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# **The Swedish model and the Rehn-Meidner model**

A definition of the Swedish model and comparison to the Rehn-Meidner model

Bachelor thesis in Political Science

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Jönköping June 2010

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Date: 2010-06-07  
Subject terms: Swedish model, Rehn-Meidner model, welfare state, Folkhemmet (People's home), welfare municipalities

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### **Abstract**

This thesis studies two different models; the Swedish model and the Rehn-Meidner model. It shows their similarities and differences, and explains why it is inaccurate to put an equal mark between the two of them. An extensive discussion on the models is presented in order to give them each a fair assessment. It is shown how and why the Swedish model has failed, as well as how Sweden has failed to apply the Rehn-Meidner model in a consistent manner.

The paper concludes with a brief discussion on the models' possible application today and in the future. Also, some requirements for the models' validity will be recognized. Some important questions concerning the models' relevance, the influence of multitude on the models, and the issue of globalization and the EU are in this concluding chapter briefly discussed. It is argued that multitude has decreased the relevance of the models significantly, and that the Swedish welfare state which was created based on the ideas of the Swedish model, needs to be reassessed. Welfare municipalities are suggested rather than a welfare state.

### **Sammanfattning**

Den här studien behandlar de två olika modellerna, den svenska modellen och Rehn-Meidner-modellen. Deras likheter och skillnader visas, och det förklaras varför det är inkorrekt att sätta ett likhetstecken mellan dem. En noggrann diskussion om modellerna genomförs för att kunna

ge dem båda en rättvis bedömning. Det visas även hur och varför den svenska modellen misslyckats, samt hur Sverige har misslyckats att tillämpa Rehn-Meidner-modellen.

Uppsatsen avslutas med en kort diskussion om modellernas eventuella tillämpning idag och i framtiden. Några krav för modellernas giltighet är också uppmärksammade. Ett antal viktiga frågor rörande modellernas relevans, mångfaldens inflytande på modellerna, samt globaliseringen och EU:s inverkan är i detta kapitel diskuterat. Det påstås att mångfalden har minskat modellernas relevans, och att den svenska välfärdsstaten, vilken är baserad på den svenska modellen, måste omvärderas. Välfärdskommuner föreslås snarare än en välfärdsstat.

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# 1. Introduction

The Swedish model is a well known concept, both in Sweden and around the world. In Sweden it is frequently used in political discussion still today. The widespread usage of the concept the Swedish model makes it difficult to define and understand, and the question ‘what is the Swedish model?’ is meaningful to investigate.

The concept is interpreted in many different ways. One popular understanding of it is that it is equal to the Rehn-Meidner model. The Rehn-Meidner model was constructed by the two labour union economists Gösta Rehn and Rudolf Meidner in a report called ”Fackföreningsrörelsen och Full Sysselsättning” (*The Trade Union Movement and Full Employment*) published in 1951. The goals of the model were full employment, high growth, low inflation, and equal incomes. It certainly has played an important role in Swedish politics, economics and the so called Swedish model. But does it contain the whole truth; is it fair to put an equal mark between the Rehn-Meidner model and the Swedish model?

Another idea of the Swedish model is related to the conception of “Folkhemmet” (internationally known as “*the people’s home*”). The concept was introduced in 1928 by the Swedish politician Per Albin Hansson, who later became Prime Minister of Sweden. In his speech about “Folkhemmet”, Hansson argued for Sweden to become a good home for everyone, where no one should be privileged and no one should be disadvantaged.

A famous perception of the Swedish model, especially internationally, is that it is a middle way between capitalism and communism. Capitalistic ideas are combined with state intervention to guarantee welfare for its citizens.

Another important idea is the “historical compromise”, as Swedish sociologist Walter Korpi calls it, between labour and capital. This occurred, according to Korpi in the 1930s, and basically means that the labour force agreed to be ruled by the capital owners, while trade unions for the labour force got a strong position in return.

The Danish sociologist Gösta Esping-Andersen who has devoted much of his work on welfare models, called the welfare models of the Nordic countries a Social Democratic model, which is characterized by what Esping-Andersen calls de-commodification. With de-commodification Esping-Andersen means the lack of dependency citizens have on the labour market; it is possible to secure a standard of living even in times of being absent from the labour market for different reasons such as disease and unemployment.

