after all, the explicit goal in the solidarity wage policy; the excess profits incurred in the most profitable branches and firms were to further encourage improvements in productivity. Furthermore, since miners then were paid relatively better than other groups of workers, the scope of wage increase was particularly limited for them. The northern mines were one of the few places where communists and other non-Social Democratic radicals had a strong organized base, sometimes winning control of local union leadership. But the Miners’ Union

nationally was always controlled by the Social Democrats, who rejected demands for greater local autonomy made by the northern branches; the union leadership was often preoccupied with maintaining Social Democratic control of at the nationwide level. (Mohammadi 2018: 17) The Svappavaara local then was controlled by the Social Democrats. (Simonsson 2020) Therefore, strikers created their own institutions independent from the union structure, including the mass meetings as the highest authority and the coordinating committee of 21 workers; the committee included communists but far from exclusively so. (Simonsson 2020: 25) In contrast to representative democracy embraced in Social Democracy, the strikers emphasized direct democracy, as the committee was to be accountable to the mass meetings. (Simonsson 2020: 27)

With a wildcat strike, rank-and-file workers struck back at the system that narrowly constrained the scope of possible actions at the local level. The strike presented a direct challenge to the LO's power and authority, as well as to the entire Saltsjöbaden regime that they had built and defended. The wildcats were obviously against the no-strike clause (*fredsplikt*) in the collective agreement, but for the LO, it was actively a threat to their strategy since the 1930s. The wildcat character of the strike itself was a challenge to the exclusive centralized control over the strike weapon, designed to "subordinat[e] its use to the supposed requirements of the party's economic policy." (Martin 1984: 199) Furthermore, the wildcat struck at the heart of the model based on rationalization and nationwide control of the wage level. In addition, these mines were owned and operated by the state-owned firm, whose director Arne Lundberg was a prominent Social Democrat himself. Therefore, ending the strike as soon as possible became the foremost priority for the LO and SAP leaders, including the new Prime Minister Olof Palme. (Östberg 2009: 36)

But the momentum and support for the strike grew, and the struggle soon captivated the whole country. Inhumane working conditions in mining, one of Sweden's key export industries, had been memorably chronicled and imprinted in public consciousness by novelist Sara Lidman's (1968) best-selling reportage *Gruva* in the previous year. Lidman spoke at mass rallies of enthusiastic crowds of striking miners, and contributed much of her book revenue to the wildcat strike fund, which was crucial since they had no access to the official strike fund of the union. Solidarity rallies and fundraisers spread across the country and beyond, and the strike enjoyed a solid support from the public, with 80% in favor of their demands and 64% approving the action itself. (Östberg 2009: 33-34, Mohammadi 2018: 18) The strike was successfully inflicting a material damage on LKAB in the middle of an economic boom, with the firm losing 75 million kronor every day. Indicating the scale of this strike, 155,600 working days were lost to a strike in 1969, compared to mere 465 in the previous year and the infinitesimal 35 working days in the year before. (Martin 1984: 248) Eventually, the strike won considerable gains for the miners; the draconian speed-up plan was shelved, wages increased by 14%, monthly wages were introduced in lieu of piece-rate pay, and LKAB left the SAF as they demanded. (Arevik 2019)

The miners' struggles precipitated a broader wave of wildcat strikes across the country, buoyed by the booming economy and the radical mood. Workers at Volvo, a prominent automaker and one of the major export firms, went on strike in January 1970, winning a 12% wage increase immediately. In the following year, at least 128 strikes took place across the country, triple the highest annual figure over the previous 20 years; wildcats across industrial sectors struck at Saab, Asea, Electrolux, LM Ericsson in addition to Volvo. (Fulcher 1973: 59, Östberg 37) The solidarity wage policy made it amply clear that possible wage increases in profitable sectors – the "unused wage capacity" (*outtagna löneutrymmet*) – were deliberately foregone to remain in capitalist hands and absorbed by the most profitable firms. Indeed, the

unions' own policy was exacerbating concentration of productive wealth into the richest "15 families," as critiqued in the Left Party leader C-H Hermansson's (1965) widely-read work.

The wildcat strike wave marked a decisive turning point in Swedish industrial relations, marking the end the exceptional period of labor peace, deepening a crisis of legitimacy of the Social Democratic regime at its apogee. The boast of the functional socialist regime, to supposedly have gotten "rid of almost all these small but costly strikes, largely because of the total organization of the labor market," was hollowed out by the uprising from below. (Adler-Karlsson 1969: 31) As the crisis grew, Social Democratic leaders resorted to denunciation of the strike an irresponsible communist conspiracy, resorting to the well-worn Cold War tropes blasted across the powerful network of Social Democratic press. (Mohammadi 2018: 17 Östberg 2009: 35, Fulcher 1973: 59) But some leading figures, most notably Palme himself, saw that simple denunciations would be counterproductive for maintaining Social Democratic hegemony and could instead strengthen an alliance between the New Left radicals and burgeoning labor militancy, a particularly frightening prospect for the Social Democrats. (Östberg 2009: 33-34) Bolstering the legitimacy of Social Democracy in the face of radical challenges became a priority, and the concept of "economic democracy" became a Social Democratic answer to the lack of power and control over their work that animated the grassroots revolt.

The strike waves occurred across the advanced capitalist world in this period, and the Swedish strike rate was still comparatively lower in Europe, despite a temporal spike since 1969. Dilemmas posed by ambitious wage militancy for union leaders were also common across countries, as their acceptance of incomes policy – to prevent declining investments and capital flight – would further provoke loss of legitimacy and wildcat strikes. (Esping-Andersen 1985: 294) But the solidarity wage policy was particularly vulnerable to the "wage drift" – local wage increases outside the central agreement – which would destabilize the whole structure of bargaining. After 1969, the wage drift accelerated, particularly driven by strikes in profitable export sectors. (Martin 1984: 237) Therefore, conception of collective profit-sharing as a way to save the system - capturing unused wage capacity for labor without what they believed as inflationary consequences – spoke to the concern of the whole labor movement, unlike for example in Germany, where collective profit-sharing was embraced mostly just by its class collaborationist wing.

1971 LO Congress

The emergence of the Wage-Earner Funds in Sweden can be traced, in the direct and immediate sense, to the LO Congress in 1971. LO Congress made a decision to conduct research into the "question of formation of branch funds and other funds of profits and wage-earners' savings for capital input in the firms". (LO 1971: 877) This is the mandate with which Rudolf Meidner's committee was appointed, and then went on to produce the explosive report in 1975. Nevertheless, this decision to conduct research, based on the proposal from the LO leadership, was hardly radical and indeed quite routine. Complex issues brought up at the Congress would usually be referred for further research, and the mandate does not suggest a particularly radical form of social change.

LO leadership proposed further research in response to the two resolutions submitted to the Congress; one from the leadership of Metall, and the other from six local unions of Metall. Metall was the largest and by far the most influential union in the LO that occupied the strategic export sector; its union density within the sector reached an extraordinary 95% in 1970. (Sund 2008: 275) Metall leadership's motion, Motion 305, called for further research into more

planning in industrial investment to ensure a secure employment, and “how the union movement can get involved in collective capital formation, which would give the wage-earners increased influence over the industrial development.” (LO 1971: 818) The motion began with stipulating the need for high levels of investment; “it is necessary that a considerable portion of our collective resources be used for building and renewal of the productive apparatus of the industry,” they argued, in order to “maintain a continued economic growth and to gain a scope for higher real wages, increased social security and shorter working time.” (LO 1971: 815) It is “from the union standpoint” that they advocated for comprehensive investment in industrial production, as the firms’ inadequate and short-sighted investment policy lead to problems for employment levels and the welfare state. They argued that a new type of capital formation was necessary, because capital for industrial investment in the 1970s cannot be sufficiently secured through the existing measures. (LO 1971: 816-18) The motion also noted the need for a better working environment, the increasing concentration of property to the existing owners as a consequence of profit-dependent investment, and that collective capital could give workers an increased influence over the industry. But the character of such an influence was never specified.

The Metall leadership was facing difficulties amid growing pressures and wildcat strikes from the rank-and-file workers, which began with the Miners’ Strike in Fall 1969 and spread to the engineering sector in Spring 1970. By then, dissatisfaction was growing within Metall over the direction of bargaining for the 1971 round. In the Bargaining Council (*avtalsråd*), Börje Svensson from Lidköping became a staunch advocate for a more offensive wage policy, rejecting the inflationary concerns, especially as the new wage offensives by higher-paid white-collar unions were increasing the wage gap between them and LO workers. The previous bargaining round in 1969 focused on wage equalization for low-wage workers in LO without much general increase that would also benefit the comparatively higher-paid workers in Metall. As such, Lars-Ove Hagberg from Börlänge further argued, in support of Svensson, that the wildcat strikes were an indication of the failure of the solidarity wage policy. (Sund 2008: 439, 441) Svensson even came to advocate for a break from the coordinated, peak-level bargaining for the 1971 bargaining round. Even though the solidarity wage policy of the leadership still had a majority support, there was enough reason for concern.

Gösta Fagerholm, secretary of the Information Department of Metall that dealt with member education, became deeply concerned with these developments. He sought a way to “take leadership in public debates and opinion formation” away from the radicals, in terms of debates among the union members as well as the public. (Stråth 1998: 140) In a memo to Metall Chair Åke Nilsson in November 1970, Fagerholm argued that the Metall leadership needed a contract demand popular enough to capture the imagination of the members, to take back political initiative from wildcat strikers and other detractors. His idea was to demand Metall’s own investment fund in the contract negotiations, to be financed by profit transfer from the firms. Fagerholm argued that such a plan would strategically serve to “overshadow other issues” in the bargaining, making it difficult “from the left to spread discontent in the union ranks,” while also demonstrating to the general public that Metall was taking macroeconomic responsibility by not demanding excessive wage increases that would overheat the economy. (Stråth 1998: 141)

Fagerholm’s idea was positively received with interest in the Metall secretariat, and sent to Allan Larsson, Metall’s research director, for further development. Larsson developed it towards a more macroeconomic direction, as he connected it with the concerns over capital formation, which was seen as facing a crisis. Larsson saw, in Fagerholm’s idea of the Metallfund, a possibility to promote capital accumulation while at the same time boosting

support for Social Democracy amidst radicalization of the whole society. (Stråth 1998: 144) After all, social democracy as a politics that depends on capitalist growth as the basis of its program of redistribution and decommmodification through the welfare state, and workers under capitalism also more generally depend on capitalist investment in the final instance. (Przeworski 1985) Collective capital formation made sense as a plan for the social democratic leaders to “control the development, not let itself be controlled by the development” at this moment; in certain ways, it was along the traditional corporatist orientation towards class collaboration based on mutually-beneficial arrangements with capitalists. (Stråth 1998: 142) Larsson’s motion sought to pursue this at the LO level, calling for further research.

In a certain sense, the Fagerholm-Larsson motion is an example of demonstration of union concerns that “the allocative outcomes of private investment decisions began to diverge from labor’s interests”, as Pontusson (1992: 98) posits. But it was, in particular, a strategy based on “expansive hegemony,” seeking to secure capital investment while gaining grassroots support and subsuming discontent with some concrete concessions, such as workers’ influence. Furthermore, it serves as a mechanism of tying the material interests of the workers directly with that of capital. Indeed, saddling them with responsibility for capital accumulation is partly the point, because what underlies the motion is the idea that capital investment cannot be left to profit-seeking capitalists themselves, and unions can be better guardians of capitalism over the long-term than capitalists themselves. The motion even expresses concern that the low level of investment undermines the firms’ own profitability. (LO 1971: 817) Nilsson, Metall’s Chair, spoke in support the motion. (LO 1971: 918)

The LO leadership responded generally positively to the Motion 305. They concurred with Metall regarding the problems of securing investment and the failure of various policy measures. Because “it is not possible to force firms to invest”, it would not be sufficient to simply foster firms’ willingness to invest for industrial expansion. (LO 1971: 856-858) Nevertheless, the fund idea was far from the most popular or common proposal for dealing with the problems in Swedish industry. There were multiple motions calling for other possible means to secure investment, including through more active industrial policy by the government, more active use of the existing public pension fund resources, or simply increased corporate tax to fund investment publicly.

What further augmented the LO leadership’s proposal to create a research committee for collective capital formation was another motion, from six Metall locals calling for research into the possibility of union funds. This Motion 318 came from a separate consideration, based on the excess profits inevitable in the solidarity wage policy. As noted above, the solidarity wage policy meant that workers in advanced, profitable, high-wage sectors would forgo potential wage increases; such “unused wage capacities” were instead absorbed by the already-profitable firms in the form of excess profits. (LO 1971: 831-832) The motion argued that the “skewed distribution of profits” in those industries led to dissatisfaction with the solidarity wage policy and suggested that the LO investigate the question of a union fund to absorb the excess profits. The issue of excess profits as a consequence of the solidarity wage policy had also been addressed in the Wage Policy Committee’s report to the Congress. (Nycander 2002: 322) The report asked questions such as “how can one prevent that solidarity wage policy, build upon moderation of the high-wage groups, leading to unfavorable property development for wage-earners?”, “who really gets the wage realm that remains unused?” The Committee included many of the top leaders in the LO. (Meidner 2005: 32-33)

The problem of excess profits has been identified from the very beginning of the idea of solidarity wage policy. Albin Lind, the LO economist who first theorized the idea of solidarity wage policy and coined its name in 1938, had already pointed out the unused wage capacity as its inherent problem. (Hadenius 1976: 52, Meidner 2005: 25) The policy was but a future possibility then, but the problem of excess profits was brought up again at the 1951 LO Congress where the Rehn-Meidner model became the main topic, in a motion from a public-sector union Kommunal's local in Västervik. They proposed that in order to avoid the unused wage capacity simply accruing to the employers as additional profits, the LO should demand a fund to absorb them through collective agreements; the fund was called the "union movement equalization fund" (*fackföreningsrörelsens utjämningsfond*). While the motion was simply dismissed by the LO leadership as "inappropriate" without any justification, one representative from the Miners' union spoke for the Västervik motion, because he was having difficulty convincing the rank-and-file workers of wage moderation that the solidarity wage policy implied. He argued that such funds would help in legitimating wage moderation among the members. (Meidner 2005: 27-28)

The question of unused wage capacity was merely a theoretical question then, since wage equalization itself had remained incomplete. As we shall see below, Meidner began to explore collective funds along similar lines in 1961, which he called "branch funds"; he was intimately aware of these flaws of the wage system he himself had developed. They attracted little attention or support in the LO, but the problem came to the surface as a major issue in practice in the late 1960s. As the solidarity wage policy had operated for long enough by then, the concentration of wealth into the most profitable firms had proceeded farther. Also, the economic boom of the period accelerated the size of those unused wage capacity, which the LO had not addressed; in the 1969 bargaining round, they focused on winning wage equalization through supplemental wage increase for the low-wage workers. The wildcat strike wave then dealt a significant blow to legitimacy of abstaining from such wage capacity. LO's Representative Council (*representantskapet*) noted that the discontent among the miners of a relatively stagnant wage growth despite rapid increase in production and rationalization. (LO 1970: 14) LO Chair Arne Geijer raised an alarm over the public discussions of "the death of coordinated wage bargaining," resolutely claiming that "the union movement has no choice but to continue coordination" of wage bargaining. (LO 1970: 16)

These concerns led the LO leadership to support the calls for research on collective capital formation, following both Motions 305 and 318; and the Congress adopted it. (LO 1971: 859-860, 877) They listed numerous distinct reasons for such funds, including "to ensure wage restraint from the employees' side for purposes of stabilization and so that the solidarity wage policy does not result in the increased profits for the firms, to create a means for increased and more coordinated capital investment, and to realize an increased wage-earner influence on the basis of such capital provision." (LO 1971: 859) Therefore, they supported research into a possibility of "branch funds or funds in other forms for capital formation through *wage-earners' savings*", despite also demonstrating skepticism. (LO 1971: 860, emphasis mine) This endorsement it was to provide an interesting historical opening.

Meidner and Hedborg's Appointment

The decision of the 1971 LO Congress was the starting point, yet it was far from certain that much progress would be made on collective capital formation. While Geijer did support the proposal to create a research committee at the Congress, he was reluctant, and he had no interest in taking any concrete actions on these questions. (Ekdahl 2005: 235) In 1973, when Geijer was

asked by a journalist about if any progress had been made on the 1971 Congress decision on the research committee, he falsely denied that such a decision had even taken place. (Greider 1997: 191) Geijer was succeeded by Gunnar Nilsson as LO Chair in July 1973. While Nilsson was not particularly enthusiastic about the issue itself, he sought to take care of the unattended Congress mandates as the new Chair. The discussions on these ideas that began after 1971, especially in Metall circles, also contributed. The 1973 Metall Congress repeated the demand for a collective fund, but with an increased focus on excess profits as part of the wage policy, though they did not settle on a concrete form of such a collective fund.³⁴ (Meidner 2005: 42)

Rudolf Meidner was appointed to lead the research committee, which turned out to be a very consequential decision. The complete account of precisely why Meidner was chosen remains lost to history. (Ek Dahl 2005: 243) However, what is clear is that Meidner was the one figure most closely associated with the concept of collective capital formation over the previous decades, due to his work with the solidarity wage policy and the branch funds. Meidner also remained active in the public eyes in the debate on collective funds, appearing in various media interviews, especially in the Metall paper *Metallarbetaren*. As Ek Dahl (2005: 244) puts it, “Meidner practically recommended himself, with support of those who had the initiative on the question”, namely Metall. But why did the LO leadership appoint someone who came to propose a plan far more transformative than they had imagined?

Rudolf Meidner was one of the foremost economists of his generation in Swedish Social Democracy, but his political background was distinct from many of his colleagues. Born in 1914 in Breslau, then Germany, he began his political life as a Marxist in the late Weimar Republic. He organized an independent socialist group at his high school in Breslau, with whom he read the classics of the Marxist literature. He shared an affinity with politics of the Socialist Workers’ Party of Germany (SAPD), a small Marxist party founded in 1931 that vainly sought to unite the SPD and KPD in the anti-fascist front. He developed a deep distrust of the German Social Democracy, due to its repression of the left³⁵ and its utterly incapability of fighting against Nazism. (Ek Dahl 2001: 36). Meidner’s experience in Germany, of searching for the “third way” between Social Democracy and Communism, was to reverberate in the discussions on the Funds the decades later, as a program between and beyond reforms within the capitalism market economy and authoritarian, bureaucratic socialism.

Meidner escaped Nazi Germany and arrived in Sweden in March 1933. He studied at the Stockholm School of Economics, which was then the center of the “Stockholm School” of economic thought that informed Social Democratic economic policy in the 1930s. Gunnar Myrdal, a prominent Social Democratic intellectual, was among his mentors. His academic achievements and connections there helped him gain an appointment the new Research Department at the LO in 1945. While it was undoubtedly a powerful and prestigious position, the role deep in the heart of Social Democracy produced some disjuncture with his Marxist background. Soon after he began work as an LO economist, he wrote to old friends from Marxist groups in Germany admitting that “the Nordic labor movement is strongly reformist,” but reiterated the conviction for the necessity of socialist transformation and belief that “a life without such goals is meaningless.” (Ek Dahl 2005: 28)

³⁴ Kuno Beckholmen, “Det hela började med en motion från Metall.” *Metallarbetaren* 33, 1975. pp. 5-6.

³⁵ He particularly cites the experience of the “Bloody May” of 1929 as formative; Karl Zörgiebel, the Social Democratic chief of police in Berlin, violently suppressed the May Day demonstration and shot dozens of workers to death. (Greider 1997)

It was a particularly inopportune time to pursue such transformative goals. Radicalism of the Postwar Program of 1944, which anticipated the end of the war and emphasized nationalization, had thoroughly receded while the ideology of class cooperation and the Cold War atmosphere reigned across the land. (Ekdahl 2005: 43) For Meidner, developing the theoretical model of the solidarity wage policy was a pragmatic way to pursue such a goal in the constraining political circumstances. (Ekdahl 2005: 30) Gösta Rehn, a fellow LO economist and his collaborator for development of the solidarity wage policy, approached it from a squarely functional-socialist perspective. But for Meidner, it was a step towards further, more decisive transformation. Meidner saw full employment under this policy as the key to maximizing working-class power. But he also recognized the contradictions from the beginning, that of foregone wages accumulating as profits, that the solidarity wage policy implied a “non-solidarity profit policy.” (Ekdahl 2005: 93)

One suggestive idea came from the former Finance Minister and Social Democratic grandee Ernst Wigforss. Radicalized after retirement, Wigforss (1959: 8) suggested that the Social Democrats needed an ambitious program for “deep-seated transformations in society that... can win support from a decisive majority of the people,” in order to “break the deadlock” facing them in the 1950s. He suggested that firms should eventually become “societal firms without owners” (*samhällsföretag utan ägare*), to counter the increasing concentration of wealth and economic power and eliminate conflict between owners’ interests and broad interests of the collectivity. (Wigforss 1959: 135-139) The idea inspired Meidner to develop his own plan of “branch funds” (*branschfonder*) in 1961. It was aimed to promote development and rationalization in each industry, to be financed through unused wage capacity; workers would gain a significant voice in the funds alongside other corporatist actors. (Ekdahl 2005: 108) The branch fund ideas, however, failed to gain traction at the 1961 and 1966 LO Congresses, as the contradictions of the model were not yet as clearly visible. Meidner could not break the deadlock either and left the LO’s Research Department 1966 after 20 years, moving to a research institute at Stockholm University.

Meidner’s long years as a prominent LO researcher, on the left within social democracy, involved a balancing act. In a certain sense, he did keep certain fundamental perspectives on society that he had developed as a young Marxist. In particular, he never lost an understanding of capitalism as a particular historical formation rather than a natural state of the “economy” – which would lead one to ask whether a problem could really be solved with a solution within capitalism – as well as the importance of *ownership of capital* as the central issue in capitalism. (Ekdahl 2005: 243, 45) Göran Greider (1997: 10), one of his biographers, thus described him as “the most radical researcher to ever sit in the LO castle” [the LO headquarters]. But at the same time, he operated deep in the heart of Swedish Social Democracy for two decades and could not avoid certain levels of embedding in such a milieu. Even if he could recall that “for me the Manifesto is the beginning and end of much of my political outlook,” he was not expounding it in his everyday work. (Ekdahl 2001: 28) That is part of the reasons that he could be appointed to lead the research committee, without arousing hardly any objections; no overt Marxist could likely have been appointed in such a capacity. (Ekdahl 2005: 244)

Meidner was joined by Anna Hedborg, a young researcher from the LO’s Research Department. Hedborg was politically engaged from an early age and joined the Social Democratic Party when she was 17.³⁶ She became active in the anti-war movement as a

³⁶ Personal Interview, June 14, 2019.

student³⁷, as well as in the movement for better aid for developing countries.³⁸ She recalls that she was influenced by socialism that was “in the air”, but she did not identify strongly as a Marxist and always remained a Social Democrat.³⁹

Hedborg was trained as an economist at the Stockholm School of Economics, and worked at the Finance Department under Gunnar Sträng, the long-serving Social Democratic Finance Minister, before joining the LO in 1972 as a researcher. At the LO, she quickly established a close and strong rapport with Meidner, who became a mentor for her. She recalls that despite his prestige and renown, Meidner was supportive and approachable, always keen to listen to perspectives of younger colleagues. Meidner chose Hedborg to join the research group, not only due to her abilities but also because of the relations of trust between them.⁴⁰ Despite the official premise that the research was primarily done by Meidner - the 1975 report was published under his name - Meidner and Hedborg worked very closely, as co-researchers in all but name. Gunnar Fond, then a student at the Stockholm School of Economics, was also appointed by Meidner to the group as a research assistant based on recommendations from his professor. (Ekdahl 2005: 244)

Meidner’s appointment by itself meant a certain shift of focus between the two pillars of the 1971 mandate, towards the issue of solidarity wage and away from that of provision of investment capital. All his previous work on collective capital formation and branch funds were from the perspective of the solidarity wage policy, and not of increasing capital investment. The committee officially recognized the Motions 305 and 318 as the starting points for its work⁴¹, but Meidner reported at the beginning of the research work that the emphasis is placed upon the Motion 318’s focus on collective capital formation as wage policy, rather than Motion 305.⁴² Meidner was also helped by an increasing focus on the excess profits in 1973-74, due to the very high level of profits generated by an economic boom. (Åsard 1978: 125) In particular, the Paper Workers’ Union (*Pappers*) Congress in 1974 adopted a strong position that the question of excess profits must be solved, and not in the form of increased wages but of collective ownership. (Svenska pappersindustriarbetareförbundet 1974: 329) The focus on capital formation as the rationale for Wage-Earner Funds was to take a back seat in the following few years, as the question of solidarity wage policy and excess profits took the center stage.

Towards the Grand Solution

When Meidner was commissioned for the research, the task given by the 1971 Congress was very broadly formulated, as engagement with “the question of branch funds and other fund formation out of profits and wage-earners’ savings for capital input in the firms.” (LO 1971: 876) The radical solution was by no means implicit in, or intuitive from, the original starting point, but Meidner and Hedborg made the decisive choice to develop it. The idea of articulating collective capital formation as a device for enhance workers’ power in firms had already been developed by 1973, when Meidner shared the kernel of the later plan in an interview with *Metallarbataren* - “that the money stays in the firm, but the wage-earners own an increasing

³⁷ Molin, Kari. 2009. “Hellre utredare än politiker”. *Dagens Nyheter*, Sept. 9, 2009.

³⁸ Betty Skawonius, ”Krav om ny utredning.” *Dagens Nyheter*, May 28, 1968.

³⁹ Personal Interview, June 14, 2019.

⁴⁰ Ibid.

⁴¹ Gunnar Fond, “Protokoll fört vid det sammanträde som Referensgruppen angående löntagarfonder m m höll måndagen den 2 september 1974.” September 6, 1974. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/1. Arbetarrörelsens Arkiv och Bibliotek.

⁴² Ibid.

portion of the increasing profits” – and used the term *löntagarfonder* for the first time. (Åsard 1978: 124-125) But his ideas were hardly fixed, as he explicitly denied that the funds were “a method to change relations of power between labor and capital,” in an interview with another union newspaper. (Åsard 1978: 128)

Their research trip to Germany and Austria set the terms of their work. The German labor movement had been discussing various forms of collective capital formation for many years, and they could rely on the German expertise on numerous aspects of fund designs and implications. On the one hand, the German fund debates’ focus on class-distributive implications and asset ownership did serve as an inspiration to articulate the issue of solidarity wage policy in terms of that of capital ownership and power.⁴³ But the experiences from Germany, as well as Denmark (where the fund debate had also begun earlier than in Sweden), also provided them an idea of what to avoid. Meidner argued that research group needs to understand the causes of the “Danish and German fiascos”, namely the lack of support and enthusiasm among the members which had undermined their prospects.⁴⁴ Hedborg noted that the German debates were “intensive but confused”, because of the strident left opposition that joined liberal and conservative critics. She saw how such “politics of assets (*Vermögenspolitik*) had already waned, perhaps forever”, without a clear picture of how it could come back.⁴⁵

The lack of enthusiasm meant that a DGB plan with four “absolutely minimum demands” – that the funds are independent, controlled by workers, only by workers, with obligatory transfer with shares of their own firm – only passed with a bare majority on the DGB leadership, and none of those minimum demands were even fulfilled by the SPD-FPD joint proposal. An important reason why “the death [*of Vermögenspolitik*] had occurred so painlessly”, Hedborg reported, was because of the watering down of the proposal by the SPD-led government, which was seen as not something worth the fight anymore.⁴⁶ In Austria, where the union confederation did also vote for collective funds but were more moderate than the DGB plan, the interest was even weaker than in Germany; some union officials Hedborg and Meidner met knew even less about it than the visitors themselves. (Greider 1997: 196) Nevertheless, Hedborg found it stimulating to discuss with left critics of collective fund plans in Austria, who posited that the planned funds gave insufficient worker influence, because it focused on the question of power.⁴⁷

The German and Austrian trip was to shift them towards the Grand Solution. It was Hedborg who first suggested the Grand Solution. She thought that focus on excess profits and the maintenance of solidarity wage policy would not be sufficient to motivate the introduction of the Funds.⁴⁸ There had to be something more than what was proposed in Germany and Austria, which only led to lack of enthusiasm and attention in the end. The Grand Solution was indeed a daring proposition. Their colleague Per-Olof Edin confirms that even Meidner, who had long engaged with these issues, “would probably not have dared go to the Grand Solution” without

⁴³ Anna Hedborg, “Anteckningar från resan i Tyskland.” *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/1. Arbetarrörelsens Arkiv och Bibliotek.

⁴⁴ Gunnar Fond, “Protokoll fört vid det sammanträde som Referensgruppen angående löntagarfonder m m höll måndagen den 2 september 1974.”

⁴⁵ Anna Hedborg, “Anteckningar från resan i Tyskland.” *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/1. Arbetarrörelsens Arkiv och Bibliotek.

⁴⁶ Ibid.

⁴⁷ Anna Hedborg, “Minnesanteckningar om löntagarfonder fram till LOs kongressutlåtande.” August 15, 1978. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/3. Arbetarrörelsens Arkiv och Bibliotek.

⁴⁸ Elon Johanson, ”Rudolf Meidner: Avtal om löntagarfonder triumf - inte klassförräderi!” *LO-tidningen* nr. 19, 1976. pp. 12-13, 17.

Hedborg's engagement. (Viktorov 2006: 96) But at that fateful moment in the train stopping at the Heidelberg station, they did decide on the Grand Solution.

Greider (1997: 198) describes this moment as Meidner and Hedborg "reacting instinctively against the bourgeois version of capital formation, with a feeling that summarized where they were already intellectually on their way but hadn't reached yet." The Saltsjöbaden spirit in Meidner was weakened by the young visionary, who was herself a Social Democrat but influenced by the New Left. Upon their decision to pursue the Grand Solution, Meidner and Hedborg were well aware that the plan could face a hostile reception due to its distance from the assigned mandate from 1971, as well as from previous discussions in the unions and the party. Indeed, Meidner recalls that Larsson - Motion 305's author - later claimed that the committee misinterpreted the motion, lamenting "this isn't what we meant at all." They faced further challenges due to the growing interest in collective capital formation from the liberal circles, based on the exact visions and purpose that they rejected in Germany. The Liberal Party's 1974 agreement with the Social Democrats to establish a state commission on this question, Meidner wrote, was "for us very ill-timed, as our starting points and goals are different from that of the bourgeois parties."⁴⁹

In order to build political momentum, they devised a process composed of multiple steps. Instead of simply writing a report to the LO Congress to be discussed there, as is usually the case with such research committees, they would first write a more informal report to fully gauge the reaction across the unions, which is then to be incorporated into the final report for the 1976 LO Congress. (Ekdahl ed. 2002: 11) Such a two-step process would enable them to adjust the final plan depending on the reactions, and if there would be a broadly positive reaction in the unions, it would constrain the scope of maneuver for potential opponents. (Ekdahl 2005: 246) Indeed, they did not seek to gain support or approval from the LO leadership beforehand. As such, Nilsson clearly stated in the foreword for the published 1975 plan, that the views were solely the authors' and that the LO secretariat had not worked on the publication. It was intended as a "foundation for a broad debate" based on a "free and open-minded exploration of problems and solutions" in the unions. (Meidner 1975: 7)

Once they decided upon the Grand Solution, they began an intensive work for the next few months. But what exactly was meant by the Grand Solution, beyond its focus on the question of power, was still open.⁵⁰ One of the key questions was on what issues the committee should present a clear plan of its own, as opposed to keeping various options open for a public debate. By early November, they came to the certain basic principles of the design of the Funds – that the transfers shall be based on shares and not cash, on an annual basis, with the amount calculated on the basis of profits, and that the funds should not be sold, transferred or loaned to individual workers.⁵¹ These principles were combined with an explicit recognition of intent, to see the "fund formation as a way towards successively transfer ownership of means of

⁴⁹ Rudolf Meidner, Letter to Heinz Markmann. June 5, 1974. *Landsorganisationens arkiv*, Rudolf Meidners Handlingar, 2964/F/22/A/9. Arbetarrörelsens Arkiv och Bibliotek.

⁵⁰ Hedborg calls the fund proposal by the German construction union (IG Bau) as the Grand Solution, even though it was nowhere near radical as the plan that she and Meidner put forward. Anna Hedborg, "Anteckningar från resan i Tyskland." *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/1. Arbetarrörelsens Arkiv och Bibliotek.

⁵¹ Rudolf Meidner, "Utkast 2 till disposition". November 8, 1974. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/1. Arbetarrörelsens Arkiv och Bibliotek.

production till the worker collective.”⁵² These were all essential conditions for a transformative version of collective profit sharing.

But on some key issues, which would centrally affect its anti-capitalist character, the options were kept open in the beginning. Meidner first deferred the issue of lock-in periods (*spärrfrister*), the period in which no assets or shares can be transferred away from the funds. The crucial question, as he noted, is whether the lock-in period should be limited or forever. If the shares owned by the funds could be liquid after a certain point, the funds could likely never come to own a decisive stake. The published report not only presented the lock-in period as perpetual, but included the iconic table that highlights when the funds would attain the decisive majority stake based on various scenarios with different profit rates (see Table 1.1 in Chapter 1), suggesting a further radicalizing shift in the course of their work. (Meidner 1975: 83) In the end, Wigforss’ personal support encouraged them to conclusively decide on the Grand Solution, when Meidner and Hedborg visited Wigforss and presented him with the plan in April 1975. (Ekdahl 2005: 255-256) “Do you really dare propose such a far-reaching proposal?,” asked Wigforss, with a combination of delight and incredulity, and marking the historic character of the moment.⁵³

A further factor widening a scope for the leftward shift throughout the course of the committee’s work was its autonomy in various forms. The vague formulation of the committee’s mandate gave them the elasticity of interpretation. Ambiguity in the Congress decision can often function to de-radicalize its decisions, if the membership votes for a radical measure that the leadership would not favor; the opposite dynamic was play in this case, as the committee was independent from the LO leadership itself. The committee was also shielded from short-term political concerns and given a “nearly free hand,” and Meidner himself believed that the job of experts was to present the best plan without compromising much, which was the task for others. (Ekdahl ed. 2002: 10) The research group had occasional contacts with the “reference group,” composed of seven other LO researchers and officials. (Ekdahl 2005: 245) The reference group mostly focused on technical questions of fund construction⁵⁴, and respected Meidner’s leadership. The whole reference group even established at the beginning that the committee’s report needs not be formally be authorized by the LO secretariat, as Meidner himself represents the LO.⁵⁵

Perhaps even more significant form of autonomy was the absence of contact with the Party leadership, especially after the Meidner-Hedborg Plan was published and gained traction within the LO due to grassroots support. Much has been made of the absence of contact between the Meidner Committee and the SAP leadership, up until the LO’s 1976 Congress; this absence is usually discussed in a negative context, as the lack of the union-party coordination on this issue is often taken as a major reason for the failure of the Wage-Earner Funds in the later period. However, the lack of contact also meant that they did not face pressures and interferences

⁵² Rudolf Meidner, ”Utkast 2 till disposition”. November 8, 1974. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/1. Arbetarrörelsens Arkiv och Bibliotek.

⁵³ Anna Hedborg, “Minnesanteckningar om löntagarfonder fram till LOs kongressutlåtande.” August 15, 1978. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/3. Arbetarrörelsens Arkiv och Bibliotek.

⁵⁴ Gunnar Fond, “Minnesanteckningar från sammanträden med Referensgruppen den 22 resp. 27 november 1974.” December 4, 1974. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/1. Arbetarrörelsens Arkiv och Bibliotek.

⁵⁵ Gunnar Fond, “Protokoll fört vid det sammanträde som Referensgruppen angående löntagarfonder m m höll måndagen den 2 september 1974.” September 6, 1974. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/1. Arbetarrörelsens Arkiv och Bibliotek.

from the Party to moderate the plan, which would have been a very likely scenario considering what occurred after 1976. Part of the reasons for that was indifference and apathy on the side of the party. Meidner did periodically update on the committee's work with his contact in the party, Bosse Elmgren, but Elmgren's internal memo⁵⁶ failed to arouse much interest. The party leadership was thinking, or hoping, that the issue would go away sooner or later. (Meidner 2005: 79) Throughout 1975, there were very little references to the Wage-Earner Funds on the SAP Board. After the fall throughout which the Funds captured the imagination of the grassroots, Palme expressed hope that LO would not commit too much before the election, and concern that it could damage the election campaign. (Ekdahl 2005: 269) But the party leadership had other, more urgent priorities. Furthermore, Gunnar Nilsson, once he became a supporter of the Wage-Earner Funds, stood very clearly for autonomy of the unions; "the question of the Wage-Earner Funds is a union question", he said, limiting contact with the party before the Congress. (Meidner 2005: 80)

The autonomy of the committee has also been noted by critics of the Funds. Svante Nycander (2002: 327), long-time labor journalist at liberal *Dagens Nyheter*, argues that the Meidner committee deviated from the original mandate, because there was nothing anti-capitalist in the 1971 Congress decision. For Nycander (2002: 430), the whole Wage-Earner Funds was basically a one-person project led by Meidner, who had doggedly pursued this project for decades and captured the mandate for his own agenda. Nycander posits that the Funds were driven by intellectuals rather than union leaders, let alone actual workers. He captures the certain crucial point; anti-capitalism of this project was conceived by two union intellectuals on a train in Germany and developed in a small, secluded basement room in the LO castle. It did not come from the streets or the factory floors, and this fact was to influence its politics later.

But the power of intellectuals in shaping history should not be overestimated; no ideas, however brilliant, can emerge without a conducive structure or gain a political force on their own. Meidner could not have been appointed as the head of the research committee and afforded such autonomy for the committee's work, without Meidner's prominent standing in the LO and the respect he commanded from all across the Social Democratic ranks. How could an economist with such radical views rise so high in the established structures of Social Democracy? On the one hand, in his research work for the LO, his radical edge was typically expressed in ways compatible with the demands and priorities of Social Democracy, most notably on the solidarity wage policy. Indeed, he was sufficiently acculturated in the Social Democratic culture that he initially hesitated on the transformative option, even after he was intellectually convinced of it. On the other hand, the expansive hegemony of Swedish Social Democracy was expansive enough to accommodate certain radicalism, even if it was usually well contained. It enabled Meidner and Hedborg, Social Democrats themselves, to draw on from a more radical tradition in developing their plan, and also to develop mass grassroots support for their plan. Indeed, the Grand Solution could go anywhere beyond the LO basement, only because of the grassroots support.

Publicity Campaign and Membership Survey

Essential for building grassroots support was a public campaign of political education and discussion by the LO. In December 1974, Meidner asked the LO's Information Division to coordinate an educational campaign for the Wage-Earner Funds in the fall of 1975, after the

⁵⁶ Bosse Elmgren. 1975. "Argumentationen om löntagarfonderna – några synpunkter". *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/1. Arbetarrörelsens Arkiv och Bibliotek.

publication of the initial report.⁵⁷ In April 1975, the Information Department began preparations for a comprehensive information and study campaign for the Funds, establishing the campaign group with a representation from several affiliate unions (from Metall, commercial, construction and paper unions) and the Social Democratic workers' education institute ABF.⁵⁸ The goal of the campaign was to educate members and the broader public about the Wage-Earner Funds, as well as to seek active members' views on the plan, so that they would be reflected in the finalized proposal to be submitted to the LO Congress.⁵⁹

Echoing the concerns raised by Meidner and Hedborg at the beginning, the Information Department believed that the campaign was necessary because "experiences from other countries on the introduction of Wage-Earner Funds demonstrate the necessity of a broad debate within the union organizations on how the Funds should function."⁶⁰ Towards that end, all local unions, clubs and sections of LO were invited to run a study and discussion circle. The campaign involved producing the whole educational program about the content of the plan, as well as various workplace flyers and advertisements in the various media, noting the oppositional campaigns expected from the employers. The Information Department was to work with the Meidner committee closely in producing those materials.⁶¹ While this campaign was a serious and well-prepared one, its scope was hardly extraordinary; its expenditure consisted of a mere 5% of the budget of the Information Department in 1975.⁶²

Public release of the Meidner-Hedborg Plan on August 27 attracted considerable attention, with *Dagens Nyheter* proclaiming "Revolution in Sweden." The internal education campaign began soon afterwards, with regional two-day conferences organized in early September. 17 of them took place across the country, inviting speakers from the Meidner committee, the reference group, or LO's education department.⁶³ The study circles followed afterwards. The level of participation in them, which involved 11 hours of discussion time, exceeded even the highest expectation of the Information Department; their aim was to recruit 10,000 to 15,000 participants⁶⁴, but 18,000 workers took part. The participation was nevertheless uneven across LO's constituent unions. 55.3% of all participants were from Metall, far exceeding the proportion of their members in the entire LO (23.8%); Pappers and Factory Workers' Union (*Fabriks*) were also well-represented. In contract, public-sector Kommunal was heavily underrepresented with only 1.4%, even though every six member of the LO was in Kommunal. (LO 1976: 188)

Upon conclusion of the discussions, they completed a survey that was to play a crucial role; 89.6% of the participants answered that it was essential for the workers to gain "ownership rights in the firms to increase their influence", with 69% believing it "absolutely necessary." (LO 1976: 168) More than 90% rejected an individual share of the profit. (LO 1976: 170) There was

⁵⁷ Rudolf Meidner, Letter to the LO Secretariat. December 11, 1974.

⁵⁸ Härje Larsson, "Informations- och studiekampanj om löntagarfonder hösten 1975." April 21, 1975. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/1. Arbetarrörelsens Arkiv och Bibliotek.

⁵⁹ Ibid.

⁶⁰ Ibid.

⁶¹ Ibid.

⁶² Härje Larsson, "LOs informationsprogram 1975 med budget". Dec. 11, 1974. *Landsorganisationens arkiv*, Rudolf Meidners Handlingar, 2964/F/22/A/9. Arbetarrörelsens Arkiv och Bibliotek.

⁶³ "Medverkan vid regionala konferenser om LÖNTAGARFONDER 1-15 september 1975. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/1. Arbetarrörelsens Arkiv och Bibliotek.

⁶⁴ Härje Larsson, "Informations- och studiekampanj om löntagarfonder hösten 1975." April 21, 1975. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/1. Arbetarrörelsens Arkiv och Bibliotek.

no great variation in the level of support across constituent unions, except for Transport Workers' Union (*Transport*) with its markedly lower level of support, due to the staunch opposition to the Funds by Transport's autocratic president Hans Ericson. Viktorov's (2006: 126) detailed analysis of written comments in the survey responses shows that the issues of influence, power and ownership were the most-invoked reasons for support for WEF among the activists; three-quarters of the participants who left a comment were motivated by them, while only 14% were motivated by the excess profits. The mass member survey was obviously not representative of all union members,⁶⁵ as it was done among those who were interested enough to participate in the study and discussion course, and learned about the Meidner-Hedborg Plan from a rather sympathetic perspective. But overwhelming support that it demonstrated created a momentum.

Another essential part of the campaign was through the union newspapers delivered to all members. LO's official newspaper *Fackföreningsrörelsen* (*LO-tidningen* from 1976) and Metall's *Metallarbetaren* frequently covered each development of the WEF, including the LO paper devoting an entire issue to the plan upon its release in August 1975. In that issue, they proclaimed the iconic headline that captures the mood of the moment; "then we will deprive capital-owners of POWER!"⁶⁶. Some newspapers, such as *Kommunalarbetaren* of Kommunal (the second largest LO union after Metall), devoted much less coverage to the Funds, with only two articles at the beginning in August 1975 and occasional, very brief updates over the following year. Nevertheless, even articles in *Kommunalarbetaren* were almost entirely positively disposed.

LO Chair Gunnar Nilsson appeared generally sympathetic to the MHP. In his speeches, Nilsson affirmed the "fundamental necessity" of class conflict for the industrial society, and that significant changes had not ameliorated the inexorable tendency towards concentration of the growth in wealth when much of the means of production were owned by the very few capitalists. Unlike the party, who ran the state in a capitalist society, the union could represent the interests of the working-class a little more directly. Even though the MHP did not originate from the debates on economic democracy, the rise of economic democracy discourse enabled it to be situated within the traditions of social democratic thinking, facilitating support among the LO's top leaders. In January 1976, soon after the survey results were released, Gunnar Nilsson publicly announced his backing for the Meidner-Hedborg Plan,⁶⁷ and in March, the LO Board decided to officially support the main principles of the plan.⁶⁸ These official backings paved the way towards overwhelming support at the LO Congress in June.

Triumph at the June Congress

On Tuesday, June 15th, 1976, the LO Congress voted to endorse the principles of the Meidner-Hedborg Plan. (LO 1976b: 704-705, 733) But the Congress itself was not the site of a showdown. Despite the historic character of the assembly, the debates largely concerned questions of detail, and was hardly the most dramatic one involving grand ideas on capitalism, society and democracy. Eight motions were submitted from local unions; most of them proposed

⁶⁵ Viktorov (2006: 139) argues that the survey overestimates the support for the Meidner-Hedborg Plan even among the respondents, since there were those who supported workers gaining ownership rights but against this plan in particular, mainly from a further left perspective.

⁶⁶ "Så ska vi beröva kapitalägarna MAKTEN!", *Fackföreningsrörelsen*, nr. 19, 1975

⁶⁷ "LO-chefen stöder Meidners fondmodell: "Vinstandelar är bara allmosor". *LO-tidningen*. Nr. 2, 1976. Pp. 4

⁶⁸ Lena Askling, "LO-styrelsen säger JA till Meidners löntagarfonder, NEJ till individuella vinstandelar. *LO-tidningen*. Nr. 7, 1976. pp. 4

to modify or elaborate the plan, often to further solidify its radical character. Several motions called for greater inclusion of smaller firms in the Funds, and throughout the course of the debate, multiple delegates called for inclusion of more firms and workers originally not covered – such as producer cooperatives, the media, and representation of public-sector workers in the Funds. Due to the strong pressure for including smaller firms, an amendment was adopted to declare that the threshold for inclusion in the system of obligatory transfer, in terms of number of employees, must be set “as low as possible.” (LO 1976b: 717, 733) Other motions called on the LO leadership to commit more strongly to its passage and to develop further educational campaigns to promote the plan. Only one motion was opposed to the Funds, but from the left; that it would put unions in a contradictory position as they are made to pursue profits for the firms which they own and whose members work for. (LO 1976b: 696)

The delegates celebrated the assembly’s affirmation of the Wage-Earner Funds by famously signing the *Internationale*. Rudolf Meidner recalled this Congress as one of the rare moments of mass collective exuberance that he experienced in his life. (Greider 1997: 309) This was the finest moment of triumph for social democratic radicalism. But it was not to be the beginning of a long march towards a socialist Sweden. It was rather its peak, only to start and keep declining since the moment they stopped singing the revolutionary anthem of the international working class.

Conclusion

“Few Swedish books have influenced the societal debates as much as this little, modest publication,” historian Kjell Östberg (2009: 248) wrote, referring to the book plainly titled *Löntagarfonder* and published in August 1975. The Meidner-Hedborg Plan emerged neither because Social Democratic leaders sought to develop a policy for the third, final stage of their long path to democratization, nor because of an outcome of the overt struggle in the labor movement in which the radicals trounced the moderates. It was an unintended outcome of the hegemonic move from above to maintain the solidarity wage policy and concomitant wage restraint, amidst radicalization and militancy from below, which allowed for two union intellectuals to play the decisive role. They were both radicals at heart, yet with impeccable social democratic credentials; worked in the perfect mixture of enough autonomy to shape their plan and enough institutional anchoring to have a real political base. The Wage-Earner Funds passed through from the theme of capital formation to that of solidarity wage policy, and finally to class power. And at its most radical, the plan itself was decisively transformative of relations of production, yet it contained enough to be articulated in terms familiar to traditional social democracy.

Strong support from below for the Meidner-Hedborg Plan, which caught Meidner and Hedborg by pleasant surprise⁶⁹, played a crucial role in moving the plan forward. But the support could be generated and demonstrated in an organized manner because of Hedborg and Meidner’s strategy, learning from the experiences of the failure of the funds, due to the lack of enthusiasm, in Germany and Austria. The expression of radicalism was not spontaneous; the Wage-Earner Funds were hardly a significant or popular issue for union members until the report was actually released. (Viktorov 2006: 109) But it was not radicalism alone that propelled the plan; its gradualism allowed it to be presented as a traditional social democratic plan, winning sympathetic receptions in the various segments of the LO organizations - such as the Information

⁶⁹ Anna Hedborg, “Minnesanteckningar om löntagarfonder fram till LOs kongressutlåtande.” August 15, 1978. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/3. Arbetarrörelsens Arkiv och Bibliotek.

Department and the union newspapers – and then official support from the top leadership. The combination of a radical climate and its political ambiguity helped propel the Meidner-Hedborg Plan to the LO Congress in 1976, to garner overwhelming support at the highest body of the mighty union confederation, with hardly any open conflicts within the social democratic labor movement and virtually only opposition coming from the further left. But the ambiguities go in both directions; the house built upon them could fall through them.

Chapter 3: Explanation of the Failure of the Wage-Earner Funds

“Rise up against the misery, this is the final struggle!” So thunderously sang LO delegates, as they adopted the Meidner-Hedborg Plan at the Congress on June 15, 1976. But it was not socialism that awaited their future. The rare collective singing of the *Internationale* at the LO Congress turned out to be the high point of the socialist project. After that moment, it began a long period of decline, first by being held up in the long negotiations between the LO and the SAP, and then replaced by another capitalist-friendly form of the Wage-Earner Funds. Therefore, the Meidner-Hedborg Plan lost the battle before capitalist forces could begin to attack it in a serious coordinated campaign. The final struggle was over before it even began.

