

# Expanded abstract

## Wage-Earner Funds in Sweden: Potential and Limits of a Social Democratic Strategy toward Industrial Democracy

### Objectives

The research aims to study the wage-earner funds designed and implemented in Sweden in the last quarter of the 20th century in order to provide answers to the following questions:

- 1) What were the characteristics of the wage-earner funds proposed in the 1970s by social democracy and trade unions, what consequences would their implementation have entailed, and to what extent might they have come to represent a break with the foundations of Swedish capitalism?
- 2) What were the reasons why these funds could not be implemented in their original conception and which social class opposed them?
- 3) What are the substantial differences between the original wage-earner funds and the funds that were actually implemented in the 1980s?
- 4) How did the funds that were put in place work, what were their results, and when and why were they finally abolished in the 1990s?

### Methodological approach

The methodological approach is the one that corresponds to the classic denomination of *critique of political economy*. This approach has its foundations in the Marxist paradigm, which is rooted in the scientific and philosophical heritage identified with the work of Marx and subsequent Marxian developments. Its epistemological bases are twofold: a *dialectical* way of thinking, far removed from both the rigidity of approaches governed exclusively by formal logic and from the eclecticism without rigor of empiricist positions; and a *materialist* conception of the world, which overcomes the idealist and fragmentary perspectives of other postulates. This paradigm can be defined as a *heterodox* approach (i.e., far from the current orthodox economic schools, identifiable with the neoclassical and Keynesian branches and the multiple hybridizations between the two), *critical* (i.e., it questions the capitalist mode of production by identifying and analyzing both the contradictions inherent to its logic and its social and environmental consequences) and *social* (i.e., it denies the possibility of developing an economic science worthy of the name if not under a holistic prism that includes the social, historical and political aspects of any economic phenomenon and, therefore, denounces the sterility of the radical separation between the different branches of scientific knowledge that study society).

## Results

Regarding the first question posed by the paper, the funds were a proposal aimed at democratizing business management and socializing capital and the profits derived from its ownership. Thus, it could have meant a potential subversion of the core elements of the economic system. The fundamental consequence would have been a gradual transfer of ownership of the most profitable enterprises to the unions, so that the workers would have been able to gradually regain both the control of the means of production.

However, these funds never came into operation. The reasons for this, which constitute the second question of the research, are related to the positioning of each social class and its political representatives. In the first place, Swedish capital, which opposed the funds head-on and used the media at its disposal as well as political parties and related lobbies to ensure its rejection. Secondly, the Social Democratic Party, in whose midst there were sectors that were very reluctant to its implementation. And finally, the Swedish working class itself, which, for various reasons, was relatively indifferent.

As for the third question posed in the paper, in the light of the analysis presented throughout the research, it does not seem rash to affirm that the funds implemented ended up being little more than a modest partial reform aimed at trying to solve two serious problems of Swedish capitalism, without any pretension of modifying the status quo. These problems were, firstly, the excess profits obtained by the dominant capitals at the expense of the working class generated by the so-called solidaristic wage policy of the Rehn-Meidner model, something clearly contradictory to the supposed socialist character of the SAP. And, secondly, the retraction of investment provoked by the crisis of capitalism in the 70s, a situation that the project of the funds was intended to solve through a mechanism destined to the formation of capital.

In fact, and as an answer to the fourth proposed question, the paper shows that the mechanism of operation of the funds applied was much more modest than the original project, both in terms of its potential consequences on the ownership of capital and the actual management criteria of the funds themselves. Thus, the main achievement was not to call into question the private ownership of the means of production or the capitalist monopoly of economic management, but to facilitate capitalization and consequent accumulation by raising funds derived from a new taxation imposed primarily on wages.

We therefore conclude that the implementation of the funds, weighed down by restrictions incompatible with their initial objectives, made it impossible for this experience to have really significant results for the Swedish economy or for its working class. And yet their very existence, however diminished, posed a latent threat to capital simply because of what might have been, which is why they were abolished in the 1990s by a conservative government.

## Limits

For reasons of length, the paper does not address three aspects that would help to delve more deeply into the case study and that suggest a clear line of future research. Firstly, the period covered is restricted and, although this is a limitation consistent with the object of study, it

might be possible to analyze the subsequent development of the idea of employee investment funds. Secondly, the Swedish case is not compared with similar processes in other countries. Although the examples of Germany (Gleitze plan), Denmark (Kampmann plan), the Netherlands or Austria are mentioned, they are not studied in detail and their practical evolution is not analyzed. And thirdly, the research could be continued by comparing the wage-earner funds strategy with other projects implemented in Sweden to promote industrial democracy, from cooperatives such as JAK Medlembank or Arla to Volvo factories in Kalmar and Udevalla or Saab-Scania in Södertälje.

## Practical conclusions

A key general question that draws some practical conclusions from the research is the following: to what extent does the historical experience of the wage-earner funds in Sweden serve as a paradigmatic example to critically understand the possibilities and intentions of social democracy to propose a reformist path towards overcoming capitalism? The results of this work lead us to think that this historical episode constitutes a valuable case study of the multiple difficulties that reformism has had throughout history to fully develop its original intentions of achieving socialism through the institutional path. Moreover, they could be interpreted as a significant example of how social democracy has never really sought to overcome capitalism, but rather its economic optimization on the basis of a sufficient social legitimization from the highest possible degree of political hegemony.

Moreover, these funds, despite the possible theoretical effects that could be derived from their original conception, could never have put in check the foundations of the system. Their objective was none other than the improvement of the functioning of capitalism through the dynamization of accumulation, the widening and deepening of the bases of exploitation and the achievement of an adequate atmosphere of social peace on the basis of certain concessions to the working class. It is precisely the elementary acceptance of the logic of exploitation and accumulation assumed by social democracy that imposes the limits of its action, which are none other than the limits of the capitalist mode of production itself.

## Original value

On the one hand, we consider that the perspective of the critique of political economy employed throughout the work allows us to identify and understand the contradictions of the wage-earner funds better than mainstream approaches. It identifies not only the economic, political, social and technical problems that hindered their implementation, but also the insurmountable limits they could not overcome within the framework of capitalism.

In addition, the paper addresses the analysis of the investment funds of wage earners in Spanish, which may help to further expand the interest in issues related to the history of industrial democracy in Europe among Spanish and Latin American scholars.