Furthermore, it is often argued that the Swedish model has played out its role today. Questions have arisen in times of globalisation and the growing power of the European Union. Is it viable for a country like Sweden to have its own model today? Will the issue of multitude impose a problem for the Swedish model, or has it already?

### 1.1. Purpose

The purpose of this thesis is to find answers to the questions posed in the introduction. It tries to investigate and analyze theories of the Swedish model and compare them with the influential Rehn-Meidner model, created by the Trade Union economists Gösta Rehn and Rudolf Meidner.

This thesis considers it relevant and necessary to outline the diffuse idea of the Swedish model. The question, what is the Swedish model, needs to be discussed. This is a task that is not simple to carry out, considering the widespread ideas (and misconceptions) of the Swedish model that exist. It requires the study of different theories in order to form a clearer picture of the model, and then be able to find the core of the model that, in this thesis, can act as a summary and short definition of the Swedish model.

Once the core of the Swedish model has been recognized, its relation to the Rehn-Meidner model will be discussed, as well as some emerging questions, such as; is it possible for Sweden to have a model of its own today in an era of globalization and the growing power of the EU?, how does the increased multitude in Sweden affect the aspiration of a national model?, can a model more conveniently be expressed on local level than on national level?

The main objective of this thesis is to sort out the Swedish model and the Rehn-Meidner model and their relation will be analyzed. Questions that emerge, like those presented above, will be merely discussed and touched upon, but not given an appropriate investigation. That research is left for further studies of the subject.

## 1.2. Method and Material

Much work has been done concerning the Swedish model. However, definitions of the model are often based on loose assumptions. I started my thesis by studying many different works on the Swedish model in order to try and find an appropriate core of it. After doing source criticism, by investigating the sources' accomplishments, profession and recognition, I found a certain number of works that I considered more important and well developed. These works were then used to find the core of the model. The analysis of the theories of the Swedish model is based on works that are carefully chosen as appropriate for this thesis. Sources are also carefully checked before studying the works. In discussions about the Swedish model there is a problem of bias; most discussions are biased, whether they have a positive or negative attitude to the Swedish model.

The study of the Swedish model in this thesis builds on four main ideas: the idea of the people's home, as defined by Swedish Prime Minister Per Albin Hansson; the idea of Sweden as the middle way between capitalism and communism, as presented by American journalist Marquis Childs; the idea of an historical compromise between labour and capital, as presented by Swedish sociologist Walter Korpi; and the idea of Sweden and its model as a Nordic Social Democratic model, as discussed by Danish sociologist Gösta Esping-Andersen.

The Rehn-Meidner model is more concrete and complete in its theory. In my study of it, the original texts by Rudolf Meidner and Gösta Rehn, the founders of the Rehn-Meidner model, have been studied as these texts led to the birth of the actual model. Also, the work of Lennart Erixon, docent in economics at Stockholm University, who has devoted a lot of effort to the Rehn-Meidner model, has been of great help.

### 1.3. Disposition

After the introduction the thesis starts off, with an issue that is necessary to sort out in this thesis: what is the Swedish model? Here this thesis finds a core in the theories of the Swedish model and defines it. There are a few ideas that are related to the Swedish model that have to be considered. Folhemmet (the people's home), the middle way between capitalism and communism, the "historic compromise" between labour and capital, and a so-called social democratic model characterized by de-commodification, are the main ideas that builds the core of the Swedish model in this essay.

The next chapter takes a closer look at the Rehn-Meidner model in theory. All parts of the model are explained and also illustrated with a figure that tries to provide a more comprehensive picture of the model and how it is thought to work in practice. It is also shown how all parts are interdependent in the ambition to reach the goals, which makes the model unusual.

Furthermore, it is analyzed how the model has been applied in Swedish politics over the years. It is investigated how big influence the model really had in order to give an answer to one of the questions asked in the introduction; is it correct to put an equal mark between the Rehn-Meidner model and the Swedish model?