Chronology of Capitalist Countermobilizations

A careful consideration of the chronology of the Wage-Earner Funds' development demonstrates that the labor movement's internal structure and consequent weakness of mobilization, rather than the business opposition, were the primary reasons for the demise of the Meidner-Hedborg Plan. Simply put, the prospect of a *transformative* Wage-Earner Funds plan had largely been defeated by 1978, when the business mobilizations against the Funds were only beginning – even though the struggles over the Wage-Earner Funds lasted for several more years until 1983. After the 1976 LO Congress, a new working group consisting of both the LO and SAP representatives was created, to develop a plan that could satisfy the latter. Unsurprisingly, considering that the party leadership was never on board with the MHP, it was weakened significantly in the LO-SAP joint committee report, published in February 1978. In the new plan, capital formation was added as the fourth aim of the Funds, the rate of transfer was to be reviewed by the parliament every five years, and the scope of applicable firms was drastically limited to those with more than 500 employees. Such changes decisively changed the terrain of struggle, but could not have been caused by business mobilizations, which only began in April 1978. Then even this watered-down plan was rejected by the SAP leadership as too radical in June 1978, inviting spirited yet disorganized resistance from the base.

Soon after the Meidner-Hedborg Plan was released, various bourgeois politicians and commentators criticized it, including during the 1976 election. But it is obviously a routine course of affairs that opposition parties criticize the government party, and it was no more than that at this point. Because the election of September 1976 was a historic one in which the Social Democrats lost government after 44 years, it has sometimes been assumed that they lost it because the Wage-Earner Funds were too radical. But its impact on the election was limited at best. Firstly, even though its implication was dramatic, the socialist bloc lost only 1.6% of the votes (and the SAP itself lost just 0.8%) compared to the previous election, and it was simply a continuation of the slight downward trend since its high point in the 1968 election. The biggest shift in alignment for this election was that of the Center Party's strong anti-nuclear line, which positioned the traditionally farmers' party as the champion of environmentalism. In any case, the WEF was considered no more than one of the factors that could have affected the outcome, by the SAP leaders and Social Democratic press themselves. (Gilljam 1988: 221) It was not the central focus in their debate on the causes of the defeat⁷⁰, and Feldt himself did not argue that the Funds question was the cause of the 1976 defeat. (Ekdahl ed. 2001: 23)

⁷⁰ Sveriges socialdemokratiska arbetareparti, "Protokoll fort vid sammanträde med socialdemokratiska partistyrelsen torsdagen den 23 september 1976." *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/2/A/24. Arbetarrörelsens Arkiv och Bibliotek.

It was not until late 1977 that the SAF opted for a path of hardline opposition against any form of the WEF, after a period in which businesses were divided between such total opposition and advocacy for an alternative, business-friendly proposal. And the first concerted business campaigns against the WEF did not begin until April 1978, after the revised plan was adopted and publicly released by the joint LO-SAP working group in February of that year. In other words, when the party leadership moderated the MHP and then refused to support it, the intensive capitalist campaign against the Funds had just barely begun. While business mobilizations between April and June 1978 could be suspected of influencing the party leadership's decision, they had in fact long been reluctant about the February proposal for their own reasons, long before the SAF countermobilizations had begun. Discussions among the top leadership of the party reveal that their concern regarding the business offensive, while not absent, played a limited role at most, secondary to the predominant motive of their own political and ideological opposition to labor-majority ownership.

After the 1978 SAP Congress, another LO-SAP commission was convened. Discussions of the Wage-Earner Funds in general ratcheted up in many organizations, including white-collar unions and liberal parties. As many scholars have argued, business mobilizations in this period did surely affect the liberal parties and white-collar unions, and made it more difficult for the SAP to build a broad consensus around the Funds. But in the absence of serious mobilizations for the Meidner-Hedborg Plan and the party leadership's existing position, it was inevitable that the committee would continue the further rightward shift of the Wage-Earner Funds towards the Feldt Plan, which removed the inexorable mechanism towards a worker majority ownership. The Feldt Plan was part and parcel of the SAP's "Crisis Program" in 1981, which marked the first step towards the party's neoliberal shift in the 1980s. The Wage-Earner Funds became a perfect vehicle for a supposedly worker-friendly supply side policy.⁷¹

Capitalist counter-mobilizations further intensified after the SAP leadership declared official support for the Wage-Earner Funds, for the first time ever, in February 1981. The most intense phase of the anti-fund campaign, from the deluge of ads during the election campaign to the 75,000-strong demonstration on the streets of Stockholm, occurred in this final stage. It was also when the issue attracted most public attention, as it became the main topic of the 1982 election; on the pages of *Dagens Nyheter*, the frequency of the word "löntagarfonder" ("Wage-Earner Funds") peaked in 1982.⁷² It may seem rather puzzling that the business opposition intensified more as the WEF proposal became ever more moderate and system-reinforcing. One of the reasons was that regardless of the actual threat that the Funds posed, intense opposition became politically convenient for the SAF, as a way to unify various segments of capital together against the Social Democrats, in the atmosphere of generally tense class relations in this era. (Viktorov 2006: 261-264)

The large-scale business mobilization against the Wage-Earner Funds in the 1981-83 period has commonly been invoked as the most emblematic proof that the Funds' failure was caused by the business opposition. But such an interpretation ignores the fundamental and qualitative distinction between multiple "versions" of the Wage-Earner Funds over the eight-year period, in terms of their institutional designs and political implications. Much of the existing literature does not take seriously enough the distinctions between different "versions" of the Wage-Earner Funds. Even though it is widely recognized that the Social Democrats "watered down" or "retreated on" the Wage-Earner Funds over time, the distinction is most often seen as

⁷¹ This will be discussed further in Chapter 6.

⁷² *Dagens Nyheter* historical archive (<http://arkivet.dn.se>), Accessed May 26, 2021.

quantitative rather than qualitative.⁷³ Effacement of the distinctions in the existing literature, under the common rubric of the “Wage-Earner Funds,” has added much confusion and misled to inaccurate conclusions. The later plans for the Wage-Earner Funds only shared the name and nothing else with the original plan, as Meidner himself put it. (Greider 1997: 216) In that sense, they are irrelevant from the perspective of the *transformative aim* of the WEF.

Despite the spectacular countermobilizations, the Social Democrats won the 1982 elections and a plan called the Wage-Earner Funds was enacted in December 1983, which operated for 7 years until 1990. From the standpoint of capital formation or the Funds’ market performance, it cannot be said it was simply a failure; indeed, the LO officially presented the Funds in operation as success, based on its investment performance. (Pontusson 1992: 216) However, it was a failure in terms of the norms of corporatist, cooperative decision-making; some scholars are concerned with the vitriolic character of the politics of the Funds as failure of the so-called “traditional Swedish culture of negotiation.” (Stråth 1988: 188) “Failure” of the Funds can also be understood as that of a negative *perception*, within Social Democracy as well as broader Swedish society, of the Wage-Earner Funds as a complete disaster; it was quickly and unceremoniously forgotten after it ceased operation in 1990, and it became so unpopular that almost all leading figures of the SAP later claimed they were opposed from the beginning. (Ekdahl 2005: 303) The business countermobilizations had a clear and strong effect on these aspects of the Funds.

But if we conceive of the “failure” as the failure to democratize the economy and transform class relations in favor of the workers, we must focus on the Meidner-Hedborg Plan as such. The historically distinctive feature of this project, unique in the annals of advanced capitalism, was decisive transfer ownership and control of much of the economy into working-class institutions; and it is this aspect of the plan that makes it a powerfully relevant case of interest for the broader question of class power. If we take qualitative distinctions seriously, then the act of “watering down” becomes the main point of analysis in the failure of the Funds, rather than simply a part of the story. And the most decisive period becomes that of 1975-78, when the MHP was available as a viable option. In this period, it is in the internal struggles in Social Democracy that the story of the defeat must be told.

Positions of the SAP Leadership: Capital Formation as a New Goal

Since the Social Democratic Party leadership played the most decisive role in taking the Meidner-Hedborg Plan off the political agenda, their motivations, actions and strategies are of foremost significance. The SAP leadership was opposed to the Meidner-Hedborg Plan, without rejecting the Wage-Earner Funds entirely. Instead, they sought to shape the Wage-Earner Funds in their own image, with the foremost goal of capital formation and without the anti-capitalist character. They were motivated by their concern for ensuring sufficient capital investment and accumulation, upon which they believed the MHP would have a negative impact. Their stance arose from their position as managers of the capitalist state as well as their own political and ideological conviction in the “mixed economy” rooted in capitalism.

The Meidner-Hedborg Plan presented three goals - to enhance workers’ influence in the economy, to equalize property distribution and to facilitate better functioning of the solidarity

⁷³ A conventional historical narrative is exemplified in Gilljam’s (1988: 20-21) periodization of four phases of the Wage-Earner Funds’ politics as “initiative phase” (August 1975-September 1976), “research phase” (September 1976-September 1981), “decision-making phase” (September 1981-December 1983), “implementation phase” (after December 1983).

wage policy. It explicitly stated that the plan would have a neutral effect on capital formation – that it simply “must not harm investment” - rather than actively aiming for a *higher* level of capital formation. (Meidner 1978: 17) While recognizing the need for increased investment, they wrote that it was “inappropriate” to confuse it with the “main aim of the fund system, that of bringing about a long-term shift in the structure of ownership for the benefit of employees”. (Meidner 1978: 114-115)

But the SAP leadership was, from the beginning, interested in the potential to enhance capital formation through the WEF. Some of them even thought that the MHP would do so, apparently clueless as to other ways of defending it, as exemplified in an episode at a 1976 debate on the WEF between Rune Johansson, the Social Democratic Interior Minister, and Thunholm, the director of the SE Bank. Meidner, who was in attendance, recalls; “Thunholm started with the common arguments against the Funds, with great affect. And Johansson became hard-pressed and said, 'what you said is not true, this is a proposal that would increase capital - that's the actual reason for the proposal!' At which Thunholm responded entirely correctly, 'this is a fundamental misunderstanding, and Comrade Meidner who's sitting there can confirm it.' And he began to read out loud from the proposal. Johansson just stood there, naked and exposed.” (Greider 1997: 200) Identification of Wage-Earner Funds with the aim of capital formation, common in these programs across various countries, has always been a common-sense perspective among the party’s upper echelons from the beginning of the debate.

Kjell-Olof Feldt, the party’s main representative to the new LO-SAP joint working group, was the most prominent advocate for the Wage-Earner Funds as a tool for capital formation.⁷⁴ Also newly appointed as shadow finance minister, Feldt sought and prioritized such a reinterpretation of the original plan from the beginning. His main argument was the need to increase industrial investment in Sweden for the sake of future economic growth and export competitiveness. In the working group, he argued that the Swedish economy was consuming too much and saving too little, leading to a trade deficit and a declining rate of capital formation. The proportion of consumption in the GDP had increased due to the rapid expansion of the welfare state, while that of capital formation had declined in the course of the 1970s.⁷⁵ Thus, the existing levels of consumption and deficit were unsustainable, unless a limit was placed on consumption and the export became more competitive, which required more investment.⁷⁶ A social democratic path out of economic stagnation, he argued, would mean that the consumption level needed to be reduced but without austerity measures that would lead to higher unemployment.⁷⁷

Feldt not only saw capital formation as necessary, but he also saw the WEF as the ideal vehicle for capital formation compared to many other possible measures. According to the Meidner-Hedborg Plan, such needs were to be addressed through the AP pension funds, not the WEF. But these pension funds are inadequate, Feldt argued, because they are bound by the restrictions on investment based on the level of risk, and do not necessarily allow for more economically strategic investment.⁷⁸ He posited that instead of being part of a pension system, collective savings should be “a more integrated part of industrial policy”, which may be difficult

⁷⁴ Anna Hedborg, “Förslag till arbetsplan för sortsatt arbete med löntagarfonderna”. April 20, 1977. *Rudolf Meidners arkiv*, 401/72. Arbetarrörelsens Arkiv och Bibliotek.

⁷⁵ Kjell-Olof Feldt, “Arbetspapper 3: PM ang löntagarsparande”. August 8, 1977. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

⁷⁶ *Ibid.*

⁷⁷ *Ibid.*

⁷⁸ *Ibid.*

to reconcile with the aim of guaranteeing future pensions⁷⁹; but without such new and significant collective savings, “we either get a significant reduction in investment in the ‘80s, or accept a new privatization of the savings, primarily through an increased share of profits.”⁸⁰ Unlike for Palme, who took a similar stance but generally detached from the whole question of the Wage-Earner Funds, Feldt was a fervent believer in it, albeit in ways fundamentally different from the Meidner-Hedborg Plan. He said in a public speech in September 1977, that “it is no exaggeration to say that the question of capital formation in the industry is one of the most important questions facing Swedish society”; and the WEF was the way to solve it.⁸¹

Much of the SAP leadership, including Olof Palme, concurred with Feldt on the capital formation aim for the Funds. Palme had discussed capital formation in the context of discussing the Funds from the early stage. For example, in March 1977, he spoke that Sweden needed more capacities for export in order to reduce trade deficit, and such investment must be financed through the “solidaristic path”, which meant that “the wage-earners must together take responsibility for capital formation and administer it.”⁸² Similarly, Palme regularly spoke of the need for workers to have “responsibility for capital growth” both in public and in party leadership meetings.⁸³ Another strong advocate for the WEF as a means for capital formation was Gunnar Sträng, the Social Democratic Finance Minister for more than 20 years until 1976. Sträng promoted this perspective strongly in the seminars he convened with influential economic policy figures in the party.⁸⁴ Sträng gave his first public interview⁸⁵ advocating for the WEF in April 1977, and called capital formation as “the most acute reason” for why the WEF was necessary. He argued that the Swedish economy needed an increased productivity to remain competitive, which required investment in new, efficient machinery, for which the WEF could help.

The push to use the WEF to increase capital formation was combined with the concern with the MHP that it would actually hinder it, rather than having a neutral effect as the plan envisaged. While profitability of firms overall would not necessarily be affected, the existing shareholders could see lose out as their proportion of ownership declines. In one of the early substantive discussions on the WEF in the party executive committee, Feldt argued that the Funds in the MHP model “can rather reduce private savings and capital formation in the industry... because the funds do not create a new economic system but will function in a capitalist system with the market economy we have now.”⁸⁶ Palme echoed this point further,

⁷⁹ Kjell-Olof Feldt, “Utgångspunkter”. November 18, 1977. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

⁸⁰ Ibid.

⁸¹ quoted in Lotta Sellberg, *Löntagarfonder – makt eller kapital?*. 1982, unpublished thesis, Stockholms Universitet. pp. 13. *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/Ö/1/A/319. Arbetarrörelsens Arkiv och Bibliotek.

⁸² Ibid.

⁸³ Sveriges socialdemokratiska arbetareparti, ”Protokoll fort vid sammanträde med partiets verkställande utskott den 7 oktober 1977.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/3/A/13. Arbetarrörelsens Arkiv och Bibliotek.

⁸⁴ Anna Hedborg, “Förslag till arbetsplan för sortsatt arbete med löntagarfonderna”. April 20, 1977. *Rudolf Meidners arkiv*, 401/72. Arbetarrörelsens Arkiv och Bibliotek.

⁸⁵ Lena Askling and Elon Johanson. “Gunnar Sträng bryter tystnaden om löntagarfonderna: de ska ge rättvisa – och mera kapital.” *LO-tidningen* 14/1977. pp. 10.

⁸⁶ Sveriges socialdemokratiska arbetareparti, ”Protokoll fort vid sammanträde med partiets verkställande utskott den 7 oktober 1977.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/3/A/13. Arbetarrörelsens Arkiv och Bibliotek.

that MHP would mean “de-capitalization of the Swedish society but it does not break private ownership.”⁸⁷

The authors of the MHP argued that it would be investment-neutral, if combined with certain supplementary measures. They shared the view that the lower expected dividends would lead to a fall in share prices and could depress private investment, which would continue to be the main source of investment for “some considerable time” before the Funds would take over. (Meidner 1978: 54-57) But they rejected that it would reduce capital formation and capital’s willingness to invest beyond the short-term, once the diminished expectations of profitability have set in and share prices have been appropriately discounted. (Meidner 1978: 115-116) They saw a possibility of “panic selling in the face of an imminent total assumption of power by the Wage-Earner Funds,” a purposeful investment strike to stop the Funds, or asset-stripping from firms before they lose majority ownership to the WEF, if it was introduced “in an atmosphere of strong political disagreement”; then “the reaction could be a painful economic fact.” (55, 118) But they didn’t see such possibilities as particularly likely, and they posited that industrial policy and tax policy could be used to counter them, including by reducing profitability of other forms of investment. (55, 57) Such defensive measures would gain strong popular support if the Fund itself was introduced democratically and thus capitalist interferences would be seen as illegitimate, they concluded. (Meidner 1978: 119)

Considering that a plan to deprive capitalists of their means of production would almost certainly be introduced “in an atmosphere of strong political disagreement” to say the least, it could be said that the MHP underestimated the threat of capital flight and “investment strike”. No concrete policy measures to counter them were proposed in detail, and such risks of capitalist offensive were treated as contingency rather than certainty, even though it affects the central claim of its investment-neutrality. In a later memo, Meidner appears to acknowledge more clearly the need to counter the negative effects on the willingness to invest and hence on employment – induced by capitalist counteroffensive - than was elaborated in the original report.⁸⁸ But the SAP leaders did not at all seek to develop policies to counter these problems, instead simply seeking to squelch MHP in the first place.

LO-SAP Working Group, 1977

The SAP leadership’s firm rejection of the MHP set the tone for the next stage in the process, the LO-SAP working group to develop a common WEF plan acceptable for both sides. The group was convened by Anna Hedborg in April 1977, consisting of representatives from both wings of the labor movement - Hedborg and Rune Molin from the LO, Per-Olof Edin from *Metall*, Feldt and Carl Lidbom from the party.⁸⁹ Edin and Feldt would come to play a central role in the politics of the WEF over the following years, along with Hedborg. While Meidner’s name was technically added to the group, he was scarcely involved in its actual work. As before, the broader “reference group” was formed for the working group to periodically consult with. 19 members of the reference group represented various constituent unions of LO as well as the SAP

⁸⁷ Sveriges socialdemokratiska arbetareparti, ”Protokoll fort vid sammanträde med partiets verkställande utskott den 7 oktober 1977.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/3/A/13. Arbetarrörelsens Arkiv och Bibliotek.

⁸⁸ Rudolf Meidner, untitled confidential memo. June 26, 1977. *Rudolf Meidners arkiv*, 401/70. Arbetarrörelsens Arkiv och Bibliotek.

⁸⁹ “Arbetsgruppen för löntagarfonder.” Oct. 28, 1977. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

and the party's youth wing SSU.⁹⁰ As the only active figure in the new committee who was also in the original, Hedborg initially took the lead in coordination of the research work.

Throughout the process of the joint working group, the party side consistently pressed for more capital formation and less class power.⁹¹ Due to the general orientation towards seeking compromise and the SAP leadership's forceful stance on capital formation, weaving in this fourth aim of increased capital formation to the Funds plan became the group's focus in the beginning. Hedborg noted the principles of the LO Congress decision as the starting point for the working group, and that the committee's work was to further concretize the plan and refine its detailed, technical aspects. But she was positively disposed to the prospect of a compromise. She wrote that "it is of course entirely possible" to construct a system of Wage-Earner Funds with an aim for increasing capital formation, revising the MHP's goal for neutrality in respect to capital formation. The Congress-mandated principles included that the collective capital would remain in the firm as working capital (which precludes individual shares), profit-based accumulation of fund capital, and that "portions of capital growth and its attendant power over means of production be successively transferred to the workers." Some work was necessary to integrate the capital formation aim with these existing goals, but these were not mutually exclusive or contradictory, she noted.

In the working paper written at the early stage, Hedborg sketched possible designs for a Fund plan that would increase capital formation.⁹² While the transfer of profits along the lines of the original MHP is still necessary to ensure that the greater portion of resources available to each firm can be channeled towards investment, it only deals with internal financing, and there is a limitation on how much new capital can be raised internally. Therefore, she wrote that "decisive addition to new savings would not come through increased profits." For the WEF to make a more decisive impact on the level of saving and investment, it must go beyond internal financing as the source of capital, and provide external financing as well. With such forms of financing, investment can also be steered on the larger scale towards industrial branches and regions "based on need". Therefore, an increased collective saving for industrial investment should be gathered outside the firms, some of them to be provided to firms as risk capital, through purchasing of shares and provision of credit capital.

The need for external financing led to a proposal for another fund to receive cash from firms, *separately* from transfer of shares.⁹³ The board of this "equalization fund" would be elected through union channels. All firms, regardless of size, would be subject to payment to the equalization fund, unlike for the compulsory share transfer that would only apply to firms above a certain size. The point of such cash transfer is not (just) a class-based redistribution, but to raise the amount of investment capital also *at the expense of wages*; she argued that substantial fees for the equalization fund would "encroach upon the available scope for wage increase [*löneutrymmet*], tempering consumption and fostering capital formation."⁹⁴ A portion of the newly formed capital would be provided as risk capital, partly through "regional structure funds"

⁹⁰ "Arbetsgruppen för löntagarfonder." Oct. 28, 1977. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

⁹¹ "Stolpar inför föredragning av nya fondförslaget inför sekretariatet 3/10 1977". *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

⁹² Anna Hedborg, "Löntagarfonder: Arbetspapper 2." *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

⁹³ Anna Hedborg. "Löntagarfonder: Arbetspapper 4, Organisation och inflytande." August 18, 1977. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

⁹⁴ *Ibid.*

- which would be elected by citizens of each region – to invest in ways that best promote regional economic development, and partly through share purchase with the accompanying rights accruing to the workers in each firm. But the main part of the cash transfer to the equalization fund would be made available to firms as credit capital. This equalization fund would be built in addition with the core of the original plan, the fund that receives obligatory share transfers from firms. The proposal was therefore to develop a bifurcated system, in which one part satisfies the aim of economic democracy and another part that of capital formation. Hedborg indeed saw them as “the two, in fact, independent parts” of the scheme.⁹⁵

In September 1977, the working group agreed on establishing the parallel capital-formation fund to be financed by deductions based on a proportion of wages, in order to invest the accumulated savings as capital.⁹⁶ The basic contours of the parallel design remained the same in the final proposal of this working group, though further discussions and negotiations on the details took place through the fall. For example, Feldt argued for significant involvement of capitalists in the capital-formation funds - either establishing one such fund controlled by unions combined with another one controlled by employers, or having tripartite representation (of labor, capital and the state) on the boards of multiple funds⁹⁷ - though these were not included in the final proposal due to the LO's opposition.

In the end, the proposal included two nationwide funds called the Development Funds (*utvecklingsfonder*), one with majority representation from unions and minority representation from society, and another one with vice versa.⁹⁸ The amount of mandated contribution would begin with 0.75% of the wage sums in the first year, and increase by 0.75% over 4 years to reach 3% a year.⁹⁹ The nationwide funds would gain the majority of the cash transfer, but some would go to the regional funds, to be elected by the regional governments with representation from both unions and employers in the region. While the Development Funds may gain some influence through their purchase of shares, they were simply not designed to increase workers' power; indeed, the press release of the report couldn't be more explicit when it claimed “collective capital formation means that wage-earners abstain from a part of the wage scope to finance increased investment.”¹⁰⁰ The proposed organizational design for this new mandate for capital formation thus made clear the incompatibility of these two starkly distinct goals within the same type of fund; they could only be satisfied by having two distinct funds under the name of the “Wage-Earner Funds”, with an increasingly complex design. The joint working group could insist on the compatibility of the aims of capital formation and workers' power, but only by keeping the contradictions under the table, as it would become apparent later.

Alongside creation of the parallel fund for capital formation, the party side made two major demands for a change to the MHP, concerning the process of continuous share transfer towards majority ownership and the scope of applicable firms. The SAP leaders sought to

⁹⁵ Anna Hedborg. “Löntagarfonder: Arbetspapper 4, Organisation och inflytande.” August 18, 1977.

Landsorganisationens arkiv, Anna Hedborgs Handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

⁹⁶ Anna Hedborg. ”Löntagarfonder – kort sammanfattning av arbetsgruppens överväganden september 20 1977.”

Landsorganisationens arkiv, Anna Hedborgs Handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

⁹⁷ Kjell-Olof Feldt, ”Arbetspapper 7: Några modeller för löntagarsparandets fondorganisation.” Sept. 2, 1977.

Landsorganisationens arkiv, Anna Hedborgs Handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

⁹⁸ Leif Gustafson and Elisabet Höglund, “Pressmeddelande”. February 23, 1978. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/3. Arbetarrörelsens Arkiv och Bibliotek.

⁹⁹ *Ibid.*

¹⁰⁰ *Ibid.*

preclude the inexorable march to majority¹⁰¹ by proposing a “negotiation stage” at each firm right *before* the share of the WEF reaches 50%, such as at 45%,¹⁰² giving them the possibility of an “opt out”. Under this plan, the opted-out firms would still need to pay the equivalent amount in cash, but avoids the majority takeover by the Funds, thus eviscerating the core of the MHP. Such a proposal serves no purpose except to deprive the ability of the Funds to reach a majority. When this was first proposed by Feldt to the LO leadership in October 1977, they were dumbfounded that it deviated from the LO Congress decision, and reacted particularly strongly against the 45% barrier.¹⁰³ LO’s Rune Molin made it clear in the meetings that their support for including capital formation as a new aim didn’t “mean that we from the union side were ready to leave the goals set by the LO Congress.”¹⁰⁴ LO was successful in inducing the SAP’s retreat from the 45% limit; by December, they abandoned the plan because of the “strong opposition from the LO.”¹⁰⁵

But another measure to prevent the inexorable march to majority ownership was included; that the 20% rate of share transfer would only be applicable for the first five years, after which the parliament would decide on the transfer rate every five years. This was proposed by the SAP side very late in the process and but included in the finished proposal.¹⁰⁶ It would mean that the pro-socialist parliamentary majority must exist every five years until the majority is reached, or at least makes it highly dependent on the future popularity of the Funds during the early period. Nevertheless, it would not automatically preclude majority ownership in ways that the 45% limit would, which appears to have mollified some opponents of the latter. For example, while the SSU leader Lars Engqvist strongly opposed the 45% limit, he accepted the quinquennial review as a compromise.¹⁰⁷

The other major proposal by the SAP leadership concerned the question of what firms should be included in the scope of obligatory share emissions. MHP’s suggestion of a threshold of inclusion in the obligatory system at 50 or 100 employees faced widespread criticism that it was too restrictive, and at the 1976 LO Congress, it was amended to “as low as possible” in a rare victory for the grassroots left. But the threshold became an issue in the entirely opposite way in the working group. The Party side pressed for a broader exemption of smaller firms.¹⁰⁸ They argued that it would be politically difficult to include the vast numbers of smaller and family

¹⁰¹ “Stolpar inför föredragning av nya fondförslaget inför sekretariatet 3/10 1977”. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

¹⁰² Anna Hedborg. ”Löntagarfonder – kort sammanfattning av arbetsgruppens överväganden september 20 1977.” *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

¹⁰³ Sveriges socialdemokratiska arbetareparti, ”Protokoll fort vid sammanträde med partiets verkställande utskott den 7 oktober 1977.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/3/A/13. Arbetarrörelsens Arkiv och Bibliotek.

¹⁰⁴ Anna Hedborg. “Minnesanteckningar från arbetsgruppen för löntagarfonder den 24 oktober 1977.” Oct. 26, 1977. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

¹⁰⁵ Sveriges socialdemokratiska arbetareparti, ”Protokoll fort vid sammanträde med partiets verkställande utskott den 15 december 1977.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/3/A/13. Arbetarrörelsens Arkiv och Bibliotek.

¹⁰⁶ Carl Lidbom, ”utkast.” Jan. 7, 1978. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

¹⁰⁷ Sveriges socialdemokratiska arbetareparti, ”Protokoll fort vid sammanträde med partiets verkställande utskott den 15 december 1977.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/3/A/13. Arbetarrörelsens Arkiv och Bibliotek.

¹⁰⁸ Anna Hedborg, “Stolpar inför föredragning av nya fondförslaget inför sekretariatet 3/10 1977”, September 30, 1977. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

firms, and technically difficult to monitor them for profit manipulation to artificially reduce the transfer amount, compared to larger and stock market-listed firms.¹⁰⁹ They also claimed¹¹⁰ that the LO Congress had not taken a formal position on this question, since “as low as possible” could be interpreted in various ways. This became the accepted position from early in the committee. The working paper on the scope of firms to be included in obligatory share transfer suggested 300 to 1000 employees as the lower boundary, while workers in smaller firms would have the right to negotiate inclusion in the system voluntarily.¹¹¹ It was further suggested that smaller firms (who do not “opt in”) outside the obligatory coverage would be obliged to pay comparable fees to the Funds, in order to preclude competitive advantages for firms outside the obligatory share transfer system over those inside.

In the end, a significant increase in the threshold to 500 employees was agreed upon by the group. Even though the suggested compensatory measures were also adopted, they would do little to affect the question of power. The SAP side also appeared to recognize that few firms would voluntarily cede such a “decisive power“, and that voluntary affiliation would occur only in ways that preclude the decisive influence for the workers.¹¹² The success of the much higher threshold for inclusion in the committee, unlike for the 45% limit, was likely in large part because the “technical” difficulty of including non-listed and family firms was recognized by the LO side as well;¹¹³ the working paper on higher threshold was written by *Metall*’s Per-Olof Edin.¹¹⁴

The LO-SAP committee finalized their report by the beginning of 1978 and released it in February. While the plan did continue to include the core mechanism of obligatory, cumulative share transfer in the Meidner-Hedborg Plan, the combination of a new, parallel capital-formation fund, the 500-employee threshold and the quinquennial revision represented a qualitative transformation of the Wage-Earner Funds. The SAP leadership’s position was the clear cause of this change, and even though the party was far from getting everything they wanted, the trajectory was unmistakable.

The path to June 30th

While the working group reached a compromise, it was another question whether the party leadership would officially support what their delegates in the group agreed upon. It was repeatedly emphasized in the party leadership meetings that they had never committed to officially adopting the proposal of the working group as it was, even before it was even finalized. The Executive Committee of the party signaled such skepticism in October 1977¹¹⁵, and the party Board was similarly hesitant when they discussed the question of the Wage-Earner Funds extensively for the first time at the meeting on November 18, 1977.

¹⁰⁹ Carl Lidbom, ”utkast.” Jan. 7, 1978. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek. pp. 4

¹¹⁰ *Ibid.* pp. 6

¹¹¹ Per-Olof Edin. “Arbetspapper 5: Avgränsningsproblematiken”. August 18, 1977. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

¹¹² Carl Lidbom, ”utkast.” Jan. 7, 1978. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek. pp. 7-8.

¹¹³ Anna Hedborg, “Minnesanteckningar från arbetsgruppen för löntagarfonder den 24 oktober 1977.” Oct. 26, 1977. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

¹¹⁴ Per-Olof Edin, “Arbetspapper 5: Avgränsningsproblematiken”. August 18, 1977. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek. pp. 7-8.

¹¹⁵ Anna Hedborg. “Minnesanteckningar från arbetsgruppen för löntagarfonder den 24 oktober 1977.” Oct. 26, 1977. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

Opposition to the working group's plan was extensively formulated in a confidential memo written by Sten Andersson, the long-time party secretary, in January 1978.¹¹⁶ Andersson put it bluntly that the party was "not ready to take a large, complicated proposal that the working group has come up with", arguing that the party should only support the capital formation part of the proposal. Furthermore, Andersson insisted that the funds for capital formation should be administered with considerations for return, without which the inefficient part of the economy would continue to be propped up. Andersson saw that the MHP, even in a compromised form, could lead to a radical transformation over many decades. Therefore, he recommended that the party leadership declare the need to continue research on the profit-sharing part of the proposal, and postpone the final decision until the party Congress in 1981. Around the same time, Palme, Sträng and SAP executive committee member Thage G. Peterson met with LO leaders and already told them that they did not accept worker majority as the final goal of the Funds. (Nycander 2002: 357) Palme also believed then that the WEF, or at least this version of it, would "practically never be realized."¹¹⁷

Despite deep reservations over the radical remnants in the proposal, Feldt promoted the plan in the party board as one in line with "a fundamental principle of social democratic politics – reformism."¹¹⁸ But Palme emphasized that the working group's draft was "only a preparatory work for the final report," and that "we will have our own democratic process in the party" separately.¹¹⁹ The tone of the debate, especially in the more exclusive Executive Committee, came to emphasize such an autonomy of the party leadership from the working group, the point also made repeatedly by Andersson and Sträng.¹²⁰

For a few months after February, the party leaders sought to buy time by issuing various statements supporting "economic democracy" but without committing to concrete support for the plan. The moment of truth came in June. The triennial SAP Congress was coming up in September, where an extensive debate on the Wage-Earner Funds would be expected. It was time for the party leadership to decide the position they would present at the Congress. The highest-ranking party leaders around the Executive Committee first decided on rejecting the February plan, and then began discussing within a "small group in the LO leadership and the party leadership."¹²¹ The top innermost circle in the SAP sought to establish support for their position in the party Board, the highest authority between the Congress, which is larger and more politically diverse than the Executive Committee.

Palme assumed a commanding role in establishing the party line. At the board meeting on June 16th, the first of two intensive discussions in the board, he outlined two major reasons for rejecting the February plan - ideological and electoral. Palme's pro-capitalist stance was partly based on the concerns for the interests of existing shareholders; since the MHP would increase

¹¹⁶ Sten Johansson, "I hela folkets eller i det arbetande folkets händer?" January 7, 1978. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/3. Arbetarrörelsens Arkiv och Bibliotek.

¹¹⁷ Sveriges socialdemokratiska arbetareparti, "Protokoll fort vid sammanträde med socialdemokratiska partistyrelsen torsdagen den 9 februari 1978." *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/2/A/25. Arbetarrörelsens Arkiv och Bibliotek.

¹¹⁸ Ibid.

¹¹⁹ Ibid.

¹²⁰ Sveriges socialdemokratiska arbetareparti, "Protokoll fort vid sammanträde med partiets verkställande utskott den 3 mars 1978." *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/3/A/14. Arbetarrörelsens Arkiv och Bibliotek.

¹²¹ Sveriges socialdemokratiska arbetareparti, "Protokoll fort vid sammanträde med socialdemokratiska partistyrelsen torsdagen den 16 juni 1978." *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/2/A/25. Arbetarrörelsens Arkiv och Bibliotek. pp. 47

the overall number of shares, dividends per share would be reduced. “We have no reason to go after the individual citizen, who has 5000 kronor in Volvo shares instead of 5000 kronor in a savings account,” he argued, even though the shares were owned disproportionately by the wealthy.¹²² But it was also rooted in the deeper question, since Palme objected to socialization of means of production itself. “I believe that this party has never decided that we want the wage-earners to have a majority in this country’s firms,”¹²³ he said. The MHP remnant of the February plan could be seen as “slow strangulation of the market economy and the private capital”, which was said to be far from the position of the party. “It is an unresolved question inside the [Social Democratic] movement,” he posited, whether the end goal is an economy in which wage-earners should have the dominant influence.¹²⁴ Since the plan would not lead to majority worker ownership for a few decades, it was up to the future generations to decide if they wanted socialism, he added.¹²⁵ Therefore, argued Palme, “we need to buy time to develop a profit-sharing system” without such problems.¹²⁶

Palme’s formulation tended to be carefully worded in terms of lack of agreement for socialism in the party, rather than a rousing defense of capitalism as such. At this point, it was perhaps tactically advantageous to avoid directly confronting MHP supporters at the level of political principles. But it was a defense of capitalism nonetheless, rooted in the conviction that capitalism could be effectively constrained and managed to serve the working-class interests, as opposed to Meidner’s view that capitalism set definite constraints on what social democracy could achieve within it. (Ekdahl 2005: 281-283) On the other hand, he argued that they had no alternatives to the capitalist mixed economy; “what would the labor movement do, if capitalism collapses now? So far, capitalism has been manageable... if it disappears, what would we do? That, we have not reckoned with,” Palme asserted.

In other words – There Is No Alternative to capitalism. But the premise was rather self-referential; there was not alternative because they had long rejected planning for such an alternative. At the June 30th meeting, board member Sören Mannheimer criticized such evasiveness; “we have in fact been too afraid to have this discussion [about socialism] internally,” he lamented, and appealed for a serious political debate on the future direction of Swedish society rather than resorting to arguments over technical details. But there was no appetite for such a clear ideological debate on the matter of principles, but only desire to buy time, stating that “the party board cannot issue the official line today” for socialism.¹²⁷

The second obstacle alongside its socialist character, said Palme, was a “purely electoral-political” one.¹²⁸ The purported electoral risk was partly attributed to the complexity of the latest

¹²² Sveriges socialdemokratiska arbetareparti, ”Protokoll fort vid sammanträde med socialdemokratiska partistyrelsen torsdagen den 9 februari 1978.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/2/A/25. Arbetarrörelsens Arkiv och Bibliotek.

¹²³ Sveriges socialdemokratiska arbetareparti, ”Protokoll fort vid sammanträde med socialdemokratiska partistyrelsen torsdagen den 16 juni 1978.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/2/A/25. Arbetarrörelsens Arkiv och Bibliotek. pp. 62

¹²⁴ Ibid, pp. 48

¹²⁵ Ibid, pp. 49

¹²⁶ Ibid.

¹²⁷ Sveriges socialdemokratiska arbetareparti, ”Protokoll fort vid sammanträde med socialdemokratiska partistyrelsen torsdagen den 30 juni 1978.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/2/A/25. Arbetarrörelsens Arkiv och Bibliotek. pp. 11

¹²⁸ Sveriges socialdemokratiska arbetareparti, ”Protokoll fort vid sammanträde med socialdemokratiska partistyrelsen torsdagen den 16 juni 1978.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/2/A/25. Arbetarrörelsens Arkiv och Bibliotek. pp. 62

proposal, which he said even active union members hardly understood, let alone voters in general. The other root of the electoral concern was, yet again, socialism itself; “the bitter reality is that if we say today that the employees will take over the country’s firms, we will have a substantial popular opinion against it. I am totally convinced of that,” he pronounced.¹²⁹ Even though it is true that the polls showed a greater level of opposition than support for the Wage-Earner Funds at that time, it was not by a large margin and it was supported by a rather overwhelming margin among the party’s own electorate. (Gilljam 1988: 162)

Furthermore, despite a modicum of truth in the electoral concerns, reception among the voters can hardly be analyzed independently from the party’s own efforts and willingness to promote the Funds, or rather total lack thereof. The comment of Ingvar Carlsson, future Prime Minister, is telling in this regard; “we would be electorally destroyed if we didn’t ourselves believe in what we were putting forward” and defend it convincingly in electoral campaigns, Carlsson argued, and adding that he was hard-pressed to explain or promote the WEF when visiting local party meetings and workplaces.¹³⁰ This is the real meaning of electoral concerns; accepting the February plan would be detrimental to their electoral prospects *because they did not themselves support it*, rather than some objective, immutable unelectability inherent in any plan for socialism. This is further attested by the fact that the SAP leadership persisted in supporting and heavily promoting the Feldt Plan in 1981, despite the fact that the poll numbers for the Wage-Earner Funds had deteriorated since 1978. (Gilljam 1988: 162)

To minimize internal discontents, the SAP leadership leaned on their formulation that they supported the “principles” of the Wage-Earner Funds, while it was only the institutional details that required further work. With this line, combined with a dose of radical rhetoric at the SAP Congress in September and well-functioning machine of internal control, the SAP leadership succeeded in managing fierce internal discontent and buy more time, as I discuss in detail in the following chapter. But let us now explore the actions of capitalists during this period.

Businesses between Cooptation and Confrontation

When the Meidner-Hedborg Plan appeared in public in 1975, the attitude of business owners was not necessarily that of immediate alarm. On the one hand, most of them were unsurprisingly opposed to the plan to transfer corporations into union hands. A survey of around 400 business leaders in October 1975 revealed their initial reaction towards the MHP. The vast majority saw the plan negatively, as one-third (34%) of the respondents feared that the plan would have a “catastrophic” consequence leading to the “demise of the free enterprise”, while further 42% said the situation could be difficult but “possible to live through”.¹³¹ They invoked increased bureaucratization, less efficiency and decline in foreign investment in Sweden as consequences. One respondent rather colorfully portrayed their dismal future if the MHP passed;

¹²⁹ Sveriges socialdemokratiska arbetareparti, ”Protokoll fort vid sammanträde med socialdemokratiska partistyrelsen torsdagen den 16 juni 1978.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/2/A/25. Arbetarrörelsens Arkiv och Bibliotek. pp. 61

¹³⁰ Sveriges socialdemokratiska arbetareparti, ”Protokoll fort vid sammanträde med socialdemokratiska partistyrelsen torsdagen den 30 juni 1978.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/2/A/25. Arbetarrörelsens Arkiv och Bibliotek. pp. 12

¹³¹ Sveriges Industriförbund, Informationsavdelningen. “Enkät rörande löntagarfonderna mm vid SI-konferenserna i oktober 1975” Nov. 26, 1975. *Landsorganisationens arkiv*, Rudolf Meidners Handlingar, 2964/F/22/A/9. Arbetarrörelsens Arkiv och Bibliotek.

business owners would be reduced to “a remnant of a people [that] has survived the Ice Age... on an ice-free edge on the Norwegian coast”, they despaired.

But for most business leaders, the Wage-Earner Funds appeared like a distant threat, because they did not believe it had any real prospect of realization in ways envisioned by Meidner and Hedborg. Marcus Wallenberg, the scion of the richest industrialist family in Sweden, believed that the MHP was a “half-cooked egg that the smart Social Democratic politicians wouldn’t eat.” (Ryner 2002: 164-165) Carl De Geer, CEO of the Wallenberg-affiliated conglomerate *Investor*, told Meidner in November 1975 that he found “the talk of confiscation and so forth exaggerated” in light of the need for more investment capital, and the “successive transfer of the capital till the funds” would not affect the productive capacities and future prospects of the firm.¹³² The view held by these epitomes of big capital was broadly shared among employers. Two-thirds (66%) of those surveyed predicted that the plan would be “toned down” before the election campaign in the following year, since it represented a stark departure from the usual Social Democratic politics; one respondent believed that “90% of Social Democrats [were] surely against” the Funds. 10% of them even thought that the Funds - with suitable modifications - could even be positive for firms, as workers could begin to accept high levels of profit as positive.¹³³

Their optimism was reinforced by their perception that an interest in the MHP was weak among the workers. Only 2% of them said there was significant involvement among their employees in the debate on the proposal, while further 40% noted only politically conscious and active workers were engaged. The rest of the employers saw no interest among the workers for the Funds.¹³⁴ Many comments referenced supposed skepticism for ownership, such as that “one is much more interested in influence on their own work situation than taking over the responsibility for the whole firm.” Considering the strong and enthusiastic support from active union members as demonstrated in the study groups, as well as broad support among LO members according to the surveys, it is possible that these employers were underestimating the extent of workers’ support. But such a perception meant that only 32% of them saw an aggressive “anti-Meidner message” as the best response; a more popular response among the employers (46%) was to attempt “direct discussions with the employees” because they “knew the employees much better than the LO educators”.

The classic incorporation approach by the businesses to the MHP took a form of proposing an alternative compromise plan for collective capital formation of their own. Erland Waldenström, an industrialist and former CEO of the iron ore giant Grängesberg, began to work on a business-friendly profit-sharing scheme in 1974. Waldenström was known as a moderate capitalist favoring class compromise. While the Waldenström group was always seen with suspicion by some hardline capitalists, it nevertheless gained official support of Industriförbundet and the SAF. (Nycander 2002: 346) The Meidner committee was only beginning to do their work, but criticisms of excess profits and ideas for profit sharing were already part of the public debate, especially in 1974 when the profits were at record high. Waldenström sought to pre-empt radical profit sharing by the labor movement, even before the

¹³² Rudolf Meidner, notes from the meeting with Carl de Geer, Investor, Nov. 21, 1975. *Landsorganisationens arkiv*, Rudolf Meidners Handlingar, 2964/F/22/A/9. Arbetarrörelsens Arkiv och Bibliotek.

¹³³ Sveriges Industriförbund, Informationsavdelningen. “Enkät rörande löntagarfonderna mm vid SI-konferenserna i oktober 1975” Nov. 26, 1975. *Landsorganisationens arkiv*, Rudolf Meidners Handlingar, 2964/F/22/A/9. Arbetarrörelsens Arkiv och Bibliotek.

¹³⁴ Rudolf Meidner, notes from the meeting with Carl de Geer, Investor, Nov. 21, 1975. *Landsorganisationens arkiv*, Rudolf Meidners Handlingar, 2964/F/22/A/9. Arbetarrörelsens Arkiv och Bibliotek.

socialist character of Meidner-Hedborg Plan became apparent. He thought that some form of collective capital formation was inevitable, and having a capital-friendly version would be the best way to influence its institutional design. (Stråth 1998: 157, Nycander 2002: 347) The Waldenström plan, released in the spring of 1976, called for a scheme where workers could make voluntary savings in shares, with the money locked into the firm for 5-10 years, combined with tax benefits. The savings would be deducted from the wages, and be managed “professionally” to maximize return for individual worker-shareholders. (Nycander 2002: 347) While the SAF never officially endorsed the Waldenström plan, it met a generally favorable reception among big capital, and they sent representatives to the state commission who promoted a plan along the Waldenström lines. 28% of the employers indicated an interest in starting their own firm-based profit-sharing scheme, such as the one that Handelsbanken had recently introduced.¹³⁵

The general disbelief in the MHP’s political viability did not preclude some attacks at the early stage. Since the early 1970s, more voices in the SAF sought greater engagement in public debates to promote a pro-business perspective, as capitalism faced a deepening crisis of legitimacy after 1968. Those in the SAF’s division for societal contact (*avdelning för samhällskontakt*) were at the forefront of such an offensive strategy. Danne Nordling, who worked for this division, took a lead in organizing a series of articles and op-eds in newspapers and magazines criticizing the MHP, along with an edited book against the plan. (Stråth 1998: 212, 222) They argued that it would lead to a stock market collapse and decline in investment, and to domination by union bureaucracy, hence posing a threat to Swedish democracy. The specter of the Eastern Bloc authoritarian socialism was invoked frequently.

But these interventions during the 1976 election were not part of official campaigns by the SAF, as its leadership - used to many decades of class compromise - still held to the expectation that the MHP would be modified in the process and never be implemented in the original form. Echoing Wallenberg and de Geer, the SAF executive director Curt-Steffan Giesecke argued in March 1976 that they should hold off the attacks until the internal discussions in Social Democracy are over. (Stråth 1998: 223-224) As such, the Wage-Earner Funds were simply not a priority for the SAF in 1975 and 1976. The WEF question did not even appear once in the list of public campaigns the SAF planned for 1976-77. (Viktorov 2006: 219)

Nordling’s team in the division for societal contact continued to develop a more extensive and coordinated strategy against all forms of the WEF, based on the clear ideological defense of the market economy, using the broadest possible scope of media, from articles to pamphlets, ads to conferences. (Viktorov 2006: 222) The hardline approach began to gradually gain more support within the SAF, helped by the rise of hard-right Curt Nicolin and Olof Ljunggren; Nicolin ascended to SAF presidency in 1976, and Ljunggren became its Executive Director position replacing Giesecke in January 1978. (Schiller 1988) Another powerful boost for the hard-right came from small business owners, who pressed for an uncompromising position. Big businesses – most integrated into the Saltsjöbaden system of corporatist labor peace – generally supported the Waldenström approach, while small business owners tended to be staunchly opposed to any efforts for incorporation or compromise. (Stråth 1998: 163)

The new SAF leadership began the first offensive campaign against the Wage-Earner Funds in April 1978. They produced pamphlets and ads with the theme of “free enterprise or

¹³⁵ Sveriges Industriförbund, Informationsavdelningen. “Enkät rörande löntagarfonderna mm vid SI-konferenserna i oktober 1975” Nov. 26, 1975. *Landsorganisationens arkiv*, Rudolf Meidners Handlingar, 2964/F/22/A/9. Arbetarrörelsens Arkiv och Bibliotek.

fund socialism,” to be distributed in the media and local workplaces by management. (Viktorov 2006: 227) The discourses were pointed, with expressions like “union mafia”, “violation of human rights”, “demise of democracy” and “Sweden’s grave” constantly hurled at the Funds.¹³⁶ But these campaigns were at the beginning stage and of a much smaller scale than their 1981-83 campaigns. Furthermore, even though “it was a new discourse in Swedish politics” (Stråth 1998: 223) and shockingly “acrimonious and vulgar”¹³⁷ by the standards of postwar Sweden, they are hardly unique or rare in the annals of class struggle, and not particularly surprising as a reaction against a project to dislodge private ownership of capital. After all, it is impossible for a socialist program not to invoke any business opposition at all.

The social democratic leaders were certainly concerned with business opposition, and they regularly referred to “scare propaganda” (*skrämselfpropaganda*) or “fear propaganda” (*skräckpropaganda*) from the beginning in 1976. Palme and other leaders sometimes attributed such reactions to the MHP’s radicalism; that the “timeline when wage-earners would take power” was the “foundation of scare propaganda.”¹³⁸ Likewise, in his anti-MHP memo, Sten Andersson wrote that he was “*afraid of the political conflict*, which would split rather than unite the country in the face of the economic difficulties we face,” also noting that the capitalists could cause an economic downturn in the short-term through investment strike to stop the Funds.¹³⁹ (emphasis mine) Such remarks were made even before concerted business campaigns had begun, which signifies that instead of losing the fight against the capitalist class, they chose not to fight in the first place. The business counter-campaign of spring 1978 did provide a convenient cover for the SAP leadership to explain their postponement, which Palme invoked in the wake of the June decision. (Viktorov 2006: 227) But the excuse was not the reason.