In chapter 4 it is shown that there are significant differences between the Rehn-Meidner model and the Swedish model, and that the equal mark that is often put between them is incorrect. Some differences are emphasized and discussed, as well as some important similarities, since it is obvious that, even though the models are not identical, they have had relatively large influence on each other. Although, taking in account that all instruments in the Rehn-Meidner model must be considered for the model to actually be applied, it is shown that this influence is often exaggerated.

In the conclusion the questions posed in the introduction are discussed and answered, with the background given in the previous chapters. The leading question is: is it viable for Sweden to have its own model today? Issues like multitude, globalisation and the argued failure of the

Swedish model are taken into account in this discussion. Finally, some suggestions for further studies on this issue are proposed

## 2. The Swedish Model

The Swedish model – what is it? The concept is frequently used in political discussion, and many parts are trying to make the concept their own. To investigate the true nature of the Swedish model, it is meaningful to go back in time, to when it is suggested that the concept was born, to when it first began to be a part of political discussion. Swedish Social Democrat Per Albin Hansson spoke about “the people’s home” in 1928, American journalist Marquis Childs wrote about Sweden’s “middle way” in 1936. In recent years, Swedish sociologist Walter Korpi has written about “the historical compromise”, which he argued took place in the beginning of the 1930s, and even more recently Danish sociologist Gösta Esping-Andersen has written about the obviously large Social Democratic influence on the Nordic models.

By studying these four ideas it is possible to find a core of the concept called the Swedish model. They all have a common ground in their theories, which deals with welfare.

### 2.1. What is the Swedish model?

Four main concepts that are used in theories of the Swedish model, that rely on the same fundamental ideas, may be discerned. These are:

*“Folkhemmet” (the people’s home)* – an often discussed concept, whose meaning for the Swedish society best corresponds to the ideas of Per Albin Hansson.

*“The middle way between communism and capitalism”* – a frequent interpretation of the Swedish society by outside observers, presented by the American journalist Marquis Childs.

*“The historical compromise”* – the compromise between labour and capital that, according to Walter Korpi, took place soon after the Social Democrats won the election in 1932.

*“The Social Democratic model”* – a model for Swedish (as well as other Nordic) welfare states, discussed by the influential sociologist Gösta Esping-Andersen.

### 2.1.1. “Folkhemmet” (the people’s home)

“Folkhemmet” is a famous concept that is often closely related to the Swedish model and the Swedish society. The concept was introduced in a speech in 1928 by Per Albin Hansson, the Social Democrati party leader, who later became Prime Minister of Sweden:

“The foundation of the home is fellowship and solidarity. The good home know no privileged nor disadvantageous, no favourite nor stepchild. There one does not look down on another, there no one tries to get benefits on anyone else’s expense, the strong one does not push down and plunder the weak one. In the good home equality, consideration, cooperation and helpfulness prevail. Applied to the great people’s and citizen’s home this would mean the breaking down of all the social and economic barriers, that now divide the citizens into the privileged and the disadvantageous, into rulers and dependent, into rich and poor, the glutton and the destitute, the plunderers and the plundered. The Swedish society is not yet the good citizen’s home. Here prevails admittedly a formal equality, equality in political rights, but socially class society endures and economically dictatorship of the minority prevails. The inequalities are sometimes glaring; while a few live in palaces, many consider it happiness if they may live in their cottages even during the cold winter; while a few live in abundance, many walk from door to door for a piece of bread, and the poor one is worried about the day after, where disease, unemployment and other misfortune lurks. Should the Swedish society become the good citizen’s home the class difference must be removed, the social care be developed, and economic equalization happen, workers be provided share even if the economic management, democracy be implemented and applied even socially and economically.”<sup>1</sup>  
(Hansson and Berkling, 1982: 227.)

These thoughts have been prominent in Swedish politics and fundamental to the construction of the Swedish welfare state, which will be discussed more closely later in this thesis. Hansson’s speech about the people’s home is characterized by solidarity and equality, ideas that have had a major role in Swedish politics ever since Hansson’s time as Prime Minister of Sweden.

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<sup>1</sup> Quote translated from Swedish to English by author.

### 2.1.2. The Middle Way between Communism and Capitalism.

The view of Sweden as the middle way between capitalism and communism was made famous by the American journalist Marquis Child, who wrote the book "*Sweden: The middle way*" in 1936. In this book Childs viewed the Swedish system as a middle way between two other economic systems; the market economy of the US, and the socialism of the Soviet Union. Sweden provided a successful bridge between these two systems.

Childs' book became an international bestseller, and brought light to the Swedish model, which became internationally known as "the middle way" rather than the Swedish model.

The book also came to have great influence on American politics. In a party convention in 1936 president Franklin Roosevelt presented the book and talked about Sweden as an interesting situation where a royal family, a socialistic government and a capitalistic system worked side by side. Roosevelt's famous "new deal" had much in common with the so-called Swedish middle way (Ohlsson, 2005).

### 2.1.3. The Historical Compromise

Walter Korpi saw a "historic compromise" (in the 1930s) between labour and capital. That compromise is, according to Korpi, the core of the Swedish Social Democracy and the basis of the Swedish model. Korpi sees labour and capital as the two single most important power resources in the industrialised and democratized Western society.

The election victory of the Social Democrats in 1932 and the following settlement with the Farmer's Association is the most important breaking point in Swedish modern history. The settlement with the Farmer's Association led to what Korpi calls the "historic compromise". With this concept, Korpi refers to the spirit of understanding, direction towards consensus, and will to compromise, that he means characterized Swedish domestic policy from the 1930s to the 1970s. The "historic compromise" is thus the historical breaking point that became the starting point for the Swedish model according to Korpi (Korpi 1978; Nyzell 2007).

Korpi argues that there are three different kinds of power resources in our Western society: means of violence, labour and capital. Means of violence has, through the democratizing of our society, been eliminated, which leaves us with labour and capital as our main power resources. The compromise between the two of them constitutes the base of the Swedish model.

Korpi means that a welfare system was developed from an understanding between the labour movement and the state. The capital owners were allowed to continue ruling the labour force and production, as long as they recognized the strong position of the trade unions in, for example, wage bargaining and employment conditions. The industrial elite allowed the Social Democrats to implement extensive welfare reforms, and in return the labour movement refrained from nationalizing the industries. This, new, power distribution was the “historic compromise” (Korpi 1978; Henreksson & Jakobsson 2001; Nyzell 2007).

#### 2.1.4. The Social Democratic Model

Gösta Esping-Andersen finds a nordic model, which he calls a Social Democratic model. The model is, according to Esping-Andersen, characterized by what he calls “de-commodification”. Esping-Andersen divides in his book “The Three Worlds of Welfare Capitalism” three different models for welfare states. Beside the Swedish (and Nordic) Social Democratic model he finds one liberal model that is prominent mainly in the Anglo-Saxon countries, and one conservative model that is prominent in the continental Europe (Esping-Andersen, 1990).

What is unique for the Nordic Social Democratic model is that its citizens are not dependent on the labour market, but may, even in times of being out of the labour market, for example because of disease and unemployment, count on a secure standard of living. Hence the concept of “de-commodification” (Esping-Andersen, 1990). (2)

Esping-Andersen investigates in his book 18 different countries with different welfare systems. Among other things he ranks these countries on the basis of de-commodification, where a high score means a high level of de-commodification. In this ranking, which was made in 1980, Sweden places on top with the highest score – 39.1, just above its Scandinavian neighbours

Norway and Denmark. The lowest score goes to Australia (13.0), closely followed by the USA (Esping-Andersen, 1990: 52).

Esping-Andersen also investigates the level of liberalism, conservatism and socialism in the different countries. Sweden scores 0 on the level of liberalism and conservatism, while scoring 8 on the level of socialism. This implies that Sweden is placed at the bottom regarding liberalism - whereas the USA, Switzerland and Canada are on top with 12 points, and conservatism – where a few continental countries like Germany and France are on top with 8 points. On level of Socialism Sweden is on top together with Norway and Denmark with 8 points (Esping-Andersen, 1990: 74)

Esping\_Andersen distinguishes five characteristics for the Nordic model:

1. A strong state, and/or a big and expensive public sector.
2. A tax financed social welfare. The public service and the social security systems are universal and including.
3. A well developed and working cooperation between the state and the organisations of the labour market.
4. Equality between men and women, much thanks to ambitious family politics.
5. Great Social Democratic influence on the model's emergence and development.