The SAP leadership’s position on the WEF – their firm rejection of the MHP and support for a more capital-friendly WEF – began prior to and was causally independent of business mobilizations. The latter could not have shaped the SAP leadership’s prior position throughout the 1977 committee, already strongly insistent on capital formation and wary of social transformation. Their position can be explained by the traditional social democratic political logic, based on which capitalist accumulation is a precondition for material welfare of workers, and the social democratic state should play a central role in facilitating such accumulation. Unlike the unions, which are first and foremost representatives of the class, the party would act as representatives of the bourgeois state to administer the capitalist economy, even if in ways more beneficial to workers. As Hedborg (1978: 327) argued in the aftermath of the June decision, it was a result of the “44 years of social reform policy with a focus on the fruit of production and its distribution”, as opposed to power relations in production and democratization of working life.

Lost Opportunities for a Compromise with TCO?

Besides the narrative of frontal confrontations between capital and labor in which the former triumphed, another common narrative of the trajectory of the Funds focuses on the missed opportunities for a compromise and a united front between social democracy and other

¹³⁶ Elisabet Höglund, “Analys av Löntagarfondsdebatten i Sverige”, May 1978. *Landsorganisationens arkiv*, Rudolf Meidners Handlingar, 2964/F/22/A/36. Arbetarrörelsens Arkiv och Bibliotek.

¹³⁷ Ibid.

¹³⁸ Sveriges socialdemokratiska arbetareparti, ”Protokoll fort vid sammanträde med socialdemokratiska partistyrelsen torsdagen den 9 februari 1978.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/2/A/25. Arbetarrörelsens Arkiv och Bibliotek.

¹³⁹ Ibid.

actors, particularly the TCO, the second largest and politically-independent union confederation with a white-collar base. In parts of the literature on the Wage-Earner Funds that focus on its acrimonious character and its sharp divergence from the postwar norm of peaceful labor-capital relations, the failure to come to a compromise between Social Democracy and other actors is seen as the major reason of the Funds' "failure".

Nycander (2002: 370) argues that "the SAP and the LO could have reached an agreement with the liberal parties and the TCO, and even with the SAF," if they had focused on attaining worker shares without advocating for transformation of class power. He posits that LO's initial radicalism signaled a rejection of class collaboration and obviated possibilities for a compromise, by strengthening the hardline wing of the SAF, inducing their scorched-earth tactics and driving away liberals and centrists. If LO had been open to a more liberal plan, such as individual worker ownership of shares, they could have gotten a fund system that "could have contributed to a more equal property distribution" through compromises with liberal parties and the conciliatory wing of the bourgeoisie. Therefore Nycander argues, workers missed out on that opportunity and lost in the end. (2002: 371) Stråth (1998: 164) similarly argues that "it was the LO in 1976-77 that united the employers" by their focus on the maximalist solution. His narrative focuses on how the Wage-Earner Funds became "a polarizing symbol between the Social Democracy and the bourgeoisie, between the labor movement and the firms," and sees it as the catalyst of the breakdown of the Swedish model based on class compromise. (1998: 171, 205)

Interestingly and surprisingly enough, Meidner's (2005) own reflection later in his life also offers a similar perspective, focused on the missed opportunity for compromise. Meidner argues that the LO-SAP division fundamentally undermined its prospects, but there was a precious window of opportunity in 1978 to come to a four-party agreement between LO, TCO, the SAP and the FP, and that the loss of this opportunity dealt a mortal blow. The decisive historical moment, as Meidner looked back, was in the fall of 1978. It was a unique moment with "possibilities of a dramatic development", because both TCO and the FP had come to a position similar to that of the SAP. (2005: 127) Meidner posits that at this crucial moment, what was needed was "a leading figure, who had a good understanding of the situation, had the will and capacity to bring actors together to build a common compromise, to deepen the opposition between capital owners and workers, who saw the WEF as a possible path to real economic democracy"; but such a figure was tragically absent.¹⁴⁰ The moment passed, and a rightward shift in the FP and counter-campaigns in TCO unions meant such a golden opportunity never came back. Meidner in 2005 echoes Nycander and others that radicalism, or at least the appearance of such, hindered it from gaining broad support; that the Funds appeared more radical than necessary, the radical rhetoric (such as "now we take over!") combined with insufficient details on construction of the Funds opened a space for right-wing fear mongering, and it could have been presented in ways less threatening. (2005: 139-141)

Such a compromise-based path could have led to better implementation of capital-friendly Wage-Earner Funds, but the Funds could not have "succeeded" better in the original goal of the MHP - transfer of ownership of means of production to the working-class - through the labor-liberal four-party coalition. The liberals had a conceptually distinct view of these funds; in fact, the liberal origin of the idea of profit sharing in Sweden went further back than in Social Democracy, as it had been discussed in the Liberal Party (*Folkpartiet liberalerna*, FP) circles for

¹⁴⁰ Meidner refers to Olof Palme and Hjalmar Mehr, the social democrat who was the chair of the state commission on the wage-earner funds, as two figures who could have played such a role. According to him, Palme was too disinterested and Mehr was too sick in 1978. (Meidner 2005: 127)

many years before the LO began to even consider the idea. (Nycander 2002) In the late 1960s, prominent liberal politicians began to more concretely propose profit sharing to maintain labor peace in the face of militancy. The state commission on “wage-earners and capital growth” was created in 1974, a year before the Meidner-Hedborg Plan, as a Liberal demand in their negotiation with the SAP.

TCO’s interest in collective profit-sharing were stimulated by the discussions among the Liberals, motivated by class cooperation. Their discussions of such plans began at the similar time as LO, as early as in 1973, but under the name of “wage-earner capital” (*löntagarkapital*), already focusing on capital provision as a goal. (Nycander 2002: 354) The TCO working group’s first report in 1976 was likewise focused on contributing to capital formation without unacceptable distributive effects, and the principle aim of TCO’s Wage-Earner Capital was to “secure good capital provision in the industry, without negative distributive consequences.” (TCO 1976: 29) It was driven by the corporatist idea that unions should be concerned with ensuring sufficient capital accumulation at the national level. Therefore, unlike for the LO, power and influence for the workers was relegated to an afterthought and the TCO leadership explicitly situated their plan between those by Meidner and Waldenström.¹⁴¹ Nevertheless, no concrete plan was proposed in 1976, and various questions on institutional design of the funds were left open for further discussion and research.

From the beginning, the TCO occupied the political space in the fund debate equivalent to that of post-1978 SAP-LO. Without any trace of the “Grand Solution” of Meidner and Hedborg, the debate on the funds sparked relatively little interest at the 1976 TCO Congress, even though one delegate - Erik Hjerpe from the Union of Commercial Salaried Employees (HTF) - urged prioritization of workers’ influence as the goal. (TCO 1976b: 152-153) The research work continued after the Congress, examining options for the funds’ institutional features such as the source of capital, placement of capital, and decision-making processes over the shares.¹⁴² But the orientation remained capital-focused, and one of the aims was to increase employees’ motivation at work and promote commonality of interest between owners, managers and employees,¹⁴³ meanwhile workers’ influence was considered no more than a “positive byproduct.”¹⁴⁴ The conference of affiliate union presidents, in November 1977, also showed a similar tendency of thought, as many of them expressed importance of capital formation as the goal. Various chairs suggested targeting only of “excess profits” rather than all profits, and placement based on promoting productivity and long-term profit.¹⁴⁵ Some emphasized the importance for the TCO to have “our own profile” in the Fund question distinct from that of the LO and the SAP.

In July 1978, the TCO’s working group on socioeconomic issues – made up of representatives from various member unions - officially proposed their own plan for the Wage-Earner Funds. Following the discussions, the main focus was unsurprisingly capital formation, with workers’ influence as complementary to the workers’ contributions to capital provision. (TCO 1978: 9) The funds would be drawn from a combination of wages and excess profits, and used to finance “productive investment”, with a consideration both of profitability and broader

¹⁴¹ Jan-Erik Nyberg, “Tre organisationsförslag om kapitaldelaktighet för de anställda.” September 13, 1976. *TCOs arkiv*, F3e 1 TAM-arkiv.

¹⁴² Jan-Erik Nyberg, “PM ang. löntagarfonder”. May 16, 1977. *TCOs arkiv*, F3e 1. TAM-arkiv.

¹⁴³ Ibid.

¹⁴⁴ Ibid.

¹⁴⁵ Lendenius, “Sammanfattning av diskussion om löntagarfonder vid förbundsordförande-konferensen 1977-11-25.” November 26, 1977. *TCOs arkiv*, F3e 1. TAM-arkiv.

goals of economic development such as job creation. (TCO 1978: 11-14) Individual shares, the opinion on which was divided among the affiliate union chairs, was clearly rejected in favor of union-based collective funds, because it counters the goal of capital formation. (TCO 1978: 15) This report was significant as the first TCO document to officially propose a form of the Wage-Earner Funds, but it had little to do with the Meidner-Hedborg Plan's transformative design and ambitions.

In the early stages, the Funds debate failed to attract widespread interest of TCO members. Not only did it fail to generate heated discussions at the 1976 Congress, the TCO office's attempt to engage members on the issue through educational material and study groups in 1977-78 attracted sparse participation, in the absence of clear benefits at either collective (power over the firms) or individual (dividends for each worker) levels. (Meidner 2005: 106) Membership participation in the TCO was instead sparked as an opposition to the Funds. After the concrete proposal was unveiled, anti-fund mobilizations began within the SIF (the Swedish Union of Clerical and Technical Employees in Industry), the largest private-sector affiliate of the TCO. The aim was to prevent TCO from officially endorsing any form of Wage-Earner Funds. The campaign was led by SIF member Lars Ringdahl and supported by business forces. SIF was a ripe ground for such mobilizations, as the union included many middle-management functionaries located in "contradictory class locations," (Wright 1997) often closely working with corporate management. Therefore, it became an explicit strategy for the SAF, as well as other anti-Fund groups such as the Shareholders' Association (*Aktiesparares riksförbund*), to organize anti-Fund campaigns in the SIF. (Viktorov 2006: 229)

The anti-fund movement began by publicly accusing the SIF leadership of doing the TCO leadership's bidding and seeking to ram through the Funds down the throats of unwilling members. These campaigns created a situation of "tag-of-war" between the SIF leadership, who sought closer coordination with the TCO, and the increasingly anti-Fund membership. (Meidner 2005: 105) But the former was clearly on a defensive, seeking to counter the charge that they acted undemocratically, noting that repeated attempts were made to engage members but met little interest among them.¹⁴⁶ The SIF leadership then quickly abandoned any plans to go along with the TCO leadership, and in their motion officially called upon the TCO to refrain from supporting any form of WEF at the Congress.¹⁴⁷ According to one survey, this view was shared by 70% of the SIF members. (Stråth 1998: 180-181) A large number of motions from local unions were submitted on the Wage-Earner Funds – 49 in total - the vast majority of which advocated for taking no decision on the Funds.¹⁴⁸ Among the few major supporters of the Funds was the public-sector ST; even if their employer is not covered, they saw it as a way to secure economic growth and sought representation in the Funds as a union.¹⁴⁹ Despite such remaining support, in the face of an organized opposition, the TCO leadership gave up an effort for official endorsement of the plan at the Congress and accepted their demand for postponement even before it began.

Another related consequence of the TCO's rightward shift was the failure of the state commission. Created with an initiative by the Liberals in 1975, the Commission included representatives from all parliamentary parties as well as labor and capital organizations. Such a

¹⁴⁶ L Sköld and S Lindebro, "Förslag till standard svar på skrivelser i löntagarfondsfrågan." *Rudolf Meidners arkiv*, 401/70. Arbetarrörelsens Arkiv och Bibliotek.

¹⁴⁷ TCO, "Motioner till TCO-kongressen 1979." *TCOs arkiv*, A1b 10. *TAM-arkiv*. pp. 330

¹⁴⁸ *Ibid*, pp. 311-363

¹⁴⁹ *Ibid*, pp. 362

state commission was regularly used in Sweden to craft new policies and create broad consensus around them. However, unlike most such commissions, the commission on the Wage-Earner Funds collapsed in 1981 after six and half years of research work, failing to reach any agreement on a model for the Funds. The prospect of consensus receded as the WEF became an ever-more controversial question; these tensions deprived representatives to the state commission of a chance to “negotiate seriously” and reach a compromise. (Åsard 1985: 145) Åsard (1985: 145) laments that “what was intended from the beginning to conclude with a big compromise instead ended in the heaviest political confrontation in the postwar era.” Indeed, if one sees the failure of a compromise as the main story, the hardline business counter-mobilizations - and the TCO’s rightward shift that it helped cause - had a significant effect on the Wage-Earner Funds.

But one thing it did not kill was the WEF as a transformative plan. Considering that the MHP-style Funds never gained traction in the TCO to begin with, the TCO’s internal counter-mobilizations did not affect any radical plan. The SAP developed their opposition to the MHP well before anti-Fund movements in the TCO; while the top SAP leaders considered it very desirable to secure support of the TCO, (Nycander 2002: 364) the TCO did not seek to influence the SAP-LO proceedings in the earlier period.¹⁵⁰ Contrary to Pontusson’s (1992: 229) assertion that “that the campaign against wage-earner funds neutralized TCO; and that the neutralization of TCO in turn created tensions between LO and SAP,” the latter clearly preceded the former.

Furthermore, the consensus-based paradigm, whether through the state commission or a hypothetical four-party agreement in fall 1978 between the SAP, the LO, the TCO and the FP, was utterly unfit for an MHP-type radical program to begin with. Any such agreement could only have been reached on the Fund design with a priority for capital accumulation. Indeed, it is confirmation of the incompatibility of the MHP and any politics of consensus, when Åsard (1985: 143) attributes the original cause of the state commission’s acrimony to the MHP’s radical ambition which poisoned “the possibilities of broad agreement around a majority proposal.” As one worker argued at the 1976 LO Congress, the MHP was a question of political and ideological principles that could not be put aside to the state commission as if it was a question of consensus. (LO 1976: 721) The MHP required a clear break from the Saltsjöbaden spirit, and if the TCO was ever to be moved towards supporting it, it could have only been possible through a grassroots mass movement.

Logic of the Feldt Committee

Ironically enough, despite the failure of an agreement between the SAP, the LO and the TCO, the SAP’s plan was moving towards the TCO model. As the TCO faced internal opposition from the right, the SAP was becoming even bolder in asserting their own vision of the Funds vis-à-vis the LO. The new strategy on the WEF was elaborated at the October 1978 meeting of the SAP Board. The extensive discussion there itself shows a deepening commitment on the part of the party leadership to the WEF, compared to previous occasions when they were rather responding to the LO’s initiatives. Once they weathered the internal backlash from the MHP supporters, they could afford to be more open in their intent and plan; they began to make more openly pro-capitalist arguments, which would have been tactically inadvisable in June. “The weakest in our proposal and what is against the party’s tradition... is the automatic mechanism in the proposal.... that over many years we would attain majority in firms through

¹⁵⁰ Anna Hedborg, “Minnesanteckningar från arbetsgruppen för löntagarfonder den 24 oktober 1977.” October 26, 1977. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

profit-sharing. I believe that this is politically and as a matter of fact dangerous,” Palme declared.¹⁵¹

Both Palme and Feldt embraced a vision of the WEF in which capital formation would become the central focus, rather than merely being one of the goals. Palme argued that such a shift would enable them to “build an argument for the Wage-Earner Funds around job security,” which would be helped by increased capital formation.¹⁵² Feldt was even more direct; “our messaging should be that we don’t want to destroy the industry, we want to build up the capital,” he said.¹⁵³ Workers’ roles are to help with capitalists increasing their investment and weather the economic crisis, and the influences that come with the WEF were a condition to secure workers’ support for increasing investment capital – which was the same argument made in the employers’ Waldenström WEF plan.

It was a start of the new era in the WEF politics, as the party leadership took the initiative for the next iteration of LO-SAP working group, installing Feldt as the committee chair.¹⁵⁴ The new committee began by reexamining the basic premises of the MHP and the 1978 plan, following the lines established by the SAP Board.¹⁵⁵ The first task of the committee was to go back to the basic questions over design and aims of the Wage-Earner Funds, calling “predetermined means” as a problem and rejecting the MHP as the starting point. In a July 1979 correspondence between Edin and Feldt, billed as “hopefully the starting point for a continued work,” the three most important questions for the committee were considered as the purposes of the Funds, the scope of applicable firms, and whether to maintain obligatory share emission.¹⁵⁶ Now the debate was back to pre-1974 period, before Meidner and Hedborg’s choice of the Grand Solution.

In an October 1979 memo¹⁵⁷, committee member and academic Sven Ove Hansson first examined these questions in detail. Was it best to develop a proposal with an “in-built, automatic mechanism that would inexorably lead to wage-earner or citizen majority,” to build a plan with possibility of attaining majority contingent on future decisions, or to design the Funds unable to reach majority? To establish “mathematical certainty” for the first option, *obligatory and directed emission* is a necessity. But Hansson noted that it can only capture shares of profitable firms and leaves no way of planning which firms to own, and he also claimed that “negative economic effects” were greater than other models. In this new frame of analysis, a system with obligatory and directed emission was seen as the “most dramatic” option rather than the default

¹⁵¹ Sveriges socialdemokratiska arbetareparti, ”Protokoll fort vid socialdemokratiska partistyrelsens sammanträde fredag-lördag 27-28 oktober 1978.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/2/A/25. Arbetarrörelsens Arkiv och Bibliotek. pp. 32

¹⁵² *Ibid*, pp. 31

¹⁵³ *Ibid*, pp. 32

¹⁵⁴ “Ledamöter i arbetsgruppen om löntagarfonder utsedda av partistyrelsen den 29 mars.” *Rudolf Meidners arkiv*, 401/71. Arbetarrörelsens Arkiv och Bibliotek.

¹⁵⁵ ”Direktiv för arbetsgruppen om löntagarfonder antagna av partistyrelsen den 1978 års partikongress anvisade följande huvudlinjer för en fortsatt utveckling till ekonomisk demokrati.” *Rudolf Meidners arkiv*, 401/71. Arbetarrörelsens Arkiv och Bibliotek.

¹⁵⁶ Per-Olof Edin, letter to Kjell-Olof Feldt. July 6, 1979. *Rudolf Meidners arkiv*, 401/72. Arbetarrörelsens Arkiv och Bibliotek.

¹⁵⁷ Sven Ove Hansson, ”Grundläggande ställningstaganden om löntagarfonder.” Oct. 23, 1979. *Rudolf Meidners arkiv*, 401/72. Arbetarrörelsens Arkiv och Bibliotek.

one, hinting at the desirability of “trying other methods for ownership changes than this Method which has so far been the only one discussed in the labor movement.”¹⁵⁸

As an alternative to obligatory and directed emission, Hansson analyzed various forms of share purchase through cash transfer. He acknowledged that because the proportion of shares traded on the market was very small, that would limit the amount of shares the Funds could buy. He suggested further possible measures, such as measures to stimulate new share emissions on the market through favorable tax treatment. While such an incentive may increase the Funds’ possibility to obtain a greater stake in firms, there would still be no such guarantees for a significant minority position, let alone for a majority. Another proposed possibility was obligatory but non-directed emissions; depending on the amount, the Funds could possibly attain an eventual majority through strategic share purchase. But without directed emission, the entire capitalist class could strategically coordinate to prevent Funds’ takeover. To counter these possibilities, Hansson mentions the possibility of setting aside a quota for directed emissions, tacitly admitting the necessity of direct emission for worker power and unwittingly reinforcing the case for the MHP. Nevertheless, the report concluded that realistically, the Funds would not be entirely shut out of stock market in the long-term.¹⁵⁹

Underlying these technical considerations was the question of the Funds’ goals, and the most crucial question was “the degree and form of the ownership changes we wish in the industry.” Hansson’s memo analyzed conflicts between the goals for the Wage-Earner Funds – reinforcement of solidarity wage policy, workers’ power and economic democracy, and capital formation - set out in 1978. For those seeking workers’ power and control at workplace, it would be essential to gain majority ownership; but if one’s aim is simply to promote sufficient capital formation and investment to create jobs, worker majority is unnecessary. To maximize capital formation, the funds should come from wages rather than profits, while maintenance of the solidarity wage policy requires capturing of profits of the most profitable firms in particular. The 1977 committee insisted on compatibility between these demands, ending up with the convoluted two-part system that sought to satisfy these disparate goals but went nowhere. The Feldt Committee instead admitted the incompatibility between them, as they could no longer sustain the illusion that the capital formation goal was compatible with the original plan. Then, the memo claimed that that majority control of firms was the goal only of one tendency in Social Democracy – “Anna Hedborg et al. and many debaters in the union movement” – stripping it of the symbolic capital derived from the official character.

Therefore, it was hardly a surprise that, in the course of 1980, the group decided on rejecting obligatory share transfer, which they now called “the forcible line” (*tvångslinjen*)¹⁶⁰, and to pursue a “market-conforming” (*marknadsanpassad*) option instead. Against the *tvångslinjen*, they invoked the general capitalist line that such forced transfer would be “confiscation of private ownership rights” and that such a “brutal interference in our economic system” could cause severe disruption in the short-term. They advocated for “a more market-based solution where [firms] pay profit-sharing in cash and funds buy shares on the market”; it was because “the obligatory model is so foreign to the existing system (*systemfrämmande*) that it is very difficult to predict its effects” and technical complications “give the opponents an

¹⁵⁸ Sven Ove Hansson, ”Grundläggande ställningstaganden om löntagarfonder.” Oct. 23, 1979. *Rudolf Meidners arkiv*, 401/72. Arbetarrörelsens Arkiv och Bibliotek.

¹⁵⁹ Ibid.

¹⁶⁰ Kjell-Olof Feldt, ”Diskussions – PM ang. löntagarfondernas aktieförvärv och tillgången på aktier.” November 28, 1980. *Rudolf Meidners arkiv*, 401/74. Arbetarrörelsens Arkiv och Bibliotek.

automatic advantage in the debate.” For the similar reasons, they also suggested restricting profit sharing only to the “excess’ profit.¹⁶¹

Regarding possibility of acquiring shares, they accepted that this system wouldn’t be able to meet the demand to gain “ownership influence in all firms of a certain size”, but they posited it was likely (*troligt*) that the funds could acquire some influence in many firms on the exchange through new share emissions and turnovers, which they deemed as sufficient.¹⁶² But as they noted, only the 130 firms were traded on the Stockholm stock exchange then. For all other firms – the vast majority in number – acquisition of shares must rely on voluntary emission or sales, “entirely depending on the existing owners’ willingness to sell their shares.”¹⁶³ They nevertheless argued that since the WEF would become one of the major sources of investment capital, it “could become an attractive source of finance for medium or small firms,” unless the funds are politically contentious and “there emerges well-organized resistance from the side of private owners.”¹⁶⁴ Therefore, rejection of obligatory emission made it necessary for the Funds to appear less threatening to capital, to prevent such an obstruction.

One other key change in the Feldt Plan was tying of the WEF system with the existing public pension fund (ATP fund) system. Pension contribution was increased to provide part of financing for the Funds, and a portion of the dividends was to be sent to augment the pension funds. This meant enlargement of the dividends became an unavoidable goal of the WEF. Its goal became to administer the capital so as to “secure industrial growth and pensions”, and sale and purchase of shares could be another means of maximizing its returns. Making the system “more market-oriented and more dividend-oriented” was seen as a positive development,¹⁶⁵ and worker influence was now even seen as one way to safeguard workers’ interests in securing sufficient dividends.¹⁶⁶ While the proposal did preserve worker majority on the Fund boards, and the name of the “Wage-Earner Fund,” they were expected to behave similarly as capitalists in many ways – to prioritize seeking high return. By early 1980,¹⁶⁷ the Feldt Committee’s fund plan thus developed further closer to the initial WEF plans of the liberals and even that of the employers. Its logic flowed directly from their June 1978 decision, which was nothing but an oblique way of rejecting obligatory, unlimited transfer of shares.

Conclusion

The Social Democratic Party leaders were opposed to the Meidner-Hedborg Plan from the beginning, because they were opposed to a plan for a majority worker ownership of the economy. It is their strong veto, and the LO side’s commitment to maintaining the party-union unity, that signaled the defeat of the MHP by 1978 at the latest. The Social Democratic leaders then sought to instead use it as a tool to secure working-class contribution to growth of

¹⁶¹ Per-Olof Edin, ”Var står vi idag?” April 3, 1980. *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/Ö/1/A/240. Arbetarrörelsens Arkiv och Bibliotek.

¹⁶² Kjell-Olof Feldt, ”Diskussions – PM ang. löntagarfondernas aktieförvärv och tillgången på aktier.” November 28, 1980. *Rudolf Meidners arkiv*, 401/74. Arbetarrörelsens Arkiv och Bibliotek.

¹⁶³ Sven-Ove Hansson, ”Medägande genom aktieköp – en första diskussionsinledning.” January 11, 1980. *Rudolf Meidners arkiv*, 401/74. Arbetarrörelsens Arkiv och Bibliotek.

¹⁶⁴ Kjell-Olof Feldt, ”Diskussions – PM ang. löntagarfondernas aktieförvärv och tillgången på aktier.” November 28, 1980. *Rudolf Meidners arkiv*, 401/74. Arbetarrörelsens Arkiv och Bibliotek.

¹⁶⁵ Per-Olof Edin, ”Var står vi idag?” April 3, 1980. *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/Ö/1/A/240. Arbetarrörelsens Arkiv och Bibliotek.

¹⁶⁶ Sven-Ove Hansson, ”Organisationsformer för löntagarfonder i anknytning till AP-fonds-systemet.” April 28, 1980. *Rudolf Meidners arkiv*, 401/74. Arbetarrörelsens Arkiv och Bibliotek.

¹⁶⁷ *Ibid.*

investment capital in Sweden. Indeed, associations of capitalists organized against the Wage-Earner Funds; but much of that counter-mobilization occurred in periods after the MHP's defeat at the hand of the Social Democratic Party leadership. Furthermore, even though the party's leading figures constantly complained about the scorched-earth opposition of the business side, the counter-campaigns did not prevent their pursuit of their own WEF plan – the Feldt Plan. They protested, not without reason, that the businesses did not understand the unthreatening and potentially mutually beneficial character of the Feldt Plan; and they sought to find ways to “allay such anxiety [of businesses] and get them to understand that they have a role to play even in a production apparatus built through support of the Wage-Earner Funds.”¹⁶⁸ As hostility of the dominant class further heated up, they also did not hesitate to denounce “preachers of hate and malice against the Swedish labor movement” from employers' associations. (Nycander 2002: 370) When it comes to the proposal that the SAP leaders rejected, they talked about risks of capitalist offensive; but when the proposal that they themselves promoted came under heavy attacks from capitalists, they simply resolved to fight harder.

Analysis of the causes of the WEF's failure has a broader theoretical significance for the possibilities of transformative reform and economic democracy in advanced capitalist societies. As many scholars have noted, if the forces of capital were decisive for its defeat, it indicates infeasibility of transformative reforms from advanced capitalism. As Rothstein (1996: 71) puts it, if a transformative change to class relations “could not be achieved by parliamentary means even in Sweden, reformism may well never be feasible.” Pontusson (1992: 27-28) argues similarly; while the business-based and labor-based explanations are not necessarily mutually exclusive and potentially complementary, the political implications are distinct. If the WEF was defeated by businesses, it would indicate that “any reformist challenge to private control of investment is bound to fail”, while the labor-based explanation of its failure implies that it could have been more successful “had the labor movement acted differently”. (Pontusson 1992: 28) Pontusson opts for the former explanation and conclusion; I argue for the latter. It was not really that “the LO took on the employers and lost.” (Viktorsson and Gowan 2017) Rather, the LO deferred to the SAP who chose not to fight.

My argument on the reasons of the WEF's failure to transform relations of production in Sweden is not a rejection of general neo-Marxian theories of structural capitalist power to obstruct a democratic socialist transition. Indeed, the Swedish capitalists launched an intense counter campaign even against the types of the Wage-Earner Funds that hardly threatened their class power, if not possibly benefitted it in some ways. If the Meidner-Hedborg Plan had been embraced by the entire labor movement, including the Party leadership, capitalists would surely have launched an even greater political offensive. A theory of the structural power of capital to obstruct a socialist transition from advanced capitalism must be integrated with a theory of oligarchy and democracy in labor movement institutions themselves, which affect the character and strength of a transformative political project it can advance.

¹⁶⁸ Sveriges socialdemokratiska arbetareparti, ”Protokoll fort vid socialdemokratiska partistyrelsens sammanträde fredag-lördag 27-28 oktober 1978.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/2/A/25. Arbetarrörelsens Arkiv och Bibliotek

Chapter 4: Absence of Mobilizations for the Meidner-Hedborg Plan

Introduction

The Meidner-Hedborg Plan to transform property relations in Sweden away from private ownership failed primarily due to internal dynamics of the Social Democratic movement, as I have established in the previous chapter. As long-time managers of the capitalist state, anchored in the ideology and discourses of functional socialism, the leaders of the Social Democratic Party (SAP) had no interest of their own in transforming capitalist relations of production. But what is more puzzling, and arguably more decisive, is the absence of a coordinated movement for the MHP, vis-à-vis and against the SAP leadership. Despite enjoying broad support among the Swedish working-class and the scope of transformation it sought, there was hardly any organized mass mobilization for the plan. After the SAP Board took a decision to refuse support even for the compromise 1978 plan, there was much discontent among the grassroots. Yet, the party leadership encountered only disorganized opposition to their decision, and they were able to steer the Wage-Earner Funds (WEF) towards a capitalist direction, continuously away from the transformative visions of the MHP.

Most plans for a fundamental transformation of ownership of means of production are advanced in the wake of extraordinary levels of social upheaval. It is a peculiar character of the Meidner-Hedborg Plan that not only was the situation nowhere near revolutionary, tactics that are regularly seen in many contentious political issues - such as demonstrations and rallies, occupations, blockades and strikes – were completely absent. Not even activities such as petitions and assemblies, relatively less antagonistic forms of mobilization, occurred to promote and defend the MHP in danger. Instead of organized mass actions, their actions were limited to letters to the social democratic leaderships and the media, and assemblies that occurred were those coordinated by the very leadership bodies who ended up abandoning the MHP.

Ryner (2002: 173) and Pontusson (1984) argue that the Social Democratic labor movement failed to mobilize sufficiently for the MHP, because what they needed to fight for “economic democracy” was different from the tripartite negotiations and compromise that worked for reforms within the postwar corporatist society. The former required social movement tactics to overcome power of the businesses in a direct class conflict, for which they had not sufficiently prepared. While these scholars capture one essential element of the failure of mobilization, I posit that such a disjuncture is one facet of the broader issue - the top-down structure of Social Democratic institutions in Sweden – that led to the lack of organizations to mobilize for the MHP independently of the leadership, both against businesses and also to promote the plan internally. The grassroots union activists were enthusiastic when called to join the discussion groups by the LO leadership; they then waited for the leaders to further advance and realize it. When the SAP leadership sought to weaken it and then rejected it, there was no institutional vehicle to channel and organize massive discontent that erupted from below. This absence enabled the party leadership, wedded to their traditional roles as parliamentarist managers of the capitalist state, to assert their position over the rest of the movement.

To understand why there were no agents for active mobilization in favor of the MHP, we must examine three different categories of actors, who could have played a leading role in organizing the mobilization - the pro-MHP insiders, the Social Democratic grassroots and the further left. The first is composed of the leadership of the LO and its affiliated unions, as well as the Social Democratic Youth League (SSU) – the powerful organizations that backed the MHP. The second is grassroots members of the LO and the SAP, who supported the MHP by a great

margin. The third refers to groups and movements to the left of Social Democracy, including the Left Party Communists (VPK), syndicalist trade unions (SAC), and various extra-parliamentary movements including feminism and environmentalism.

Each group of actors did not mobilize for the MHP for distinct reasons, though all of these mechanisms can be traced to bureaucratization of Swedish Social Democracy. The union leadership hardly contemplated engaging in public mobilizations for their position, due to their commitment to unity with the party, even though they sought to defend the MHP through internal negotiations with the party. The grassroots members were much less reluctant to publicly voice their disappointment and criticism compared to the insiders, but unable to be effectively mobilized on their own due to the centralized structure of the Social Democratic institutions, which left them without tools, experiences or inclinations to organize independently. Finally, the forces to the left of Social Democracy were free from any imperative for unity that bound those within it, but skeptical of the MHP to begin with, because of their intense skepticism towards Social Democracy, believing that their centralized, bureaucratic tendencies would preclude the MHP's democratic potential. For the insiders, it was the lack of willingness to challenge openly; for the grassroots, it was the lack of capacity to mobilize independently; and for the further left, it was the lack of interest in the plan itself. The combination of these factors created a perfect storm in which there was no one left to mobilize for the MHP in an organized way.

Centralization of Swedish Social Democracy

Swedish Social Democracy in its “Golden Age” was highly unified organizationally, with a weak tradition of organized internal dissent. In the beginning in the late 19th century, the Swedish social democratic labor movement emerged with a vibrant and oft-conflictual political life, similarly with its counterparts across Europe. Struggles between revolutionary and reformist orientations occurred in Social Democratic parties across Europe, but the Swedish party was comparatively notable for thorough and stable orientation towards reformism. (Berman 1998) The integral mechanism for such a development was hegemonic consolidation of internal power around the leadership; long-time party leaders such as Hjalmar Branting and Per Albin Hansson cultivated active support for centralization as an ideology. Branting, the first Social Democratic Prime Minister, treated members as in need of discipline and believed that party leaders must save the working-class from impatience and recklessness, putting it against “a primitive democracy which starts from the premise that the masses understand everything better than those who have insights and knowledge.” (Linderborg 2001: 150) Hansson, Prime Minister during the 1930s and 40s, was revered as a developer of the “People’s Home” (*folkhemmet*) ideology, which underpinned the Swedish welfare state. Hansson argued that “a large party which seeks to conquer society and make it into a People’s Home can’t afford to spend time on internal splits,” and attributed its success to the “best discipline in the world.” (Linderborg 2001: 154-155, 151)

One essential factor that enabled construction of the distinct identity around its “reformist” politics was the institutional apparatus of political education, as Jenny Jansson’s (2012) work has demonstrated. The LO and the SAP developed a multitude of educational and communicative apparatuses in the 1910s and 20s, such as the Workers’ Educational Association (ABF) founded in 1919 and a wide array of newspapers. They developed discourses of their identity as democratic-centralist organizations, whose conception of democracy was defined as representative democracy and a regular election of leaders was considered sufficient for democracy. In the LO, the standard educational material used in the educational courses taught that “a good union member never acts on his own initiative, but instead lets the union decide

what measures are best in a given situation” and that “unless the members followed orders from the leaders, the union movement would not speak with one voice and thus its credibility would be lost.” (Jansson 2012: 143, 154) Furthermore, centralism and clear delegation of authority to the elected leaders were constructed as *necessary* for a proper functioning of democracy, since they were officially elected and “given a mandate to do what it considered was in the interests of the workers.” (Jansson 2012: 154) In contrast to their organizational identity as “responsible,” class-struggle oriented militants were construed as irresponsible and undisciplined, as “responsibility” also meant minimizing labor conflicts that would disrupt production and using them only as a last resort. The militants, who acted on their own initiative from below, were dismissed as stuck in the “immature” stage in the unions’ historical development. (Jansson 2012: 140)

These views were systematically disseminated through the Social Democratic educational apparatus, from local study circles for active members and workplace leaders, and training programs at labor schools such as Brunnsvik. Explicitly reformist study circles at the local level began to rise since the mid 1920s, by which even the concept of “class struggle” largely disappeared from the LO’s messaging, except to negatively refer to the syndicalists. (Jansson 2012: 155) Already in the early 1920s, the Social-Democratic discourse began to depict the employers as a partner with whom the unions shared an interest and could partner with, if both sides were responsible. As the employers began to seek such an accommodation in the 1930s, the LO apparatus began to describe them as having “matured” and become more responsible; the peak-level agreement was the most effective way to secure that. (Jansson 2012: 155) Such discourse was exemplified in the 1935 essay by a worker Tore Flyckt, that won the essay contest at the Brunnsvik school for training Social Democratic leaders;

A worker with a high level of awareness sees the importance of the enterprise that employs him to society. In this way workers foster a positive attitude to the company... workers who are less aware, however, are unable to appreciate the significance to society of the company he works for. This means he often has a negative attitude to the company, which then mostly appears to be a predator seeking to ‘exploit’ the worker. Thus, both society and companies should make every effort to raise the workers’ educational standards as much as possible. (Jansson 2012: 163)

These discourses enabled the leadership to triumph over militants and radicals, and thus formed the ideological basis of the new industrial relations structure that the LO agreed to build with the employers in the Saltsjöbaden Agreement of 1938. The decades of Social Democratic dominance after the 1930s were the high point of such a “Saltsjöbaden spirit”. There were many left oppositions and splits away from Social Democracy in the 1910s; there was hardly any organized dissidence after the 1930s.

The solidarity wage policy was predicated upon increasing concentration of power, and its pursuit of an egalitarian wage distribution served to further legitimate centralization, as we saw in Chapter 2. In this period, the unions underwent further centralization in the form of merger of smaller local unions into larger ones, and smaller national affiliates into the larger ones. The number of LO union locals across Sweden went from 8622 in 1945 to 1897 in 1974, and the number of LO union affiliates went from 46 to 25 in the same period. (Lewin 1988: 33) The consolidation meant an expansion of representative bodies at the expense of direct workplace democracy at the local level. Similarly in the party, the number of active local

stewards declined from 120,000 to 20,000 in the 20-year period up to the 1970s.¹⁶⁹ One of the major causes was mass merger of municipalities in the 1960s, which reduced the number of local political posts, whose ranks were most prevalent among leadership of local parties (*arbetarekommun*).¹⁷⁰

Indicators of participation, on their own, were not bleak. Especially on the union side, Swedish Social Democracy in this period was far from a demobilized empty shell. According to one survey, 39% of LO members attended at least one local union meeting in the past year, and 5% of all LO members – 87,000 - participated in local study circles that met at least once a week. (Lewin 1980: 77, 48) Similarly, surveys of *Metall* members indicate that around 12% could be considered as “the active cadre of workers who keep the union going at the shopfloor level,” in the sense that they held some sort of an elected office or regularly participated in union meetings. (Korpi 1978: 199, 180-181)

But high levels of participation did not necessarily mean robust internal democracy. The majority of *Metall* members believed that “average members do not have enough influence in *Metall*” and “the leaders of the national union let in too easily to the views of the employers.” They demanded that “going a local meeting should mean being able to make decisions” rather than “simply getting information.”¹⁷¹ Even power-resource theorists like Korpi (1978: 180) accept that “the almost exclusive reliance on representative forms of government on the branch and national levels of the Metal Workers’ Union... have left few opportunities to the rank-and-file members for direct participation in decision-making at the higher levels of the union organization.”

For the party, the problem of declining participation was widely felt. Its leadership was concerned with diminishing active members, as they needed them in election campaigns and to act as the transmission belt between the party leadership and a broader society.¹⁷² But local militants connected demobilization with the democratic deficit. For example, in the local party in Malmö, the second-largest in the country, they lamented that “the number of public meetings have been few, and the activities between meetings are lacking, monthly meetings often don’t happen.”¹⁷³ Members did not feel like they controlled the elected leaders, rather than vice versa. Domination of local party leadership by local politicians contributed to such a tendency, as they were more integrated with the party hierarchy rather than grassroots militants.¹⁷⁴ As dissident Social Democrat Lars-Erik Karlsson wrote in 1974, “a growing number of party functionaries and the shift of decision-making power to an inner circle lift the SAP away from their social base and are turning it into a more or less free-floating commercial organization selling ‘security’ and ‘social solidarity’ every three years.”¹⁷⁵ Indeed, a recent comparative study demonstrates that the rate of active participation in politics and civil society, relative to organizational membership, is

¹⁶⁹ ”Socialdemokratin efter valet.” 1976. *Tiden* pp. 337-341. 339

¹⁷⁰ *Ibid.*

¹⁷¹ Lars Ingemarson, ”Organisationsförändringar i Malmö Arbetarekommun.” 1984. *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/F/4/A/11. Arbetarrörelsens Arkiv och Bibliotek. Pp. 12

¹⁷² Sveriges socialdemokratiska arbetareparti, “Partidemokrati: Rapport till Socialdemokratiska Partikongressen 1972.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/1/A/13. Arbetarrörelsens Arkiv och Bibliotek. pp. 20

¹⁷³ Lars Ingemarson, ”Organisationsförändringar i Malmö Arbetarekommun.” 1984. *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/F/4/A/11. Arbetarrörelsens Arkiv och Bibliotek pp. 14

¹⁷⁴ Bengt Bucht, “Socialdemokratin interna arbetsformer.” *Tiden* 1977. pp. 640-644.

¹⁷⁵ *Arbetet*, January 8, 1974

uniquely low in Sweden; mass organization without participation is a characteristic corporatist legacy. (Fourcade and Schofer 2016)

Gradual weakening of the party base, nevertheless, did not undermine hegemonic incorporation of members by the party leadership that they had successfully established in the 1930s. The political success of the Social Democrats over the preceding decades and robust institutional infrastructure meant that general trust of the party leadership remained, despite disempowerment of rank-and-file members and their occasional disagreements. Therefore, even though the rank-and-file largely supported the MHP and many of them spoke out against the leadership's refusal to support it, there was nowhere near sufficient organized counter-movement to shift their position. Let us now see responses and actions from various actors within Social Democracy that sought to defend the Meidner-Hedborg Plan after 1976.

LO's negotiations with the SAP

The Meidner-Hedborg Plan, unlike most schemes for socialization of means of production, derived its political power from the institutional might of the most powerful institutions in the country's labor movement. The LO initiated the MHP by commissioning their researchers Meidner and Hedborg to develop the plan in the first place, pressed by its largest affiliate *Metall*. Its official character helped the plan gain broad attention from the beginning and benefit from mobilization of the LO's political education apparatus, which in turn helped build mass grassroots support that propelled the LO Congress' official support in 1976. The LO leaders, as well as the SAP's youth section SSU, remained the strong defenders of the MHP from the inside. However, they staked the future of the plan solely in the negotiations with the SAP leaders, who were determined to remove the transformative aspects from the Wage-Earner Funds. While they continued to engage in education campaigns with their members and the public, they did not mobilize enough to pressure the party leaders and influence those negotiations. While its origins deep inside the LO helped propel the plan in the beginning, they became a liability in the next stage.

The main channel of the LO's engagement with the WEF, after having officially adopted it at the 1976 Congress, was participation in the joint working group with the SAP, to produce a WEF plan that would be acceptable to both sides. To seek a common ground with the SAP through compromise was so obvious and self-evident a choice for the LO leadership, that an open rupture with the party was never considered an option. Among many others, the *Metall* leaders called the union-party cooperation (*facklig-politisk samverkan*) as central to success of the WEF, because it had been the most important reason for the successes of the Swedish labor movement over many decades.¹⁷⁶

Indeed, *facklig-politisk samverkan* was foundational to Swedish Social Democracy since the late 19th century, as the LO itself was founded by the SAP. They were institutionally intertwined. LO representatives sat on the party board by default, and all LO members were collectively affiliated with the SAP. As Linderborg (2001: 158-159) demonstrates, the idea that the working class, the LO unions and the Party are "one and indivisible", constituting "a natural, organic belonging together," has long been dominant in Social Democracy. Or, as Meidner put it, the LO-SAP relationship was "like a Catholic marriage – they can never be separated," even if they disagreed on various matters. (Ekdahl 2005: 307) Therefore, even in the academic literature, more emphasis is placed on the division and lack of smooth coordination between them – as a departure from the norm – rather than asking why pursuit of the joint proposal was prioritized in

¹⁷⁶ PÅ, "Nu är det dags för ny rösträttsstrid." *Metallarbetaren*, nr. 19, 1978: May 12, 1978.

the first place. The predominant concern is what the Wage-Earner Funds' question did to the union-party relationship, rather than what that relationship did to the Funds.

However evident it may have appeared to them, the decision to primarily pursue the WEF through the top-down channels after 1976 entailed certain inevitable consequences. As noted in the previous chapter, while the LO did indeed seek to maintain the key features of the original MHP in this process, the 1977 working group accepted including the capital formation as a goal from the very beginning as a premise. Not only did it shape the rightward shifting character of the group's work, it also affected their public messaging; since the middle of 1977, for example, Nilsson began to talk less of class power and more on capital formation as an important goal for the Funds, even once claiming that "it is not the power over the firms that is the core of our philosophy."¹⁷⁷ Working with the recalcitrant party leadership could only mean a rightward shift, however slow and tentative.

It does not mean that such a unity was automatic or that the LO side simply capitulated to the party. The working group's process was full of conflict, and representatives from both sides refer to constant disagreements and tensions in the group. Hedborg recalls in particular that there were frequent disputes between Feldt and Rune Molin, the LO's highest-ranking representative on the working group, as the latter sought to preserve the plan.¹⁷⁸ Meanwhile, the SAP's Thage G. Peterson similarly recalls tense moments between the SAP and LO leaders. (Nycander 2002: 357) It was neither the case that the LO side was more invested in the unity than the party side. The party leaders participated in the joint working group because they were also indeed concerned – or obsessed – with maintaining unity and peace with the LO. "Keeping together the [Social Democratic] movement at any cost" was long considered the foremost task of the party leadership, and Palme believed that the unions' active support was essential for winning any elections (Nycander 2002: 357) Indeed, SAP secretary Sten Andersson noted that "the worst thing that the LO and the SAP can do [on the WEF question] is to split up".¹⁷⁹ Otherwise, they could have simply developed their own preferred version immediately – presumably similar to the eventual Feldt Plan – as their German counterpart did. The party took this circuitous route of buying time through prolonged negotiations because they perceived the unity as too important to forsake and couldn't afford to frontally antagonize the LO.

Similarly, it was far from the case that the SAP side always outmaneuvered the LO side in the working group, or that most compromises came from the latter. As Feldt and another SAP representative Carl Lidbom never ceased to complain, the starting point of the group was indeed the MHP¹⁸⁰, which heavily constrained the scope of the group's discussions. (Åsard 1985: 46) Indeed, as we have seen in the previous chapter, the working group agreement did include the kernel of the mechanism that would lead to majority ownership, albeit in a more limited form. While the scope of applicable firms was narrowed to 500, the limit on share acquisition at 45% was due to the LO's objection, despite Feldt's insistence. But the very premise of this LO-SAP

¹⁷⁷ quoted in Lotta Sellberg, *Löntagarfonder – makt eller kapital?*. 1982, unpublished thesis, Stockholms Universitet. pp. 10. *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/Ö/1/A/319. Arbetarrörelsens Arkiv och Bibliotek.

¹⁷⁸ Personal interview, June 14, 2019

¹⁷⁹ Sveriges socialdemokratiska arbetareparti, "Protokoll fort vid sammanträde med socialdemokratiska partistyrelsen torsdagen den 9 februari 1978." *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/2/A/25. Arbetarrörelsens Arkiv och Bibliotek.

¹⁸⁰ Sveriges socialdemokratiska arbetareparti, "Protokoll fort vid sammanträde med partiets verkställande utskott den 7 oktober 1977." *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/3/A/13. Arbetarrörelsens Arkiv och Bibliotek.

joint committee oriented towards a compromise between them, and therefore predisposed it towards a much less transformative direction *compared to the MHP* and also towards an unwieldy and complex proposal more difficult to attract enthusiasm.

Was there any possibility of the unions going it alone? LO Chair Gunnar Nilsson, at some point before the 1976 LO Congress, said that the WEF was a “union issue”; but it was rather an appeal to the party to follow the unions’ lead, rather than any indication to seriously consider fighting for it without the party. (Ekdahl ed. 2001: 19) Once the LO took their decision, it became a party issue; “we said it was a union issue in the beginning; the LO took a principled position, and now it is the party’s turn,” Nilsson followed up at the SAP Congress in 1978.¹⁸¹ Hedborg also recalls that the mood in the LO Headquarters after the Congress decision was that “now we have done our job and made our decision, now it is a political question for the party.”¹⁸² The possibility of pursuing it through a “syndicalist” path, to win the WEF directly through collective bargaining with the employers, while floated around, was never taken seriously at this point; the employers would never agree to it on their own without legislation, and a path through militant labor actions to win such a radical demand was so remote from the repertoires of action that the Social Democratic unions had long engaged in, that it was hardly – if ever – discussed. The parliamentary path for them could not but mean close cooperation with the Social Democratic Party.

The official line of the 1978 compromise, in the working group as well as in public after February, was that workers’ power and capital formation went together. Some LO officials were already critical of the concessions made before February. Margareta Medri of the LO’s Information Division criticized various limitations such as narrowing of scope of applicable firms, as well as general defense of the “market economy” in the report. She wrote that “it is astonishing that the working group, that belongs to the labor movement, claims to stand for the market economy”, which is nothing but a “bourgeois myth”.¹⁸³ Since the advanced capitalist economy was in fact “strongly centralized planned economy under the direction of the large firms”, the only alternative was “planned economy under citizen control,” she argued.¹⁸⁴ She also did not mince words when it came to the Development Funds (*utvecklingsfonder*) for capital formation, which would be a “disaster” since it would mostly be loan rather than share capital, which would leave workers without any influence despite their sacrifice through wage restraint.¹⁸⁵ Similar criticisms were also occasionally made in various union newspapers, which provided some scope for diverse perspectives. Michel Jernewall of *Grafia*, the newspaper of the Graphic Workers’ Union, argued that the February proposal “washed away the gunpowder” (*blött ned det krut*) from the MHP and became “a punch in the air, a deformity (*ett missfoster*)”.¹⁸⁶ But Medri and Jernewall were among the minority in the union officialdom, which continued to put faith in the February plan.

As a key member of the 1977 working group, Hedborg supported the February compromise, but she still sought to preserve worker influence as a main motive and not let it be submerged under that of capital formation. Hedborg drafted a proposal for a party board statement for the crucial 1978 SAP Congress, which made a strong case for the basic principle of

¹⁸¹ Sveriges socialdemokratiska arbetareparti, *Kongressprotokoll 1978*, pp. 287

¹⁸² Personal interview, June 14, 2019

¹⁸³ Margareta Medri, “LO-SAP-rapporten om löntagarfonder – Siktade mot stjärnorna – sköt sig i foten!” *Svensk Hotel Revy*, 1978.