(Lundberg, 2006; Lodenius, 2009)

According to Esping-Andersen, the Swedish Social Democratic model is dependent on full employment. The capital and wage labour provided by the state of full employment is necessary to finance the welfare.

## 2.2. The core of the Swedish model

The four ideas discussed in this chapter to constitute the core of the Swedish model all rely on the same ground. Equality and solidarity are concepts that are prominent in the Swedish model, and were stressed in Per Albin Hansson's speech about 'the people's home'. The idea in Sweden how to ensure equality for all its citizens – how to implement solidarity – was a

compromise between labour and capital, which Walter Korpi called 'the historic compromise'. This compromise made it possible to ensure equality, solidarity, and thus welfare without too much state intervention, which was recognized by Mancur Olson who saw Sweden walk a middle way between capitalism and communism. The result of this is a system where the citizens are not completely dependent on the labour market in order to secure a certain standard of living, which Gösta Esping-Andersen calls 'de-commodification'.

In the next chapter these ideas – the core of the Swedish model – are analysed in how they have contributed to the construction of the Swedish welfare state.

### **3. The construction of the Swedish welfare state based on the ideas of the Swedish model**

The first step of the Swedish welfare state was to propose a social security and basic services system. Also, a series of agreements between trade unions and employers were suggested in order to both ensure a stable labour market and high salaries, which was what Korpi called ‘the historical compromise’. This laid the ground for a welfare state that later guaranteed a social safety net for its people, if for example they would be ill or get unemployed, they would still collect an income, which is the basic meaning of Esping-Andersen’s concept ‘de-commodification’. The state also provided education and healthcare. All citizens are guaranteed a high standard of living. This is financed by high taxes. This economic system is called ”a mixed economy” where the economy is controlled by both the public and the government, and it is basically a mixture between capitalism and socialism, as Olson was talking about.

In Sweden, governmental control has never been too prominent. Instead it has been organizations who have maintained a certain control of the economy, in accordance to what Korpi called the “historical compromise”. For example, state ownership has never exceeded 10 percent, measured in number of employed (Nordfors, 2006). Schonfield also reflects on this; ”In Sweden there is a society in which interest groups are so strongly organized, their democratic basis so firm, and their habit of bargaining with one another independently from the government so well established, that here, if anywhere, “indicative planning” in the full sense – that is planning without any dependence of the state – looks as if it ought to be feasible. (...) (T)he government is meant to keep its distance. It is not merely that it is excluded from the colloquy between the two sides; it does not even, any longer, attempt to exercise guidance” (Nordfors, 2006).

The basic idea behind the Swedish model has always been to keep unemployment as close to zero as possible. Everyone who wants to and is able to work should have a job. A set of regulations has been used to reach this goal, in for example the capital market. Concerning the labour market, Arbetsmarknadsstyrelsen (AMS) was formed in 1948 to manage labour market policies and programs, and an education of unemployed started in order to help them enter or re-enter the labour market.

As has been shown in this section, the Swedish welfare state is constructed based on the ideas that have been discussed to constitute the core of the Swedish model;

The idea of equality and solidarity spoken about by Per Albin Hansson, and the good home with cooperation, helpfulness, consideration and equality where no one is disadvantaged is satisfied in the Swedish welfare state by, for example, the social security.

Similarly, the social security is something that is important in Esping-Andersen's idea of the Nordic and Swedish model. He is talking about de-commodification, by which he means that a certain, relatively high standard of living is guaranteed even in absence of the labour market.

The balance of the government's involvement in Sweden is what Childs discusses in his theory of Sweden as the middle way between communism and capitalism. In the Swedish welfare state the government intervenes in order to secure equal opportunities for its citizens, for example by providing education and health care, which is financed by taxes.