¹⁸⁴ *Ibid.*

¹⁸⁵ *Ibid.*

¹⁸⁶ Michel Jernewall, “Fonder på marknadsekonomiska villkor garanterar inte jobben.” *Grafia* nr. 10, 1978.

profit-sharing based on obligatory share emissions leading to collective ownership and democratization of working life, rejecting “every other system” including that of buying shares on the market.¹⁸⁷ But the SAP leadership had other plans. They had no desire to support the February plan, let alone emphasize the radical potential still inherent in it. On June 13, 1978, merely a week after Hedborg’s draft was written, the party leadership around its Executive Committee first communicated to the leadership of LO and their affiliate unions of their intent to refrain from endorsing the report of the joint working group, which their own representatives actively shaped.

The union leaders’ responses ranged from disappointed to incredulous.¹⁸⁸ Some sought a further compromise with the SAP by “toning down the issue of power”¹⁸⁹, and sought to see a positive aspect in the discouraging situation by claiming that it would open up a greater possibility for an agreement with the TCO. But the dominant reaction was that of rejection, emphasizing the need to continue pursuing the principles from the LO Congress. It was evident that their decision signaled a shift in the principles. *Metall*’s Kjell Andersson argued that democratization of economic life meant control of the entire firms as a matter of principle, and no other measures could replace or compensate for the original system of obligatory share transfer. Multiple union leaders went so far as to compare the Party’s rhetoric to that of various figures in the bourgeois camp. Knut Jansson of *Fabriks* noted “I don’t know what to say, totally unbelievable... it seems like what Fällidin [bourgeois Prime Minister since 1976] says”, while Andersson remarked that it felt “like when the SAF offers us something we don’t want”, and Tore Lidbom compared the SAP stance with that of the Liberals.¹⁹⁰ Tore Lidbom insisted, as Gunnar Nilsson had done earlier, that the WEF was a union question and the party ought to follow the unions’ lead. But he acknowledged that it was “difficult to hope” for the further negotiations with the party, as the path towards an agreement with the party leadership on a radical basis appeared murky. Underneath the strong words lurked a sense of demoralization, as no one had plans to transform the situation. What could they do after all?

The decisive party board meetings to discuss the matter occurred on June 16th and 30th. The schedule over two days reflected its significance and contentiousness. Many in the party board were skeptical of the Executive’s position. Anna-Greta Leijon, a high-profile politician and former minister, astutely pointed out that their position implied we would never have profit sharing¹⁹¹; Sören Mannheimer criticized the process in which the Executive’s position was hastily imposed at the last minute without adequate discussions.¹⁹² Rune Molin, the LO representative most directly engaged in the WEF working group, repeatedly took aim at the system of cash transfer and share purchase - the key postulate of the Executive position – as contradictory with the principles of worker influence through profit sharing, predicated on share

¹⁸⁷ Anna Hedborg, ”Principer som bör återfinnas i partistyrelsens utlåtande.” June 5th, 1978. *Landsorganisationens arkiv*, Anna Hedborgs handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

¹⁸⁸ Anna Hedborg, “Minnesanteckningar: Föredragning inför VU + landssekreteriet, plenalsalen 13/6.” August 24, 1978. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

¹⁸⁹ *Ibid.*

¹⁹⁰ *Ibid.*

¹⁹¹ Sveriges socialdemokratiska arbetareparti, ”Protokoll fort vid sammanträde med socialdemokratiska partistyrelsen torsdagen den 30 juni 1978.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/2/A/25. Arbetarrörelsens Arkiv och Bibliotek. Pp. 7.

¹⁹² *Ibid.*, pp. 10-11

emissions.¹⁹³ Echoing Leijon, he warned that “if one puts the capital formation part before profit-sharing, I am afraid that it would only be capital formation and no profit-sharing.”¹⁹⁴

But these principles were not the red lines that the LO leadership drew against the party, as they did not seek to fundamentally challenge the line prepared by Palme and Feldt, in spite of the strongly negative reactions by numerous leaders of LO unions and skepticism among some party leaders. *Metall* Chair Bert Lundin indeed later admitted the “truth” that “we didn’t press on the question particularly hard.” (Ekdahl 2008: 888) Instead of coordinating the opposition and demanding a change in the basic line around profit-sharing, Gunnar Nilsson approached the matter more conciliatorily, conveying “disappointment” while seeking concessions. He demanded that “the party board stand behind these goals [from the LO Congress] as a matter of principle”, without which “there will be a problem to get the LO Secretariat to stand behind it,” since “the LO Secretariat is accountable to the LO Congress” which had adopted those principles.¹⁹⁵ LO leaders didn’t strongly support the MHP to the same extent that the SAP leaders opposed it. As one commentator put it, it was an outcome of the “very interesting fight between Nilsson of the LO base and Nilsson the SAP parliamentarian”, in which the latter triumphed.¹⁹⁶

The main motive for both sides was, yet again, the primacy of party-union unity – or at least public presentation of unity. The SAP leadership was keen to secure the LO leadership’s support. Therefore, even though there remained significant differences in what “those principles” meant, the SAP leadership agreed to include these lines that Nilsson demanded.¹⁹⁷ It was an ingenious way to reject the radical character of the Meidner-Hedborg Plan without openly admitting such rejection. Once this symbolic concession was granted and provided with a way to save face to the LO, Nilsson offered LO’s full support for the statement, which “had not been difficult” for them despite the “minor differences in views.”¹⁹⁸ The decisive June 30th meeting concluded with a remark by Lundin. Lundin celebrated the existence of an agreement between the SAP and the LO, calling it the “most important thing in this discussion.” What he saw as “very dangerous the whole time we have been discussing this question, is that it could create a crack between the party and the unions. We have avoided that and it is very valuable.”¹⁹⁹

Reflecting on the defeat, Hedborg wrote shortly afterwards that even though “many in the party, probably a large majority among those active, have the same ambitions in the fund question as the LO,” there were “small groups, particularly influential in the organization” who

¹⁹³ Sveriges socialdemokratiska arbetareparti, ”Protokoll fort vid sammanträde med socialdemokratiska partistyrelsen torsdagen den 16 juni 1978.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/2/A/25. Arbetarrörelsens Arkiv och Bibliotek. pp. 58; Sveriges socialdemokratiska arbetareparti, ”Protokoll fort vid sammanträde med socialdemokratiska partistyrelsen torsdagen den 30 juni 1978.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/2/A/25. Arbetarrörelsens Arkiv och Bibliotek. pp. 9

¹⁹⁴ Sveriges socialdemokratiska arbetareparti, ”Protokoll fort vid sammanträde med socialdemokratiska partistyrelsen torsdagen den 30 juni 1978.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/2/A/25. Arbetarrörelsens Arkiv och Bibliotek. pp. 10

¹⁹⁵ Sveriges socialdemokratiska arbetareparti, ”Protokoll fort vid sammanträde med socialdemokratiska partistyrelsen torsdagen den 16 juni 1978.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/2/A/25. Arbetarrörelsens Arkiv och Bibliotek. pp. 58

¹⁹⁶ T C, ”Nilsson och grafiker på kollisionkurs...”. *Länstidningen*. Sept 15, 1978.

¹⁹⁷ Sveriges socialdemokratiska arbetareparti, ”Protokoll fort vid sammanträde med socialdemokratiska partistyrelsen torsdagen den 30 juni 1978.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/2/A/25. Arbetarrörelsens Arkiv och Bibliotek.

¹⁹⁸ Ibid, pp. 20

¹⁹⁹ Ibid, pp. 18

were skeptical about the WEF.²⁰⁰ As an immediate cause of defeat, this was absolutely the case. However, such a small group of powerful leaders could have their way, because the internal proponents of the MHP were without an independent power base of their own. Lacking willingness to publicly confront the SAP leadership or to actively mobilize grassroots members in confrontational ways, their approach was limited in effectiveness and could not stop the shift away from the MHP.

LO's Informational Campaign

During the operation of the joint working group, the LO leadership did not only wait for the process to conclude. In the meantime, they continued with political education campaigns for their members. The extensive educational apparatuses of the Swedish labor movement, which helped to popularize the MHP among its members in the beginning, were deployed again. Bert Lundin argued at *Metall's* 1977 Congress that the labor movement must organize a "total mobilization" for the Wage-Earner Funds²⁰¹, in the form "as close as possible with the Meidner proposal";²⁰² the first task, as its Board stated, was "to spread information on this issue".²⁰³ But such a mobilization was envisioned as a united effort of Social Democracy, so they undertook mostly an internal information campaign, in the absence of a union-party agreement.

The new campaign by the LO headquarters was titled "Who Determines Our Future?" (*Vem bestämmer vår framtid?*), with the foremost aim to "build favorable opinion around LOs demand for economic democracy."²⁰⁴ Similarly to the 1975 campaign, it was coordinated by the LO's Information Division; the preparation was comprehensive. They began planning for the campaign from the end of 1976; in April 1977, they sent study materials to local LO sections, urging them to begin coordination of study circles for members in the fall that year.²⁰⁵ Alongside the study groups, many 2-day conferences on economic democracy were held all across Sweden, including in very small towns, which invited members of the WEF working group or the Information Division for a speech and questions.²⁰⁶

The study materials in "Who Determines Our Future?"²⁰⁷ put the principled questions of economic democracy on the table. They asked; "which forces prevent us from creating the society we want to have? What problems must we solve if we want to determine our future ourselves?" They included various materials illustrating concentration of economic power, such as a map of the country listing locations where a single firm dominates the economy, thus a small group of owners could decimate whole communities. The material further asked participants to "test their workplace" to see if it was democratic; the questions referred to experiences of disempowerment at workplace common in a capitalist society, such as follows;

²⁰⁰ Anna Hedborg, "Fondbeslutet." August 16, 1978. *Landsorganisationens arkiv*, Rudolf Meidners Handlingar, 2964/F/22/A/36. Arbetarrörelsens Arkiv och Bibliotek.

²⁰¹ Svenska metallindustriarbetareförbundet. *Protokoll – Kongress 1977*. pp. 305-306

²⁰² Svenska metallindustriarbetareförbundet, "Protokoll fört vid årssammanträde med Svenska Metallindustriarbetareförbundets överstyrelse i Stockholm den 15 april 1977". *Svenska metallindustriarbetareförbundets arkiv*, 1410/A/2/25. Arbetarrörelsens Arkiv och Bibliotek. pp.14

²⁰³ Metallindustriarbetareförbundet. *Protokoll – Kongress 1977*. pp. 299

²⁰⁴ Stig Carlsson, "LO-Sektionen och kampanjen kring ekonomisk demokrati 77-78". April 13, 1977. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

²⁰⁵ *Ibid.*

²⁰⁶ Various documents in *Arbetarnas bildningsförbunds arkiv*, 2831/Inv/185. Arbetarrörelsens Arkiv och Bibliotek.

²⁰⁷ Landsorganisationen, "Vem Bestämmer Vår Framtid?". 1977. *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/Ö/1/A/243. Arbetarrörelsens Arkiv och Bibliotek.

- Does your boss or management ask you what you think of the workplace, so that your experiences and needs can influence how your workplace operates?
- If you are dissatisfied with your job, can you participate in improving the situation?
- Do you usually long to go back to work when the holiday comes to an end?
- Do you want to switch your workplace or work tasks?
- Are you tired and grumpy when you come home from work?
- Do you usually think that if you win big on lottery, you would tell the boss to go to hell?

Furthermore, in parallel to in-depth discussion groups and regional conferences aimed for active members, the LO's campaign involved an informational one with the broader public audience. It sought to reach 3-4 million people - nearly half of the entire country's population - through newspaper articles and ads, brochures and flyers at workplaces. The goal for all union and party members, as well as the general public, was to gain basic knowledge (*kännedom*) of the issue; union stewards and Social Democratic politicians at all levels were expected to develop deeper understanding (*kunskap*) through study circles and educational conferences.²⁰⁸ The campaign was also seen as a way to counter business oppositions by building strong and broad public support for the plan.²⁰⁹

Despite their commitment to this extensive campaign, however, it was not designed to influence relations with the party, except through encouragement of a general sentiment. The public campaign was complementary to the ongoing work of the joint working group. Some anti-WEF observers, such as Danne Nordling of the SAF, thought that the campaign was meant to influence the attitudes inside the Social Democratic Party, by "spreading discontent with the status quo and focusing on concentration of [economic] power." (Stråth 1998: 230) But even if that was one of the aims of LO officials, it proved to be insufficient to overcome the party's opposition. While the campaign did promote critique of the lack of democracy under capitalism, it was not focused on any particular issues of contention and disagreement between the LO and the Party, including the decisive question of the eventual majority ownership. The LO campaign was successful in further encouraging support for the MHP, as we shall see below, as indicated in the furious outcry from below when the party refused to support it. But the LO's top-down campaign in no way sought to utilize insurgent, social movement tactics, beyond cultivating "knowledge and understanding" of the plan.

After the February 1978 plan was publicly released, another round of educational campaigns for LO and SAP members, specifically focused on the new plan, was duly conducted; 65,000 members participated, in approximately 7,000 local study groups. (Viktorov 2006: 145) 84% of the groups responded that it was "absolutely necessary" to implement the "working group's proposal to give the wage-earners ownership rights in the firms to increase their influence," while further 10% saw it as "essential"; less than 1% were opposed. (In the survey, 59% of the answers came from LO groups and 36% from SAP groups, 22% of all responses came from *Metall* circles alone, while no other single union affiliate represented more than

²⁰⁸ Stig Carlsson, "LO-Sektioner och kampanjen kring ekonomisk demokrati 77-78". April 13, 1977. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

²⁰⁹ Svenska metallindustriarbetareförbundet, "Protokoll fört vid årssammanträde med Svenska Metallindustriarbetareförbundets överstyrelse i Stockholm den 15 april 1977". *Svenska metallindustriarbetareförbundets arkiv*, 1410/A/2/25. Arbetarrörelsens Arkiv och Bibliotek. pp.14, 12

5%.)²¹⁰ Among responses with written comments, 60% invoked the question of power and ownership as the most important reason for support, with the similar level of support indicated among party-based and union-based groups. (Viktorov 2006: 150) This was double the figure for those invoking the “power and ownership” reasons for supporting the MHP in the 1975 LO survey, likely indicating increasing salience and concerns over dilution of the power aspect; many responses rejected the SAP leadership’s view that the working-class should help with capital formation. (Viktorov 2006: 126, 152-153) In contrast, only 11% invoked creation of employment, even though it later came to be heavily invoked by party leaders; and only 4% of them answered increased capital provision as the reason. Support for the Funds held strong despite, not because of, the changes made in the 1978 plan. In any case, the general orientation of the active members was hardly secret for the party leaders, and there is very little evidence that this survey result influenced the party leaders’ decision-making.²¹¹

Waiting for the consensus with the party leadership not only deprived them of the leverage against them, but also rendered them weak against business mobilizations. When the first wave of anti-Fund campaigns hit in the spring of 1978, the LO failed to sufficiently counter them in public, as LO’s own press ombudsperson Elisabet Höglund analyzed. When the coordinated bourgeois offensive began in April, hardly any rejoinders came from the LO or SAP leadership, ceding the public debate entirely to the business side.²¹² The “total mobilization” against the forces of capital was still in abeyance, as the party was yet to take an official position.

LO after June 1978

SAP and LO leaders together decided on the public line on June 30th. They decided to emphasize the SAP’s support for the “principles” of the Funds, to frame the decision as postponement due to the putative technical inadequacies of the February plan and the need for further research, and to deny that the fracture existed between the SAP and the LO. This line was vigorously promoted by LO leaders in the media, internally in Social Democratic papers as well as in the bourgeois press.

Nilsson proclaimed the LO Board’s wholehearted support for the SAP decision, presenting it as a “great progress”, since the party had not previously taken a decision on the Wage-Earner Funds. It was not a division between the LO and the SAP, but the party was just “catching up” to the LO, he insisted.²¹³ As for the members’ views, he would claim that their support was for the “principles” of the Wage-Earner Funds, not what is putatively “technical details.”²¹⁴ His response was sometimes hardly convincing; for example, in an interview with a Social Democratic newspaper, he was pointedly asked; “First, [worker] influence was emphasized. Then it became about influence and savings. Now mostly savings. Isn’t it a strong shift in emphasis?” He repeated a standard line about increasing investment to create jobs in the

²¹⁰ SAP arbetsgruppen för löntagarfonder, “LO/SAP:s remiss on löntagarfonder.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/F/10/D/1. Arbetarrörelsens Arkiv och Bibliotek.

²¹¹ Sveriges socialdemokratiska arbetareparti, ”Protokoll fort vid sammanträde med socialdemokratiska partistyrelsen torsdagen den 16 juni 1978.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/2/A/25. Arbetarrörelsens Arkiv och Bibliotek.; Sveriges socialdemokratiska arbetareparti, ”Protokoll fort vid sammanträde med socialdemokratiska partistyrelsen torsdagen den 30 juni 1978.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/2/A/25. Arbetarrörelsens Arkiv och Bibliotek.

²¹² Elisabet Höglund, “Analys av Löntagarfondsdebatten i Sverige.” May 1978. *Landsorganisationens arkiv*, Rudolf Meidners Handlingar, 2964/F/22/A/36. Arbetarrörelsens Arkiv och Bibliotek.

²¹³ Lena Askling and Elon Johanson, ”vi går aldrig med på enbart kapitalbildning”. *LO tidningen* 20/1978.

²¹⁴ “Partistyrelsens Ställningstagande”, *Aktuellt i Politiken*, 13/78.

future, without directly engaging in the question.²¹⁵ These lines were repeated by various LO officials touring across the country, as well as leaders of affiliate unions. As a typical example, Enar Ågren, Chair of the Factory Workers' Union (*Fabriks*), argued that "the Party Board decision is the only realistic one today, members should not be disappointed... [since] the SAP Board took the decision for the first time now";²¹⁶ "the media portrays a collision course between active members and the party board... this is not the case!", he added.²¹⁷

Throughout this period, official newspapers of various affiliate unions, published weekly to monthly and delivered to all members of their unions, repeated similarly.²¹⁸ They urged their members not to be disappointed, emphasizing the importance of SAP's support for the "principles" of the Funds as well as of presenting the party-union unity in public,²¹⁹ and calling most of the internal criticisms as simply based on "impatience".²²⁰ Even *Metallarbetaren*, which was the most ardent backer of the MHP, called the critics of the postponement impatient, that "we cannot understand why one would make such a big deal that there is no decision now", all the while combining it with a high dose of radical rhetoric fitting of the MHP.²²¹ These newspapers were a particularly effective means of communicating the leaderships' message to the members; more than three-quarters of union members read their union papers at least partly (Lewin 1980: 79)

But such a line was hardly convincing outside of the loyal Social Democratic circles. The political meaning of the "postponement" was obvious to both radical union activists and staunch opponents of the MHP, as well as the mainstream media. *Dagens Nyheter* editorial put it as "more than a delay;"²²² the bourgeois newspaper of record analyzed it as "some sort of ideological collapse" on the part of Social Democracy, as an abandonment of their most significant program of democratization since universal suffrage. *Aftonbladet*, a social democratic-leaning but independent newspaper, was similarly perceptive; the SAP Board only presents a fund for capital formation and "does not attempt to present an alternative to the economic system we have today," unlike Meidner who had concrete plans for democratization, they argued.²²³

Hedborg herself likewise wrote shortly after the decision, "formally speaking, they got it entirely right. But at the same time, everyone knows they got it entirely wrong"; despite the formal pretenses, it would be understood by everyone "as a retreat."²²⁴ It was obvious that this decision represented the difference in the "level of ambition", as she put it, compared to the LO Congress decision in 1976; "everyone knew – the rapporteurs, the delegates, the media, the audience, supporters and opponents – what level of ambition LO aimed at... a system that would, over decades, deprive the old capital owners the majority in the largest Swedish firms,"

²¹⁵ "Partistyrelsens Ställningstagande", *Aktuellt i Politiken*, 13/78.

²¹⁶ "Fabriks ordförande Enar Ågren om beslutet att utreda vidare frågan om löntagarfonderna: fler arbetare i bolagsstyrelser ersätter inte löntagarfonderna", *Fabriksarbetaren*, 12/78

²¹⁷ "Fabriks ordförande: Vi ska slåss för löntagarfonder." *Aftonbladet* September 4, 1978.

²¹⁸ "Fabriks ordförande Enar Ågren om beslutet att utreda vidare frågan om löntagarfonderna: fler arbetare i bolagsstyrelser ersätter inte löntagarfonderna", *Fabriksarbetaren*, 12/78; "på väg tillbaka", *Byggnadsarbetaren*, 27/78; "LO och SAP överens om fondsystem!", *Elektrikern*, 3/78

²¹⁹ "SAP-beslutet är inget uppskov med fonderna," *Byggnadsarbetaren*, 21/1978

²²⁰ Leif Risl, "ett steg närmare löntagarfonder", *Sjömannen*, 8/78

²²¹ "Ett fall framåt för löntagarfonderna", *Metallarbetaren*, 27/78

²²² "Mer än ett uppskov", *Dagens Nyheter*. July 5, 1978

²²³ "Palme får stöd – också," *Aftonbladet*. July 5, 1978

²²⁴ Anna Hedborg, "Partiet, LO och Fonderna", *Tiden* 1978. pp. 324-327

which the SAP decision clearly rejected.²²⁵ But there was enough ambiguity in the SAP Board's statement – such as the claim that they supported the *principles* of collective ownership by workers, etc. – to give a veneer of plausible deniability and enabled the LO officials to claim it was “merely a delay.” She concluded that even though “many in the party, probably a large majority among those active, have the same ambitions in the fund question as the LO”, it was thwarted by a “small group of people particularly influential in the party organization.”²²⁶

The LO as a nationwide organization, best placed to be the agent to advance and articulate the Meidner-Hedborg Plan, failed to rise to the occasion. However, considering the various study and informational campaigns that the LO office conducted, it was not simply that they “failed to anticipate the mobilization of SAF,” even if they have underestimated it. (Ryner 2002: 173) The more fundamental underlying obstacle was, rather, prioritization of the strong connection with the SAP leadership, the umbilical code of Swedish Social Democracy. Once a commitment was made that they would prioritize pursuit of a joint proposal with the Party, rather than campaign for the MHP on its own based on the decision of its own Congress, it was more or less set that they would seek to promote the Funds in a way that is least objectionable to the party, and eventually accept their terms in practice.

SSU's Response

Alongside the LO, the organization that was among the best placed to rally around for the MHP was the SSU (*Sveriges socialdemokratiska ungdomsförbund*), the SAP's youth wing. SSU is an official affiliated organ of the party, and its leaders have typically gone on to become leading politicians in the party. Nevertheless, the SSU was situated further to the left of the party mainstream in the 1970s, similarly to youth wings of some other social democratic parties in Europe, most notably *Jusos* in the German SPD. Influenced by the New Left, Marxian discourses played a prominent role in the SSU's political debates. SSU was one of the few, if not the only, organizations that not only strongly backed the Meidner-Hedborg Plan but also actively fought to prevent the WEF's shift away from the MHP.

In the SSU, discussions on and support for worker ownership through the WEF actually preceded the MHP's public release in August 1975. The SSU's Stockholm city branch was particularly active in promoting the idea of the WEF. They officially adopted a motion to the SAP Congress in 1975, which called for establishment of workers' funds to achieve collective ownership of firms; they saw it not as socialism on its own but a “step on the way” towards it.²²⁷ While it had not been included in the original proposal by the SSU's national Board, they expressed support for the Stockholm amendment, which they saw as preferable to the hotly debated proposal for direct nationalization of the largest 200 firms, raised by more left-leaning SSU branches such as Västerbotten. The debate at the SSU Congress in 1975 concerning ownership was thus primarily between the leadership-aligned majority, who were broadly favorable towards the WEF, and the left minority who opposed the WEF as too reformist. The exemplary case for the Wage-Earner Funds as a tool for worker ownership of means of production was made by SSU Stockholm's Monica Andersson in her speech;

²²⁵ Anna Hedborg, “Partiet, LO och Fonderna”, *Tiden* 1978. pp. 325

²²⁶ *Ibid*, pp. 324-327

²²⁷ Svante Engman, ”Motion nr. 35 angående kollektivt ägande från Stockholms SSU-distrikt.” *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/1. Arbetarrörelsens Arkiv och Bibliotek.

with the help of the Wage-Earner Funds, we can quickly build up sufficient capital to take power. The advantage with the Funds is that at the same time as building it up, they can be used as an agitational instrument for socialism. We can foster consciousness on the socialist demands and develop a democratically-functioning organization within the WEF which constitute the basis for how we see the state in the future. As socialists, we obviously do not want the state to look like it is now. We want to have a society of another type and that also includes the state. As long as we live in a capitalist society, the state is a mirror of the surrounding capitalist society. We want to develop a society that functions according to the labor movement's principles... the WEF controlled and developed by the labor movement is an excellent agitational tool to show the advantages of socialism and win over the majority of the people.”²²⁸

SSU expressed support for the Wage-Earner Funds as a means to decisively transform ownership of means of production, even before the Meidner-Hedborg Plan was officially released. The SSU leadership was thus very critical of the shift towards capital formation. At the SAP Board meeting in November 1977, the first one to feature an extensive discussion focused on the Wage-Earner Funds, SSU Chair Lars Engqvist voiced objection to including capital formation in the WEF, sparking a contentious exchange with Feldt.²²⁹ After the February plan was released, the SSU leadership called for separation of capital formation from the Wage-Earner Funds; there was “no factual basis to put together profit sharing and the Development Funds in a ‘package,’” and that capital formation is responsibility of the state and society that should not fall on the unions, they argued.²³⁰ The SSU leadership expressed general support for the profit sharing part of the February plan, but demanded various further measures to ensure majority worker ownership and more power broadly; stronger protection against corporate manipulation of their profits which could artificially diminish the amount of transfer, inclusion of foreign-owned multinational companies operating in Sweden, and lowering the 500-employee threshold were their priorities. They further contextualized the WEF in a broader framework of socialism, since the Funds on their own “would not change the economic system decisively” without a comprehensive “socialist industrial policy program for labor and democracy”, including plans for technological research and development, expansion of the public sector, and democracy at workplace.²³¹ The SSU Congress in May 1978 affirmed such a commitment to transformation of power relations through the WEF. The mainstream media clearly heard the message; that SSU demanded to go “back to Meidner”²³² and “socialize quickly.”²³³

The SSU president has a seat in the party's Executive Committee and the Board, and then SSU President Jan Nygren spoke in defense of the MHP's principles of profit-sharing at the June 1978 meetings, similarly to Leijon and Molin. “If we go back in time a bit and start from the LO

²²⁸ Sveriges socialdemokratiska ungdomsförbund, *Kongressprotokoll 1975* – pp. 112

²²⁹ Sveriges socialdemokratiska arbetareparti, ”Protokoll fort vid sammanträde med socialdemokratiska partistyrelsen fredagen den 18 november 1977.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/2/A/24. Arbetarrörelsens Arkiv och Bibliotek.

²³⁰ Sveriges socialdemokratiska ungdomsförbund, ”Förslag till remissvar över löntagarfonder och kapitalbildning – förslag från LO-SAPs Arbetsgrupp.” *Sveriges socialdemokratiska ungdomsförbunds arkiv*, 2371/A/2/16. Arbetarrörelsens Arkiv och Bibliotek; ”Uttalande från SSU:s 22:a kongress 28 maj – 1 juni 1978: uttalande om förslaget till löntagarfonder.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/Ö/1/A/240. Arbetarrörelsens Arkiv och Bibliotek.

²³¹ ”Uttalande från SSU:s 22:a kongress 28 maj – 1 juni 1978: uttalande om förslaget till löntagarfonder.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/Ö/1/A/240. Arbetarrörelsens Arkiv och Bibliotek.

²³² Jan Lindeberg, “Tillbaka till Meidner – så tycker SSU om fonderna.” *Göteborg-Posten*, May 31, 1978.

²³³ ”Socialisera snabbare”, *Dagens Nyheter*, May 30, 1978

Congress, Rudolf Meidner's research work and the working group's proposal, one gets the picture of a history that could be called 'from profit-sharing to capital formation'... I believe that a huge number of SSU members, and also party and union members, feel this way," Nygren said, and expressed a "little disappointment" over the Executive's proposal.²³⁴ While the pro-MHP message was clear, the tone was rather measured, and it could hardly be seen as an attempt to completely reject it. Nygren continued to tread an even more cautious route in public; while expressing the substantive opposition to the June decision, calling it a "great shame" in the immediate aftermath²³⁵, he also made a point to repeat the line that "the party has at least supported the basic principles in the working group report".²³⁶

But the responses from many SSU grassroots and regional leaders were far more indignant and unsparing in criticism than Nygren, standing at the forefront of critique of the June 30th decision and for maintaining focus on power and ownership. After June, SSU district after district expressed open dissatisfaction with the party leadership, calling it bumbling and inept.²³⁷ "The first they send out a proposal that the majority of members support, and then take it back for what we see as tactical reasons"²³⁸, they lamented, and demanded that they "stop prevaricating on the question of power".²³⁹ Among the strong reactions was from Margot Wallström, then SSU Värmland district chair.²⁴⁰ She eloquently wrote of "powerlessness in the face of big capital" that workers in Värmland faced, and expressed "astonishment" that "the party board is ready to take a position for capital formation but postpones the question of giving wage-earners a real influence over the economy." "We, the SSUers", she continued, "question how can we motivate the workers of this country to contribute to risk capital for the industry at the expense of wage increase, without taking a position on how the workers can gain decision-making rights over how the capital will be used in the firm."²⁴¹

Stockholm SSU, which spearheaded the WEF from the beginning, was particularly proactive with their opposition. They sent an official letter to the party immediately afterwards, not only condemning the decision but articulating the clear political principles underlying the MHP; the capital formation fund was "close to the bourgeois proposals which the party board itself had criticized earlier as forced saving," they pointed out.²⁴² "The enormous educational campaign for economic democracy came "with the understanding that it would be the basis for the Congress decision which [the party leadership now] wants to postpone," lamented one of their branches.²⁴³ They took their organizing a step further towards a coordinated offensive in the

²³⁴ Sveriges socialdemokratiska arbetareparti, "Protokoll fort vid sammanträde med socialdemokratiska partistyrelsen torsdagen den 30 juni 1978." *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/2/A/25. Arbetarrörelsens Arkiv och Bibliotek.

²³⁵ "SAP:s och LO:s fondförslag: SAF och m avvisande, Ullsten 'interesserad'", *Svenska Dagbladet*, July 2, 1978

²³⁶ "Löntagarfonderna kommer", *Statsanställd*, nr. 29/1978

²³⁷ "Tre arga SSUare går till storms mot partiledningen: törs ni inte genomföra löntagarfonderna?", *Aftonbladet*, August 30, 1978

²³⁸ Ibid.

²³⁹ Curt Carlsson, "SSU om fonderna: sluta hymla – tala klarspråk", *Arbetet*, August 19, 78; B-O Andersson, "SSU-missnöje över partiets löntagarfondsdiskussion", *Arbetarbladet*, August 30, 78; "Norrköpings SSU: Löntagarfonderna måste med i valrörelsen 1979", *Norrköpings Tidningar*, Sept. 12, 1978

²⁴⁰ She went on to become a prominent Social Democratic politician, serving as Foreign Minister of Sweden in 2014-19.

²⁴¹ "SSU Värmland skriver brev – fondbeslutet stor besvikelse", *Värmland Folkbladet*, August 15, 78

²⁴² Sveriges socialdemokratiska ungdomsförbund, "Protokoll fört vid extra VU-sammanträde Torsdagen den 6/7 1978." *Sveriges socialdemokratiska ungdomsförbunds arkiv*, 2371/A/3/18a. Arbetarrörelsens Arkiv och Bibliotek.

²⁴³ SSU-Metall Stockholm, "Partistyrelsen – lyssna på rörelsen!", *Metallarbetaren*, nr. 30-31/1978

local party branch, and they were well-placed to put pressure since SAP's Stockholm local (*arbetarekommun*) was the largest party branch with many influential figures as members, considering the location. The local had a very active political life, and various party leaders often visited their meeting to engage in political discussion. In the Stockholm local, discussions of the WEF occurred regularly at the local level. A heated debate on the Funds occurred in November 1977, on the capital formation aspect, pitting Feldt against SSU.²⁴⁴ This local was bound to be the key site of contention at the pivotal moment after June 1978.

SSU Stockholm led a concerted effort to demand an extra emergency meeting for the local representative council dedicated to the WEF,²⁴⁵ noting that “reactions out there across the country” are strongly against the retreat.²⁴⁶ They sought to defend what they called the “the most important reform since the universal suffrage,”²⁴⁷ since they understood that “there are contradictory interests in the party”²⁴⁸ and they must defend theirs, which represents the “politics for the future.”²⁴⁹ The special meeting, held barely a week before the party congress, drew an “uncommonly large” crowd and great interest from the media, featuring a heated debate with very high tension.²⁵⁰ Monica Andersson demanded the party commit to “breaking the dominance of the all-embracing interests of capital,”²⁵¹ rejecting the call for party unity as the primary goal.²⁵² Stockholm *Metall* leader Sivert Andersson joined the SSU in criticizing the party leadership for avoiding the issue and “having lost three years”, pitting them against Sten Andersson – SAP secretary and chair of the Stockholm local – as well as Hjalmar Mehr, the chair of the state commission on the WEF.²⁵³ Sivert Andersson demanded that the WEF play a dominant role in the 1979 election campaign, and that sufficient research resources be allocated for the upcoming SAP-LO working group as well as the state commission on the WEF, so that they can develop a complete, final plan to be adopted in 1981.²⁵⁴ A long debate ensued, in which – as one media account had it - “young, impatient socialists demanded ‘Wage-Earner Funds Now!’ for many hours.”²⁵⁵ But in the end, Sten Andersson’s very general motion – affirming the need to “break private concentration of power” and acknowledging the difficulty of such a fight

²⁴⁴ ”Protokoll fört vid Stockholms Arbetarkommuns representantskapmöte måndagen den 22 november 1977.” *Stockholms arbetarekommuns arkiv*, 2599/A/1/A/25. Arbetarrörelsens Arkiv och Bibliotek. pp. 4

²⁴⁵ Sören Björklund, “SSU-krav drevs igenom strax före kongressen – extra möte om fonderna.” *Aftonbladet*, Sept. 06, 1978.

²⁴⁶ ”Protokoll fört vid Stockholms Arbetarekommuns representantskapmöte torsdagen den 14 september 1978”. *Stockholms arbetarekommuns arkiv*, 2599/A/1/A/26. Arbetarrörelsens Arkiv och Bibliotek. pp. 6

²⁴⁷ Sveriges socialdemokratiska ungdomsförbund, ”Protokoll fört vid extra VU-sammanträde Torsdagen den 6/7 1978.” *Sveriges socialdemokratiska ungdomsförbunds arkiv*, 2371/A/3/18a. Arbetarrörelsens Arkiv och Bibliotek.

²⁴⁸ ”Protokoll fört vid Stockholms Arbetarekommuns representantskapmöte torsdagen den 14 september 1978”. *Stockholms arbetarekommuns arkiv*, 2599/A/1/A/26. Arbetarrörelsens Arkiv och Bibliotek. pp. 6

²⁴⁹ ”Protokoll fört vid Stockholms Arbetarkommuns representantskapmöte i Medborgarhuset den 3 februari 1977. *Stockholms arbetarekommuns arkiv*, 2599/A/1/A/25. Arbetarrörelsens Arkiv och Bibliotek. pp. 3

²⁵⁰ ”Protokoll fört vid Stockholms Arbetarekommuns representantskapmöte torsdagen den 14 september 1978”. *Stockholms arbetarekommuns arkiv*, 2599/A/1/A/26. Arbetarrörelsens Arkiv och Bibliotek. pp. 1

²⁵¹ *Ibid*, pp. 6

²⁵² Elisabeth Crona, “Från s-debatt om löntagarfonder – ‘vi har redan tappat tre år’ viktiga hörn stenar fattas.” *Svenska Dagbladet*, Sept. 15, 1978

²⁵³ *Ibid*.

²⁵⁴ ”Protokoll fört vid Stockholms Arbetarekommuns representantskapmöte torsdagen den 14 september 1978”. *Stockholms arbetarekommuns arkiv*, 2599/A/1/A/26. Arbetarrörelsens Arkiv och Bibliotek. pp. 2

²⁵⁵ Elisabeth Crona, “Från s-debatt om löntagarfonder – ‘vi har redan tappat tre år’ viktiga hörn stenar fattas.” *Svenska Dagbladet*, Sept. 15, 1978

– passed unanimously.²⁵⁶ It appears that the SSU and *Metall* had no numbers to win a substantive vote.

On the one hand, the SSU demonstrated real commitment to social transformation as envisioned in the Meidner-Hedborg Plan, and its Stockholm chapter in particular did much of what they could do internally to push for radicalism. If SSU locals all across the country had organized similarly, they may have slowed down the rightward shift. But on the other hand, the SSU was hardly going to pursue the MHP in open opposition to the party leadership. The SSU was a formal party body, whose leading figures enjoyed close connection with the party leadership, including a guaranteed seat on the party board for the SSU chair. It served a prime conduit for future careers in the party, as parliamentarians and party functionaries; many party leaders over the decades began their political career by climbing up the SSU's hierarchy. Ideologically, while the SSU reflected radicalization of the youth, it was simultaneously steeped in anti-Communism, suspicion of the left outside Social Democracy and culture of loyalty to the party. (Annerstadt et al. 1970: 6) Therefore, its radicalism usually tended to be expressed as demand for the party to exert stronger efforts on egalitarian policy goals, rather than a qualitative challenge to the party leadership. (Annerstadt et al. 1970: 10) In the end, the SSU's efforts to promote the Meidner-Hedborg Plan hit the structural constraints of the "inside game" that the organization was always committed to.

Grassroots Reactions

There is no question that there existed broad support for the MHP among the Social Democratic grassroots, and they reacted strongly against any attempts from the top to move away from the MHP. Active rank-and-file members in the surveys overwhelmingly supported the MHP in 1975 and reaffirmed their support in 1978. The survey results were matched by the mood on the ground. *Metall* economist Per-Olof Edin recalls that after the 1976 LO Congress, there remained a high level of enthusiasm among the base; "there was no difficulty in going out to a union meeting and getting a lot of applause and support," he notes. (Ekdahl ed. 2001: 44) These surveys are not representative of all members, as they were targeted to those who were interested enough in the WEF to participate in study campaigns lasting several months; but what they do show is that there existed a significant layer of committed militants that could serve as the base for a movement.

Despite the depth of support, for the majority of them, these leadership-run campaigns were the main scope for participation to promote the MHP. The extent of local-level activities beyond those to promote the MHP was limited. One possible way to assess the extent of grassroots activity is to examine motions to the party and union congresses. Any local union or party branch, or any individual members, could send a resolution to the congress of their national body on the issues they are concerned about; hence sending of motions was one clear and relatively structured further step to engage in the struggle and build support for the WEF, beyond participation in the existing campaigns from above. In some cases, it could have a significant agenda-setting influence, such as *Metall's* Motion 305 in the 1971 LO Congress that led to creation of the Meidner committee in the first place, and the SSU Stockholm's resolution to the SSU Congress in 1975 that set the SSU position. At the decisive 1976 LO Congress, the MHP had already become a major agenda item, but 7 out of 8 resolutions in favor of the MHP

²⁵⁶ "Protokoll fört vid Stockholms Arbetarekommuns representantskapmöte torsdagen den 14 september 1978". *Stockholms arbetarekommuns arkiv*, 2599/A/1/A/26. Arbetarrörelsens Arkiv och Bibliotek. pp. 8

boosted its favorable outcome at the Congress (the sole motion against the MHP criticized it from the left).

In the LO unions, few resolutions on the Wage-Earner Funds were submitted after June 1976. In congresses of multiple major unions, including the Municipal Workers' Union (*Kommunal*)²⁵⁷, Electricians', Transport Workers', Forestry Workers' and Commercial Workers' Unions, there were hardly any motions related to the WEF submitted by members or locals, in the two years following the 1976 LO Congress. Even for the Paper Workers' Union (*Pappers*), which played a key role in boosting the demand for a WEF proposal at the 1974 Congress, there was no motion in the 1978 Congress focused on the Wage-Earner Funds as such, except for one demanding firms to be "democratically controlled and planned" without a clear reference to the WEF.²⁵⁸ Some other union conferences attracted a few general motions supporting the WEF and encouraging their leadership to work for its adoption; two at the Wood Workers' Union (*Trä*) Congress,²⁵⁹ and three at the *Metall* Congress.²⁶⁰ A few resolutions went beyond simple affirmation of the plan. The Örebro local of the Hotel and Restaurant Workers' Union (HRF) submitted a motion to its May 1978 Congress; in explicit support of the original MHP line, they further demanded that the Fund system include all firms without limit, contra the February plan's 500-employee threshold, since small firms dominated in their industry.²⁶¹ The Stockholm local of *Metall* also made a motion with the clearest emphasis on the particularities of the MHP and the need to defend them; "the risk is great that the original thought would be swept away and the proposal becomes "some form of individual profit sharing," they cautioned presciently.²⁶² In both cases, the motions went nowhere and the debate was relatively brief. The leadership noted that process was underway – the educational campaign was ongoing, and that the party is still considering their stance – and their statement was adopted.

On the SAP side, there was an increasing grassroots participation in the party's internal political debates in the 1970s, as the left turn began to reverse the declining participation. In 1975, many local parties discussed and promoted economic democracy, such as the large Malmö local that called for developing a system of worker-controlled firms as the foundation for an "alternative economic system."²⁶³ As the MHP offered a concrete blueprint for such a system, 24 resolutions in total relating to the Wage-Earner Funds were submitted to the SAP Congress in 1978, most of them supporting the WEF and/or economic democracy. But almost half of them – 11 out of 24 – were submitted by individual members, meaning that their local party branches refused to put their name behind the motion. For example, a motion by an individual member in Kristianstad to uphold various aspects of the MHP and maintain focus on economic power as the goal was accepted by the local SSU branch, but in the end rejected by her local party.²⁶⁴ Furthermore, since the February plan came near the end of the motion submission period, members could not react against it in the resolutions and very few of them referred to the plan explicitly. (Pierre 1986: 176)

²⁵⁷ Kommunalarbetareförbundet, *Kongressprotokoll 1978*, pp. 302-309; Kommunalarbetareförbundet, "förslag och utlåtanden över motioner och rapporter till Svenska Kommunalarbetareförbundets 15:e ordinarie kongress"

²⁵⁸ Svenska pappersindustriarbetareförbundet, *Kongressprotokoll 1978*, pp. 428-430

²⁵⁹ "Fem punkter om löntagarfonder," *Skogsindustriarbetaren* nr. 13, 1978

²⁶⁰ Svenska Metallindustriarbetareförbundet, *Kongressprotokoll 1977*. pp. 258-260

²⁶¹ Hotell- och restaurangfacket, *Kongressprotokoll 1978*. pp. 313-318.

²⁶² Svenska Metallindustriarbetareförbundet, *Kongressprotokoll 1977*. Motion nr. 142. pp. 261-262.

²⁶³ Ivan Svensson and Stig Hedle, "Kollektiv Kapitalbildning och industriell demokrati". February 20, 1975.

Landsorganisationens arkiv, Anna Hedborgs Handlingar, 2964/F/22/B/1. Arbetarrörelsens Arkiv och Bibliotek.

²⁶⁴ Sveriges socialdemokratiska arbetareparti, *Motioner – SAP:s 27:e kongress 1978*. pp. 1335 (Motion 35.4)

Various compromises made in the February plan began to spur more reactions among the grassroots members committed to the MHP; the 500-employee threshold turned out to be particularly unpopular. Then the June 30th announcement, which took them by surprise, definitely shattered the general positive-but-passive approach of the grassroots activists, based on the belief that the leadership had been working on advancing the plan. The reaction from below was explosive; the wait-and-see period was over. While some concerns over the party leadership's reluctance had invited exhortation for them to be bolder, their official refusal to support invited open and often bitter criticisms. The newspapers across the country were full of critical comments from local labor leaders and activists, with the tone ranging from disappointment to denunciation; the offices of the party and the various unions were filled with angry letters. In various study circles of the social democratic-affiliated ABF (Workers' Educational Association), the "revolt against the party decision on WEF" was also reported.²⁶⁵ Efforts to mollify the grassroots through various obfuscations, while effective to a certain extent, hit a limit. While most of the higher-ranking Social Democratic officials were engaging in cultivating misrecognition about the meaning of the announcement, claiming that "the active members accept the decision" and condemning "the propaganda that it was a retreat,"²⁶⁶ local dissident voices erupted all across national, local and union newspapers. The internal contentions over the June 30th decision became a national front-page news.²⁶⁷

The dominant, pervasive affect expressed in those critical comments was that of "disappointment" (*besvikelse*); it is how most of them were framed, as some examples below demonstrate;

"the party board decision is a great disappointment. We have had a really broad debate, we have had more than 100 members participating in the circles purely focused on the Funds and we don't want to postpone this question any longer." – Steffan Connysson, Chair of *Metall* Local 230, the largest local in Västerbotten²⁶⁸

*"yes, I am clearly disappointed and so are many others, after all the campaign work and enthusiasm in the LO... it is purely electoral-tactical, but we need the debate on the Wage-Earner Funds. The biggest responsibility is with the SAP, but the LO too."*²⁶⁹ - Göran Johansson, Vice Chair, *Metall* workplace chapter at Volvo-Olofström factory

"I must acknowledge there is a great disappointment in me. We had such big expectations and believed that all were clear for a fight before the next election. It was something big to fight for. But then came the postponement decision on June 30th. Then everything collapsed, the air went out. It becomes difficult to come afresh to the members next time we shall take a position on the Wage-Earner Funds. But we shall fight harder!" - Karli Zunko, Chair of Painters' Union (*Målarna*) Local 15 in Södermanland²⁷⁰

²⁶⁵ Åke Bäckman, "rätt handlat av partistyret om löntagarfonder." *Fönstret* nr. 11, 1978

²⁶⁶ "Är ni besvikna över fondbeslutet?" *Dagens Nyheter*, July 2, 1978

²⁶⁷ Ibid.

²⁶⁸ Leif Larsson, "Steffan Connysson, Metall, om löntagarfonderna – beslutet att skjuta på frågan en stor besvikelse." *Västerbottens Folkbladet*, August 26, 1978

²⁶⁹ "Är ni besvikna över fondbeslutet?" *Dagens Nyheter*, July 2, 1978

²⁷⁰ "Uppskovet med löntagarfonderna," *Målarnas Facktidning*. nr. 6, 1978

“toning down socialism to win election can be fatal, because it is the party’s grassroots that constitute the backbone of the party’s election campaign... [the decision] has caused sense of massive disappointment and resignation, and many party members may become more passive or even leave the party...” Ove Eriksson, Chair of the Social Democratic Party branch in Sunnersta, Uppsala²⁷¹

Some local groups were more proactive in their engagement, writing indignant letters to the LO and/or SAP leadership. The Local 27 of the Building Workers’ Union (*Byggnads*) in Söderhamn wrote a strongly critical letter to the LO, that postponement would simply demoralize the members.²⁷² LO section in Hedemora adopted a more sharply critical statement at its membership meeting in September.²⁷³ After the mass educational campaigns and the excitement generated by them, “came the cold shower, and the proposal was put on ice”, they lamented; they excoriated the party leadership for having “made mockery of their commitment to listen to the movement.” But in some cases, strong dissenters found themselves in a difficult position. Herbert Ullenius, chair of the powerful *Byggnads* Local 1 in Stockholm, wrote an editorial in the Local’s own newspaper sharply criticizing the SAP leadership’ decision; the Local board attempted to moderate the article or otherwise prevent its publication, and when it failed, they even attempted to remove Ullenius from the position while reiterating to the Local members their support for the SAP Board.²⁷⁴

One of the strongest messages came from *Metall* Local 20 in Västerås. In the fall 1978, Local 20 issued a statement in their open letter, expressing “traumatic astonishment and bitter frustration” at the June decision that “undermined credibility of the party leadership”.²⁷⁵ The Västerås *Metall* leadership had also earlier criticized the 1978 LO-SAP proposal as too moderate, demanding lowering of the threshold and direct election of fund boards by workers (rather than by the regional governments).²⁷⁶ These engagements make *Metall* Local 20 one of the locals more actively engaged in the question of the Wage-Earner Funds after June 30th.

Nevertheless, the local was hardly engaged in the question in any other way than writing impassioned statements and letters at the moments when the leadership betrayed their expectations. Anna Ericson (2006)’s in-depth study focused on this local’s WEF-related activities offers an invaluable perspective and knowledge on the character of local involvement over time.²⁷⁷ She found little evidence of any engagement on the WEF issue by the local before 1977, except for the nationally-coordinated study groups, surveys and conferences in 1975.²⁷⁸ Stig Andréasson, a longtime Local officer since the 1970s, recalls that even though the WEF proposal was a “big and interesting question” for the local members, there was no “*substantive point*” of engagement for the local union (emphasis mine).²⁷⁹ *Metall* Local 20 can be considered as a “critical case” in terms of WEF engagement; even for locals who reacted passionately and forcefully to defend the MHP when threatened, they were not autonomously engaged in any

²⁷¹ Ove Eriksson, “Löntagarfonderna II: Tona ner allt som luktar socialism!” *Arbetarbladet*, August 3, 1978

²⁷² ”Fel stoppa löntagarfonder.” *Byggnadsarbetaren*, nr. 24, 1978

²⁷³ “Hedemora LO-sektion – varför läggs förslaget om löntagarfonder på is?” *Dala-Demokraten*, Sept. 13, 1978

²⁷⁴ B H, “Ordförande tvingas gå? Ordförandesträd i Byggettan.” *Ny Dag* September 6, 1978

²⁷⁵ “Metall i Västerås kräver principbeslut om löntagarfonder.” *Västmanlands Folkblad*, Sept. 22, 78

²⁷⁶ Anna Ericson. 2006. *Löntagarfondsdebatten ur ett lokalt perspektiv; en studie av Svenska Metallindustriarbetareförbundet avdelning 20 I Västerås*. Mälardalens högskola. Unpublished essay. pp. 22-25

²⁷⁷ *Ibid.*

²⁷⁸ *Ibid.*, pp. 19-21

²⁷⁹ *Ibid.*, pp. 19

actions to promote it beforehand, attesting to sheer weakness – if not nonexistence - of such organizing before the party leadership’s offensive against it.