Walter Korpi's idea of the "historical compromise" between labour and capital is satisfied by the huge influence of labour unions in Sweden and their important role on the labour market.

The close relation between the core of the Swedish model and the Swedish welfare state is obvious. However, a distinction between the Swedish model and the Rehn-Meidner model needs to be done. It is frequently understood that these two models are equal. This is not the case. In the next chapter the Rehn-Meidner model will be defined and discussed before such a distinction can be made.

## 4. The Rehn-Meidner Model

This chapter will deal exclusively with the Rehn-Meidner model in theory before, in the next chapter, its influence and application will be analysed. Later in this thesis the Rehn-Meidner model is put in relation to the Swedish model.

After World War II there was a labour demand surplus in Sweden and the country experienced an overheated economy. Something had to be done in order to maximize production and control inflation. The two Trade Union economists Gösta Rehn and Rudolf Meidner constructed a macroeconomic theory, which later became the Rehn-Meidner model, and also often called the Swedish model. The theory was an alternative to Keynesianism, which had been in significant use in Sweden up to this time.

### 4.1. Birth of the Rehn-Meidner model

In 1948 Gösta Rehn and Rudolf Meidner used the Social Democratic periodical *Tiden* to start a discussion, which eventually resulted in the Rehn-Meidner model. In an article written in 1948 Rudolf Meidner deals with the inflation problem that arises in a situation of full employment. In this situation of full employment, with production pushed to its limits, there is an obvious risk of wage inflationary problems. Companies' competition for a limited labour force naturally leads to wages being pushed upwards. Meidner claims that the main condition is to eliminate this demand surplus of labour. This demand surplus is a threat to the whole trade union movement. What is needed is wage equality – that is equal pay for equal work – and a general economic policy that allows wage policy to be maintained without facing the risk of wages drifting away or becoming unequal (Meidner, 1948). It is obvious that already at this point, the groundwork for the Rehn-Meidner model was well developed.

Rehn's article from 1948 dealt with economic policy in times of full employment. He claimed that there is a tendency of price increase when having full employment. The reasons for this include the strong position of the trade unions in such a situation, and the competition between companies for the labour force required in order to safeguard the profit possibilities. In this

case, inflation would be a result of too high demand in certain areas of the market, according to Rehn (Rehn, 1948; Bergström, 2003).

To counteract a situation like this the profit development should, according to Rehn, be restrained in order to avoid an exaggerated competition for the labour force. The decreased incentives that follow should be taken care of by society through an active labour market policy, in order to maintain full employment (Rehn, 1948; Bergström, 2003).

Furthermore, indirect taxes were proposed to reduce inflation through a decreased purchasing power. Low income takers, who suffered harder from this, were compensated with child support and higher pensions to mention a few examples (Rehn, 1948; Bergström, 2003).

These two articles from 1948 laid ground to the report “The trade union movement and full employment”, which was presented in 1951. While Meidner focused on wage policy and work conditions, Rehn focused on fiscal policy in his analysis of wage policy. Their work was well synchronized and their respective focus complemented each other (Bergström, 2003).

## 4.2. The ideas of the Rehn-Meidner Model

In the report ”Fackföreningsrörelsen och Full Sysselsättning” (*The trade union movement and full employment*) in 1951 Rudolf Meidner and Gösta Rehn presented their ideas which were based on full employment and price stability.

The goals with the policies presented in the report were:

- Full employment
- Price stability - low inflation
- High growth
- Equal incomes

How were these goals meant to be achieved?

## **Full Employment**

The full employment goal required governmental intervention in the labour market. New labour market politics were needed and the policies suggested by Rehn and Meidner stated that the government should offer education and economic compensation for the unemployed in order to transfer the unemployed to another sector which was more productive. In this way unemployment was reduced. Also, since this implied that the demand for labour in expansive industries was met, the risk for wage drift was reduced (Meidner and Rehn, 1951; Appelquist, 1996; Erixon, 2000).

## **Price Stability – Low Inflation**

The model advocates a restrictive fiscal and monetary policy in order to avoid inflation. By for example reduced public spending, higher taxes, higher interest rates etc. the amount of money in the economy was decreased, which led to a decreased pressure on the price level – i.e. the inflation. It also reduced the wage drift in the economy.