“The most important strategic question is... how the labor movement members would react to the postponement, considering a supermajority support in the survey,”²⁸⁰ declared social-democratic leaning newspaper *Aftonbladet* after June 30th. While a significant part of the active base was livid, the mobilization against it was limited and sporadic, because they lacked an organizational infrastructure of their own and an ideological framework to mount an independent campaign. Before June, they perceived no need for confrontational method or an autonomous campaign, because many of them rather expected that the leaders would seriously consider such a clear manifestation of the members’ will. “We are not used to the party acting in this way,”²⁸¹ one union newspaper column lamented, even as they criticized the “imprudence” of the Board decision to reject the plan that the members had responded enthusiastically. Even more importantly, there was no organized tendencies to promote a certain political line apart from that of the leadership, unlike in various other labor and socialist parties; a rare attempt to do so is suppressed by the leadership. For example, *Socialistiska förbundet*, which was founded in 1966 by Social Democrats who were inspired by the New Left, were promptly marginalized in the party, and its leaders were expelled from the party only a year later. (Östberg 2012: 137, 140)

Contrast with the British Labour Party can further highlight this characteristic of the Swedish party. On the one hand, the British Labour Party was first and foremost a party dedicated to parliamentarism, and the parliament leadership always sought to impose its will on the members. (Miliband 1961) Nevertheless, they regularly faced vigorous critique of its power by left critics and dissident members, rooted in the local Constituency Labour Parties. In the 1970s, the New Left ferment led to the rise of Labour left within the party, who sought to pursue socialism as a goal and democratize the party. The Labour left was composed of organized internal opposition groups such as the rank-and-file caucus Campaign for Labour Party Democracy (CLPD), multiple grassroots publications (such as *London Labour Briefing*) and left MPs centered around Tony Benn. They fought for socialist policies such as the Alternative Economic Strategy as an alternative to neoliberalism, as well as for democratizing the party, and successfully achieved some reforms such as mandatory reselection of MPs; they also held power at the municipal levels in various large cities including London, Liverpool and Sheffield in the 1980s. (Panitch and Leys 1997) The parliamentarist leadership of the British Labour Party sought to contain and weaken the internally organized left, just as their Swedish counterparts did, but they were too powerful to simply expel and ban. The war against the left dissidents took more than a decade, starting with Neil Kinnock’s rise to leadership in 1983, through a combination of repression, incorporation, and demobilization. (Heffernan and Marqusee 1992, Panitch and Leys 1997)

If there had been a network of left dissident groups and publications within Swedish Social Democracy, of the sort that the British Labour left had developed during the same period, it is quite plausible that they would have served as a foundation for coordinated campaign for and defense of the Meidner-Hedborg Plan from the beginning. In the absence of such an organized opposition, they lacked capacity and experience to openly challenge the party leadership when necessary, and thus to empower the union leadership to hold their line. As we shall see below, the grassroots actions developed a little more coordination by 1981, when rejection of the MHP became even clearer; but by then it was too little, too late.

²⁸⁰ ”Palme får stöd – också.” *Aftonbladet*. July 5, 1978

²⁸¹ “Den otaktiska partistyrelsen”, *Fastighetsfolket*, nr. 8, 1978

1978 SAP Congress: an Anti-Climax

The balance of power in the party was reflected in the triennial SAP Congress, the highest decision-making body of the party. The Congress in September 1978 would have the final authority over ratifying, amending or rejecting the SAP Board's decision. In the wake of the heated public controversy after June 30th, the expectations for the Congress were high. The most outspoken opponents of the June decision, from grassroots activists to radical officials, from SSU Värmland²⁸² to the Painters' Local in Dalarna,²⁸³ staked their hope in the Congress overturning the Board recommendation and "deciding for an offensive line."²⁸⁴ Various articles in union newspapers also urged the Congress to uphold the MHP principles.²⁸⁵ The conclusion of Ove Eriksson's open letter, addressed to the Congress delegates, best captures the mood; "GO AGAINST THE PARTY BOARD'S PROPOSAL! SUPPORT THE MAIN POINTS OF THE SAP-LO GROUPS PROPOSAL! PUT SOCIALISM UP ON THE AGENDA!" he urged them. (capital letter original)²⁸⁶ *Arbetet*, an influential Social Democratic newspaper, called for a compromise on the part of the party leadership at the Congress, to take grassroots dissatisfaction into account.²⁸⁷ The party leadership was well aware of the widespread "distrust" on the WEF issue as a "political reality that we cannot disregard,"²⁸⁸ and believed that it was "extremely important that we try to remove distrust before the Congress" by emphasizing that they have not abandoned the issue and agreed with the "goals and principles" of the Funds.

The SAP Congress is an obvious place to take the dissent but not a favorable terrain for dissidents by any means. It is, in a certain formal sense, an exemplary representative democracy; all 350 delegates (*ombud*) are elected by local party branches (*arbetarekommuner*); the MPs and party board members do not have voting rights *as* office-holders. (Pierre 1986: 60) Any individual member can submit a motion; some are then officially submitted by local branches, while others remain an individual submission if the local party disagrees, but still officially considered at the Congress. But in practice, party leaders have long been squarely in control of the Congress through various means, and they largely succeeded in implementing its will while precluding preclude significant internal conflicts. (Pierre 1986: 282-283) Many of the delegates are themselves MPs, local politicians or otherwise part of the party apparatus, rather than just grassroots activists as such. The party leadership responds to all submitted motions and then makes a recommendation for Congress to be discussed and adopted. But the vast majority of Congress resolutions – at least 95% - were adopted unanimously, in agreement with the leadership. (Pierre 1986: 108) 99% of the Board recommendations in favor of a motion were approved by the Congress, so were 94% of rejection recommendations. (Pierre 1986: 89) The leadership's claim to trust, expertise and knowledge was bolstered by the fact that each delegate tends to specialize in certain policy areas but not knowledgeable on others, and they tend to follow the leadership on issues they are not familiar with (Pierre 1986: 92), in absence of any organized dissident network that could steer them the other way.

²⁸² "SSU Värmland skriver brev – fondbeslutet stor besvikelse", *Värmland Folkbladet*, August 15, 1978

²⁸³ "Uppskovet med löntagarfonderna," *Målarnas Facktidning*, nr. 6, 1978

²⁸⁴ Michel Jernewell, "SAP inför nytt ATP-val? Inte med detta fondförslag?" *Grafia* nr. 9, 1978

²⁸⁵ "Löntagarfonderna måste innebära ett maktövertagande." *Mål och medel* nr. 12, 1978.

²⁸⁶ Ove Eriksson, "Löntagarfonderna II: Tona ner allt som luktar socialism!" *Arbetarbladet*, August 3, 1978

²⁸⁷ "Kompromiss (s) om löntagarfonderna." *Arbetet*, August 28, 1978

²⁸⁸ Sveriges socialdemokratiska arbetareparti, "Protokoll fört vid sammanträde med socialdemokratiska partistyrelsen den 8 september 1978." *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/2/A/25. Arbetarrörelsens Arkiv och Bibliotek.

The right to propose amendments at the Congress' floor can often benefit dissidents. But amendments are usually sent to the Editorial Committee (*redaktionsutskottet*), made up of the high-ranking party leaders. The committee is meant to develop a compromise proposal upon congressional debates and amendments, has long been the vital tool to maintain party unity and avoid an embarrassing defeat for the leadership. (Pierre 1986: 86, 96-99) The party leadership hardly ever loses at the Congress, and outright victory for dissidents is extremely rare; in essence, "almost no resolutions are adopted without the approval of the Executive Committee." (Pierre 1986: 279) The leadership "has created itself a possibility to determine the actual development of the party without breaking with the Congress. An interaction between the parliamentary leadership and Congress... is entirely dominated by the former", reformist SAP politician Rickard Lindström observed in 1946; Lindström's words became even truer in the following decades. (quoted in Pierre 1986: 1)

The issue of the Wage-Earner Funds was one of the major agenda items at the Congress, taking four hours of debate, starting with Olof Palme's 45-minute long opening speech on the topic, which met a long applause.²⁸⁹ The LO's official line remained in full support of the party board's position, which Nilsson actively and enthusiastically promoted at the Congress, emphasizing the LO-SAP unity behind the statement and repeating how it would uphold the LO's three principles from 1976.²⁹⁰ As is usually the case for most agenda items at Congress, the majority of the delegates spoke in favor of the Board proposal. The advantage and the ingeniousness of the Board's position were that delegates could speak in its favor while maintaining anti-capitalist rhetoric for economic democracy. For example, delegate Mary Frank called for support for the Board because the Wage-Earner Funds would be "the last and most important milestone in the history of democracy" that can finally guarantee "the fruits of labor for those who labor."²⁹¹

Congress also did see substantial opposition to the Board position; the configurations were rather similar to the events in the Stockholm local party in the previous week. There was coordinated opposition from two major groups that presented their amendments to the Board proposal - the SSU led by Jan Nygren and Monica Andersson, and dissident union figures led by Sivert Andersson. Sivert Andersson's group proposed the same amendments he did in Stockholm; a dominant role for the WEF in the 1979 election campaign, and allocation of sufficient resources for further research. (Pierre 1986: 176) These demands were also echoed in *Metall* Local 20's open letter, which ended with urging delegates to support contents of the Andersson amendment.²⁹² Nygren's amendment demanded a clear ideological commitment that "Social Democracy sees its foremost goal as breaking the private concentration of power, and replacing the capital's oligarchy with a democratic decision-making." (Pierre 1986: 176) Monica Andersson added in support of this motion; "the question for the 1981 Congress shall not be if we shall have collective ownership of firms, but *how* collective ownership shall be built up. There is no reason to be afraid of taking a clear position today on what we want with economic democracy... the readiness for transformation of power in industry is growing ever stronger."²⁹³ Several delegates spoke in favor of Sivert Andersson's and Nygren's amendments.

²⁸⁹ Dick Ljungberg, "Enighet om fonder men inget beslut." *Dagens Nyheter*, September 26, 1978

²⁹⁰ Sveriges socialdemokratiska arbetareparti. *Kongressprotokoll 1978*. pp. 289

²⁹¹ *Ibid*, pp. 285-286

²⁹² "Metall i Västerås kräver principbeslut om löntagarfonder." *Västmanlands Folkblad*, Sept. 22, 1978

²⁹³ Sveriges socialdemokratiska arbetareparti. *Kongressprotokoll 1978*. pp. 295

These amendments, despite clear orientations to counter the party leadership's reluctance, were of low "substantial precision", meaning that it gives a greater scope for the leadership in how to implement it. (Pierre 1986: 177) Monica Andersson criticized the postponement for "giving rise to conflict interpretations"²⁹⁴, that both supporters and opponents of radical transformation of the economy can find their justification in it. She astutely captured its deliberately ambiguous character; but the irony is that both of the opposition amendments were likewise ambiguous. It is not entirely clear why Andersson and Nygren preferred such a low-precision resolution; they probably rightfully calculated that there were simply no votes for anything more, in absence of the LO support, but it could also be based on their own commitment to compromise, unity and discipline. Some other motions were a little more precise - Lena Boström from Västerbotten proposed to commit to "a fund system that gives the wage-earners a *decisive ownership* in the firms" (emphasis mine)²⁹⁵ – but this does not appear to have been backed by any organized force.

The low precision of the amendments made easier the task of the Editorial Committee, when these amendments were sent there, as is the case with most of contentious proposals at Congress. The Editorial Committee's function, as long-time party leader and Prime Minister Tage Erlander candidly noted, is to "make sure that the party holds together, *even at the expense of clear, distinct political lines.*" (quoted in Pierre 1986: 98, emphasis mine) Represented by Palme himself in this instance, the Editorial Committee proposed a compromise plan that adds a statement to the original Board proposal. The additional statement includes lines that "economic democracy requires influence over capital and their role in our economic development. The goal must be to replace economic oligarchy (*fåtalsväldet*) with a broad democratic influence over decisions in the industry. Therefore the Wage-Earner Funds must be introduced.," and that for the 1979 election "a dedicated effort shall be made to inform voters of the motives and means to attain economic democracy."²⁹⁶ These are yet another set of even more ambiguous formulations, and Palme further made sure to note that the actual content of the election manifesto are "the question for the party Board."²⁹⁷ Sivert Andersson nevertheless accepted the Editorial Committee's proposal, approving commitment to the 1979 campaign and it "categorically establish[es] that the WEF will and must be introduced."²⁹⁸ As he called for unity around this statement, it passed *unanimously*; thus the four-hour long debate concluded, with some uncertainty but no great disunity.²⁹⁹ The hotly-anticipated 1978 SAP Congress ended in a whimper; the Editorial Committee yet again succeeded in hiding the disagreements and containing unrest, as is the role of the time-honored tool for conference management.³⁰⁰

The outcome at the Congress was simply a manifestation of the limits of dissident power through the usual institutional channels. It is not clear that even if the SAP Board statement had been outright rejected at the Congress, if it would have led the party back to the MHP; how binding the Congress decisions are in practice is questionable. Even though the vast majority of the delegates, understandably enough, believe that the leadership should always follow the Congress decision, Palme on the other hand openly claimed that "nothing that the party congress decided are binding, but out of tradition we usually take them into big consideration in

²⁹⁴ Sveriges socialdemokratiska arbetareparti. *Kongressprotokoll 1978*. pp. 294

²⁹⁵ *Ibid*, pp. 302

²⁹⁶ *Ibid*, pp. 481-482

²⁹⁷ *Ibid*, pp. 481

²⁹⁸ *Ibid*, pp. 482

²⁹⁹ Dick Ljungberg, "Enighet om fonder men inget beslut." *Dagens Nyheter*, Sept. 26 1978

³⁰⁰ Olle Svenning, "Kongress i opposition." *Tiden* 1978. pp. 408-418. 412

government.” (Pierre 1986: 73) But in this case, the leadership did not even have to breach the decision. They did talk about the WEF in the 1979 campaign, in a general and limited sense, and in the end the “Wage-Earner Funds” were indeed introduced, without hardly any positive effects on economic democracy.

There are a few examples of victories against the will of the leadership in party history. In the 1950s, the question of Swedish pursuit of nuclear weapons was one of the exceptions from the norm of consensus in the party. The Social Democratic government was considering development of its own nuclear weapons, but Maj-Britt Theorin of the Women’s Federation in the party (SSKF) led a campaign to establish a party policy against them; the campaign was a success, despite strong opposition among the leadership. (Pierre 1986: 92, 282) Theorin’s mobilization was aided by anti-nuclear movements in the extra-parliamentary arena. For the defenders of the MHP to succeed in winning more than a symbolic concession at the Congress against the will of the leadership, they would have needed a mass movement dedicated to that purpose. If such a movement had existed, a dramatic victory at the Congress would have further strengthened them. That simply did not exist in this case. And the debate on the Wage-Earner Funds began to rapidly shift away from the visions for a radically transformed society, towards a morass of technical debates over capital formation that enthused ever fewer activists and workers.

Internal opposition after 1978

After the SAP Congress, as the question was punted to yet another SAP-LO group, disillusionment and malaise set in and grassroots agitation faded away. Supporters of the Wage-Earner Funds as a path to socialism were reduced to the “few who hold on to the barricade under Anna Hedborg’s leadership”, in the words of industrialist Per-Martin Meyerson. (Stråth 1998: 184) Nevertheless, the SSU was the one organization that continued to advocate for maintaining the MHP’s principles. In 1980, as the new working group kept moving further away from socialism and neoliberalism became ascendent globally, the SSU leadership kept discussing the WEF’s development, seeking to maintain its principles and appealing publicly to the party leadership to “propose an alternative to the economic policies of today.”³⁰¹ In October, the SSU’s Executive Committee adopted an official statement on the Wage-Earner Funds, beginning with the clear statement that “the SSU sees the Wage-Earner Funds’ future with worry.”³⁰² The statement in no uncertain terms criticized the rejection of the system of obligatory, directed emissions in the latest SAP-LO proposal, demanding its preservation in order to guarantee a democratic influence. They further advocated for “pure Wage-Earner Funds” entirely based on obligatory share emissions, with capital formation funds to be created through the state separately. Their statement was widely discussed in the media, putting pressure on the party leadership.³⁰³

Such pleas appear to have had no real impact, as the working group finalized the Feldt Plan. In December 1980, the SSU Executive Committee discussed the party’s now-finalized

³⁰¹ Ann-Marie Forsell, “För Fram Fonderna – Jan Nygren ryter till om ekonomiska politiken.” *Kuriren*, May 23, 1980

³⁰² Sveriges socialdemokratiska ungdomsförbund, ”Protokoll fört vid sammanträde med verkställande utskottet den 1 oktober 1980 i LO-huset”. *Sveriges socialdemokratiska ungdomsförbunds arkiv*, 2371/A/3/18a. Arbetarrörelsens Arkiv och Bibliotek.

³⁰³ “SSU varnar Feldt”, *Dagens Nyheter*, Oct. 8, 1980

position and how the SSU would continue to engage in the WEF question.³⁰⁴ They failed to make any decisions on further actions. The record does not tell us any further details on options considered, discussions and disagreements. But their ineffectiveness at this moment is symptomatic and symbolic of the conclusive failure of the conventional approach to influencing policy through established channels in the party, within which SSU leaders pushed as much as they could. When that path failed, they could not decide what to do.

But they did escalate their criticism in the internal meetings. SSU Chair Jan Nygren spoke more forcefully than usual at the December SAP Board meeting. The candor reflected the nature of the moment, in which the 1978 formula – that the party supported the principles of the LO Congress decision but they need more time to solve technical problems, etc. - was finally jettisoned without pretense. “I think that one could say with good reason that this proposal does not correspond to the demands that LO Congress and the party congress put forward,” Nygren argued, referring to the high expectations of members; “the system is so market-friendly” and “the level of ambition has sunk,” he added. Erosion of local union influence in the Funds was another focal point of his criticism. Nygren’s remark could be interpreted as actual critique of the Feldt Plan couched in the concern for members, or with maintaining and managing the party’s legitimacy among the rank-and-file, whose feelings of demoralization he as the SSU Chair was best placed to understand.

There were some others on the Board who were skeptical of the Feldt Plan; Anna-Greta Leijon said she could not manage to muster any enthusiasm for the plan, and that “there was something to what Nygren said” in that it would not meet the expectation of members.³⁰⁵ Nevertheless, Nygren’s remark was unsurprisingly not well-received by various party figures, and the responses included an extraordinary attack on Nygren by Gertrud Sigurdsen; *You make an argument like a 17-year-old SSU member who has just joined the SSU and want to make a revolution and transform society. I think that the SSU Chair must put forth another argument. It is possible that you are speaking as representative for those new SSU members but the talk on betrayal and reduced ambitions makes me worried how you as the SSU chair are going to act, if the party board now accepts the main principles of this proposal... are you as the SSU Chair going to support the proposal or does the SSU have another proposal in the back pocket?*³⁰⁶

Sigurdsen’s remark is illuminating, not just in terms of vehemence but in ways that it articulates the prevailing expectations concerning party leaders’ roles, which are tacitly shared but usually go unsaid. Firstly, that the party leaders’ job is not to represent members who want to transform society - let alone to actually transform society – but to constrain members from believing in such a goal. Secondly, that criticizing a proposal as deviation from the Congress decisions would be to talk about betrayal by party leaders, which is absolutely off limits. Thirdly, that if the party board makes a decision, all party leaders are obliged to publicly support it and not counter it with another proposal of their own; for the SSU to develop its own proposal would be out of the line.

³⁰⁴ Sveriges socialdemokratiska ungdomsförbund, ”Protokoll fört vid sammanträde med verkställande utskottet den 9 december 1980 på Hotell Malmen, Stockholm.” *Sveriges socialdemokratiska ungdomsförbunds arkiv*, 2371/A/3/18a. Arbetarrörelsens Arkiv och Bibliotek.

³⁰⁵ Sveriges socialdemokratiska arbetareparti, ”Protokoll fört vid sammanträde med socialdemokratiska partistyrelsen den 19 december 1980 kl 10 i riksdagshuset 12.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/2/A/27. Arbetarrörelsens Arkiv och Bibliotek.

³⁰⁶ *Ibid*, pp. 17-18

But over the following months, expectations of unity laid out by Sigurdson were meticulously followed. The SAP Board rather predictably adopted the Feldt Plan in the following meeting in January 1981, and the Feldt Plan was promoted by the entirety of the Social Democratic leadership stratum. For example, each of the LO-affiliated unions were asked to implement activities to inform the content and rationale of the new WEF plan at the local and regional level, such as day-long conferences in each region.³⁰⁷ The labor press was another key conduit of the leadership position. *Metallarbetaren's* editorial - "Finally Set for Wage-Earner Funds"³⁰⁸ - was a typical example of the official discourse. Reflecting *Metall's* full-throated support for the Feldt Plan, the article portrays it as the culmination of ten years of work, during which "the Wage-Earner Funds have been a dream and a curse for the labor movement activists."³⁰⁹ Finally "the dream of socialism [was] at the door" and a chance to realize economic democracy was theirs to seize, they boasted. Their narrative relied heavily on the malleability of concepts like "socialism" and "economic democracy," as they did not mean or pretend it to be the same as imagined in the Meidner-Hedborg Plan. Indeed, the LO Chair Nilsson repeated in the media that it would be "an unthinkable thought that the unions would become majority owners in the firms"³¹⁰ under the Feldt plan. While the differences between the Feldt Plan and the MHP could not be simply denied, they were minimized away under the common rubric of "Wage-Earner Funds." By the Social Democratic leaders and press, it was praised as a realistic and workable solution to the economic crisis.³¹¹

To what extent was such a view accepted by the rank-and-file? Generally speaking, the higher the one's position, the more conciliatory they were. At the grassroots level, while many individual activists expressed strong opposition, there was no explosion of anger from below as it was in June 1978; the reaction was a mixture of resignation, reluctant support for the leadership line, and pockets of continued resistance. Resolutions for LO and SAP Congresses, both taking place consecutively in September 1981, offer one reflection of their views and engagement. Similarly to 1978, the list of motions is largely an indication of the grassroots views and activities before the release of the plan, since the resolution submission period was mostly over when the Feldt Plan was announced.

The LO Congress received 12 motions and the SAP counterpart had 14, indicating persistent but not extraordinary level of interest. Some of these resolutions were a straightforward defense of the MHP³¹², while others sought to include or preserve certain measures to help strengthen economic democracy in the plan - such as the "principle of profit sharing," decentralized influence (abolishing the 20% limit on local votes) and preemption rights for the funds to buy new shares.³¹³ For the SAP Congress, most of the proposed motions similarly defended the centrality of workers' power and ownership in various ways. Some of these motions, originally proposed by radical members, were officially adopted by local parties in several mid-sized cities (Linköping, Västerås and Kristianstad) as well as some smaller towns. But rejection of similar motions in various other local parties - usually after the Feldt Plan had

³⁰⁷ "Anteckningar från centrala fackliga utskottets sammanträde tisdagen den 10 mars 1981." *Sveriges socialdemokratiska arbetarepartis arkiv*, handlingar rörande facklig-politisk verksamhet. 1889/F/13/5. Arbetarrörelsens Arkiv och Bibliotek.

³⁰⁸ PÅ, "Äntligen klart för löntagarfonder." *Metallarbetaren*, nr. 6, 1981.

³⁰⁹ Ibid.

³¹⁰ Gunnar Hagtorn, "Nytt kort i fondspelet." *Veckans affärer* nr. 9, Mach 5, 1981.

³¹¹ "Realistiskt förslag om fonder." *Västgöta demokraten*, Jan. 30, 1981

³¹² Landsorganisationen, *Kongressprotokoll 1981*. pp. 804

³¹³ Ibid, pp. 810-820

been announced - shows that support at the level was by no means unanimous; for example, the local party in Eslöv rejected a resolution by a member in support of the MHP, on the basis that the current proposal had the best chance of realizing unity.³¹⁴ Also sent to both Congresses was Walter Korpi's motion for Citizen Funds (*medborgarfonder*), supported by his own local party and union in Upplands Väsby, but there were no additional motions supporting his proposal.³¹⁵

Another indication of the grassroots opinion could be seen in the large-scale survey about the Feldt Plan, conducted by the SAP office in the spring 1981.³¹⁶ Surveys were sent to local parties, with 101 responses. Similarly to earlier surveys, while it is not a representative sample of party members or local party organizations, it offers a glimpse into the mood of those most concerned with the Wage-Earner Funds. 12 out of 101 local groups – largely concentrated in Skåne and Örebro regions³¹⁷ - outright refused to support the Feldt Plan because it gave too little influence to the workers. 14 groups – partially but not entirely overlapping with above³¹⁸ – rejected cash transfer and asserted the need for obligatory share emissions, while equally numerous was support for a much higher rate of transfer than 20% of excess profits. 20 of them believed that profitability should not be considered or emphasized as a goal for the Funds.³¹⁹ Some groups, such as the LO section in Ale, had impassioned and poetic ways to express their commitment to the original Wage-Earner Funds;

*Mother Svea³²⁰ is not feeling well. She is pregnant; she is pregnant with socialism. The signers of this statement hope for nothing other than that she delivers as painlessly as possible. Instead we have gotten a proposal on the Wage-Earner Fund, which not only endangers the survival of the fetus, but also the health of the mother... No, comrades, take Rudolf Meidner's original proposal instead!*³²¹

In regions where opposition to the Feldt Plan was concentrated, more coordinated responses could emerge. In Örebro, local SSU and LO districts sent a letter criticizing it soon after its release in January,³²² which they followed up with a longer letter in April³²³. Roger

³¹⁴ Sveriges socialdemokratiska arbetareparti, "Motioner till Partikongressen 1981: 5. Ekonomisk demokrati och löntagarfonder, Kreditpolitik." *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/1/A/21. Arbetarrörelsens Arkiv och Bibliotek.

³¹⁵ Landsorganisationen, *Kongressprotokoll 1981*. pp. 807; Sveriges socialdemokratiska arbetareparti, "Motioner till Partikongressen 1981: 5. Ekonomisk demokrati och löntagarfonder, Kreditpolitik." *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/1/A/21. Arbetarrörelsens Arkiv och Bibliotek.

³¹⁶ Sven Ove Hansson, "Synpunkter från lokala partiorganisationer i löntagarfondsfrågan". May 26, 1980. *Rudolf Meidners arkiv*, 401/74. Arbetarrörelsens Arkiv och Bibliotek.

³¹⁷ *Ibid*, pp. 6. The groups are Kronobergs SSU, Örebro län SSU, Eslöv arbetarekommun, Halmstad SSU, Nordöstra Skåne SSU, SSU-alternativ and SSU-social Östersund, SSU-avanti Örebro, Fabriks avd. 59 (Kristianstad), Pappers avd. 21 (Nymölla), Grafiska Örebro, Norrköping LO-sektion, Ale LO-sektion

³¹⁸ *Ibid*, pp. 11. The groups are Dalarna SSU, Jämtlands SSU, Sörmlands SSU, Örebro SSU, Nordöstra Skåne SSU, Landskrona arbetarekommun, SSU-Alternative and SSU-social Östersund, a study circle inside Möllevången s-förening, a study circle inside Pauli s-förening, LO-sektion i Norrlöping, Fabriks avd. 59 (Kristianstad), Byggnads avd. 30 (Borlänge), Ale LO sektion, a study circle inside Malmö arbetarekommun

³¹⁹ *Ibid*, pp. 13-14

³²⁰ Personification of Sweden.

³²¹ Sven Ove Hansson, "Synpunkter från lokala partiorganisationer i löntagarfondsfrågan". May 26, 1980. *Rudolf Meidners arkiv*, 401/74. pp. 7

³²² R. J., "Ett förslag att bygga på." *Örebro-Kuriren*, Jan 30, 1981

³²³ Roger Rådström, "Yttrande över 1981 års löntagarfondsfråga." April 30, 1981. *Rudolf Meidners arkiv*, 401/74. Arbetarrörelsens Arkiv och Bibliotek.

Rådström, Örebro SSU chair, launched a scathing criticism not only of the latest plan but the process. The Meidner-Hedborg Plan “aroused great enthusiasm in the labor movement,” he argued, because “it was a new and exciting proposal that opened possibilities to transform people’s living conditions and give preconditions for the ‘good life.’”³²⁴ But since 1976, the discussion has been dragged on interminably through expert groups and the state commission, while “study and discussion activities ground to a halt in the base organizations” and “enthusiasm within the labor movement has died.” Concerning the new emphasis on the need for capital provision to resolve the economic crisis, he argued;

It is naturally a task for the reformist labor movement to seek to prevent the economic crisis hitting the workers. However, and here lies the dilemma of radical reformism, we must also work to eventually obviate the underlying causes of the crisis. The measures we choose to solve the acute problems of crisis must also be put in a further system-transformative perspective. The original Wage-Earner Funds proposal had such qualities. In the current proposal there is no system-transformative approach and our judgment is that the proposal in the current form cannot be considered as a “first step” or a part of a socialist strategy.

The most prominent of such resistance was a collective public letter by numerous local Social Democratic groups mostly in Skåne, published on major Social Democratic newspaper *Arbetet* in June. The statement began that “we see the future of the Wage-Earner Funds with worry” as “the questions of power and influence have receded ever more in the background.”³²⁵ They explicitly rejected the Feldt Plan and demanded obligatory, directed share emissions. They envisioned it as part of a broader strategy towards “production for need” in which role of the market is drastically reduced, together with other forms of democratic ownership including worker and consumer cooperatives, the public sector, municipal and state firms. The scope of signatories was extensive - 21 SSU locals, 10 union locals, 3 local SAP groups, 73 individuals across Skåne as well as 4 SSU regional districts nationwide. Such a letter could be considered as an indication of an even higher level of coordination across local organizations than previously the case. But it was clearly too little, too late; and a continuation of the pattern in which a wave of opposition to the leadership, and in support of the MHP, would only emerge in reaction to unfavorable decisions by the party leadership. Despite better organized than before, rank-and-file members remained a reactive force and not a driving one.

On the SSU’s part, despite Nygren’s remarks at the SAP Board meeting in December, he began to shift the line in public, that the SSU is in large part was prepared to accept the proposal. He appealed to the SSU’s militants that while the latest Wage-Earner Funds plan was less ambitious than Meidner’s and should be improved, every form of WEF would be a progress.³²⁶ The SSU Congress in June 1981 nevertheless showed the grassroots determination to push back on the key elements, passing a motion to call for obligatory, directed emissions over the SSU leadership’s reluctance.³²⁷ This was included in a compromise proposal that passed unanimously

³²⁴ Roger Rådström, “Yttrande över 1981 års löntagarfondsforlag.” April 30, 1981. *Rudolf Meidners arkiv*, 401/74. Arbetarrörelsens Arkiv och Bibliotek.

³²⁵ ”Upprop om löntagatfonder.” *Arbetet*, June 13, 1981.

³²⁶ “SSU-basen på Karlstadsbesök – Varje löntagarfond är ett fall framåt.” *Värmlands Folkblad*, March 23, 1981

³²⁷ Sveriges socialdemokratiska ungdomsförbund. *SSU:s kongress 1981: Protokoll*. pp. 51, 69-70, 143, 148

at the end; another motion to add rejection of the profitability demand for the Funds also passed, but by a narrow margin of 151-133.³²⁸

The critical view of the direction that the WEF debate had taken remained widespread at the SSU Congress, but it had also led to skepticism of the WEF itself as a path to socialism, rather than demanding return to the MHP. Henry Pettersson, the SSU Skåne district chair, was one of the few regional SSU leaders to openly question the Feldt Plan, as many others offered an ambivalent endorsement.³²⁹ He supported these demands to return to the MHP but nevertheless expressed a “strong doubt about the Wage-Earner Funds” as a framework because of the rightward shift; instead, they made a case for “strategic nationalization”, control of credit and key firms in each branch as the strategy for socialism, citing the early days of the Mitterrand government as a model.³³⁰

1981 Congresses

Ultimately, however, these developments amounted to very little what it came to the consequential LO and SAP Congresses in 1981, where it became apparent that despite these pockets of opposition, the full might of party and union apparatus was far more effective than previously in securing consent among the base. At the Congresses, the leadership as usual emphasized job creation through more capital formation, and defense of the “mixed economy” pitted against the emerging neoliberal rejection of it; they contrasted it to the MHP’s “undesirable effects on firms’ willingness to invest and expand” due to the eventual majority ownership by labor.³³¹

There were remaining pockets of radical opposition there. At two union congresses earlier in the year - those of the Commercial Workers’ Union (*Handels*) and the Factory Workers’ Union (*Fabriks*) - radical members were successful in adopting the pro-MHP motions; the former originated in two local motions but gained support of the leadership, while the latter was achieved despite opposition from the top.³³² At the LO Congress, several speakers spoke in defense of the radical principles. Uno Ekberg from *Fabriks* proposed that “the Wage-Earner Funds according to the Meidner’s proposal shall be introduced” based on the decision in their union congress; but he made his own reluctance clear by noting that he was obliged to propose it due to the *Fabriks* congress decision, and the union leadership had actually recommended support for the LO/SAP leadership line.³³³ Another delegate, Inge Sjögren from *Metall*, demanded an obligatory, directed emission of shares in particular.³³⁴ These motions were summarily and unceremoniously dismissed as undesirable “in these difficult economic situations and against the background of extraordinarily tough political struggle.”³³⁵ Discourses of many delegates supporting the Feldt Plan did not express support for the anti-MHP shift in particular, but celebrated the fact of LO-SAP unity on the WEF that had been achieved after many years of deliberations.

³²⁸ Sveriges socialdemokratiska ungdomsförbund. *SSU:s kongress 1981: Protokoll*. pp. 82

³²⁹ “Vi fick tankar om fonderna...”, *Frihet*, date unknown. In *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/Ö/1/A/240. Arbetarrörelsens Arkiv och Bibliotek.

³³⁰ Sveriges socialdemokratiska ungdomsförbund. *SSU:s kongress 1981: Protokoll*. pp. 26

³³¹ Landsorganisationen. *Kongressprotokoll 1981*. pp. 834

³³² Handelsanställdas förbund, *Kongressprotokoll 1981*, pp. 288, 292; Landsorganisationen. *Kongressprotokoll 1981*. pp. 837

³³³ Landsorganisationen. *Kongressprotokoll 1981*. pp. 838

³³⁴ *Ibid*, pp. 839

³³⁵ *Ibid*, pp. 854

The atmosphere of strong support for the leadership was indicated in Sjögren's opening remark, where he said it was "no easy task to take a podium at the LO congress and represent a different view from that of the LO Secretariat, the party board, my own union congress and a large part of the labor press."³³⁶ As the press reports indicate, "Olof Palme got what he wanted" because the LO Congress was "almost completely united in their support for the proposal" and therefore saw a "full victory for the LO leadership line."³³⁷ As only 4 or 5 out of hundreds of delegates rejected the leadership proposal in a straw poll,³³⁸ it was reported that "the Meidner funds' supporters were few" and their calls "more perfunctory than passionate."³³⁹ One supporter of the leadership "noted with schadenfreude" that the dissidents could not but "cry to go back to a clear socialist alternative based on the Meidner fund."³⁴⁰ This anti-climactic moment concluded with Ekberg, having reluctantly advocated for the MHP, firmly committing after the vote that "the union will loyally support and actively work for realization of the decision made by the LO Congress,"³⁴¹ as if to compensate for his earlier disagreement.

The SAP Congress, held the following week, was more contentious but with the same consequences at the end. Multiple delegates spoke passionately for the WEF as an issue of working-class power, and Nygren and Monica Andersson accepted the leadership line in general, adding a limited amendment that stipulates "the question of democracy and influence shall be given a prominent role in the arguments for the Wage-Earner Funds."³⁴² The amendment gained a lot of traction among SSU delegates and others, and was referred to the Editorial Committee for a compromise wording; but again, its vagueness made it largely symbolic and ensured that it was not actually constraining for the leadership. Other motions and amendments with more explicit or concrete goals, such as reference to obligatory and directed profit sharing, the main goal of the Funds as "breaking capital's power", or that "LO's Wage-Earner Funds plan from 1976 shall still constitute the basis" for the final model, were in contrast rejected.³⁴³ While the hours-long debate was heated, the leadership argument for unity in the face of right-wing attacks prevailed; the shift is symbolized in Sivert Andersson's full support for the Feldt Plan by invoking the "extraordinarily broad unity" behind it.³⁴⁴ The debate in the Congress concluded, as Feldt proclaimed "now begins the long march towards economic democracy" and delegates somehow sang *Internationale* at the end.³⁴⁵ The words could not but ring hollow.

The decisive shift was propelled by the structural power of the leadership but undergirded by demoralization. One delegate expressed such a sentiment as follows;

After the 1976 election, we had many new members in the local party associations... they wanted to fight for the Wage-Earner Funds and economic democracy. There was enthusiasm and agitation within the movement, and there was enthusiasm out on the streets and squares. Then

³³⁶ Landsorganisationen. *Kongressprotokoll 1981*. pp. 839

³³⁷ "Bäddat för nya fondkrumbukter." *Bohusläningen*, September 25, 1981; "Enigt om fonder", *Västgöta-Demokraten*, September 25, 1981

³³⁸ "Kraftfullt fondbeslut". *Västerbottens-Kuriren*, September 25, 1981.

³³⁹ "Enigt om fonder", *Västgöta-Demokraten*, September 25, 1981; "Nej till Meidner men ändå Meidner", *Borås Tidning*, September 25, 1981.

³⁴⁰ "Kraftfullt fondbeslut". *Västerbottens-Kuriren*, September 25, 1981.

³⁴¹ Landsorganisationen. *Kongressprotokoll 1981*. pp. 857

³⁴² Sveriges socialdemokratiska arbetareparti. *Kongressprotokoll 1981*. pp. 22

³⁴³ *Ibid*, pp. 47

³⁴⁴ *Ibid*, pp. 39

³⁴⁵ *Ibid*, pp. 49

*came the 1978 Party Congress. One could almost physically feel the sighs throughout the movement. The new members stayed home because they felt steamrolled.... the party leadership committed betrayal on betrayal towards the original proposal.*³⁴⁶

Interestingly and ironically enough, militant tactics that go beyond impassioned statements and angry letters were attempted when the most radical proposal has been conclusively defeated, as these were proposed in response to the businesses' massive anti-fund campaign. For example, Stockholm bus drivers demanded that they refuse to drive busses with anti-WEF ads, but their local union leadership rejected such an action.³⁴⁷ Among the most dramatic was the example of the Electricians' local in Stockholm, which called for boycott of the manufacturing firm Eldon; its CEO Gunnar Randholm was one of the main organizers of the massive October 4th demonstration against the Wage-Earner Funds in 1983, which brought 75,000 protesters from across the country to Stockholm.³⁴⁸ The ads calling for boycott were widely printed on October 4th and 5th, and the local union board called on the LO to "go on the offence against the right-wing forces." Nevertheless, after attracting controversy the local union leadership quickly backtracked.³⁴⁹ At the higher level, the *Metall*'s full apparatus was mobilized for an official mass day of action on November 12, 1983, when the streets and squares across the country were filled with WEF campaigners.³⁵⁰ They called it a "campaign against the counter-campaign."³⁵¹ If such mobilizations had occurred at the beginning of the entire process, proactively rather than defensively, the Meidner-Hedborg Plan may have enjoyed a better political fortune.

Meidner's departure

Alongside various institutions and rank-and-file militants within Social Democracy, another actor well-placed to defend the Wage-Earner Funds as a radical idea was Rudolf Meidner himself. However, Meidner was conspicuously absent from the whole process, in the committee as well as publicly, after his plan was adopted by the LO Congress on June 15, 1976. Meidner said of his own role in the committee and the debate as follows;

I left the whole question of the Wage-Earner Funds on June 15, 1976, with the LO decision. I cannot deny that I was formally with the first LO-SAP committee, but I was with the first meeting and left for somewhere else, then Rune Molin asked if I could at least not be with the final meeting and sign the compromise proposal [of February 1978], and as a loyal official I thought I would do that, and I did. But it doesn't mean I will take any responsibility for it. (Ekdahl ed. 2001, 51)

Why did Meidner leave the work on the Wage-Earner Funds so completely and decisively after the 1976 LO Congress? This is not an easy question to answer. Meidner himself

³⁴⁶ Sveriges socialdemokratiska arbetareparti. *Kongressprotokoll 1981*. pp. 15

³⁴⁷ Evelyn Pesikan, "Fackligt nej till protest mot antifondbussarna." *Stockholms Tidningen*, Aug. 17, 1983

³⁴⁸ "Protokoll fört vid El-Ettans styrelsemöte Tisdagen den 11 oktober 1983 kl. 17.00 i Avdelningens konferensrum." *Svenska elektrikerförbundet, avd 1:s arkiv*, 1288/A/2/8. Arbetarrörelsens Arkiv och Bibliotek.

³⁴⁹ "Protokoll fört vid El-Ettans representantskapmöte Tisdagen den 29 november 1983 kl. 17.30 i ABF-husets Zetasal." *Svenska elektrikerförbundet, avd 1:s arkiv*, 1288/A/1/8. Arbetarrörelsens Arkiv och Bibliotek.

³⁵⁰ Leif Blomberg, "Organisationsärenden: Metalls höstkampanj." *Sveriges socialdemokratiska arbetarepartis arkiv*, handlingar rörande facklig-politisk verksamhet. 1889/F/13/4. Arbetarrörelsens Arkiv och Bibliotek.

³⁵¹ Christina Daschek, "en kampanj mot motkampanjen." *Arbetet*, September 10, 1983

occasionally noted that he worked on the original plan as an expert rather than a political figure, and the role of the expert ended with the conclusion of the research. “My job is that of the expert, while decision-making lies with the elected representatives. It is their task to decide in the end if the aim of the Funds is to take over the firms, share power or something else,”³⁵² he said as his committee was developing a plan to take over the firms. Rather paradoxically, this limited conception of his own role as an “expert” enabled him to choose the radical course, to recommend the best option in his own view without concerning himself about the political repercussions. (Ekdahl 2005) But after June 1976, “it became a political question,” he recalls, and that “Anna and I were not politicians.” (Greider 1997: 204) Nevertheless, the complete withdrawal still begs the question, also considering that Hedborg remained as one of the key figures in the successive committee and debates.

There are some indications to suggest that he sought to avoid the febrile and unpleasant atmosphere around the WEF debate. In October 1976, Meidner was offered a visiting assistant professorship for a semester at the University of Wisconsin-Madison in the United States, through economist Jack Barbash, with whom he had previously been acquainted. Accepting the offer, Meidner wrote to Barbash that he felt it would be “useful to leave the Swedish scene for at least one semester and realize that there exist parts of the world without wage-earners’ funds.”³⁵³ He longed “a quiet time in an academic atmosphere without continual distractions”³⁵⁴ of the Funds debate, to be “far from political trouble and devoted to lecturing and researching.”³⁵⁵

Nevertheless, in light of the development of the WEF debates, Meidner asked for a possible postponement of his stay at Madison soon after his acceptance, invoking that the “fall months [of 1977] will be critical” for the Wage-Earner Funds, especially in relation to the state commission’s work.³⁵⁶ He felt obligated to the LO to participate in it. But this was flatly rejected by Barbash, and so was Meidner’s later proposal to make a few trips back to Sweden during the fall to attend the state commission’s meetings. This meant that Meidner was entirely absent from Sweden during the crucial months in which the Meidner-Hedborg Plan was negotiated and weakened in the LO-SAP committee. In addition to his absence in the fall of 1977, he categorically refused all the numerous invitations he received to discuss the Funds after the 1976 LO Congress from social democratic to conservative groups.³⁵⁷ His limited engagement on the question rather focused on spreading the idea overseas, such as assistance with the English translation of the original plan³⁵⁸ and an interview with the Italian Communist Party’s journal *Rinascita*. (Quirico 2012)

Despite his public absence, Meidner remained intellectually engaged with the issues around the Wage-Earner Funds. In his private letters, he asked for and expressed view on latest

³⁵² Rudolf Meidner, Letter to E Jonsson, December 2 1975 *Rudolf Meidners arkiv*, 401/66. Arbetarrörelsens Arkiv och Bibliotek.

³⁵³ Rudolf Meidner, Letter to Jack Barbash, October 29, 1976. *Rudolf Meidners arkiv*, 401/66. Arbetarrörelsens Arkiv och Bibliotek.

³⁵⁴ Rudolf Meidner, Letter to Jack Barbash, April 27, 1977. *Rudolf Meidners arkiv*, 401/66. Arbetarrörelsens Arkiv och Bibliotek.

³⁵⁵ Rudolf Meidner, Letter to Jack Barbash, March 3 1977. *Rudolf Meidners arkiv*, 401/66. Arbetarrörelsens Arkiv och Bibliotek.

³⁵⁶ *Ibid.*

³⁵⁷ Rudolf Meidner, Letter to Peter Högfeltd, March 10, 1976; Rudolf Meidner, Letter to Håkan Dickman, August 31, 1976; Rudolf Meidner, Letter to Peter Kockum, October 29 1976. *Rudolf Meidners arkiv*, 401/66. Arbetarrörelsens Arkiv och Bibliotek.

³⁵⁸ T L Johnstone, Letter to Rudolf Meidner, February 10, 1978. *Rudolf Meidners arkiv*, 401/66. Arbetarrörelsens Arkiv och Bibliotek.

developments on the Funds, expressing concerns that it was not going well.³⁵⁹ Furthermore, throughout 1977, he sought to further develop conceptualization of economic democracy, with a particular interest in the work of Czech economist Ota Šik.³⁶⁰ Šik was a dissident socialist and one of the main figures of the Prague Spring, developing the economic policy of “socialism with a human face” that the reform leadership pursued. Šik’s vision of collective worker ownership, as a “third way” between Western private ownership and Eastern state ownership, fitted Meidner’s thinking.³⁶¹ He was critical even of the 1978 plan for substantially diluting his own plan.³⁶² From 1980 onwards, he began to sporadically speak in public about the Funds³⁶³, though his main focus concerned other topics such as defense of the public sector. Meidner’s absence from the public sphere was not due to his waning interest in the Wage-Earner Funds, let alone abandonment of the ideals and principles underlying his version.

Why then did Rudolf Meidner abandon public engagement with this cause at a most pivotal moment? Answers cannot but be speculative here. Meidner’s intensely private character likely played some role, as Meidner biographer Lars Ekdahl describes. Even before the Wage-Earner Funds, as a top LO economist he was not an unknown figure; but he had always steadfastly refused any exploration of his personal life, always on the ground that he was not a politician. (Ekdahl 2005: 204) He had been recruited many times by the Social Democrats to pursue a political career – hardly unusual overture to a prominent LO figure – but he always refused, preferring to “work without being seen.” (Ekdahl 2005: 209) But on the Wage-Earner Funds, the most drastic reform proposed, he would no longer remain impersonal. After the plan was first proposed in 1975, he had already been portrayed in the media as a shadowy and enigmatic figure who nonetheless exerted enormous influence with his radical plan. (Ekdahl 2005: 204) If he actively inserted himself in the heated public debate – which he bemoaned as shallow and filled with polemics without serious intellectual engagement³⁶⁴ - he could surely no longer avoid a personal spotlight that he had sought to avoid all his life.

Göran Greider, another Meidner biographer, imagines further. Considering the abruptness of the departure, “something happened with the Wage-Earner Funds issue” that didn’t happen with other union issues Meidner had dealt with over many years. What could it have been? He played a central role in the LO’s economic policy throughout the postwar period. But with the Wage-Earner Funds, he would instead be cast as an “extremist” and ostracized; was he upset, disappointed and afraid, Greider speculates. (Greider 1997: 303) But this can be better understood, not simply as a matter of psychological pressure, but as a consequence of his political development.

Even though Meidner always retained a radical core throughout his life that fully emerged in the MHP, he also had absorbed the spirit of postwar Social Democracy over many years at the LO. His anti-capitalist convictions – that ownership of capital was always the decisive factor, and “capitalism has fundamentally failed” (Ekdahl 2005: 307) – were separated

³⁵⁹ Rudolf Meidner, Letter to Jack Barbash, April 27, 1977. *Rudolf Meidners arkiv*, 401/66. Arbetarrörelsens Arkiv och Bibliotek.

³⁶⁰ Rudolf Meidner, untitled confidential memo. June 26, 1977. *Rudolf Meidners arkiv*, 401/70. Arbetarrörelsens Arkiv och Bibliotek.

³⁶¹ Ibid.

³⁶² Rudolf Meidner, Letter to Jack Barbash, March 30 1978. *Rudolf Meidners arkiv*, 401/66. Arbetarrörelsens Arkiv och Bibliotek.

³⁶³ “Rudolf Meidner: LO star fast vid löntagarfonderna.” *Dagens Nyheter*, September 13, 1980

³⁶⁴ Rudolf Meidner, Letter to Peter Kockum. Oct 29, 1976. *Rudolf Meidners arkiv*, 401/66. Arbetarrörelsens Arkiv och Bibliotek.

from the need for a vicious class struggle to defeat the capitalists. In developing the anti-capitalist plan, his years of immersion in the culture of class compromise made him hesitate, before young Hedborg pressed him to dare it. Even after they released it, he had not abandoned such culture; “I will have difficulty in explaining why the scene has changed so suddenly in Sweden and why all the spirit of Saltsjöbaden has passed away,” Meidner wrote in private in May 1977.³⁶⁵ Was he truly ready for a fight to destroy the foundations of all capitalist power?

Meidner regularly insisted that he no longer needed to be directly involved on the Wage-Earner Funds, because he had full trust and confidence in Anna Hedborg as his “extraordinarily capable” successor.³⁶⁶ No doubt did she fulfill these tasks as Meidner hoped and believed. But as we have seen, the role that she could play – as a representative of the LO – was too limited to stem the rightward shift. Meidner had prestige and renown to be heard as himself in the public sphere. As Hedborg herself noted, Meidner’s unique status as a public intellectual propelled the plan in the first place.³⁶⁷ If he had exorcised the Saltsjöbaden spirit and taken on active, forceful engagement to articulate a case for the Meidner-Hedborg Plan, as an independent, organic intellectual of the working-class, it may have sparked independent mobilizations necessary to save it; though we will, of course, never know for certain.

The Further Left: distrust of social democracy

Weakness of mobilizations for the MHP within Social Democracy was rendered further consequential by the sheer dominance of Social Democracy within the Swedish left. The Social Democrats had little interest or readiness in working with other dissident left forces, seeking to marginalize them in the wake of their growth since the late 1960s. (Östberg 2012: 138) This left only pockets of dissidence further to its left with their deep suspicion of the Social Democrats, who they derisively called *sossepamparna* (Social Democratic bureaucrats). In addition to the Social Democrats’ long-standing orientation towards class collaboration, the rift between them and the dissident left was exacerbated in the 1970s due to several factors – including the Social Democrats’ prioritization of industrial growth at the expense of the environment, and revelation of the Social Democratic government’s extensive spying on a wide range of leftist figures and groups (the “IB affair”) in 1973.

The dissident leftists were suspicious of the MHP’s democratizing potential, as it was proposed and to be led by *sossepamparna*. Union ownership of firms would not lead to workers’ democratic control over the means of production, if the unions themselves weren’t democratic. Therefore, the MHP awakened little enthusiasm, if not outright skepticism and hostility, in circles further to the left of social democracy - radical activists who were members or supporters of the Left Party or various other left groups, syndicalists, as well as dissident groups in the LO unions. The Left Party did not support it at all since they saw it as entrenchment of capitalism, rather than a step towards socialism. Syndicalists and dissident unionists (who ran an opposition slate against the SAP-affiliated leadership in LO unions) were indifferent and/or critical, since they were distrustful of how the MHP would simply strengthen the power of union bureaucracy. The extra-parliamentary feminist movement had virtually no engagement with the issue,

³⁶⁵ Rudolf Meidner, Letter to Jack Barbash, May 17, 1977. *Rudolf Meidners arkiv*, 401/66. Arbetarrörelsens Arkiv och Bibliotek.

³⁶⁶ Rudolf Meidner, Letter to Hjalmar Mehr, March 4, 1977. *Rudolf Meidners arkiv*, 401/66. Arbetarrörelsens Arkiv och Bibliotek.

³⁶⁷ Personal interview, June 14, 2019

reflecting the MHP's lack of articulation with any socialist-feminist issues related to social reproduction.

The Left Party Communists

Founded in 1917 as a split from the SAP, the Left Party Communists (*Vänsterpartiet Kommunisterna*, VPK) was for long the only parliamentary party to the left of the SAP. While the party adhered to the rigid Stalinist line in the 1950s, they began to shift towards more Eurocommunist positions in the 1960s under a popular leader C.-H. Hermansson. With electoral support at around 5% and membership of 15,000³⁶⁸, the VPK never became as influential as some other Eurocommunist parties. But they maintained strong bases in certain industrial unions, especially among miners in the far north. Since the late 1960s, they also began to expand presence on various university campuses as well.

In the country so dominated by Social Democracy, the VPK distinguished itself by opposition to its predominant role in maintaining corporatist class compromise that further entrenched Swedish capitalism. Hermansson became well known for his 1965 book that exposed significant concentration of wealth in the hands of on the richest 15 families in Sweden, which was influential in sparking the discussion on persistent asset inequality in social democratic Sweden. Nevertheless, Hermansson was very skeptical of the MHP from the beginning.³⁶⁹ He recognized that Meinder was openly and directly contradicting the long-standing social democratic line of not encroaching upon private ownership, and that there was no reason to “question the anti-capitalist orientation of the authors of the report.” Therefore, the Communists should “welcome the questions of power and ownership placed at the center of the political debate,” Hermansson wrote.³⁷⁰ He further saw certain aspects of the MHP positively, in particular rejection of individual shares.

But Hermansson saw a basic problem with the plan. The decisive question is whether the MHP “facilitates the working-class struggle for socialism or obstructs it,” because “it is the general development of class struggle” that determines the political character of the Funds.³⁷¹ By limiting the transfer to the future profits rather than the present capital, it would leave wage-earners with a very limited influence for a long time, while creating an illusion of building socialism “hand in hand with the Wallenbergs” - the richest capitalist dynasty in Sweden. Furthermore, the MHP could undermine solidarity between wage-earners in different sectors and enhance commonality of interests among workers and capitalists in profitable sectors for high profits, and it could be used as a substitute for other redistributive policies such as wealth tax. Therefore, even though “that firms should be owned by the working-class and society, rather than by the Wallenbergs, is a fundamental socialist demand”, the MHP can never become the “main path (*huvudvägen*) to socialism in Sweden.”³⁷² Rather, it could only play a “subordinate role in a strategy for socialism” at best, while taking the focus off other demands. And what was particularly suspicious, he noted – rather ironically in light of the later development – is that it had not faced strong opposition from capital.

³⁶⁸ Vänsterpartiet kommunisterna. “Kongress 75 – Verksamhetsberättelse.” *Vänsterpartiets arkiv*, 2262/A/1/A/19a. Arbetarrörelsens Arkiv och Bibliotek.

³⁶⁹ C.-H. Hermansson, “löntagarfonderna – halshuggning av kapitalismens skugga?”, *Socialistisk debatt* nr. 17, 1975

³⁷⁰ *Ibid.*

³⁷¹ *Ibid.*

³⁷² *Ibid.*

The party's position generally reflected that of their leader's. Their 1975 program proclaimed that "capitalism must be smashed, and the wage-owners shall take over power in society – in workplaces, production and the state apparatus."³⁷³ They further created a pamphlet in late 1975 explaining why the MHP was not a good way for workers to take power. According to the document, the fight for class power in a firm cannot be separated from that in the state and society more broadly, and mere change of ownership is insufficient, as seen in the fact that state-owned and cooperative firms in capitalism have nevertheless conformed to the dictates of profitability.³⁷⁴ The MHP would not change "which class rules the state apparatus," they noted, and that the principle of maximization of profits "can't be changed without getting rid of it."³⁷⁵ In a similar vein, the concept of "economic democracy" that dominated the Social Democratic discourse then was alien to the VPK, which saw it as an illusion as if democratization of the economy was possible without fundamentally transforming the state and all facets of society.

The VPK literature commended Meidner for clarifying that "it is the ownership that gives the decisive power" and recognizing that bourgeois versions of WEF would undermine class struggle, but they argued that his own proposal had the same risk.³⁷⁶ Even in its most radical form, the WEF would promote class collaboration by creating interest in profitability among workers while undermining militancy and working-class solidarity, thus obstructing the path to socialism.³⁷⁷ Therefore, even if it may play a marginally positive role, the MHP can only be a subordinate one in the overall strategy for socialism, which must be primarily based around union struggles to directly confront the employers, increased state ownership of industries and finance, etc.³⁷⁸ Their stance was succinctly captured in the slogan; "fight for socialism, not hand in hand with Wallenberg!"³⁷⁹

These lines of anti-fund arguments from the left were nothing new or uncommon; *IG Metall* in Germany opposed any collective funds for the similar reasons as well, as we have seen in Chapter 2. Since the MHP was clearly more radical than anything proposed in Germany, one could possibly surmise that the VPK's total opposition was unwise. But their influence on the WEF politics in general was marginal. The VPK leadership's refusal deprived a force that could hypothetically have been a pressure on the SAP/LO from the left to maintain the MHP, but unlike the powerful German union, they did not strongly fight against either. Indeed, Meidner himself was said to have even welcomed opposition from the VPK, thinking that it would reduce skepticism among the Social Democrats.³⁸⁰

To what extent did the VPK leadership's line reflect the grassroots view? At the level of voter base, the Communist voters expressed support for the MHP at an even higher rate than Social Democratic voters; in 1976, 64% of the VPK voters supported the Funds plan, with only 18% opposed (for the SAP voters, the figures were 55% for and 18% against). (Gilljam 1988: 162) But unlike within Social Democracy, it does not appear that there was a strong current of opinion among active members, in support of the MHP against the leadership line. At the party

³⁷³ Vänsterpartiet kommunisterna. "Handlingsprogram för Vänsterpartiet kommunisterna – Antaget på 24:e partikongressen 12-16 mars 1975." *Vänsterpartiets arkiv*, 2262/A/1/A/19a. Arbetarrörelsens Arkiv och Bibliotek.

³⁷⁴ Vänsterpartiet kommunisterna. "Lilla Fakta-serien: Material om löntagarfonder." *Vänsterpartiets arkiv*, 2263/B/6/26/1975-15. Arbetarrörelsens Arkiv och Bibliotek. pp. 20

³⁷⁵ Ibid, pp. 9

³⁷⁶ Ibid, pp. 9

³⁷⁷ Ibid, pp. 8

³⁷⁸ Ibid, pp. 19

³⁷⁹ Ibid, pp. 7

³⁸⁰ Personal communication with Lars Ekdahl

congress in January 1978, very few motions that touched on the issue; one that did spoke against it in even stronger terms than the leadership, calling the plan a “diversion tactic for Social Democrats to stabilize capitalism.”³⁸¹ While the party leadership’s early and clear line likely discouraged support among active members, long-standing distrust of Social Democracy among active members set the prevailing mood in the VPK.

Dissident Unionists

Another group of activists who were not bound by the concerns for Social Democratic unity was various types of dissidents in unions. Social Democrats held an overwhelmingly dominant presence in the LO unions; in addition to the official and historical ties at the top level, most of the union leaders and stewards at the local or workplace level were also Social Democrats. Lewin’s (1980: 45, 64) survey shows that in 1973, 97.4% of locals of LO unions were run by the entirely Social Democratic steering committee; the Communists were present in the leadership of only 2.2% of the locals. The vast majority of Social Democratic-led locals went without any significant opposition,³⁸² though three-quarters of members were dissatisfied with the state of union elections characterized by lack of competitive elections and low turnover of officers. (Lewin 1980: 92)

In a handful of union locals where political forces to the left of Social Democracy had a strong presence, local union politics was a more vibrant and contentious affair.³⁸³ (Lewin 1980: 142) These were located generally in large cities and Norrbotten in the northernmost Sweden. Communist-controlled locals were concentrated in Norrbotten’s mining areas, long a hotbed of labor militancy and the center of the wildcat miners’ strike of 1969-70. The large Malmberget local of the Miners’ union was one of the few in the country dominated by the VPK, taking around two-thirds of the votes.³⁸⁴ The VPK also had a significant minority in the largest Kiruna local, as well as control of the smaller Svappavaara local. In the 1970s, as a result of the VPK’s conscious efforts to focus on organizing in the unions at the workplace level, they began to gain strength in various Stockholm locals. In 1975, the Stockholm local of the Electricians’ Union had a VPK majority, while the VPK also held a near-majority in the Building Workers’³⁸⁵ and the Painters’ union in Stockholm.³⁸⁶ In some locals, the left opposition consisted of non-VPK members, whether they be Trotskyists or independent radicals. In the Municipal Workers’ Union (*Kommunal*) local in Stockholm, the leftist union opposition group had a significant presence and control in some of its workplace sections.³⁸⁷ In *Metall*, the left opposition had a considerable presence in the largest Stockholm and Gothenburg locals, as well as in Uddevalla, Trollhättan

³⁸¹ Vänsterpartiet kommunisterna. ”VPK kongress 1978 - Motioner 2.” Motion A5. *Vänsterpartiets arkiv*, 2263/A/1/A/20. Arbetarrörelsens Arkiv och Bibliotek. pp. 6

³⁸² Björn Wall, “De fackliga valen 1975.” April 8, 1975. *Sveriges socialdemokratiska arbetarepartis arkiv*, handlingar rörande facklig-politisk verksamhet. 1889/F/13/4. Arbetarrörelsens Arkiv och Bibliotek.

³⁸³ The Center Party also began to challenge SAP dominance from the right and sought to build workplace organizations, especially in agrarian areas like Småland, though without much success.

³⁸⁴ Björn Wall, “Rapport ang situationen i Gruvs avdelningar i Malmfälten..” March 17, 1975. *Sveriges socialdemokratiska arbetarepartis arkiv*, handlingar rörande facklig-politisk verksamhet. 1889/F/13/4. Arbetarrörelsens Arkiv och Bibliotek.

³⁸⁵ Björn Wall, “De fackliga valen 1975.” April 8, 1975. *Sveriges socialdemokratiska arbetarepartis arkiv*, handlingar rörande facklig-politisk verksamhet. 1889/F/13/4. Arbetarrörelsens Arkiv och Bibliotek.

³⁸⁶ Björn Wall, “Inför de fackliga valen 1975.” 1975. *Sveriges socialdemokratiska arbetarepartis arkiv*, handlingar rörande facklig-politisk verksamhet. 1889/F/13/4. Arbetarrörelsens Arkiv och Bibliotek.

³⁸⁷ Björn Wall, “De fackliga valen 1975.” April 8, 1975. *Sveriges socialdemokratiska arbetarepartis arkiv*, handlingar rörande facklig-politisk verksamhet. 1889/F/13/4. Arbetarrörelsens Arkiv och Bibliotek.

and Hofors, though the Social Democrats never lost control of the Local-level leadership in any of them.³⁸⁸ In Graphic Workers' Union (*Grafiska*), the left opposition had 20% of the delegate positions in Stockholm.³⁸⁹

For the most part, these locals did not play an active and visible role in the debates on the Wage-Earner Funds. Let us take a closer look at one example of such a dissident left caucus, in *Metall* Local 41 in Göteborg. It was the largest local in the entire LO, with more than 40,000 members in the Swedish industrial heartland, including workers at the flagship Volvo factories in Torslanda and Lundby. In Local 41, a dissident caucus called Union Opposition (*Facklig Opposition*, FO) emerged in the mid 1970s, reflecting the radical climate of the era. The group was composed of those from the VPK, various Marxist groups, and other radicals.³⁹⁰ Their main demands were better wages and working conditions at the local level, and democratization of the union. They criticized concessionary stances of the local and national union leaders regarding stagnating wages and inhumane pace of the assembly line.

Union democracy was an equally important demand for the Union Opposition. The main demands for democratizing the union included the following; that the collective agreement should be voted by members, that the general assembly of all members should replace powers held by the local's representative council, and that all shop stewards should be directly elected rather than appointed by the local leadership. They were indeed against the solidarity wage policy in general, which they saw as "only in solidarity with the employers," as Volvo dissident worker Liisa Tourunen articulated.³⁹¹ They won control of some workplace-level union groups, including winning a supermajority vote at large Volvo factories.³⁹² At these workplace meetings, they were successful in adopting the demand to the nationwide LO leadership for a membership vote on peak-level collective agreements.³⁹³ Even though they never reached the goal of winning control of the entire Local, they grew to win around 45% of the votes across the local at its peak in 1978.

The Social Democratic leadership of the local hit back hard against the Union Opposition, describing them in lurid terms as splitters causing disunity and a Communist threat to democracy.³⁹⁴ For the Social Democrats, defending control of local unions from the opposition caucuses was an important agenda, coordinated at the high level of the party apparatus. Indeed, the Local 41's leadership, loyal to the Social Democratic hierarchy, took a lead in introducing a resolution at the Metall Congress to prohibit an internal election slate named "union opposition" on the ground that it was "not loyal to Metall", which was protested by 1,000 Volvo workers.³⁹⁵ For the union opposition at Volvo, fighting against the Social Democratic dominance was a necessary strategy and a dominant theme in their political life. In such a political environment, it is least surprising that the dissidents were not supportive of the

³⁸⁸ Björn Wall, "De fackliga valen 1975." April 8, 1975. *Sveriges socialdemokratiska arbetarepartis arkiv*, handlingar rörande facklig-politisk verksamhet. 1889/F/13/4. Arbetarrörelsens Arkiv och Bibliotek.

³⁸⁹ Björn Wall, "Inför de fackliga valen 1975." 1975. *Sveriges socialdemokratiska arbetarepartis arkiv*, handlingar rörande facklig-politisk verksamhet. 1889/F/13/4. Arbetarrörelsens Arkiv och Bibliotek.

³⁹⁰ Svarte Gustaf, "Börja om från början, börja om på nytt, varför ska man sörja, tider som har flytt?" 1984. F9/1: Regionarkivet, Göteborg.

³⁹¹ "Facklig Opposition: Vi Fem." F9/1: Regionarkivet, Göteborg.

³⁹² Lennart Rosqvist, "Svårt s-nederlag i fackval på Volvo." Göteborg-Posten., Dec. 1, 1978

³⁹³ Ibid.

³⁹⁴ Socialdemokraterna i TC, "Demokrati eller..." F9/1: Regionarkivet, Göteborg.

³⁹⁵ Kerstin Sedvallson, "Protest mot förbud för oppositionella." Dagens Nyheter, Sept. 17, 1977

plan to give significant ownership power to the unions under the tight grip of the Social Democrats.

The Central Organization of Workers of Sweden (*Sveriges Arbetares Centralorganisation*, SAC), the anarcho-syndicalist union federation, rejected the Meidner-Hedborg Plan for similar reasons. The SAC is totally independent of the LO, having split from them in 1910; while they are numerically small, they helped organize various wildcat strikes and served as a clear alternative to the LO. Interest in the MHP among SAC members appears to never have been high, but the SAC established a committee to study the Funds and develop its position from a syndicalist perspective.³⁹⁶ The group rejected it because it would lead to “concentration of power into the LO and TCO unions with a big risk for the existence of minority unions such as the SAC”, and induce creation of common interest between labor and capital.³⁹⁷ The Wage-Earner Funds would not reduce concentration of power over firms or decentralize economic influence, they argued.

The debate at the SAC Congress was brief, with no one speaking in favor of the Funds – the only alternative motion proposed was an even stronger condemnation of the Wage-Earner Funds. Even though the latter was rejected, a more hostile sentiment towards the Funds was common among the rank-and-file. For example, one SAC local study group on the Funds in Älvsbyn excoriated it as “a tremendous concentration of political and economic power in the leading Social Democrats”, which would obviate the role of parliament and political parties, because “regardless of who is in the government, power and control over society will rest in the ruling Social Democrats in the LO and the party.”³⁹⁸

In the SAC circles, the bureaucratic approach of the Wage-Earner Funds was contrasted with the bottom-up plan for workers’ takeover of the Lucas Aerospace in Britain, as the latter was seen as an inspiring model.³⁹⁹ The Älvsbyn study group argued that the path to socialism would be through “strikes, occupations, producer cooperatives, alternative production” at the local level - the interstitial path in Wright’s (2010) terms – and concluded that “our alternative to the Wage-Earner Funds is the workers’ direct overtaking and control of the means of production.”⁴⁰⁰ It was a path entirely distinct from even the most radical of the Meidner-Hedborg Plan’s vision.

Conclusion

The Meidner-Hedborg Plan, despite its auspicious beginning, lost its political momentum very quickly after the LO Congress of June 1976. The plan was channeled into the long and slow process of negotiations and compromise among the insiders, while the rank-and-file mostly waited its development. In the absence of a mass mobilization from below, the party leadership

³⁹⁶ Sveriges arbetares centralorganisation, ”Protokoll fört vid sammanträde med den CK tillsatta kommittén om löntagarfonder 1978-07-07.” *Sveriges arbetares centralorganisations arkiv*, 1845/F/7/4. Arbetarrörelsens Arkiv och Bibliotek

³⁹⁷ Sveriges arbetares centralorganisation, *Protokoll vid Sveriges Arbetares Centralorganisations tjugoförsta kongress*. 1979. pp. 329

³⁹⁸ Untitled statement by study circle participants in Älvsbyn local of SAC, *Sveriges arbetares centralorganisations arkiv*, 1845/F/7/4. Arbetarrörelsens Arkiv och Bibliotek

³⁹⁹ Sveriges arbetares centralorganisation, ”Protokoll fört vid sammanträde med den CK tillsatta kommittén om löntagarfonder 1978-07-07.” *Sveriges arbetares centralorganisations arkiv*, 1845/F/7/4. Arbetarrörelsens Arkiv och Bibliotek

⁴⁰⁰ Untitled statement by study circle participants in Älvsbyn local of SAC, *Sveriges arbetares centralorganisations arkiv*, 1845/F/7/4. Arbetarrörelsens Arkiv och Bibliotek

who sought to eliminate its socialist quality gained an upper hand; and the grassroots supporters of the plan contested the rightward shift after it was made, but the reactive protest was far from sufficient or timely to do more than slow down the pace of the shift from the Meidner-Hedborg Plan to the Feldt Plan. The high level of centralization of labor movement institutions in Sweden, often extolled as its virtue, doomed the transformative plan. Its scope of transformation could have only been achieved through a mass uprising, and not through reliance on the conventional policymaking process in corporatist Sweden. Nevertheless, institutional centralization was not the entirety of the story of failure of mobilization. Another important aspect was the difficulty with articulation of an alternative society that the Meidner-Hedborg Plan could bring. Let us now turn to the ideological and discursive aspect of the struggle over socialization of means of production in Sweden.

Chapter 5: Ideological Articulation of the Meidner-Hedborg Plan

Introduction

In 1981, as debates on the Wage-Earner Funds dragged on, *Metall* board member and soon-to-be-president Leif Blomberg criticized the plan for missing *raka rör till planboken* - direct links to the wallet – of each individual worker.⁴⁰¹ Blomberg's demand was individual shares of the Funds, so that each worker can tangibly benefit from the Wage-Earner Funds as they see the money being deposited in their bank account. It was a stinging criticism of the plan that his own union had been the leading champion for a decade, and *raka rör* became one of the major themes in the debate on the Wage-Earner Funds at its later stage.

Blomberg posed a pertinent question on what the Wage-Earner Funds could mean for workers. His solution went squarely against core principles of the Wage-Earner Funds, in both the Meidner-Hedborg and Feldt variants. The emergence of the *raka rör* debate represented in particular a clear failure of articulation of the Meidner-Hedborg Plan in terms of a project of *collective emancipation*. In the absence of persuasive collective benefits, it was unsurprising that the benefits of the Funds would come to be articulated as an individual one. It was a denouement of the debate that degenerated since that day seven years earlier, when Meidner and Hedborg decided to embark on a socialist project by rejecting the idea of collective funds as a means for enrichment of individual workers.

The Meidner-Hedborg Plan was based on a basic Marxian understanding of the capitalist economy, in which ownership of means of production represented the decisive locus of power; and it entailed a concrete institutional mechanism to transfer ownership. However, peculiarly enough, the MHP failed to generate a sufficiently strong imagination for an entirely distinct society and way of life beyond capitalism. Certainly, the MHP offered a technical innovation as a way to realize socialism, but its advocacy failed to live up to the plan's radical potential for an emancipation of society. How would majority ownership of the shares by the Funds would lead to a society free from domination and alienation? How would it change people's lives concretely? Even if such a possibility was present, it was by no means an obvious or necessary conclusion.

Discourse on the MHP was a peculiar one in the history of socialism. After all, one thing that socialism has never lacked for is a utopian inspiration. While Karl Marx criticized and eschewed extremely detailed stipulations of functioning of a socialist society made by earlier socialists as "utopian socialism", the vision of human emancipation from relations of exploitation and domination animated millions of socialists across the world to dedicate their lives to the cause. Common ownership of means of production was a general principle, and it was up to the succeeding generations of socialists to articulate how it could expand the "realm of freedom" at the expense of the "realm of necessity." But the MHP proceeded as if it were yet another Social Democratic policy agenda, instead of a qualitatively distinct plan that transcends Social Democracy as they knew it. The debate suffused with an "enervating social democratic tone" (Riley 2012: 380), with limited horizon of imagination.

The Meidner-Hedborg Plan was generally articulated in terms of "economic democracy", a concept in social democratic politics that can be traced back to the early 20th century and saw revival in the 1970s. The Swedish Social Democrats began to discuss "economic democracy" actively when they faced the New Left challenge, and the availability of such a discourse in the

⁴⁰¹ Anne-Marie Forsell. "Nu är det 'raka rör': SAP och LO överens om löntagarfonderna." *Stockholms Tidningen*, October 1, 1981.

Social Democratic spheres helped the MHP gain a rapid acceptance at the beginning. But “economic democracy” was a politically ambiguous concept and a floating signifier, whose meaning is always contested and can be articulated for distinct political projects. It could be conceptualized as *socialist democracy*, in which decisions over production are to be made by producers themselves. But economic democracy could also be seen as an equal sharing of power between the working-class and the bourgeoisie, as *corporatist democracy*. The Meidner-Hedborg Plan corresponded with the former, but due to the ambiguity and fluidity of the concept of economic democracy, the discourse of the Wage-Earner Funds was easily captured by its corporatist competitors in the party leadership. (Ekdahl 2005: 299)

The Meidner-Hedborg Plan meant a departure from traditional social democracy, which built the welfare state through redistribution within a capitalist economy. But the debate was structured in a traditional social democratic manner, failing to produce a “concrete phantasy” that could capture the working-class imagination. (Gramsci 1971) Even though the Funds were frequently discussed in the media, in the absence of a galvanizing appeal, they increasingly shifted towards arcane and technical aspects of the various Funds proposals, which further dampened excitement and gave the impression that workers themselves would hardly benefit from the Wage-Earner Funds. Considering that the plan also faced a profound obstacle rooted in the institutional features of Swedish Social Democracy, it is unclear if better articulation could have made a decisive difference in its overall trajectory. However, if a project like the MHP were to succeed, it would have been necessary as a motivation, to spark a mass mobilization. Otherwise, there would be no reason to move beyond traditional social democracy with its welfare state.

History of Economic Democracy Discourse

Use of the term “economic democracy” in Social Democratic circles can be traced back as early as the 1920s. As the long-standing struggle for universal suffrage achieved success in 1919, they began to articulate that such political democracy was insufficient for full democratization of society. “Economic democracy” was developed as a concept complementary to political democracy. Ernst Wigforss, a prominent figure in the party’s history and Finance Minister in the 1930s, argued that “a real political democracy is impossible without economic democracy.” (Friberg 2013: 108) But “economic democracy” was a broad, ambiguous and contested concept, and its meaning clearly changed over time, as intellectual historian Anna Friberg has demonstrated. In the early 1920s, economic democracy meant “socialization”, namely socialized ownership of means of production and often state takeover in particular; socialization was considered a means to achieve economic democracy. (Friberg 2013: 135) However, as radicalism became increasingly marginalized in Social Democracy over the course of the 1920s, it came to mean “societal influence over production” more broadly, without specific meaning of socialization of means of production. “Influence” of the working-class could in fact also mean equality of influence between labor and capital, and this was the sense in which Prime Minister Per Albin Hansson occasionally invoked “economic democracy” in the late 1920s and early 1930s.

Development of the concept in Sweden mirrored that in Germany during the same period. In the Weimar period, the strongest promoter of economic democracy (*Wirtschaftsdemokratie*) was Theodor Leipart, the leader of the largest union confederation ADGB (*Allgemeiner Deutscher Gewerkschaftsbund*) who represented the right wing of the SPD. Leipart saw it as labor-capital cooperation on an equal footing in economic affairs, both nationally and at the firm-

level, and explicitly as an alternative to revolutionary socialism that the SPD-led government had crushed. (Plener 1997: 72) It was adopted as the main goal of the ADGB by their congress in 1925. For Leipart and ADGB leaders, economic democracy meant order, legality, and aversion to strikes that would undermine productivity; the equivalent of parliamentarism for political democracy. (Plener 1997: 70-72)

Some German Social Democrats, such as Fritz Naphtali (1928), sought to develop the concept in a left-reformist direction as an expression of socialism, but it remained an ambiguous concept at best. (Schuster 1998) Naphtali saw economic democracy as a way to overcome the “traditional conflict between revolutionary theory and reformist praxis in the Social Democratic labor movement in Germany.” (Naphtali 1966: 16) But the concrete policy proposals in the report were not so distinct from traditional social democracy; they included labor protection and social security, equal participation of labor in firms, state advisory and planning councils, and education systems among others, and broadly-stipulated “popular control on economic decision making.” (Naphtali 1966: 184-186, Prowe 1985: 460) Weimar-era discourses on “economic democracy” already demonstrate the fluid and amorphous character of the concept.

In Sweden, as the Social Democrats shifted further away from transformation of relations of production, even the ambiguity of “economic democracy” came to be too radical; the concept faded away from political discourse in the 1930s, as the welfare state began to be built. (Friberg 2013) But it came back into spotlight since the rise of the New Left in the late 1960s, symbolized by worldwide mobilizations of 1968. The spirit of 1968 was rooted in what social theorists Luc Boltanski and Eve Chiapello (2005) called the “artistic critique” of capitalism, as opposed to the “social critique” of the earlier period. The social critique assailed capitalism for unequal distribution of its products; the artistic critique sought to counter and abolish “the disenchantment, the inauthenticity, the ‘poverty of everyday life’, the dehumanization of the world under the sway of technicization and technocratization... [and] the loss of autonomy, the absence of creativity, and the different forms of oppression” at work. (Boltanski and Chiapello 2005: 170)

In the face of the rising artistic critique of capitalism in the late 1960s, the party leaders brought back the discourse of economic democracy to meet its challenge. Economic democracy was among the agendas that began to be promoted among the Social Democrats, aimed at rejuvenating their politics by channeling the radical critique of the era. “Economic democracy” was framed as the third and final step of the long-term historical development of democratization of the Swedish society; “the first political democracy, the second social democracy (*den sociala demokratin*), then economic democracy,” as Palme put it.⁴⁰² The struggle for political democracy, in the form of universal suffrage and responsible government, was won in the early 20th century primarily by the labor movement. The struggle for social democracy, in the sense of an extensive welfare state in which workers could attain social citizenship, was accomplished during the SAP’s decades in government since the 1930s. The party’s 1972 Congress saw a considerable discussion on economic democracy, and the following Congress in 1975 adopted a new party program putting economic democracy in a prominent place. “The demand for economic democracy is as self-evident as the demand for political economy,” and therefore “the decision-making rights over production must be placed in the hands of the entire people,” proclaimed the program. (Misgeld ed. 2001: 74-75)

Nevertheless, what the SAP leadership meant by economic democracy then was not that of worker ownership of means of production, but more similar to Hansson’s in the late 1920s, as

⁴⁰² Sveriges socialdemokratiska arbetareparti, *Kongressprotokoll 1978*. pp. 280

an extension of class compromise in which workers gain a more equal decision-making power with capitalists. It was an expansion of the corporatist logic of a shared governance between workers and capitalists, rather than the former supplanting the latter. In concrete policy terms, they focused on industrial democracy and co-determination at the firm level, the latter of which Palme called the “reform of the century.” (Östberg 2009) Co-determination legislation was to give extensive information and consultation rights to unions on most management decisions; while undoubtedly a significant reform, it does not give a veto power for them. (Pontusson 1992) For the Party leadership, codetermination was the primary way in which they sought to absorb the militancy and radicalism demonstrated by the grassroots. (Hedin 2015: 73)

There were some political efforts to target ownership of means of production, but such attempts by radical unionists failed to make headway. At the 1971 LO Congress, the Miners’ Local in Malmberget in northern Sweden, a local with one of the strongest Left influence and the main site of the 1969 wildcat strike, proposed that LO should develop a program for “a coordinated action... to give the popularly-elected organs an unrestricted right to plan and make decisions over and plan the industrial life and economic conditions of the country.” (LO 1971: 821) They argued that collective bargaining was constrained by the structures of the mixed economy itself, where employers dictatorially make decisions over the industrial planning. Similarly, the radical Typographers’ Union called for “transfer of financial, industrial and commercial firms to societal ownership” in order to capture the “real tools of power” for the workers. (LO 1971: 821, 823) The LO leadership unequivocally rejected those resolutions calling for “sudden and complete” transformation of the economy, with the conference following them. (LO 1971: 853, 881) Similarly, various discussions in the more radical parts of the SAP (mostly in the SSU) of socializing the 200 largest firms, etc. hardly gained much traction.

In such a political environment, the Meidner-Hedborg Plan was originally developed not even as a plan for economic democracy, let alone with a conscious political effort to transform class relations. But unlike these grassroots radical motions, the MHP was quickly folded into the rhetoric of economic democracy. While this framework enabled promotion of the MHP within the terms of conventional social democratic discourse, it could as easily be repurposed for more system-reinforcing versions of the Wage-Earner Funds that would come to predominate in the following years. Ambiguity of the economic democracy discourse helped the Meidner-Hedborg Plan’s rise, yet was also one of the factors that weakened the MHP as its own, distinct program. The floating signifier of “economic democracy” was a double-edged sword. Let us see how radicals and moderates in Swedish Social Democracy articulated economic democracy in distinct ways, fitting with their model of the Wage-Earner Funds.

a. Articulation of the Meidner-Hedborg Plan

The MHP as a qualitative transformation

Meidner and Hedborg sought that the Wage-Earner Funds would transform society. The plan did not hide its systemic ambition, plainly proclaiming that “a system with the WEF means encroachment upon the existing order, which is experienced by many as unjust.” (Meidner 1978: 114) The Wage-Earner Funds, as “democratically administered institutions devoid of private profit and power aspiration,” would democratize the “investment decisions which affect what is to be produced and where,” they envisioned. (Meidner 1978: 111, 77) Worker ownership, Meidner and Hedborg argued, was “but an instrument for democratization of the working life and our economic life.” (Meidner 1978: 120) As the plan was released, Meidner expressed its transformative ambition as following:

*We want to deprive the old capital owners of their power, which they exercise due to the power of their ownership. All experiences show that influence and control are not enough. Ownership plays a decisive role. I will refer to Marx and Wigforss; we cannot fundamentally change society without also changing ownership. Functional socialism is not enough to realize a comprehensive transformation of society.*⁴⁰³

Such an ambition was shared by various other thinkers at that time. Sven Ove Hansson, a young Social Democratic intellectual, was similarly driven by a grand vision;

The demand for transformation of ownership relations in society has served as the grand hope for the future for all previous generations of socialists. We now begin to approach the situation where such decisive transformations are within sight. (1976: 306)

The MHP's theoretical underpinning was to identify ownership of capital as the decisive factor, as power over production is what "gives the ownership of shares a unique status as a strategic form of ownership." (Meidner 1978: 110) Centrality of ownership as the decisive linchpin of power indeed represents a major shift away from the basic premises of functional socialism, dominant in postwar Social Democracy, according to which formal ownership had been rendered insignificant by successful social democratic regulations.

A lot of the rhetoric around the Meidner-Hedborg Plan, especially in the immediate aftermath of its release on August 27, 1975, was certainly more radical than anything seen in Swedish Social Democracy in many decades. The LO's official newspaper proclaimed in their headlines, "then we will deprive capital-owners of POWER!" One opinion piece, written by Social Democratic economist Bo Södersten in September 1975, was titled "the capitalist has played out their role; THE CAPITALIST CAN GO!"⁴⁰⁴; he argued that capitalists played a historic role in facilitating capital accumulation but are no longer contributing towards it. Södersten declared that "the party and the union need to be united by the Meidner's line,"⁴⁰⁵ because "development of the upcoming years would be determined by whether the Swedish working-class has sufficient confidence to break with capitalism's core basis"⁴⁰⁶ and indeed "the time is now ripe for a forward jump towards real worker power."⁴⁰⁷ Significantly contributing to the radical atmosphere of the discourse were also the opponents; the headline proclaiming "Revolution in Sweden" adorned the top page of *Dagens Nyheter* on August 27th.

Meidner and Hedborg's proposal was rooted in the basic analysis that capital still held the decisive power, because "those who control the capital holds the right to initiate and the chance to embark positively on implementing decisions," while "those who negotiate can only say 'no'" in the last resort. (Meidner 1978: 78) Furthermore, all other possible reforms for economic democracy, such as codetermination, would always be threatened if private ownership remained, as the owners will always seek to limit the scope of economic democracy. (Meidner 1978: 79) Hedborg elaborated an argument on why "a real political democracy is impossible without economic democracy"; it came down to private capital's control over production that the entire

⁴⁰³ Elon Johansson, "Rudolf Meidner: Avtal om löntagarfonder triumf - inte klassförräderi!" *LO-tidningen* nr. 19, 1975. pp. 12-13, 17.

⁴⁰⁴ Bo Södersten. "Vägen till arbetarstyre". *Kommunalarbetaren* 15/1975, pp. 16-18.

⁴⁰⁵ Bo Södersten. "Kapitalisten har gjort sin plikt. KAPITALISTEN KAN GÅ!" *Arbetet* Sept. 17, 1975.

⁴⁰⁶ Ibid.

⁴⁰⁷ Bo Södersten. "Vägen till arbetarstyre". *Kommunalarbetaren* 15/1975, pp. 16-18.

society depends upon. (Hedborg 1978a: 158) “They have the power not to produce, invest and employ, up to investment and production strike,” Hedborg (1978a: 158) noted succinctly, demonstrating that the “functions” of private capital not yet divorced from the owners. In addition, she argued that control of the mass media and culture by private capitalists endowed them with further disproportionate political influence.

But such Marxian claims were combined with an attempt to situate it in the Swedish Social Democratic political culture. At the time of the Plan’s release, Meidner claimed that the Funds would only lead to a drastic change in the long term, whose gradualist character situates it squarely in the reformist tradition of the Swedish Social Democracy.⁴⁰⁸ Similarly, Hedborg also sought to situate their program in the broader political tradition of Swedish Social Democracy that goes beyond postwar functional socialism. She drew from the thought of Wigforss, who personally encouraged her and Meidner to proceed with the radical plan. In addition to staking a claim to Social Democratic history, invocation of Wigforss’ legacy also served to emphasize a vision of socialism rooted in control by direct producers rather than the government. In a wage-earner dominated economy, workers themselves through their firms control investment and production decisions, in contrast to state socialism where they are controlled by the state. (Hedborg 1976a) Hedborg (1978a: 160-162) articulated it as a form of council socialism, against state socialism; it was to be a bottom-up form of socialism, with an emphasis on democratization of work environment and organization, which would “give us for the first time the chance to decide ourselves how we want to organize the economic life.” (Hedborg 1976b: 367)

As they sought to bridge the Social Democratic tradition and the transformative plan, proponents of the MHP also saw the need to present concrete significance of collective ownership for workers’ lives and society as a whole. Hedborg (1976b: 367) noted that it was imperative that “the image of a future society presented to the voters are clear,” while Sven Ove Hansson (1976: 306) emphasized that they must “discuss the content of socialism, not just its form,” because socialism must be a “means for concrete social goals that improve conditions of everyday lives.” Hansson (1976: 306-307) recognized that it was necessary to build an “explosive political force” in order to win such a far-reaching reform, and the demand for a socialist form of ownership alone would be insufficient for that purpose. He argued that the plan meant “a great transformation of the working peoples’ conditions,” since they would gain “the right to an interesting and worthwhile work” that enables full development of their human capacities. (Hansson 1976: 302)

One important strand of discussions on the Wage-Earner Funds’ design concerned how to balance direct control of firms by local workers with coordination across the economy. The Plan emphasized the importance of direct worker control over production and investment, while warning against “firm egoism” (*företagsegoism*) that could emerge from unlimited local control; that each worker-run firm could end up pursuing narrow interests of that particular firm rather than collective interests of the entire working-class. The proposed solution was “organized collaboration” between workers in different firms, sectors and regions, though the details are left ambiguous. (Meidner 1975: 109) Various social democratic writers and theorists have further discussed this question. Södersten (1976: 200) posited that issues directly concerning labor process should be decided exclusively by workers in each firm, while broader interventions at the macro scale should be limited to allocation of investment and longer-term economic planning, which does not necessarily require greater state control than in the present. Hansson

⁴⁰⁸ Elon Johansson.”Rudolf Meidner: Avtal om löntagarfonder triumf - inte klassförräderi!” *LO-tidningen* nr. 19, 1975. pp. 12-13, 17.

(1977: 424) similarly expressed that “local worker control should be given as large a scope as possible without risking other important political goals,” but worker-owned firms shall depend on a broader societal institution for capital provision, with the criteria for capital allocation as social usefulness rather than narrow profit motives.

The New Task

Hedborg made the furthest attempt to sketch visions for a new society based on the Wage-Earner Funds in a 1980 book she co-wrote with Per-Olof Edin, titled *Det nya uppdraget* (*DNU* - “the new task”). This little book was widely read and referenced in the debates, and even called by one observer as the “semi-official Bible for the labor movement” on the Funds. (Englund 1982: 7) They argued that improvement of material standards of living for the working-class, which had long been the social democracy’s mission, has become an “old task” of the movement. Absolute poverty that had once afflicted the working-class has been eliminated by economic development and the Social Democratic welfare state, so the old task had already been “solved” for the most part. (Hedborg and Edin 1980: 57) While the needs and demands of the working-class changed, they noted, “the organization of society continues to act most fundamentally in the same way as it was in the society of poverty,” geared towards alleviating material deprivation of workers and the unemployed but unable to facilitate fulfillment and meaning in their working lives. (Hedborg and Edin 1980: 21-22)

In contrast to the old task, they identified self-realization, actualization and dignity of workers as the “new task” of the labour movement. Even if free from material deprivation, workers were deprived of solidaristic community and meaningful work. (Hedborg and Edin 1980: 23) Therefore, the movement must fight to “realize organization of work which can give an outlet for much larger parts of people’s capacity and talent”, and to create “an economy which cultivate labor’s intrinsic value.” (Hedborg and Edin 1980: 55) For the old task, increased productive capacities were necessary, and capitalist firms’ single-minded pursuit of profits resulted in economic development through increased efficiency, which could then be captured for the welfare state. (1980: 16) But the new task concerns qualitative improvement of production processes rather than quantitative expansion of production, and necessarily involves the question of power at workplace more directly, because “they can claim the worth of labor, only through themselves controlling the relations that determine their lives as working people.” (70)

Hedborg and Edin (1980: 99) argued that the Wage-Earner Funds can make a decisive contribution to fulfillment of the new task, because in an economy run by the Funds, the profits become a mere constraint for firms and production in general, rather than being their main goal. Worker ownership of firms would not eliminate market pressures that these firms face, and some profits remain necessary to ensure sufficient investment and trade competitiveness; but maximization of profits can become *a mere restriction rather than a goal*. (Hedborg and Edin 1980: 81) In an economic democracy, where workers’ firms are not compelled to maximize profits, workers can “have a significant control over their immediate working conditions” because “the firms’ entire decision-making structure can be directed to support the enduring work to change labor’s content and form, little by little.” (Hedborg and Edin 1980: 114)

At the macro level, solidaristic coordination between the worker-owned firms can enable further planning of production for socially useful purposes. The responsibility for social welfare, distribution and direction of resources remains the society’s task, but control of large firms by workers rather than private capitalists could also facilitate better coordination for industrial, labor

market, environmental and consumer policy, because “the society would no longer be an opponent in the industrial life but its collaborator.” (Hedborg and Edin 1980: 115) But unlike in an Eastern bloc state-planned economy, the coordination would not be made from above and would not dictate internal operations of each firm, which remains in the realm of firm-level democracy. While other types of firms such as smaller firms outside the Funds and consumer cooperatives continue to exist, working conditions there – as well as in the public sector – will be “subject to irresistible influence from the [worker-owned] large firms”, which would be able to spread their standard and practices across the economy. (Hedborg and Edin 1980: 115-116) Thus, they envisioned that the new relation of production would usher in a “good society [that] will enable us to take us further as people”, rooted in “the organization of labor that is worthy of human dignity.” (Hedborg and Edin 1980: 138) Over the span of many decades, they anticipated it to become “the revolution [that] is more fundamental and throughgoing than what a more violent revolution can be.” (Hedborg and Edin 1980: 143)

Their vision of transformation of subjectivity, through active participation in decision-making, was encapsulated in the following passage;

“[societal transformation through the Wage-Earner Funds] is premised on the basis that human beings are versatile and through education can cultivate more and more sides of their talent and capacity. That she is influenced and developed by what she does. That we are formed by what we do, and how we do it - this is quite a fundamental insight in the socialist thought. Their message has always been that the way we produce determines if the human being is a growing creature...in liberation... or an alienated creature, a thing that other forces toss around with and therefore lives far from the good life, from her innate capacities and from well-being.” (Hedborg and Edin 1980: 140)

But the project remained vague it comes to the question of concrete changes in the lives of workers. In the MHP itself, they noted that the Funds could assume control only over the long-term; and they deemed it impossible “at this stage to formulate in a concrete form the more far-reaching tasks which will fall to the funds,” because they recognized that “it would be presumptuous for us to believe that we now have the conditions to anticipate how wage-earners will choose to organize their influence” at the time when they gain the majority of shares. (LO 1975: 93, 107) It was considered contradictory to the idea of democratization that originators of the Plan would dictate it many years in advance of their assumption of majority control. (LO 1975: 110) Similarly, Hedborg and Edin posited that further concrete details of a democratized economy under the WEF could not be sketched at that point. “What is it that will come to be so different when workers gain a decisive influence over the large firms? What new technological, organizational and environmental practices will be introduced?”, they asked themselves; and they answered “that we don’t know. If we knew the final answers on these questions, perhaps we don’t need the Wage-Earner Funds, since then it would suffice for us to directly introduce those changes.” (Hedborg and Edin 1980: 117) While sensible in some ways, it was not the clearest of *raka rör* for workers.

Failure of an Emancipatory Vision

The Meidner-Hedborg Plan fell short of its expectations in terms of sparking imagination of workers for a new world, which compounded the institutional reasons for the weakness of mobilizations from below. The advocates of the MHP needed to develop a comprehensive vision of an alternative society that could emerge out of collective share ownership – in Gramsci’s

(1971: 40, 133) words, to develop it as a way of “elaborating and propagating a new conception of the world” and become its “organizer and active, operative expression.” But the Wage-Earner Funds failed to become “a mobilizing tool for the labor movement, even though it is a good start for democratization of the economy,” in the words of one rank-and-file militant.⁴⁰⁹ Instead, as Pontusson (1992: 232) pointed out, “LO never clearly articulated, in the public debate, how wage-earner funds would behave differently from private investors or owners.” Pro-Fund arguments “tended to treat democratization as an end in itself and failed to specify how allocative investment decisions made under more democratic arrangements would differ from autonomous decisions by business.” (Pontusson 1992: 27) *Det nya uppdraget* went furthest to develop a more elaborated argument for that, but it was not published until 1980, after the politics of the Wage-Earner Funds had already shifted far away from the MHP.

From the beginning, the key figures were well-aware of the need to inspire people. Indeed, choice of the radical path was itself partly motivated by the concern for attracting mass support for the Wage-Earner Funds, as I have demonstrated in Chapter 2. Hedborg noted that in 1976, the question of the Funds was “not connected to the everyday lives of the members, which opened a way for the vulgar propaganda”⁴¹⁰ of the opponents; she later elaborated that “socialism... cannot be realized because it is desirable. Only if it is necessary, but not in some deterministic way. To develop democracy in the economic life can become a possibility if it is a way to solve people’s important problem.”⁴¹¹ The LO headquarters were also aware of the problem of engagement and inspiration. During the last election, they noted, “many activists found it hard to take part in the debates”, because “the questions were not connected to the everyday lives of the members, which opened a way for the vulgar propaganda” of the right.⁴¹² Even on the party side, party official Bosse Elmgren remarked upon the first release of the MHP, that they must have an answer to “why we so seriously discuss breaking the power of private capital owners”, with concrete examples of exercise of working-class power beyond “abstract philosophy of power.”⁴¹³

But the potential for such an articulation was limited, because the Meidner-Hedborg Plan was constrained by the institution, culture, tradition and discourse of Swedish Social Democracy, which had a meager political imagination beyond capitalism after decades of administering a capitalist state. While Meidner and Hedborg sought to reconstruct and draw from the most radical strands of Social Democratic thought, their efforts to invent radicalism within Social Democracy were constrained by several factors. Firstly, both the concepts of the Wage-Earner Funds and economic democracy contained foundational ambiguities. Secondly, a political focus on prioritizing consensus-building within Social Democracy, most notably between the LO and the SAP, took energy and focus away from developing the radical interpretation further. Thirdly, hostile relations between Social Democracy and more autonomous social movements made it

⁴⁰⁹ Stig Tegle, “Socialism eller blandekonomi?” *Socialistiskt Forum*, 39 (2), 1978. pp. 10

⁴¹⁰ Sune Ahlén and Härje Larsson, “Studie- och informationskampanj om ekonomisk demokrati hösten och våren 1978.” LO Cirkulär nr 20/1977, March 16, 1977. *Arbetarnas bildningsförbunds arkiv*, 2831/Inv/185. Arbetarrörelsens Arkiv och Bibliotek.

⁴¹¹ Anna Hedborg, Letter to Roland Svensson. August 27, 1979. *Rudolf Meidners arkiv*, 401/16. Arbetarrörelsens Arkiv och Bibliotek.

⁴¹² Sune Ahlén and Härje Larsson, “Studie- och informationskampanj om ekonomisk demokrati hösten och våren 1978.” LO Cirkulär nr 20/1977, March 16, 1977. *Arbetarnas bildningsförbunds arkiv*, 2831/Inv/185. Arbetarrörelsens Arkiv och Bibliotek.

⁴¹³ Bosse Elmgren, “Argumentationen om löntagarfonderna – några synpunkter.” *Landsorganisationens arkiv*, Anna Hedborgs handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

difficult to integrate artistic critique of capitalism into the plan's conception of socialist democracy. Finally, certain institutional features of the MHP made such an articulation further difficult.

While the "Wage-Earner Funds" in 1975-76 meant the Meidner-Hedborg Plan, the term itself may refer to any plan with some union ownership of capital, and not necessarily mean a plan with eventual majority worker ownership; similarly, "economic democracy" can mean decisive control of the commanding heights of the economy by organized workers, or no more than some participation in management of capital still controlled by the capitalist class. Even among the overwhelmingly pro-MHP base of the LO, what its "economic democracy" meant was malleable. An analysis of LO member survey comments in 1975 shows that among the three-quarters of commenters who focused on economic democracy as the reason to support the MHP, 44.3% framed it in terms of influence, while only 30.1% saw it as a matter of power and ownership. (Viktorov 2006: 121, 126).

The ambiguity was also apparent in the LO's educational efforts, such as the 1977 campaign *Who Determines Our Future?*,⁴¹⁴ a major nationwide campaign to promote economic democracy among its members. They noted that they should "start from the injustices and insecurities that people experience in everyday lives,"⁴¹⁵ and engaged with issues such as dictatorial control of the manager at workplace, factory closures and disappearance of jobs. To some extent, more radical interpretations of economic democracy were expressed, when the pamphlet illustrated views of several rank-and-file workers on what economic democracy meant to them. Majvi Andersson, a cleaner working at ASAB⁴¹⁶ in Stockholm, was quoted as follows;

*Democracy means rule by people. So economic democracy must mean people's power over the economy. That requires a socialist society, in which democratically-controlled organizations have the power and can run the firms.*⁴¹⁷

But this was by no means a consistent message. When an argument for the MHP was subsumed under the discourse of "economic democracy", its specificity – namely, eventual attainment of majority worker ownership - was lost, as it could also mean "increased influence" in the firms without decisive power. The educational material did not clearly tie these issues with the Meidner-Hedborg Plan as a solution, or even with majority worker ownership as such; among the voices of workers on economic democracy features in the pamphlet, only one refers to the Wage-Earner Funds at all. It is likely that they were waiting for a "united" Social Democratic position, which the LO-SAP working group was in the process of seeking to develop. After all, the LO leadership generally considered the MHP as a mere starting point, in a dialogue with the party to agree on a common position. For example, Rune Molin, one of LO's key figures on the Funds, posited that "we in the movement are not clear with the concrete shape of the Wage-Earner Funds", rather than affirming the MHP as its concrete shape. (Molin 1976: 371)

⁴¹⁴ LO, "Vem bestämmer vår framtid?". 1977. *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/Ö/1/A/243. Arbetarrörelsens Arkiv och Bibliotek.

⁴¹⁵ Sune Ahlén and Härje Larsson, "Studie- och informationskampanj om ekonomisk demokrati hösten och våren 1978." LO Circular nr 20/1977, March 16, 1977. *Arbetarnas bildningsförbunds arkiv*, 2831/Inv/185.

⁴¹⁶ Sanitation workers at ASAB went on strike in 1974-75, which became one of the major strikes in the 1970s Sweden. See Eva Schmitz (2011), "'Kan de strejka I Norge kan väl vi också.' ASAB-städerskornas strejker under 1974 och 1975." *Arbetarhistoria* 2011:2-3, pp. 18-26.

⁴¹⁷ LO, "Vem bestämmer vår framtid?". 1977. *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/Ö/1/A/243. Arbetarrörelsens Arkiv och Bibliotek.

Significant political and intellectual efforts were expended on reconciling economic democracy and capital formation goals, diverting it away from an advocacy of the specifically radical position.

Furthermore, they often framed the case for economic democracy around the concept of “security” (*trygghet*), which underlined the fundamental continuity with Social Democracy as they knew it. *Trygghet* was one of the bedrock concepts of the People’s Home – the Social Democratic welfare state - in the mid-20th century. (Andersson 2006) In using the language for the existing system, they were hardly articulating the need to revolutionize it. If security was the main goal rather than liberation, why would it be necessary to take over the means of production? LO’s campaign was in line with President Gunnar Nilsson’s emphasis that the Wage-Earner Funds did not imply a totally new line for the labor movement, but rather a “return to an old, original line.”⁴¹⁸ And it was rather in line with this rhetoric, that Feldt later began to shift to his plan in the name of job creation as “security”.

Fundamental transformation of capitalist social relations as a political project requires qualitative, “artistic” critique of capitalism as a system of domination. Swedish Social Democracy’s political and intellectual legacy was, for the most part, not oriented towards such a critique. Such an imagination was most vibrant in the New Left, as they attacked the system of the Fordist class compromise, of alienating labor processes in exchange for relatively high wages for a (privileged, male) segment of workers. New Left theorist Andre Gorz saw their critique as a consequence of the success of the redistributive program, which opened a space for the “new needs” that cannot be satisfied within capitalism and hence may “assume an explosive character”. (1967: ix)

The new needs of autonomy and control over labor process are revolutionary because their satisfaction requires a radical transformation. Even though these new “revolutionary needs” are usually suppressed under the conditions of capitalist ideological and cultural dominance, they can be revealed and articulated by transformative political forces and moments offering visions of an alternative. (Gorz 1967: 75) Similarly to their counterparts across Europe and the world, Sweden’s 1968 embraced the artistic critique of capitalism against the Fordist order. For example, writer Sara Lidman’s (1968) book *Gruva* (Mine) chronicled miners’ lives and vividly exposed the alienating, authoritarian work environment at the state-owned mines; a year later, they organized a wildcat strike with demands mainly concerned with questions of rationalization and work environment. The popular slogan of the strike was “We are not machines!”

These strikes offered a glimpse of a new type of politics based around self-activity of workers at the point of production. In the most developed form, workers sought to occupy and capture the factories themselves and begin socially-useful production on their terms, based on the principles of self-management; workers at the Lip watch factory in France or Lucas Aerospace in Britain organized in such a way. (Reid 2018, Wainwright and Elliott 1982) These New Left practices represented a rupture from the “old” mass institutional left, which themselves played a major part in the Fordist bargain. A pattern of mutual distrust existed between the milieu most concerned with the artistic critique of capitalism and that of the existing mass left parties and unions. In France, the striking students and workers of May 1968 found a great obstacle in the French Communist Party, while the Italian “Hot Autumn” of mass labor militancy similarly developed outside the established parties and unions. In West Germany, the New Left expressed itself as an “extra-parliamentary opposition”, emphasizing the parliamentarist character of the Social Democrats.

⁴¹⁸ “LO-chefen stöder Meidners fondmodell: Vinstandelar är bara allmosor”. *LO-tidningen*. nr. 2, 1976. pp. 4

The rupture between the old and new left was at least no less severe in Sweden. Unlike in the 1930s, when organic intellectuals of the working-class emerged in firm association with Social Democracy, the Social Democrats failed to win over a new generation of movement intellectuals that emerged from the New Left. (Östberg 2012: 134) In Sweden, the tension was exacerbated by the fact that the Social Democratic Party had been a ruling party for decades, rather than merely being part of the loyal opposition in parliament. Many decades of the party's prevailing ideology for welfare capitalism and an extensive patronage network of the Social Democratic state weakened the left within the party, and resulted in the rupture between Social Democracy and young New Left intellectuals. In an influential New Left manifesto published in 1966, Göran Therborn and Gunnar Olofsson (1966: 4) wrote "nowhere else is the failure of social democracy more apparent" than in Sweden precisely because they were in power.

The party leadership was far from blind to the New Left upsurge; they sought to incorporate it as much as possible. Olof Palme, a new and young leader, was acutely aware of the opportunity and the danger that New Left radicalism represented for Social Democracy. In response to the building occupation at Stockholm University in 1968, Palme – then Minister of Education – famously visited the occupation himself and engaged in debates with the students. Palme's government did make some significant steps in response to the movement pressure, most notably in foreign policy, as they began to openly condemn the Vietnam War and support the anti-apartheid struggles in South Africa. The Palme government also took some innovative initiatives on feminist and environmentalist goals, such as introduction of paid parental leave in 1974 and organizing the pioneering UN conference on the environment in 1972.

Even while absorbing some of the New Left causes, Social Democratic leaders were suspicious of independent movement groups as unrepresentative, marginal or elitist, and the radical left was seen as the enemy. (Östberg 2012: 142, 144) Wildcat strikes were a threat to the system designed to control wage demands centrally; the Social Democratic leaders were hostile to Lidman and the miners' strike as damaging to working-class unity. (Östberg 2009) Relations between Social Democracy and independent New Left movements were equally tense. While the party had a strong women's association (SSKF) internally, grassroots feminist movements, most notably Grupp 8, saw the Social Democrats as hopelessly authoritarian, dull and male-dominated. When it comes to the environmental movement, the key struggle of the era was the "Elm Conflict" (*Almstriden*), over proposed destruction of elm trees in a central Stockholm park; the main antagonist for the ecological militants was Hjalmar Mehr, then Social Democratic Mayor of Stockholm, who later – symbolically enough - happened to become chair of the state commission on the Wage-Earner Funds. (Östberg 2009)

Furthermore, while the rise of economic democracy discourse was part of these incorporation efforts, they rejected any interpretation of economic democracy as post-capitalist. This was not necessarily the position shared among the base of the party. Even during the decades of functional socialist dominance, socialist common sense had remained widespread among the rank-and-file. (Therborn and Olofsson 1966: 16) The kernel of the socialist conviction that persisted among the rank-and-file Social Democratic militants began to be expressed more openly in the 1970s. For the 1975 party congress, many party branches adopted motions expressing a distinctly radical interpretation of economic democracy. "Mixed economy should be replaced by socialist economy" to realize economic democracy, a motion from Skövde local

(*arbetarekommun*) declared⁴¹⁹; the Malmö local called for developing an “alternative economic system” based on worker-controlled firms, that is distinct from the “planned economy with state ownership that [has] been considered as the obvious socialist alternative”. Many other motions from local party branches also called for more discussions on industrial policy,⁴²⁰ while others called for socialization of banks,⁴²¹ socialization of certain key resource industries in societal ownership,⁴²² or granting of preemption rights for corporate shares to unions⁴²³. But these calls were marginalized and went nowhere.

Unless these grassroots radicals gained more substantive power in the party, the Meidner-Hedborg Plan was a plan with post-capitalist institutions without post-capitalist politics. Continuity with traditional Social Democracy made it easier to gain support from the LO leaders in the beginning, but it hindered an articulation for an anti-capitalist solution as such. The difficulty was further compounded by certain institutional features of the Funds.

The Funds’ Institutional Features

While the Meidner-Hedborg Plan was a creative and ingenious method of attaining worker ownership, several aspects of the Funds' design made it difficult to empower the workers more directly. Firstly, an exclusive focus on share ownership made the relations between workers and control over the firms an indirect one. The relations between workers and the Funds themselves are mediated by representation; at best, local workers could vote through their local unions for 20% of the shares that the Funds own, while the rest of the voting rights would be granted to national-level unions. Furthermore, the relations between voting rights as a shareholder and control over production are also mediated through management, especially in a less-than-majority position. The former enables but hardly guarantees a more emancipatory form of production. It is far from workers directly deciding together what and how they are going to produce in their everyday work life.

Gradualism compounded the problem. Even at best, it would take 20-30 years for the Funds to gain a controlling majority; in the meantime, the Funds are no more than minority shareholders. The lengthy time period between the time of implementation and attainment of majority control made it difficult to develop more concrete visions of transformation of workers' lives due to the Funds. Indeed, it also gave opponents of the MHP a good case against it. Palme argued that the MHP was unconvincing for the base, since they would not be motivated to care much about what they can gain 30 years later.⁴²⁴

⁴¹⁹ Gustaf Linden, “Motion: Samhällskontroll över näringslivet.” Skövde Socialdemokratiska Arbetarekommun, Jan. 20, 1975. *Landsorganisationens arkiv*, Anna Hedborgs handlingar, 2964/F/22/B/1. Arbetarrörelsens Arkiv och Bibliotek.

⁴²⁰ Malmö Socialdemokratiska Förening, “Kollektiv kapitalbildning och industriell demokrati.” Feb. 20, 1975. *Landsorganisationens arkiv*, Anna Hedborgs handlingar, 2964/F/22/B/1. Arbetarrörelsens Arkiv och Bibliotek.

⁴²¹ Kvillinge Arbetarekommun, “Motion ang. bankväsendet.” Feb. 19, 1975. *Landsorganisationens arkiv*, Anna Hedborgs handlingar, 2964/F/22/B/1. Arbetarrörelsens Arkiv och Bibliotek.

⁴²² Bollnäs Arbetarekommun, “Motion till Socialdemokratiska Arbetarepartiets 26:e ordinarie congress angående överföring av naturtillgångarna i samhällets ägo.” March 19, 1975. *Landsorganisationens arkiv*, Anna Hedborgs handlingar, 2964/F/22/B/1. Arbetarrörelsens Arkiv och Bibliotek.

⁴²³ ”Förköpsrätt till produktionsmedlen.” Haninges Arbetarekommun, Jan. 31, 1975. *Landsorganisationens arkiv*, Anna Hedborgs handlingar, 2964/F/22/B/1. Arbetarrörelsens Arkiv och Bibliotek.

⁴²⁴ Sveriges socialdemokratiska arbetareparti, ”Protokoll fort vid sammanträde med socialdemokratiska partistyrelsen torsdagen den 27-28 oktober 1978.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/2/A/25. Arbetarrörelsens Arkiv och Bibliotek.

But the plan saw the long period before assumption of majority ownership as a virtue, rather than just an unfortunate byproduct of the plan's origin (as a way to absorb excess profits), or strategic necessity to avoid a political and economic risk of immediate expropriation. The long period of transition would not simply be a waiting time, but was supposed to be a time that enables workers in the future to determine uses of the funds. Hedborg and Edin argued that the Funds are not the goal in itself but an "instrument to turn people's productive and creative capacities for new goals." (Hedborg and Edin 1980: 117) Its gradualist design ensured that "the path there is as important as the result" in the Funds' development, by introducing economic democracy through "a step-by-step policy, where no step is taken into the unknown but each step is taken only when the ground underneath appears firm." (Hedborg and Edin 1980: 117, 124) According to the plan, the longer, gradual timeline allows a time to educate and empower workers to eventually manage the Funds and administer the firms owned by them.

While they had a compelling case for how to use the transition period, in order to construct a project for an emancipatory society that can overcome ferocious opposition from forces of capital as well as dominant factions internally, envisioning of the "real utopia" (Wright 2010) cannot be postponed to the future. In a way, the need for such a long "transition period" was a reflection of the state of Social Democracy, which had been hardly engaged in such a process before then. Furthermore, the extent of the educational benefit of the waiting period also faced limitations. In the long period of transition, the Funds would only be a minority shareholder. While the dividends can indeed be used to support educational activities, the powers, mandates and activities of the Funds *in the meantime* are not the kind that strengthens workers' power or experience; they involve more of participation in bureaucracy of management, rather than self-management of workers.

The related issue was that of market socialism, which the Meidner-Hedborg Plan wholeheartedly embraced. The plan actively proclaimed that "the introduction of the Wage-Earner Funds would greatly strengthen the prospects for sustaining and developing the market economy in areas where it functions well." (LO 1975: 81-82) The MHP model was socialization of capital and investment, without an end to market dependence for social reproduction. Worker-owned firms will continue to be subject to market forces, without provisions for a greater macro-societal coordination beyond what had already been happening through industrial policy in social democratic capitalism. The plan offers some possibility of improvement of production processes, not such an improvement in itself. Furthermore, as a project that concerned share ownership but nothing more in a direct sense, the MHP did not directly deal with commodification of labor, the most significant source of threat to workers' livelihood under capitalism.

Market socialism met an internal critique from the left. Social Democratic intellectual Lars-Erik Karlsson (1976: 172) criticized that the MHP's "uncritical acceptance of the market as such" would undermine its emancipatory potentials. He argued that market mechanisms would continue to constrain the Fund-owned firms, in a "wage-earner run market economy, where every firm acts in an isolated way." (1976: 176) Therefore, the plan needed a theory and a mechanism to ensure "combination of local self-governance and democratic planning" – or in other words, "planned self-management" based on "humanistic Marxism". (Karlsson 1976: 176) Such a call went unheeded.

This problem cannot be reduced to simple accusation of reformism at Meidner and Hedborg. Proponents of the MHP repeatedly renounced any possibilities of centralized control, partly to deflect the specter of Soviet menace regularly invoked by the opponents, but also out of a sincere desire to prevent statist bureaucratization that hobbled the so-called "actually-existing

socialism”. Indeed, the issues that they faced may be ingrained in any democratic socialist project. In his *Economics of Feasible Socialism*, Alec Nove (1983) argued that certain trade-off between market and bureaucracy is inevitable in any socialist economy. Because of the sheer scale and complexity of the modern industrial economy, relations between direct producers can be either mediated through the market or determined through bureaucracy, since an elected assembly of “direct producers” or “society” cannot decide on every single such decision but only on general principles and priorities. (Nove 1983: 29) Therefore, “the smaller the role of producers’ autonomy and of markets, the greater must be the role of hierarchy and bureaucracy,” he posited. (Nove 1983: 50)

But there was no room in the Wage-Earner Funds debate to discuss the issues raised by Karlsson, which would have provoked a serious debate over the questions that Nove later raised. How can worker control of investment capital be turned into workers’ democracy as a whole? How can they implement more democratic, grassroots-based economic planning, incorporating collective macroeconomic control without falling into bureaucratization? What are the concrete steps to be taken towards an association of free individuals, “working with the means of production held in common, and expending their many different forms of labour-power in full self-awareness as one single social labour force”? (Marx 1976: 171) These questions were outside the central focus of the discourse. It is impossible to prove whether they could have sparked a mass mobilization. But on the other hand, “profit as a restriction, not a goal” is hardly a slogan that inspires masses for the most decisive class struggle of their life.

b. Social Democratic Leadership: Capital Formation as Economic Democracy

The Social Democratic leadership had no interest in promoting the plan that leads to majority worker ownership, but had to deal with the Meidner-Hedborg Plan that had come to win official LO support at its Congress. Their response could be best contextualized as their response to the New Left challenge to their hegemony, which they sought to both incorporate and counter. Since the early 1970s, they had promoted economic democracy as a way to incorporate and the New Left critique, but with an interpretation of economic democracy that placed it within capitalism. Following this pattern, their initial reaction to the MHP was simply to reject and ignore it. However, some in the leadership – most notably Kjell-Olof Feldt – saw an opportunity in the idea of the Wage-Earner Funds to formulate it for different purposes, namely as a tool to promote capital formation. Their conception of economic democracy was deployed to justify their new version of the Funds.

Economic Democracy and the Wage-Earner Funds

In light of their interpretation of economic democracy, it is unsurprising that SAP leaders reacted to the MHP with skepticism towards ownership as a channel for attaining economic democracy. They expressed on multiple occasions that interests of all classes must be balanced, rather than workers’ interest predominating above all. For example, Carl Lidbom, one of the party representatives on the working group, argued that “democracy’s demand that reasonable consideration be paid to different groups interests should include even today’s share owners”;⁴²⁵

⁴²⁵ Carl Lidbom. Utkast. January 7, 1978. *Landsorganisationens arkiv*, Anna Hedborgs handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

and at the crucial moment in debate, Palme himself claimed the “equal worth” (*likvärdighet*) of capital and labor, implying against an eventual majority ownership by the WEF.⁴²⁶

The party board’s official statement to the 1978 Congress encapsulates this perspective. They posit that economic democracy “must occur within the realm of the mixed economy (*blandekonomin*), where the mix is characterized by an increased influence of society but also continuation of substantial market dependence, as a consequence above all of our extensive foreign trade.”⁴²⁷ They further clarified that “the democratization of the firms’ internal life becomes primarily a question of sharing the influence between the owners and employees, between capital and labor”; and that the problem was the “one-sided (*ensidig*) domination by owners in large firms” that must be complemented by worker influence.⁴²⁸ In his speech to the SAP Congress, Palme further noted that “as little as the bourgeoisie can solve the problems through their capitalism, likewise little can they be solved through replacement of capitalism by some other singular solution (*enhetslösning*)”, namely “a detailed control of investment and production decisions [that] would demand a type of centralized planned economy.”⁴²⁹

Rejection of worker ownership further manifested in a discourse that had an appearance of radicalism – that power should come from labor, not ownership. The 1975 party program stated that “social democracy is opposed to an order that gives ownership the right to exercise power over people.” (Misgeld ed. 2001: 74) In their view, social democracy “distinguishes between ownership rights (*äganderätten*) and decision-making rights (*bestämmanderätten*)”⁴³⁰, unlike both the bourgeois camp and communists. Codetermination was the policy pursued on this basis. But this “right” of workers-as-workers, as opposed to workers-as-owners, still coexisted with their corporatist view; that the former should share power with owners-as-owners.

Some scholars have argued that the SAP leadership was acting merely “strategically” when they sought to “modify and moderate [the MHP] as much as possible” and to reach “solutions that were politically realistic and presentable”, as opposed to the LO’s “ideological” motivation in defending the MHP. (Åsard 1985: 46) So-called “pragmatic” considerations, such as concerns for the plan’s electoral implications and that of capital flight⁴³¹, were not absent; but their position was more than a simple strategic maneuver. It was based on a coherent and clearly-articulated set of ideology on economic democracy, which they saw as mutually beneficial with capitalism – or “mixed economy” in their terms.

Economic Democracy as a Tool for Capital formation

Initially, various party leaders including Palme saw the whole issue of the Wage-Earner Funds as an inconvenience and distraction from the election campaign. (Östberg 2009: 252) But Feldt, newly given the powerful finance portfolio in the party, embraced the Wage-Earner Funds and even accepted economic democracy as one of its main goals. Like Hedborg, Feldt was clear

⁴²⁶ Anna Hedborg, “Minnesanteckningar: Föredragning inför VU + landssekreteriet, plenalsalen 13/6.” August 24, 1978. *Landsorganisationens arkiv*, Anna Hedborgs Handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

⁴²⁷ Sveriges socialdemokratiska arbetareparti. “Partistyrelsens utlåtande över motionerna till partikongressen om ekonomisk demokrati.” *Rudolf Meidners arkiv*, 401/72. Arbetarrörelsens Arkiv och Bibliotek.

⁴²⁸ *Ibid.*

⁴²⁹ Sveriges socialdemokratiska arbetareparti. *Kongressprotokoll 1978*. pp. 271

⁴³⁰ Sten Johansson, ”I hela folkets eller i det arbetande folkets händer?” January 7, 1978. *Landsorganisationens arkiv*, Anna Hedborgs handlingar, 2964/F/22/B/3. Arbetarrörelsens Arkiv och Bibliotek.

⁴³¹ Carl Lidbom. Utkast. January 7, 1978. *Landsorganisationens arkiv*, Anna Hedborgs handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

that the workers “shall have the dominant influence” in the Funds, because “it is in the firm, at workplaces, where the living democracy should be realized.”⁴³² But instead of embracing economic democracy as the foundation of a post-capitalist society, Feldt developed a theory of economic democracy whose purpose is to promote capital formation. For the working-group, he wrote that the Wage-Earner Funds should “contribute to an increase in capital formation, channel the increased savings into globally competitive industries, and give workers and citizens influence over how such savings are used.”⁴³³ This was the basis on which the cash transfer-based “Development Fund” was added to the 1978 plan, in parallel with the funds based on share transfer.

Feldt elaborated a political and ideological basis of this new interpretation of economic democracy in a later memo. He argued that the latter is necessarily limited in a market economy, because there is a basic tension between the “values of democracy” and “the norms and ideas that govern firms in a market economy.”⁴³⁴ There is a “fundamental difference between decision-making processes in a political democracy and a firm” at the level of principle. The idea of democracy means that “people determine their own destiny together”, while in firms decisions must be directed towards a single goal, that of the firm’s profits.⁴³⁵ All firms, regardless of its ownership or decision-making structures, must be sufficiently profitable to sustain itself over a long-term, and other goals such as “the ideals of solidarity, concern for others, striving for equality and justice” are difficult to attain when profit is decisive in the end. Therefore, according to Feldt, even if there is “both formal and real democracy built-in to the decision-making process” of firms, “one criteria that, in the end, when all other considerations are taken, determines whether the decision is right or wrong” is “the profitability of the decision.”⁴³⁶

As description of a capitalist society, this is a widely shared view, especially by Marxist critics. One could appeal to this premise as a case for more centralized socialism as opposed to market socialism of the MHP, that there is actually little difference between profit as a “goal” and as a “restriction” than Hedborg and Edin portrayed. But Feldt instead embraces the profitability imperative, not simply an existing constraint in a capitalist society, but for the sake of effective use of resources. He argues that “every economic system, even a democratically constituted one, needs effectiveness in resource use”⁴³⁷, and that capitalism “has not been surpassed by any other human invention” on that criteria.⁴³⁸ Thus, pursuit of profit is necessary for efficiency,⁴³⁹ and the demand for profits must be maintained even in worker-owned firms.⁴⁴⁰

⁴³² Kjell-Olof Feldt, “Utgångspunkter”. November 18, 1977. *Landsorganisationens arkiv*, Anna Hedborgs handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

⁴³³ Kjell-Olof Feldt, ”Arbetspapper 3.” August 8, 1977. *Landsorganisationens arkiv*, Anna Hedborgs handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

⁴³⁴ Kjell-Olof Feldt, “Löntagarägande och demokrati.” Sept. 11, 1980. *Rudolf Meidners arkiv*, 401/71. Arbetarrörelsens Arkiv och Bibliotek.

⁴³⁵ Ibid.

⁴³⁶ Ibid.

⁴³⁷ Ibid.

⁴³⁸ Ibid.

⁴³⁹ Kerstin Sedvallson, “Feldt: Vinstkrav gäller även i löntagarägda företag.” *Dagens Nyheter*, Sept. 12, 1980.

⁴⁴⁰ Kjell-Olof Feldt, “Löntagarägande och demokrati.” Sept. 11, 1980. *Rudolf Meidners arkiv*, 401/71. Arbetarrörelsens Arkiv och Bibliotek.

Giving up profit as the goal for firms is “predicated upon replacing the market economy with some other economic system,” which Feldt saw as simply undesirable.⁴⁴¹

The focus on economic democracy as a tool for promoting productive investment and saving jobs became increasingly prominent from 1978 onwards, as the capital formation goal of the WEF gained prominence and the economy slid into recession. Feldt developed an argument that workers’ institutions are in fact better placed at generating productive investment out of capital, because they have a greater stake in long-term economic development that workers depend on, and they can restrain wages without causing conflict with workers. Deteriorating economic conditions and growing trade deficit for Sweden since 1976 demonstrated that capitalists were incapable of investing sufficiently in productive sectors, Feldt argued⁴⁴²; they were instead diverting profits towards speculation, and therefore no longer driving economic growth.⁴⁴³ In contrast, union funds could act as the “patient capital” concerned with investing strategically to stimulate export and reduce trade deficit, and promote long-term capitalist development of the country.

The similar ideas were advanced by various prominent Social Democratic economists, who were then leaning more towards a neoliberal direction. Intellectuals such as Nils Lundgren and Erik Lundberg supported the Funds as a source of investment capital, and precisely because it would increase the legitimacy of ownership function among wage-earners; they argued that at the same time, the funds must be “administered professionally and in the interest of the entire people”, rather than to promote any union goals.⁴⁴⁴ Assar Lindbeck denounced the Meidner-Hedborg Plan from the beginning, in the terms not so different from bourgeois critics; that private ownership and market economy were essential for a “pluralist” society, as opposed to an authoritarian, bureaucratic rule.⁴⁴⁵ While he initially supported the lines similar to Lundgren⁴⁴⁶, he later became critical of the concept of the Wage-Earner Funds entirely, which prompted his abrupt renunciation of the Social Democrats in 1982.

The party leaders often emphasized the party’s history and tradition, which rejected socialization of means of production for a long time, to justify the shift. “I do not belong to the party that says we confiscate if we can’t get it the other way,” one of them said in response to the dissidents.⁴⁴⁷ Another line of arguments involved an emphasis on the pre-Meidner discussions on the Funds, that industrial development and the need for capital formation were the fundamental reasons for Metall’s Resolution 305 in 1971 that initially prompted creation of the Meidner committee.⁴⁴⁸ An explicit shift towards capital formation as a goal made it more difficult to frame it primarily in terms of economic democracy. At one point, Palme even rejected “equation of economic democracy and the Wage-Earner Funds.”⁴⁴⁹ Nevertheless, Feldt thought that they could be reconcilable, since “workers generally want to have an effective production”, which

⁴⁴¹ Kjell-Olof Feldt, “Löntagaräggande och demokrati.” Sept. 11, 1980. *Rudolf Meidners arkiv*, 401/71. Arbetarrörelsens Arkiv och Bibliotek.

⁴⁴² “Fonder för samarbete.” *LO-Tidningen* nr. 8, February 25, 1982.

⁴⁴³ “Historiskt beslut.” *Värmlands Folkblad*. Oct. 1, 1981.

⁴⁴⁴ Erik Lundberg, Nils Lundgren and Erik Dahmén. “Tre ekonomer om fondförslaget.” *LO-Tidningen* nr. 5, 1981.

⁴⁴⁵ Assar Lindbeck, “Fram för ett förtsätt pluralistiskt samhälle.” *Arbetet*, Sept. 25, 1975.

⁴⁴⁶ Per-Olof Edin and Sven-Ove Hansson, “Ägandet och makten. Sept. 21, 1979. *Rudolf Meidners arkiv*, 401/72. Arbetarrörelsens Arkiv och Bibliotek.

⁴⁴⁷ Lennart Lund, “Fonderna måste ha företagens förtroende.” *Göteborgs-Posten*, March 16, 1981.

⁴⁴⁸ Dan Andersson and Robert Björkenwall. “Två Metall-funktionärer om fondernas ursprung – Myt om kammarlärdä.” *Svenska Dagbladet*, Sept. 11, 1982.

⁴⁴⁹ Sveriges Socialdemokratiska Arbetareparti. Styrelsen. Protokoll. November 18, 1977. Pp. 21-23.

makes them suitable as stewards of capital; and emphasized Swedish unions had long accepted rationalization in exchange for improving efficiency.⁴⁵⁰ Palme also echoed this notion that workers' influence cannot be separated from that of capital formation, because "the wage-earners must take responsibility for growth of capital." (qtd. in Östberg 2009: 253)

But why should they be interested in taking such a responsibility? The party leadership recognized the need for a public messaging around a more appealing theme, which was that of employment; capital formation and more investment, they argued, lead to more jobs. Palme identified job creation as the only way that they could mobilize broad support for the Funds, declaring at one party board meeting that "my conviction from the beginning has been, that we should develop our arguments for WEF upon job security", particularly in the context of a recession; similar ideas were echoed by multiple Board members.⁴⁵¹ He appealed to delegates at the 1978 party congress; "I believe that one can really answer this question very simply, why are the Wage-Earner Funds needed? The answer would be jobs... we must have resources so that we can create the new jobs."⁴⁵²

In some regions with depressed economic prospects, it was suggested that the Funds could be used to invest and create jobs regionally.⁴⁵³ Social Democratic leaders in various union locals made a case that this new source of capital can save local jobs in industries and regions in economic difficulty.⁴⁵⁴ Even in the public sector, one local *Kommunal* leader made a pitch that "the public sector is strongly dependent on the industry, exports and incomes from there. Without a strong and well developed industry, our public sector simply couldn't exist."⁴⁵⁵ This was an economic democracy discourse in a mutated form; workers were meant to exercise their power "responsibly" to invest productively and save jobs, because they were better at revitalizing capitalism than the bourgeoisie itself.

Discourse on Technical Complications

But the appeal for the Wage-Earner Funds as a means to create employment, surely a great concern for workers, failed to inspire them in any way. As the Meidner-Hedborg appeal receded and the capital formation discourse took over, the grassroots disappointment, frustration and anger turned into disinterest. Even the Wage-Earner Funds committee began to be concerned with the weak support from the base, asking regional union leaders to see how to "get people to campaign for an increased collective saving."⁴⁵⁶ After the 1979 election, many LO unions reported that they had a difficult time explaining, clarifying and mobilizing around the Wage-Earner Funds, and some bemoaned the absence of an ideologically clear campaign.⁴⁵⁷ As the Feldt Plan was being prepared for public release, many members of the SAP Board were

⁴⁵⁰ Lennart Lund, "Fonderna måste ha företagets förtroende." *Göteborgs-Posten*, March 16, 1981.

⁴⁵¹ Sveriges socialdemokratiska arbetareparti, "Protokoll fort vid socialdemokratiska partistyrelsens fredag-lördag 27-28 oktober 1978 i Norrköpings Folkets Hus." *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/2/A/25. Arbetarrörelsens Arkiv och Bibliotek.

⁴⁵² Sveriges socialdemokratiska arbetareparti, *Kongressprotokoll 1978* – pp. 279

⁴⁵³ Göran Sten, "Värmland hade behövt löntagarfonder redan för 10-15 år sedan." *LO-tidningen* nr. 17, 1982.

⁴⁵⁴ Benny Carlsson, "Facket vid Öresundsvarvet – Hade vi haft en löntagarfond då hade vi räddat våra jobb." *Skånska Dagbladet*, Feb. 1, 1980.

⁴⁵⁵ Pirkko Brus, "Vad är arbetsgivarna rädda för?". *LO-Tidningen* nr. 51/52, 1983.

⁴⁵⁶ Per-Olof Edin, Letter to LO-distriktet Västmanland. March 5, 1979. *Rudolf Meidners arkiv*, 401/72. Arbetarrörelsens Arkiv och Bibliotek.

⁴⁵⁷ "Sammanställning av skriftliga synpunkter från LO-förbunden avseende valrörelsens organisatoriska och verksamhetsmässiga uppläggning." *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/F/13/5. Arbetarrörelsens Arkiv och Bibliotek.

concerned how they could promote it to members.⁴⁵⁸ Indeed, reports from local discussions on the Feldt Plan confirmed that “one cannot say that people are beaming with enthusiasm with the proposal.”⁴⁵⁹

The reigning sentiment around the Wage-Earner Funds became that of confusion, disorientation and malaise, and a common sentiment was that the discussions came to be dominated by technical details. Such concern was raised soon after 1976, as the Funds debate entered a long period of negotiations within Social Democracy. In May 1977, Göran Johansson (local union leader), Bo Södersten (Social Democratic economist) and Dan Andersson (LO researcher) raised an alarm that the labor movement has “let the debate handle too much on the technical systems and too little on ideological motives for the worker-run firms.”⁴⁶⁰ It was not necessarily because the proposed system was too complicated, but because the movement has failed to make a principled case for socialism. Johansson, Södersten and Andersson argued;

*The labor movement has simply forgotten to argue and clarify capitalism's threat against democracy and workers' security. They have forgotten to develop benefits of a socialist economy. Therefore it has become a technical debate for which LO members have too little ideological preparation.*⁴⁶¹

The 1978 LO-SAP plan, which was indeed more complicated as they sought to reconcile the power and capital formation goals, further deepened such concerns. When the committee presented a draft to the LO leaders⁴⁶² and Palme⁴⁶³, both of their first reactions was that it was so complicated and voluminous. One after another article in union newspapers bemoaned how “the discussions around various proposals for WEF are hardly clarifying”, and questioned if it was “really a form of political debate that inspires people.”⁴⁶⁴ Meidner himself also echoed these observations, that the Fund debate was becoming too technical at the expense of more fundamental questions about the direction of society. (Ekdahl 2005: 272) The problem was not necessarily the inherent technical complexity of the Fund proposals, but that in the absence of grand political questions, the vacuum was filled by haggling over those questions; or, as Meidner (1982: 32) later put it, “instead of dealing with the question of ‘why’ – what motive, what goal? – the criticism came to be concentrated in the question of ‘how’?”.

Furthermore, as union newspaper editor Tage Sjödal argued, the Fund discourse lacked appeals to feelings and passion. Invoking August Palm, the key founding figure of Swedish Social Democracy, he observed;

⁴⁵⁸Sveriges socialdemokratiska arbetareparti, ”Protokoll fort vid sammanträde med socialdemokratiska partistyrelsen den december 1980.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/2/A/27. Arbetarrörelsens Arkiv och Bibliotek

⁴⁵⁹ Claes Hermansson, Letter to Per-Olof Edin. March 3, 1981. *Rudolf Meidners arkiv*, 401/74. Arbetarrörelsens Arkiv och Bibliotek.

⁴⁶⁰ Göran Johansson, Bo Södersten and Dan Andersson. “Kapitalismens hot mot demokratin och löntagarna”. *Aftonbladet* May 2, 1977.

⁴⁶¹ Ibid.

⁴⁶² Anna Hedborg, “Minnesanteckningar från arbetsgruppen för löntagarfonder den 24 oktober 1977.” LO Utredningsavdelningen, Oct. 26, 1977. *Landsorganisationens arkiv*, Anna Hedborgs handlingar, 2964/F/22/B/2. Arbetarrörelsens Arkiv och Bibliotek.

⁴⁶³ Sveriges socialdemokratiska arbetareparti, ”Protokoll fort vid sammanträde med socialdemokratiska partistyrelsen fredagen den 18 november 1977.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/2/A/24. Arbetarrörelsens Arkiv och Bibliotek.

⁴⁶⁴ “Löntagarfonderna kommer”. *Statsanställd*, nr. 29, 1978.

For me, the Wage-Earner Funds are more about human dignity than the shortage of investment capital. Human dignity is about feelings. But in the labor movement we are too afraid to use feelings, especially politicians. It is possibly only when we sing the Internationale and Arbetets söner that we are in touch with our feelings...

First, we must win our own people... August Palm also had a difficult time winning over the poor and the oppressed workers to socialism. But Palm used feelings and engagement... he was an agitator. We have too few agitators, who can speak to the people with feelings and passion. So the debates on economic democracy and the Wage-Earner Funds have become a technical question that goes over the people's head.⁴⁶⁵

It was in this context that the demand for individual shares, as a “direct link” to each worker’s wallet, emerged. In that scenario, each worker would be allocated a part of the Wage-Earner Funds which they can sell and cash in after a certain period of time, instead of being perpetually inalienable. It was something that Meidner and Hedborg first rejected, opting instead for a vision of collective class power and societal transformation. In a rare agreement, the SAP leadership also rejected it, because it would also undermine their goal of capital formation. If each worker could sell their part of the Funds, capital in the Funds would simply be diminished, defeating the purpose. Indeed, the priority for capital formation squelched the aim of collective emancipation (Meidner/Hedborg) as well as that of individual material gain (Blomberg), the two possible visions that could best gain mass support.

The orientation of the Wage-Earner Funds towards the goals of investment and jobs led to their strenuous efforts to court capitalists to work together for the Funds, or at least to convince them that the Funds were not a threat to their power and interest. Strong opposition of private capital would sink the goal of the Funds to increase capital formation; therefore they suggested that “this proposal build upon the principle that the WEF must win the confidence of the industry.”⁴⁶⁶ Feldt suggested that the Funds should substantially modified or even abolished if capitalists maintain staunch opposition after its creation, because it would not function well without their cooperation and confidence.⁴⁶⁷ Much of the efforts to court businesses was focused on emphasizing the fundamental difference between the original and new WEF plans, the former of which, according to Feldt, was “built upon the entirely unrealistic idea to force themselves in the firms,” which he had “never believed in.”⁴⁶⁸ LO leaders assured them that the Funds would be run by competent administrators and follow the existing rules of the market economy, and that the goal of the Funds was “to strengthen industry and it is in fact positive for the current shareholders.”⁴⁶⁹

Another important appeal made to the businesses was that of wage restraint; transfer to the Funds could stem an excessive increase in wages, and generate more investment capital without conflict with workers.⁴⁷⁰ If increased influence for workers was the price for wage-

⁴⁶⁵ Tage Sjödal, “Fonddebatten ska handla om makten och människovärdet!”. *Arbetet*, Sept. 7, 1981.

⁴⁶⁶ Lennart Lund, “Fonderna måste ha företagets förtroende.” *Göteborgs-Posten*, March 16, 1981.

⁴⁶⁷ “Feldt och fonderna.” *Arbetet*, July 8, 1981.

⁴⁶⁸ Lennart Lund, “Fonderna måste ha företagets förtroende.” *Göteborgs-Posten*, March 16, 1981.

⁴⁶⁹ Elon Johansson, “Rune Molin: Närlingslivet behöver löntagarnas medverkan.” *LO-tidningen* nr. 5, 1981.

⁴⁷⁰ Kjell-Olof Feldt, Letter to “Sveriges företagare.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/Ö/1/A/240. Arbetarrörelsens Arkiv och Bibliotek; LO, “Sanningen om löntagarfonder”. *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/Ö/1/A/243. Arbetarrörelsens Arkiv och Bibliotek.

earners' cooperation with capital⁴⁷¹, the trade-off went the other way as well. The WEF had a further advantage in terms of generating more investment capital, precisely because it could secure workers' consent for policies that prioritize capitalist growth at the expense of their wages, to channel surplus into more investment than consumption. When the savings and investments are made by the funds of unions themselves, workers are more likely to acquiesce to channeling of resources to investment rather than consumption for workers, while an alternative source of investment – an increase in profits – would lead to worker discontent and intensified labor struggles demanding higher wages. “How can such enormous redistribution of resources from consumption to savings, from wages to profits, occur without hard and bitter struggles on the labor market?,” Feldt asked⁴⁷²; the answer was the Funds. Consequently, Feldt argued that the SAP would function as better guarantors of capitalism than the big businesses themselves.⁴⁷³ In this formulation, containment of workers' militancy in pursuit of investment became an explicit goal of the Funds.

As we shall see in the following chapter, the efforts to court businesses to support the Feldt Plan, or at least seek their understanding and cooperation, were a complete and utter failure. Once the SAP and LO officially adopted the Feldt Plan, they launched a spectacular offensive against the Wage-Earner Funds. Social Democratic leaders focused their energy on rebutting the exaggerated fantastical claims made about the extent of change that this Fund would lead to.⁴⁷⁴ But they were continuously put on the defensive, and much energy was spent on rebuttals against highly misleading but widely publicized business claims, rather than framing the issue on their own terms. As Sjödal framed it, “the Social Democrats have done wrong to first attempt to convince the opponents without having people with them.”⁴⁷⁵ They ended up with the worst of both worlds, facing an onslaught of the bourgeois offensive without enthusiastic support from the base.

Conclusion

The Meidner-Hedborg Plan was a project to fundamentally transform the relations of class power in favor of the working-class, but it faced significant challenges in making a strong, convincing articulation that could inspire and mobilize a mass movement for it. The MHP benefitted from the availability of the “economic democracy” discourse in Social Democratic culture, and it was framed in these terms. However, it was a floating signifier that could easily be re-captured for other less radical plans by the party leadership. Social Democracy's reformist ideological heritage, the prioritization of the committee work to seek compromise with the SAP leadership, and the gradualist, mediated character of the Wage-Earner Funds' design all compounded the difficulties with articulation. Debates on the Wage-Earner Funds stagnated and came to dwell on technical details, which further dissipated the workers' interest and also sparked a call for direct benefits for each worker in the form of individual shares. The Feldt Plan's rise was helped by the MHP's discursive weakness, but the Feldt Plan had even less to

⁴⁷¹ Lotta Sellberg, *Löntagarfonder – makt eller kapital?*. 1982, unpublished thesis, Stockholms Universitet. pp. 10. *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/Ö/1/A/319. Arbetarrörelsens Arkiv och Bibliotek.

⁴⁷² Kjell-Olof Feldt, “Varför behöver Sverige löntagarfonder? Anförande i riksdagen den 3 februari 1982.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/Ö/1/A/243. Arbetarrörelsens Arkiv och Bibliotek.

⁴⁷³ Michel Jernewall, “Fonder på marknadsekonomiska villkor garanterar inte jobben.” *Grafia* May 27, 1978.

⁴⁷⁴ Kjell-Olof Feldt, Per-Olof Edin and Rune Molin. “Löntagarfonderna, SAF och sanningen.” *Dagens Nyheter* August 15, 1981.

⁴⁷⁵ Tage Sjödal, “Fonddebatten ska handla om makten och människovärdet!”. *Arbetet*, Sept. 7, 1981.

offer to the workers. Let us now follow the trajectory of the Feldt Plan, from the political context of its rise to its anticlimactic denouement.

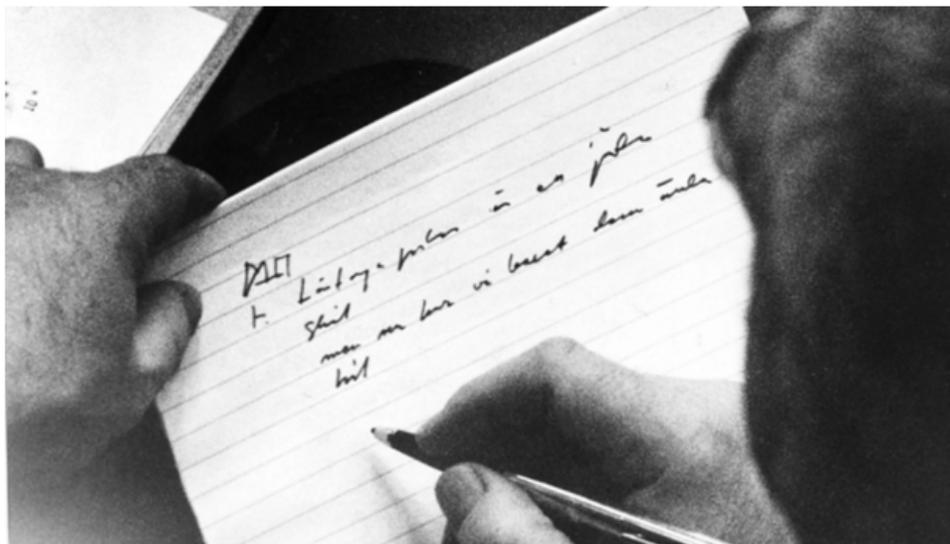
Chapter 6: the Feldt Plan and Its Aftermath

*Löntagarfonder är ett jävla skit,
men nu har vi baxat dem ändå hit.
Sen ska de fyllas med varenda pamp,
som stött oss så starkt i våran kamp.
Nu behöver vi inte gå flera ronder,
förrän hela Sverige är fullt av fonder.*

Wage-Earner Funds are fucking shit
but we have now lifted it up till here.
Then they will be filled with every union boss
who supported us so much in our fight
Now we need no longer go many rounds
until the whole of Sweden is filled with the Funds.

Kjell-Olof Feldt, December 20, 1983

On December 20, 1983, the parliamentary debate on the Wage-Earner Funds was reaching the final moments. Kjell-Olof Feldt, the Social Democratic Finance Minister since their electoral victory in 1982, made a case for the version of the Wage-Earner Funds focused on expansion of investment capital, which he had won in the long struggle against the Meidner-Hedborg Plan. Feldt had molded the WEF in his own image and commandeered the parliamentary and public debate; the Funds were on the verge of adoption after years of intense controversy and criticism from the right and the left. Feldt was then caught scribbling the above poem, starting with the shocking and vulgar line rejecting the Funds, by a newspaper photographer with a long-range zoom camera. The infamous photo of the poem, published in the newspaper *Stockholms-Tidningen*, became an immediate sensation and the iconic, defining image of the entire history of the Wage-Earner Funds.



Kjell-Olof Feldt scribbles a poem critical of the Wage-Earner Funds. Paolo Rodriguez, 1983.

The potency of this image is not simply due to the surprise and the cognitive dissonance that a plan's foremost proponent would pen the verses mocking it – which Feldt (1991: 27) later characterized as “ironic.” The photo resonated because it echoed with, and consolidated in Swedish historical memory, the general sense that the WEF was a total fiasco. But to understand the nature of this fiasco, we must analyze the Feldt Plan as its own distinct entity with its own political logics, rather than simply treating it as a watered-down version of the Meidner-Hedborg Plan. The shared name of the “Wage-Earner Funds” exaggerates the similarities and obscures the differences between the two. Not only was the Feldt Plan a qualitatively distinct form of the Wage-Earner Funds compared to the Meidner-Hedborg Plan, it fit with the emerging neoliberalism of the 1980s.

The Feldt Plan formed the central part of the new, comprehensive Social Democratic economic program called the Crisis Program, which signaled a policy shift towards prioritization of export-led growth dependent on private-sector profitability and investment. The Crisis Program, officially titled “Future for Sweden” (*Framtid för Sverige*), sought a “Third Way” – not between capitalism and socialism, but between Thatcherism and traditional social democracy. As Feldt (1991: 16) recalled, the Crisis Program evoked “outraged protests” from the party members upon its release. The Wage-Earner Funds was integrated into the Crisis Program partly as a way to generate workers’ consent for wage restraint, as well as to secure investment capital for the most profitable and productive export industry. While the Funds itself were not entirely neoliberal – it still sought collective investment – it paved the way for the Social Democrats’ neoliberal turn later in the 1980s.

The period between February 1981 and December 1983 – between the initial release of the Feldt Plan and its adoption by the Social Democratic majority in parliament – was the most intense period of contestation over the Wage-Earner Funds. It was mostly due to the gigantic anti-Fund campaigns organized by the businesses, committing a staggering amount of resources. As Blyth (2002) and others have discussed extensively, these campaigns were aimed at transforming the entire political and ideological landscape in a neoliberal direction, and the Funds served as a convenient target. They were very successful in this hegemonic struggle, and also in poisoning the term “Wage-Earner Funds” for a long time in Sweden, even though the struggles of this period had little to do with the Wage-Earner Funds as a socialist project.

Sweden’s Neoliberal Turn

Neoliberalism can be understood as a general shift in the direction of liberalization of the economy and prioritization of the profitability of capital. Its concrete economic policies include “trade and financial liberalization, fiscal discipline to be achieved through expenditure cuts rather than tax increases, and disinflation, to ensure that governments are willing to give up full employment,” as well as privatization of public assets and undermining of unions’ power. (Baccaro and Howell 2011: 527) The decades of continual economic growth in the Fordist period came to a halt by the mid 1970s, as the declining rate of profit began to manifest in serious economic slump across the advanced capitalist world, with high levels of inflation and low growth. In Brenner’s (2006) account, the global overcapacity in manufacturing was the fundamental underlying cause of profitability stagnation across the capitalist system, which precipitated the long-term, systematic, global crisis of profitability since the 1970s.

While a neoliberal shift was most drastic in countries where its zealots seized power, such as Chile, Britain and the United States, neoliberalism is a global phenomenon. In many countries, the neoliberal shift was led not by right-wing political forces with a clear ideological

commitment, but rooted in technocratic rationales; the perceived need for such policies to adopt to the changing global economy drove what Fourcade and Babb (2002) call “pragmatic neoliberalism.” Financialization, enhanced capital mobility and trade are some of the structural factors that precipitated it. Despite differences between countries with distinct “varieties of capitalism” (Hall and Soskice 2001), the clear basic trend is that of convergence of all varieties towards the neoliberal direction; as Streeck (2009: 10) reminds us, “lasting divergence... may go hand in hand with parallel change in the same direction.” Thelen (2014: 30-32) describes neoliberalization in social democratic countries as “embedded flexibilization”; even though it avoided the wholesale deregulation and undermining of unions, the strength of organized labor was rendered compatible with more flexible market economy.

Sweden is one of the countries where the rise of neoliberalism has been facilitated by social democracy, whose government in the 1980s took the first steps towards deregulation and marketization. The Social Democrats’ electoral loss in 1976 put an end to their unprecedented 44 years in government, which can be considered as a historic turning point in one sense, but the incoming bourgeois government – led by the Centre Party, originally an agrarian party with growing environmentalist support – did not make an immediate paradigm shift in policymaking. Meanwhile, in the aftermath of the second electoral defeat in 1979, it was the SAP that began a shift to the right. Facing the crises of budget and trade deficit, high inflation and low levels of industrial investment, a new group of young economists called the Social Democratic Economists’ Group (*Socialdemokratiska ekonomgruppen*) began to organize. Led by Klas Eklund, professor at Stockholm School of Economics, they interpreted the crisis as rise of “a radically different economic world that required a fundamental rethinking of major elements of postwar social democratic ideology”. (Andersson 2006: 108)

Their influence drastically expanded when the party leadership established the “Crisis Group” in 1980, to develop a social democratic interpretation of the economic situation and develop a new economic policy program. The Crisis Group was heavily influenced by the *ekonomgruppen* and enjoyed support of powerful figures in the party’s upper echelons, most notably Feldt and future Prime Minister Ingvar Carlsson. The group identified the problem as the inefficient and costly public sector, and solution as required cuts in wages and consumption that would enable increase in profitability, investment and export. (Andersson 2006: 93, Blyth 2002: 220) In Feldt’s (1991: 24) succinct summary, the Crisis Program was based on the main premise that the “private industry shall become the motor of the Swedish economic recovery.”

The Crisis Group claimed to distance itself from neoliberalism, and claimed to take neoliberal arguments seriously in order to counter it and “distinguish between serious economic analysis and crude right-wing propaganda.” (qtd. in Andersson 2006: 108) “Neoliberalism tells us to give up the mixed economy,” Feldt told delegates at the 1981 party congress, “but there is another way to choose. Instead of giving up the mixed economy, we can strengthen it so that we can better deal with the international economic crisis.”⁴⁷⁶ But by accepting many neoliberal premises as “serious analysis”, and offering a solution led by the private sector profitability, investment and growth, their “Third Way” paved a way for an epochal turn of the Swedish Social Democracy towards neoliberalism. In this epoch, defense of the “mixed economy” led to a form of “pragmatic neoliberalism.”

⁴⁷⁶ Sveriges socialdemokratiska arbetareparti, *Kongressprotokoll 1981* – pp. 9-10

The Crisis Program and the Feldt Plan

The Wage-Earner Funds was far from counterposed to this neoliberal turn; in fact, it was a centerpiece of the Crisis Program. The WEF, in its form of the Feldt Plan, was in perfect alignment with the logic of the Crisis Program, centered around the shared priority of stimulation of investment as the foremost priority. Institutionally, the Funds served the program's goal of prioritizing private export-led growth by enhancing capital formation at the expense of consumption. While the Meidner-Hedborg Plan was a rejection of the primacy of private investment driven by the logic of profitability – at least in its aspirations – the Feldt Plan was an embrace of the logic of profitability as necessity for efficient use of society's resources, on the basis that “the profit interest is the only clear guarantee that resources are used effectively.” (Feldt 1991: 28)

The Funds was meant to be a way to solve the fundamental problem of underinvestment and thus save the mixed economy. Under the Feldt Plan, the Funds would behave much more like private capitalists than agents for worker control. But it was not pure neoliberalism of the ideal type; they would rather act as a type of “patient capital”, concerned with long-term development and viability of the firms and regions, rather than fickle, short-term finance capital most characteristic of the neoliberal paradigm. Many of the discussions in the upper echelons of the party, leading up to the Feldt Plan, involved how private capitalists were failing to provide sufficient investment to fuel future growth.⁴⁷⁷ In other words, organized labor must exercise power through the Funds, because in terms of long-term development of a capitalist economy, they could be better capitalists than capitalists themselves.

Furthermore, ideologically, the Feldt Plan served as a compensation and a legitimation mechanism for the austerity and wage cuts that the Crisis Program envisioned. Promoting investment at the expense of consumption undermines the immediate material interests of workers. “How can such enormous redistribution of resources from consumption to savings, from wages to profits, occur without hard and bitter struggles on the labor market?”⁴⁷⁸ Feldt often asked in his speeches. The Wage-Earner Funds was meant to facilitate acceptance of that restraint among workers; that the part of the fruit of such a restraint would go towards the Funds, rather than simply to the employers' pocket. As Feldt (1991: 29) recalled, “the Crisis Program's strong line for a more profitable industry would mean a strong enhancement of capital values and hence the share owners' capital, meaning that workers must be demanded a significant restraint in wage claims if the Crisis Program's fight against inflation would have a chance to succeed.” For these reasons, at the LO and SAP Congresses in 1981, their leading figures appealed that “the Funds are an important component of our crisis policy”⁴⁷⁹ and “a condition for realizing *Future for Sweden* is the Wage-Earner Funds.”⁴⁸⁰

While the Feldt Plan easily passed the SAP and LO Congresses in 1981, the days of grassroots enthusiasm for the Wage-Earner Funds had long been gone. The Social Democratic leadership appealed to its members that the new Wage-Earner Funds would help combat unemployment and inflation through promoting investment, protect pensions and reduce

⁴⁷⁷ Sveriges socialdemokratiska arbetareparti, ”Protokoll fort vid sammanträde med socialdemokratiska partistyrelsen fredagen den 28 mars 1980.” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/A/2/A/25. Arbetarrörelsens Arkiv och Bibliotek. pp. 14

⁴⁷⁸ Kjell-Olof Feldt, “Varför behöver Sverige löntagarfonder?” *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/Ö/1/A/243. Arbetarrörelsens Arkiv och Bibliotek.

⁴⁷⁹ Landsorganisationen, *Kongressprotokoll 1981*. pp. 831

⁴⁸⁰ Sveriges socialdemokratiska arbetareparti, *Kongressprotokoll 1981* – pp. 9-10

inequality in asset ownership⁴⁸¹; but the Crisis Program continued to face strong opposition from the members, who opposed its neoliberal turn. The Wage-Earner Funds continued to be promoted along the similar lines, after the party returned to government upon electoral victory in September 1982. Palme and Feldt pursued devaluation of the Swedish krona, in order to boost Sweden's export competitiveness; the Funds were similarly promoted as a way to boost investment and competitiveness of the Swedish export industry, which was necessary to save jobs. "To reduce injustices" through redistribution of property was typically added at the end, almost as an afterthought.⁴⁸² The new educational campaign by *Metall* in this period also took a similar tone;

*we must also acknowledge a great responsibility for employment in our local union work. We must simply make sure that the firms do well... therefore we in Metall's program establish that the union must even more be directed towards demanding long-term planning in the firms to secure employment.*⁴⁸³

Indeed, it is only through this new market-oriented turn in Social Democratic politics that the Wage-Earner Funds found its second act. Once the Meidner-Hedborg Plan was defeated, and the February 1978 compromise satisfied no one, it would not have been surprising at all if the idea of Wage-Earner Funds had faded quietly into obscurity. In fact, Palme was always ready to abandon the Funds altogether, repeatedly expressing such sentiments in internal party meetings. (Ekdahl 2005: 288) But Feldt saw utility in developing his own plan, beyond killing the Meidner-Hedborg Plan. Feldt directed the development of the new plan, defended it in debates within and outside the party, and kept pursuing it once he assumed the post of Finance Minister in 1982. Feldt and Edin further watered down the Funds plan in the spring of 1983; most notably, the accumulation in the Funds was to cease after 7 years, an upper limit on ownership of each firm was set deliberately in order to prevent possibility of attaining majority ownership (maximum 8% for each of the five funds), and the Funds were tied more closely to the public pension fund system so that 3% of the capital were to be sent to the pension funds every year. (Viktorov 2006: 108)

But their rightward turn on the Fund question utterly failed to attract support from businesses and the bourgeois parties, or even to mitigate their staunch opposition. As their new plan was more business-friendly, they kept appealing to them to cooperate, in the corporatist spirit. In his open letter to "Sweden's business owners"⁴⁸⁴, Feldt wrote in late 1981; *It is true that in the earlier proposal, the funds were given the right to forcibly acquire shares. But many years of research and debate have led us Social Democrats to a settled position – the Wage-Earner Funds can fulfill its tasks to increase investment and promote development of the Swedish industry only under the conditions of their cooperation with the industry built upon mutual trust.*

But his overture was completely rebuffed. Unlike the Social Democrats, the businesses at this point were strongly committed to class struggle.

⁴⁸¹ "Fakta & Information om löntagarfonder. Ett svenskt sätt att lösa svenska problem." 1983. *Rudolf Meidners arkiv*, 401/73. Arbetarrörelsens Arkiv och Bibliotek.

⁴⁸² Ibid.

⁴⁸³ Metall. "Återvinn Sverige: Talarmanus." 1982. *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/F/10/D/1. Arbetarrörelsens Arkiv och Bibliotek.

⁴⁸⁴ Kjell-Olof Feldt. "Till Sveriges företagare." *Sveriges socialdemokratiska arbetarepartis arkiv*, 1889/Ö/1/A/240. Arbetarrörelsens Arkiv och Bibliotek.

Business Mobilizations

As Social Democracy shifted to the right, so did the forces of capital. In 1976, as LO put forward the Meidner-Hedborg Plan, some businesses themselves proposed a capital-friendly version of the Wage-Earner Funds, the Waldenström Plan. As the former shifted ever closer to the businesses' original plan, the latter began to shift towards opposition to all forms of Wage-Earner Funds. The Swedish Employers' Confederation (SAF) and various allied groups began the first anti-Funds campaign in 1978; and in the following years, the balance of power within the employers' camp shifted decisively away from the moderates who proposed capital-friendly versions of Wage-Earner Funds. By 1980-81, the hardliners who rejected all forms of the Funds gained decisive control. Thus, even as the Wage-Earner Funds became part of the program that signaled the Social Democrats' first step towards neoliberalism, the capitalist side continued and intensified their opposition to the Funds.

The business offensive in the early stage, besides the general media and publicity campaigns, organized union members against the Funds internally within unions. As I discussed in Chapter 4, such organizing took place most intensively in the SIF, a large private-sector union within the white-collar union confederation TCO. Business mobilizations sought to sway the SIF's position away from the Funds, through organizing anti-Fund groups in local SIF chapters. Starting in late 1978, they launched a coordinated campaign through letters and statements of denunciation, alleging that the SIF leadership was unduly promoting the Wage-Earner Funds. SIF organized several surveys and educational courses on the Wage-Earner Funds in 1978 for their members, which showed support for the Funds in general but with a small margin (53% in favor and 40% opposed);⁴⁸⁵ support for the Meidner-style Funds was much smaller, and the interest in the issue among members was not particularly high. Facing a strong pressure campaign, the SIF leadership was put on the defensive, and essentially accepted their demand to refrain from supporting the Funds, and successfully called on TCO to similarly refrain from support.

As their anti-Fund organizing among union members proceeded, the hardline position against all forms of Wage-Earner Funds gained further traction. The shift in position had less to do with the changes in the Fund proposal itself, which was shifting in their favor. Since the late 1970s, the Swedish capitalists shifted away from traditional corporatism and class collaboration, which they had eagerly participated for several decades; they embraced more offensive politics against the labour movement. The "great conflict" in April-May 1980, which involved a series of nationwide strikes and lockouts coordinated by LO and SAF at the peak level, further accelerated such a shift, aided by the economic stagnation and the global rise of neoliberalism; by the fall of 1980, the hardline position was settled. (Stråth 1998: 200, Åsard 1985: 118) In that context, not only did cooperation on the Funds make little sense on its own, an offensive "politics to weaken LO" became their priority. (Nycander 2002: 351)

One of the consequences of their position was the breakdown of the State Commission on the Wage-Earner Funds. The commission process operated in a typically corporatist manner, with representatives from all parliamentary parties, organized labor and capital. In the Swedish political system, such a tripartite state commission often produced a compromise; but this commission was an anomaly, as it ended in 1981 without producing any consensus plan after six years of work. The trajectories and failure of the state commission had little relevance for the

⁴⁸⁵ SIF. "SIF-kongressen: Minikurs om löntagarfonder." November 16, 1978. *Rudolf Meidners arkiv*, 401/70. Arbetarrörelsens Arkiv och Bibliotek.

Funds as a socialist project, which had already been defeated by then. Indeed, the notion of the commission itself, as a mechanism to advance the Funds, was based on a conception of consensus politics that would preclude radical transformation. But even by the non-socialist standards, the commission ended in a dismal failure. Development in the commission reflected the dynamics of the underlying political struggles; the state commission, in which “the Social Democrats sought national cooperation while businesses and bourgeois parties sought a fight,” was symbolic of the political trajectory of the Fund question as a whole. (Stråth 1998: 200) The businesses’ shift was not limited to a stance on the Funds; after 1979-80, the SAF began a more comprehensive campaign to promote neoliberalism and the free market, in order to transform the political and ideological landscape of the country. (Blyth 2002, Stråth 1998: 233-242) The political offensive was led by figures such as Curt Nicolin and Sture Eskilsson, ideologically committed neoliberals. While the Funds were not necessarily the focus of their offensive at the beginning, it provided an ideal target after the Social Democrats released a WEF plan officially endorsed by the party leadership in 1981. (Viktorov 2006: 233) Thus the question of the Funds came to occupy a center stage in Swedish politics and in the election campaigns in 1982.

The SAF mounted an all-out offensive against the Funds. The SAF built a fully-fledged operation together with other business organizations, including the Swedish Federation of Industry (*Sveriges Industriförbund*, SI), the association of small and family firms (*SHIO-Familieföretagen*), and the Shareholders’ Association (*Aktiespararna*). Their campaign included many committees, each tasked with mobilizing businesses, organizing educational seminars, producing research and analysis, etc. Through hundreds of local meetings in 1982, they found and were able to activate particularly strong support among small business owners. (Viktorov 2006: 240) Through the extensive media campaign, they fanned the fear of “Fund-Sweden” effectively. They also expanded counter-mobilizations within unions; following the earlier success in SIF, they started a campaign group “TCO members for fund referendum” (*TCOare för fondomröstning*) in 1982. They demanded an all-member referendum on the Wage-Earner Funds, believing that such a vote would deliver a clear victory for the anti-Fund camp. The group published anti-Fund newsletters, on average around biweekly basis; each issue contained the latest information on development of the Wage-Earner Funds and on the organizing against it.

The final wave of anti-Fund offensive came after May 1983, when Feldt announced a further watered-down version of the Wage-Earner Funds and an intent to pass it. The employers commenced preparations for the largest offensive to date. The plan was mass street mobilization against the Wage-Earner Funds. The SAF called it “farmers’ march for companies” (*företagarnas bondetåg*), after the nationalist, militarist mass demonstration in 1914 organized by conservative farmers. (Viktorov 2006: 245) The date was set for October 4th, 1983, and the “October 4th committee” was set in full motion. During several months of intensive organizing work, 200 local “October 4th committees” were created across Sweden. These local committees mobilized thousands of mostly small business owners, and the national leadership organized hundreds of busses, trains and flights to bring them all to Stockholm. The owners and managers of large firms were convinced by the SAF organizers to attend the march personally – and even to return to the country specifically for the march, if they happened to be abroad. The October 4th demonstration was a spectacular success; 75,000 people marched across Stockholm, with slogans against the Wage-Earner Funds and “fund socialism”. Eskilsson assessed the day as “a greater success than what the most optimistic of us could have anticipated.” (Viktorov 2006: 246-247)

It was mostly due to these counter-campaigns that the debate on Wage-Earner Funds attracted greatest attention during this period, as demonstrated in the number of newspaper references to the issue (See Table 6.1). The anti-Fund campaign in the 1981-83 period was so gigantic that it was “outside the realm of normal politics” in Sweden then. (Nycander’s 2002: 370) In 1978, the SAF planned to spend around 1.4 million kronor on the anti-Fund activities; even at the end of 1980, only 1 million kronor had been allocated in the fight against the Funds. (Viktorov 2006: 229, 237) But the expenditure skyrocketed starting in 1981, and in 1982 alone they are estimated to have spent around 60 million kronor in anti-Fund campaigns, the unprecedented sum exceeding the expenditure of all parties combined in that year’s election campaign. (Blyth 2002: 210)

Year	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Articles	85	434	1036	656	1498	1281	744	1933	4035	2519
Year	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Articles	1057	816	368	519	306	215	197	243	98	78

Table 6.1: Number of newspaper articles mentioning the word “Wage-Earner Funds” (*löntagarfonder*) by year, 1974-1993⁴⁸⁶

It was an asymmetric struggle that they were waging. On the Social Democratic side, usual tools of internal mobilization were launched – from union study groups to pamphlets to newspaper articles – but hardly with the same level of fervor as their opponents. Their messaging was defensive. As capitalists threatened the Swedish people with the specter of totalitarian dystopia, the Social Democrats promised them that nothing much would change; they emphasized how little influence the Funds would have, and that the firms would continue to be led by the same managers.⁴⁸⁷ In a most remarkable reversal, forces of capital were the ones who utilized the tactic of mass street mobilizations, and not those of labor.

In terms of influencing the public opinion, they appear to have achieved their money’s worth. Approval rating of “the Wage-Earner Funds run by union organization” has plummeted by 26% between 1979 and 1982. In 1976, the difference between approval and disapproval was at -10%, and it was -13% in 1979; by 1982, it plunged to -39%. (Gilljam 1988: 162) Another set of opinion polls further demonstrate that the plunge in public support occurred between the summers of 1981 and 1982, after which they stabilized. (Gilljam 1988: 154)

The great irony is that the more the Wage-Earner Funds plan became capitalist, and the more the SAP sought to be conciliatory with business interests, the anti-Fund campaigns became ever more intense in their denunciation of “socialism.” Indeed, “socialism” made the perfect enemy in their new ideological offensive for the free market, and *löntagarfonder* served as the ideal symbol and focal point of what they rejected. Thus, the actual content of the Funds was secondary; it was convenient for them to treat the Feldt Plan as if it were a socialist one. Furthermore, the anti-Fund campaign served to foster intra-class unity among Swedish capital. In the early 1980s, the question of continuation of peak-level bargaining divided employers, as large, export-oriented industries sought to decentralize negotiations in pursuit of flexibility. The Wage-Earner Fund question, in contrast, was something that employers from all sectors could

⁴⁸⁶ Svenska dagstidningar database

⁴⁸⁷“Fakta & Information om löntagarfonder. Ett svenskt sätt att lösa svenska problem.” 1983. *Rudolf Meidners arkiv*, 401/73. Arbetarrörelsens Arkiv och Bibliotek.

agree upon; for the SAF, which was most concerned with maintaining capitalist class unity, it was an additional reason to vigorously pursue anti-Fund mobilizations. (Viktorov 2006: 262)

Actually Existing Wage-Earner Funds in Neoliberal Sweden

On December 21, 1983, despite the deluge of anti-Fund discourse and mobilizations from businesses, the Wage-Earner Funds passed in the Swedish Parliament. The vote was close, with 164 in favor and 158 against; only the Social Democrats voted for it, the three bourgeois opposition parties (the Moderates, Centre, the Liberals) voted against, and the Left Party Communists (VPK) abstained. The final parliamentary debates were also dominated by the anti-Fund side; 66 MPs from the bourgeois opposition spoke, in contrast with merely 18 Social Democratic MPs and 4 from the VPK.⁴⁸⁸ In terms of public attention and media discourse, however, it was Feldt's secret poem that stole the show.

Not only did the actually-existing Wage-Earner Funds differ categorically from the original Meidner-Hedborg Plan, the political context also changed significantly. The Wage-Earner Funds became an anachronism, as the very conditions that the original Fund discussion sought to save were fading away. The solidarity wage policy suffered a decisive blow in 1983. The businesses disavowed stability of peak-level bargaining in pursuit of flexible, decentralized negotiation, and enticed – ironically enough – *Metall* to sign a separate agreement. Wage gaps among LO workers substantially increased in the course of the 1980s. (Erixon 2010: 689) In contrast to the bourgeois governments in power in 1976-1982, which made relatively little changes in their macroeconomic policy, the Social Democratic government from 1982 began to make a more decisive shift towards the market. The SAP's "Third Way" pursued fiscal austerity and appeals for wage restraint, and considered the public sector as inefficient, costly burden rather than a productive engine of the welfare society. (Andersson 2006: 109) The political discourse changed along these lines, as the expansive public-sector was articulated as vestige of the past and the new ideology of social policy "subordinated 'security' to the concept of growth." (Andersson 2006: 121) Hedborg and Meidner (1984) themselves shifted their work to defense of the public sector, which became the new forefront of struggle in the 1980s.

These drastic market-liberal measures sparked a strong opposition from the union side. As Feldt demanded union restraint in collective bargaining, the unions began to more openly resist the party in government, provoking the first serious rupture between LO and the SAP in many decades, which was called the "War of the Roses." As the decade went on, a grassroots movement against austerity and wage restraint gained traction; the "Dala Appeal" (*Dalauppropet*), started by local union militants and leaders in the Dalarna region in December 1985, quickly gained substantial support from local unions across the country. (Östberg 2009: 376) Even though the movement's momentum was blunted by the assassination of Olof Palme in February 1986, the scale of such an open defiance was difficult to imagine a decade ago.

Among the most consequential policy shifts occurred in November 1985, when the credit deregulation abolished loan-ceilings. (Blyth 2002: 224) While Palme was not necessarily keen on this "November Revolution", in face of pressures from the Feldt's forces and the central bank, he infamously uttered "do what you want, I do not understand anything anyway." (Therborn 2018: 8) The market was soon flooded with cheap credit and led to an asset bubble; the stock market and real estate prices skyrocketed, and the inflation rate rose to 11.5% in 1990. (Blyth 2002: 226) After Palme's assassination, the pace of free market reform sped up under Ingvar

⁴⁸⁸ Adam Cuibe. 2017. "Löntagarfonderna – En fråga om ekonomisk demokrati." Masters' Thesis, Linköpings Universitet.

Carlsson as Prime Minister, from an abolition of foreign exchange controls and privatization of public firms to a massive tax reform that reduced the top marginal income tax rate by more than 20%. (Agell et al. 1995: 221) As a consequence of reckless marketization, Sweden was plunged into a deep economic crisis in the early 1990s, recording negative GDP growth during three years from 1991; the unemployment rate rose from 1.7% in 1990 to 9% in 1993. (Erixon 2010: 694)

The Wage-Earner Funds operated during these years of Sweden's neoliberal turn, from 1984 to 1990. Its macroeconomic or political impact was rather limited. 400 million kronor (inflation-adjusted) was allocated to each of the five Wage-Earner Funds each year; the Funds accumulated around 15 billion kronor over the seven years. (Pontusson 1992: 202) While it was not a trivial sum, neither was it a significant amount in comparison with the Stockholm Stock Exchange's market capitalization in 1990, around the 550 billion kronor. (Pontusson 1992: 200) In fact, the Wage-Earner Funds were far smaller than the Fourth AP Fund, a public pension fund established in 1973. This fund was part of the ATP system, a public earnings-related pension system to supplement the basic pension, but unlike the first three AP funds, the Fourth AP funds could also invest in stocks.

Each of the five Wage-Earner Funds' Boards had a thin union majority; out of 9 members, 3 were nominated by the LO and 2 by the TCO. The rest of Board members were composed of politicians, government officials and executives of state or cooperative firms, as private capital boycotted any participation in the Wage-Earner Funds. (Pontusson 1992: 204) The Board made investment decisions. Their decisions were primarily driven by the simple goal of maximization of return, hardly different from other investment funds. The Wage-Earner Funds' "performance" came to be measured in terms of the market value of its portfolio, in this era of the rising prominence of the stock market in the Swedish economy. (Pontusson 1992: 207) The unions could boast success in that regard. The Wage-Earner Funds benefited spectacularly from the stock market boom in the late 1980s, fueled by the market deregulation; they increased their assets by 15% per year on average between 1984 and 1991, even counting the stock market crash of 1990. (Whyman 2004: 427) In some cases, the Wage-Earner Funds benefitted directly from the wave of privatization of state-owned firms in the late 1980s, as they bought shares of those newly-privatized firms such as the Swedish Steel Corporation and UV Shipping. (Pontusson 1992: 215)

While the Wage-Earner Funds made a considerable profit in their investment in neoliberal Sweden, what they did not gain was influence. 50% of the voting rights at shareholder meetings were allocated to unions, but they were hardly significant, as their shareholdings were very dispersed. (Pontusson 1992: 212) On average, the share of the Funds' vote in each firm ranged from 1-3% for listed firms. If we count holdings of all five WEFs and the Fourth AP Fund together, there were 20 firms where they held more than 8% of the votes; but in every single such case, there was another owner with a greater share. (Pontusson 1992: 211) After seven years of accumulation, the WEF system gained more than 15% of voting rights only in two listed companies. (Whyman 2004: 432) While they tended to gain a greater influence in some unlisted companies, the Funds' overall pattern of investment was decidedly not pursuing concentration of voting power in certain companies to enable effective control. (Whyman 2004: 430)

Ryner (2002: 162-164) argues that more robust Wage-Earner Funds could have provided an economic basis for an alternative growth model by providing a source of capital other than credit expansion and by reducing dependence on global capital markets. Such long-term patient

capital could have been the bedrock of a neo-Keynesian economy based on “virtuous, autocentric circuit between wages, profits and investments.” (Ryner 2002: 162) Not only did the Funds come anywhere close to playing such a role, they did not even succeed in keeping capital in Sweden; as a result of financial deregulation, the majority of Swedish capital – created through wage restraint – was invested in other European countries. (Whyman 2004: 423) On the other hand, it is unlikely either that these meager Funds effectively served to legitimate the Social Democrats’ neoliberal turn. A fitting assessment of the Wage-Earner Funds in practice was made by Gunnar Nilsson; it became “harmless... a little joke in the margin.” (Whyman 2004: 413)

The end of the Wage-Earner Funds was unceremonious. When the seven-year period of accumulation into the Funds ended in 1990, hardly any call was made to extend it. In March 1991, the Social Democratic government proposed to restructure the Wage-Earner Funds, together with other AP funds, into a new set of pension funds. (Pontusson 1992: 199) After the bourgeois parties won the 1991 election amid a deep economic crisis, the new Bildt government quickly dismantled the Wage-Earner Funds, firstly into a temporary transition fund. (Eklund 2019: 12) Eventually, the assets were divided into a new pension fund and research funds. 6.5 billion kronor were allocated to create the 6th AP Fund, with a focus on investment in medium and small firms within Sweden. The larger part, around 14 billion kronor, was allocated to a variety of funds that finance scientific research activities in Sweden. (Eklund 2019: 11)

The legacy of the Wage-Earner Funds in Sweden today is a leftover of the 1980s. The Social Democrats would rather forget it for the most part as an unfortunate interlude in the party’s history, even though left Social Democrats may occasionally invoke it. Unpopularity of the actually-existing Wage-Earner Funds, a result not only of the business anti-Fund campaign but also of the capital-centric design that failed to deliver any tangible gains for workers, not only discredited the idea of the Wage-Earner Funds, but of economic democracy more broadly. (Rothstein 2020) Therefore, even as the interest in the Wage-Earner Funds saw a modest revival in the international left in recent years, in Sweden, it is more often invoked by the right – as a symbol of folly, excess and danger of socialism.

In 2019, as Jeremy Corbyn’s Labour Party in Britain raised the greatest hope for left social democracy in a generation, a business daily *Dagens Industri* ran the headline; “*Corbyn’s plan to take power: Löntagarfonder on steroids.*” (Björk 2019) The specter of *löntagarfonder* continues to haunt the Swedish right. They will not have much to fear from it, at least for this moment. But they cannot forever banish this specter as long as this economic system persists, in which production is done for profit and not for need, and in which the vast majority of workers are subjugated to the minority of owners of capital.

Conclusion

On August 4th, 1914, classical Social Democracy killed itself. German Social Democrats in Reichstag almost unanimously voted in favor of the war credits demanded by the imperial regime, definitively abandoning revolutionary socialism and international proletarian solidarity. The party had proclaimed a revolutionary socialist aim in the Erfurt Program and served as a political model for Marxists from all across Europe and beyond, as the exemplary mass party that created an alternative way of life for the working class in its own “counter-society.” (Roth 1963, Lidtke 1985) All that was destroyed, when its deputies voted with the imperial state against international class solidarity. The party betrayed, in Rosa Luxemburg’s words, “everything that we had preached to the people, that we had declared to be our sacred principles, that we had proclaimed countless times during the preceding fifty years.” (Luxemburg 1974 [1916])

The second iteration of Social Democracy, born of rejection – if not active repression – of revolutionary socialism, was in many cases unable to counter the Great Depression and prevent fascism. But this Social Democracy, committed to management and defense of the capitalist state at least as much as an expansion of democratic rights and social welfare within capitalism, achieved its greatest triumphs in Sweden, where it most successfully established itself as a political current distinct from both revolutionary socialism and liberalism. (Berman 1998, 2006) During their unparalleled 44 consecutive years in office, Swedish Social Democracy built the most extensive welfare state in the history of capitalism under the name of “People’s Home”, while unions made a substantial material gain through negotiations. (Bengtsson 2014) Through the welfare state, it managed to further shape the working-class politically. (Esping-Andersen 1985, 1990) Assisted by the favorable global macroeconomic conditions that enabled high levels of growth and capital control, the working-class realized one of its great achievements of the 20th century in Sweden.

The twentieth-century Social Democracy after 1914, for the most part, rejected socialization of means of production and overcoming of capitalism, following Eduard Bernstein’s infamous maxim that “the ultimate aim of socialism is nothing.” The Meidner-Hedborg Plan is one of the few exceptions, as a project with a horizon beyond capitalism. The plan was thoroughly embedded in the logic of Social Democracy, of gradualism, corporatism and peak-level bargaining, yet its implication was unmistakably radical and rooted in the Marxian primacy of ownership of means of production. Symbolically enough, this synthesis reflected Meidner’s own political biography, as well as the fruitful collaboration between Meidner and Hedborg. Rudolf Meidner, born in 1914 in Germany, was politicized in the late Weimar period as a Marxist intensely skeptical of German Social Democracy, and later became a leading intellectual of the left within Swedish Social Democracy; Anna Hedborg was a product of the Swedish Social Democracy at the height of its dominance. Their joint product was a unique and distinctive one in the history of 20th century socialism.

The rise and fall of the Meidner-Hedborg Plan was part of the global movements in the “long 1970s”. The 1960s and 1970s saw dramatic advances of left politics across the world, in the west, the east and the south. May 1968 in France and the Hot Autumn in Italy staged the most explosive revolts in an advanced capitalist society; the Prague Spring challenged authoritarian Communism and sought “socialism with a human face”; anti-colonial revolutions in Algeria and Cuba overthrew the shackles of imperial domination. The global wave of revolt encompassed the Popular Unity in Chile, the Quiet Revolution in Québec, and uprisings against

military dictatorships in Portugal, Spain and Greece, to name a few. To paraphrase Wallerstein, after 1848, 1968 was the second-ever world revolution.

In the advanced capitalist world, the era saw confluence of labour, student, feminist, anti-racist, ecological, anti-war and anti-colonial solidarity movements, which stimulated and strengthened each other despite contradictions and conflicts. For the working-class, it was a season of militant, often wildcat strikes against inhumanity of Fordist industrial production, from the mines of Kiruna and Yorkshire to auto plants of Turin, Billancourt and Lordstown. On the campuses from Berkeley to Nanterre, Frankfurt to Trento to Mexico City, students occupied and marched; against authoritarianism of the university, then for emancipation of the entire society. Radicalized by these struggles and further radicalizing them, militant women fought against patriarchy in all spheres of life, demanding access to childcare and equal pay, reproductive rights and sexual freedom; they saw the fight against male oppression as rooted in everyday life, with the slogan that “personal is political”. In societies such as the United States, where racial domination is the linchpin of the social order, anti-racist movements played the central role in challenging domination. Alongside militant struggles, counter-culture in communes and squats flourished, rejecting the bourgeois, consumerist way of life.

Various parties of the established left gained votes and power thanks to those mobilizations from below, despite the mutual hostility between those parties and the New Left. British Labour (1964-70, 1974-79) and German SPD (1969-82) enjoyed a long time in government; the Italian Communist Party won its best results in 1976, while the French Socialists and Communists finally gained power in 1981. But in power, they regularly chose the path of collaboration with the dominant class; even though these parties often enacted progressive reforms in the beginning, in face of the structural crises of stagflation, they chose proto-neoliberalism instead. In France and Italy, the Communist Party leaders met the militant uprising of workers and students in 1968-69 with apprehension and hostility, which contained their explosive possibility at the most pivotal moments. Internal control over the base played a key role in enabling them to maintain their course. The Italian PCI promptly expelled prominent intellectuals – the *il manifesto* group - who had expressed support for the workers and students in revolt; in Britain, as part of the New Left energy flowed into the grassroots campaign for democratization of the Labour Party, they managed to contain it through bureaucratic maneuvers and blocked the Alternative Economic Strategy. (Rossanda 2010, Panitch and Leys 1997)

The Meidner-Hedborg Plan was no more and no less than a Swedish expression of the European and global upsurge of the oppressed in the “long 1970s”. In Sweden, because Social Democracy was the establishment, they only enjoyed the briefest of electoral surge in 1968 before ceding ground to the Centre Party. Social Democracy took note of the rising New Left, instituted various policies seeking to accommodate their demands, and was flexible enough to allow a radically transformative plan to emerge from within. But the party leaders, the longtime managers of the capitalist state, had no intention of transforming capitalism. Social democratic corporatism weakened autonomous mobilizations of the base, so that there was not even a need to actively suppress or expel the dissidents. And the plan was too Social Democratic to spark a wave of support among the broader left. Taken together, it was the mechanisms deeply rooted in social democracy as such, that undermined the Plan. Therefore, it is a critical case that demonstrates the inherent limits of the social democratic path to socialism.

Compared to the tragedy of the fall of revolutionary Social Democracy in the 1910s Germany, the demise of the Meidner-Hedborg Plan in the 1970s Sweden was somewhat of a farce. The former was a destruction of revolutionary aspirations of many millions of workers, in

the bloody battles on the streets waged by the far-right thugs with the complicity of the Social Democratic leadership itself. (Gietinger 2019) The latter was a gradual withering away of an unusually ambitious yet rather technocratic plan, in committee rooms and corridors between the party and union headquarters, before even engaging in a serious, frontal class confrontation against the capitalist class. The organized capital was ready for a fight; the organized labor was not. What followed then was a bizarre spectacle of the organized capital shadow-boxing against an imaginary socialist menace that the organized labor had already rejected themselves.

What could have been possible, if the labor militants had been inclined to run an autonomous campaign for the Plan, even in open defiance of the party leadership? The struggle for socialism would have proceeded at least one step further, towards a direct class confrontation over nothing less than the future of capitalism in Sweden. Whether it could have led to successful establishment of a democratic socialist society, offering the true “third way” between capitalism and authoritarian socialism - in the face of what would surely be even greater offensive from the Swedish capital, as well as interventions from European, global and imperial capital – is a less knowable question. Considering the examples of other countries with far stronger grassroots left militancy, which still ended in failure, we cannot necessarily assert that the MHP would have been successfully adopted in that counterfactual scenario. Furthermore, here as well as elsewhere, “socialism in one country” is likely a dead-end over the long term; the survival of fund socialism would have depended on its spread beyond the Swedish borders, through international solidarity and inspiration by the example.

But what we can know more certainly, is that the scope for such a historical contingency was heavily constrained by the structure of Social Democracy itself. The internally hegemonic type of organization, while it did contribute to class unity in a certain sense and enabled the solidarity wage policy, served as a great obstacle to mobilization for transformative reforms that go beyond capitalism. It is not necessarily a matter of certain particular events or moments that could have gone the other way; rather, it was embedded in the logic of its politics. In Wright’s (2010) terms, the symbiotic strategy was based on accumulation of power through compromises with the dominant class, whose terms included demobilization of the base. The symbiotic path to socialism is therefore self-contradictory by nature.

The defeat of socialist projects in the long 1970s paved the way towards the rise of neoliberalism. Social Democratic parties persisted and their leaders continued to gain positions of state power, but became neoliberals themselves, and abandoned even a decorative reference to socialism as the ultimate aim. Social democracy’s acquiescence and later active support for neoliberalism consolidated the latter’s hegemonic status, which obscured the imagination for a socialist alternative. In that light, the demise of the Meidner-Hedborg Plan, in the homeland of social democracy, was the turning point and the moment of significance for the working-class across Europe and beyond. It was not only a farce, but a tragedy, too.

Engaging with the Wage-Earner Funds Today

The Meidner-Hedborg Plan was a historically specific product of the 1970s, in a society with highly-organized and dense labor movements. The Fordist Social Democratic world that birthed it is long gone; today, emancipatory political projects face very different conditions. Neoliberalism rules through disorganization of workers and greater use of coercion against the organized working-class, rather than incorporation of their organizations. Mass parties worth its name have disappeared, and came to be “ruling the void” of atomized citizens. (Mair 2013) Mass unions, deeply rooted in workplaces and communities, have also weakened significantly; union

density has fallen everywhere, and even though Sweden has maintained around union membership of 65%, the relations with members are far more atomized and mediated today. (Jansson 2022) The economic conditions of high growth, which had provided the material basis for a class compromise in the mid-20th century, gave way to the stagnating profit rate, declining levels of productive investment at the expense of financial speculation (Brenner 2006), and the worsening climate catastrophe, all of which make a return to the favorable postwar economic conditions extremely unlikely.

Nevertheless, with the left resurgence of the 2010s, we have recently seen a revival of discussions on economic democracy, with several proposals with some similarity with institutions of the Wage-Earner Funds. The most prominent is the “Inclusive Ownership Funds”, popularized when it was included in the British Labour Party’s 2019 election manifesto. While the description is brief, the manifesto committed to “requiring large companies to set up Inclusive Ownership Funds (IOFs)”, which would own up to 10% of each firm. It suggests that the IOFs make a dividend payment of up to 500 pounds to individual workers, to be raised over time as the Funds expand - and the rest (up to 25% of the dividends) is to be used to fund the Climate Apprenticeship program. (Labour Party 2019: 60)

Bernie Sanders’ 2020 presidential campaign in the United States proposed a similar plan. Sanders’ plan proposed that 2% of the stocks of large companies be transferred to “Democratic Employee Ownership Funds”, which would own up to 20% of the firms’ shares. The scope of applicable firms includes all publicly traded companies, as well as those with more than \$100 million in annual revenue or balance sheet; as of 2019, it would include 22,000 companies employing 56 million workers. The plan stipulates that the Funds’ board be “directly elected by the workforce”, and that workers “will be guaranteed payments from the funds equivalent to their shares of ownership.” (Sanders 2019) Another type of funds was proposed by US writer Matt Bruenig (2018), whose “American Solidarity Fund” (ASF) would collect cash through various forms of taxes, in order to purchase stocks and other assets on the open market. The ASF would function as a state-owned enterprise; all citizens would be given a “nontransferable share of ownership in the ASF”, which pays them the dividends as a “Universal Basic Dividend”. (Bruenig 2018: 48)

Corbyn and Sanders’ plans share some basic features that are crucial for economic democracy, that of obligatory emissions in the form of shares and their inalienability. Compared to the Meidner-Hedborg Plan, the scope is unsurprisingly modest, reflecting the relative weakness of the working-class today; both funds have an artificially set limit that keeps it far away from a majority ownership, and likely cover less firms as well. Furthermore, they include individual payments – a “direct link to workers’ wallets” – as a key component. It makes a political sense that such tangible individual benefits play a key role in the plans, considering that the Swedish Fund proposals in both guises encountered difficulty in its absence. But the Swedish example also demonstrates how they constrain the transformative potential of the Funds.

As the Swedish debates amply demonstrated, collective capital ownership always contains a contradictory tension, of turning workers into part-owners and aligning their interests in profitability with the capitalists. Such an effect is particularly strong, if the distribution of dividends is considered as a major aim of the Funds. Material interest in maximization of dividends structurally predisposes the Funds to think and act like any other investors, accordingly with the basic logic of capitalism, precluding any possibility of using their power in a qualitatively different manner. Indeed, to the extent that individual recipients of dividends are aware and attached to the “performance” of the Funds, political pressure on them to act like any

other capitalist would grow. Bruenig's (2018: 49) proposal to emphasize the individual benefits of the Funds, by giving each "citizen-owner" access to an account where they can "log on and see their single share of ownership, track its value over time," serves to maximize such a compulsion.

The actually-existing Swedish Wage-Earner Funds in the 1980s operated according to such a logic, measuring and promoting its record by the returns they made on the market. While they also adhered to regional economic development and such social goals, they were fundamentally more similar than different from any other investment funds. Various pension funds, who hold some of the largest assets in the world, similarly operate as powerful actors in financialized capitalism, and have often played a destructive role, participating in privatization of public assets. (McCarthy 2017, Skerrett et al. 2018) Even though some may refrain from investing in firms with worst human rights or environmental records, it remains a very limited use of ownership power.

Furthermore, if increasing workers' income is the primary aim, more conventional and familiar measures are effective and available – progressive taxes on corporations and the wealthy to fund social programs and benefits, strengthening unions and strike rights to win a better contract, etc. While these goals may appear ambitious in an environment with weak political power for subordinated classes, there is no reason to believe that attaining even modest Workers' Funds would be any easier politically, while the amount of dividend payment from the latter is relatively limited in any case. What distinguishes the Funds from all other forms of redistributive reform is its capacity to transform processes and relations of production through power over the means of production. An alternative economy is the link between the Funds and the workers' interests. The workers' collective funds as a project is hardly worth pursuing, unless convincing articulation can be made that the alternative emancipatory economy is in the interests of the immense majority of the subordinated classes.

Swedish Social Democracy in its heyday did not develop a comprehensive vision of an alternative post-capitalist society, which hobbled the Meidner-Hedborg Plan greatly. Meidner and Hedborg came to the plan while working on a different research question (that of the solidarity wage policy), and it was after the release of the plan that they began to work on a broader vision of the emancipatory society. Today, in the face of an impending climate catastrophe as a consequence of two centuries of fossil capital, such a project must be for an ecological socialist society with production in the interest of human needs, based on an alternative vision of a better life. The valorization of, and the imperative for, perpetual growth ingrained in capitalism is utterly unsustainable; the only path for a livable world and planet requires limiting growth and redistributing the wealth, which can also enable substantial reduction of working time to expand the "realm of freedom" for workers. Massive public investment in infrastructures to rapidly decarbonize the economy – the so-called "Green New Deal" – is a necessary component of such a project, but it requires the complete transformation of how productive resources are used and invested.

The Meidner-Hedborg Plan can be an inspiration for such a political project today, with its emphasis on democratic control over the means of production. Its institutions and strategies are far from perfect; some aspects of the Funds should clearly be revised, clarified and strengthened in the contemporary context. For example, the long period of transition – dubious even in the 1970s Sweden that had lived through extraordinary stability of long Social Democratic rule – is out of the question, as the transfer would simply be halted by the following non-socialist government. In the era of unprecedented economic globalization and global capital

mobility, the capacity of capital to resist transfer is far greater today. Even in the 1970s, the MHP's solution to prevent profit manipulation of transnational corporations and capital flight across the borders was rather incomplete. Today, it would likely require robust capital control, considering that corporate tax avoidance through these tactics is already rampant. Furthermore, in a context with low union density and/or weak union engagement, union ownership of the Funds is not necessarily the most democratic solution; it can perhaps be a combination of unions and new institutions – workers' councils – focused on maximum grassroots participation.

Furthermore, even the perfect institutions of the Wage-Earner Funds cannot serve as the sole tool for transformation. For the Funds to make a real difference, it must operate on different principles from typical capitalist funds, which would be plausible only if it is implemented with political commitment to use the shareholder power differently, and rooted in the movements capable of ensuring it. Combining it with other schemes for democratizing finance, such as bank nationalization and public investment banking as McCarthy (2019) suggests, could help to counter investment strike and to coordinate planning at a macroeconomic level, particularly if the Funds end up with minority ownership. Decades of neoliberalism have made popular control of investment even more difficult. But on the other hand, as Benanav (2020) has argued, the great advances in computer technology also contain the possibility of better democratic planning, as vast amounts of information can be processed to indicate numerous different possibilities of allocating resources and coordinating production, which can be then determined democratically based on factors such as justice, workers' empowerment and ecological sustainability. In such a system, as Hedborg and Edin proposed in 1980, profitability would be reduced to a restriction rather than a goal. A comprehensive program of democratization of finance, combined with an emancipatory development of information technology, may pave the way towards it.

Democracy as a Strategy

To make such an ambitious program of socialist transformation even a remotely feasible prospect, there needs the level of working-class militancy, organization and consciousness that far exceed the current situation in most parts of the world. It is well beyond the scope of the present work to posit whether or how that can be possible. But history of the Wage-Earner Funds offers one note of caution. In this critical case of the social democratic path to socialism, internal concentration of power in the leadership in the name of unity became a great obstacle. Centralist discipline, often touted as necessary to vanquish the mightier class enemy, prevented them from fighting in the first place. The main issue was not the character of particular individuals in leadership; leaders of organizations of the dominated classes face structural conditions that steer them away from transformative aims and actions. The Swedish 1970s is one of numerous such examples throughout the history of capitalism. Therefore, for an emancipatory politics, it is of strategic essence that structure and culture of the movement encourage internal democracy and dissent. If democracy is a goal, it must be a means too.

The question of political organization has played a prominent role in the latest wave of left mobilizations. Initially, the uprising of the precariat in the wake of the 2008 economic crisis took a strongly horizontalist stand; active rejection of internal hierarchy was the ideal dearly held and attempted in the Syntagma Square, the Puerta del Sol and Zuccotti Park. They embraced prefigurative politics, the idea that the practices and organization of a social movement should reflect the kind of society it is fighting for. These commitments were in reaction to bureaucracy and centralism that hobbled the 20th century left, from the Communists to the Social Democrats.

In contrast to horizontalism on the streets, however, new parties of the contemporary left are extremely centralized, despite that fact that they were heavily influenced by – and benefitted from – the ferment of those movements. In the case of SYRIZA, the party followed a classic path of bureaucratization; originally a coalition of numerous left groups, consolidation of power in the Tsipras leadership began around 2012, as they became a viable contender to gain state power. (Kouvelakis 2016) This centralization meant that neither the party base nor the street mobilizations could meaningfully stop the leadership’s course, especially after the party won power in January 2015 on the backs of mass struggle, culminating in the great betrayal of Alexis Tsipras merely half a year later. Podemos and France Insoumise, the parties that emerged in the 2010s, are even more reliant on the charismatic leadership, despite occasional claims to greater democracy and transparency through prolific use of digital technologies. Particularly in the latter party, dissidence from the leader is hardly tolerated and militants are “without rights and without duties”, as Cervera-Marzal (2021) has demonstrated.

Both the desire for horizontality and the centrality of charismatic authority are, paradoxically enough, consequences of atomization of civil society today. As social bases of classic mass parties have atrophied, new generations of militants have rejected bureaucratic hierarchies, yet the popular individuals have emerged as the pole of attraction in the absence of a cohesive factor rooted in a dense web of civil society. And horizontalism is increasingly painted as damaging to strategic accumulation of power for the left, in reaction to the perceived failure of Occupy and other movements of squares of 2011. But while a centralized and disciplined organization may appear to be the novel key to building power in this age of disorganization, it is in fact nothing new in history, and has a clear conservatizing effect. Internal democracy of the rank-and-file is not a matter of empty moralism or idealism, but a strategically vital question.

Robert Michels concluded that socialism was an unattainable goal, since socialists need an organization to conquer power, yet an organization cannot but be an oligarchy. Historical events are yet to refute him. But if the dominated classes are to defy his prediction and achieve liberation from capitalism in the 21st century, it cannot but be through organizational structure and culture that valorize autonomous organizing among the rank-and-file, against both the dominant class and including its own leadership whenever necessary. They must maintain democracy and autonomy from below, even as it grows into a mass force; that is the source of power. Accumulation of power for the organizations of the left must be assessed, not only on the simply quantifiable measures of associational power, but also on the capacity of the base, to fight against domination from the outside and hegemony from the inside.

The prospects for humanity are dire today, in the face of the approaching ecological catastrophe, that is rooted in the mode of production that compels direct producers to minimize costs and maximize profits on pain of extinction. Movements led by the militants of the base, which are thoroughly democratic in form and content, are the only forces that can realize a triumph of socialism over barbarism.

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