According to the model, public saving is to prefer over private saving in order to guarantee income and wealth distribution. With fiscal restraint over the business cycle a public saving surplus is achieved (Meidner and Rehn, 1951; Appelquist, 1996; Erixon, 2000).

## **High Growth**

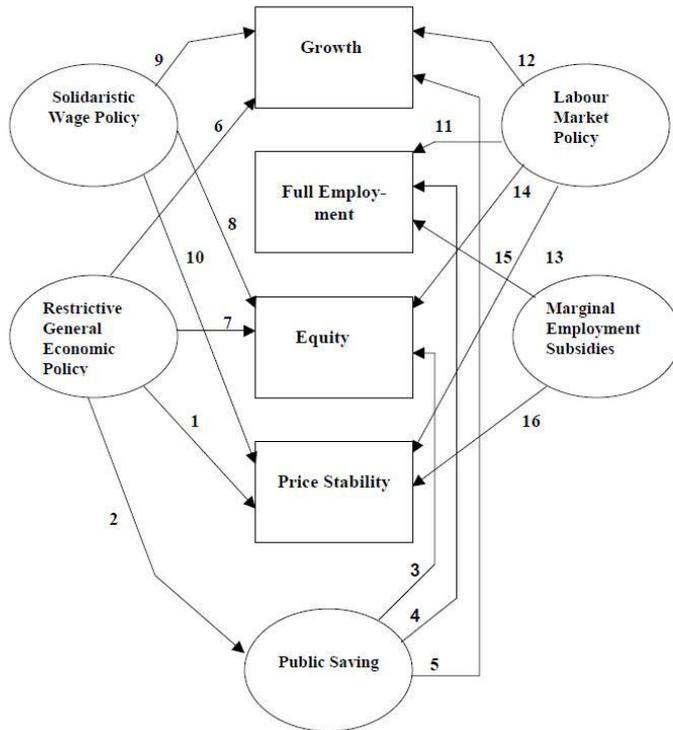
The notion equal pay for equal work is important for the high growth goal. The notion implies that if a company is not productive enough to pay the agreed salaries, resources will automatically be relocated to a more productive industry (with the help of labour market policies that were discussed in the full employment chapter). Hence, high growth is assured (Meidner and Rehn, 1951; Appelquist, 1996; Erixon, 2000).

## **Equal Incomes**

The goal of equal incomes should be reached with the help of central agreements between trade unions and employers. The transfer mechanism achieved with active labour market policies and equal pay for equal work also helped assuring equal incomes since jobs with low salaries were generally unproductive and eventually replaced with more productive jobs that generated higher salaries (Meidner and Rehn, 1951; Appelquist, 1996; Erixon, 2000).

Erixon (2000: 8) provides a figure to show the means and objectives of the Rehn-Meidner model:

Figure: Means and objectives in the Rehn-Meidner economic and wage policy model.



Explanation of the model and its arrows:

**Arrow 1** – A restrictive general economic policy is used to control the rate of inflation.

**Arrow 2** – A public saving surplus is reached by fiscal restraint over the business cycle.

**Arrow 3** – Public saving guarantees income and wealth distribution, and is hence preferable to private saving.

**Arrow 4 and 5** – Public saving is used to reach goals set for employment and growth in industrial policy.

**Arrow 6** – Restrictive general economic policy makes companies more efficient and supports structural change through forcing the closing of unproductive firms.

**Arrow 7** – The restrictive general economic policy also supports the equity ideals.

**Arrow 8** – Equal pay for equal work, no matter the profitability of companies, is assured by the solidaristic wage policy

**Arrow 9** – A solidaristic wage policy helps accomplish high growth, mainly through structural change.

**Arrow 10** – Solidaristic wage policy also helps to ease inflationary wage-races.

**Arrow 11** – Labour market policy measures is used to reach full employment despite the unemployment tendencies that arise from restrictive general economic policy and solidaristic wage policy.

**Arrow 12** – Labour market policy stimulates high growth by facilitating dynamic sector’s recruitment of labour.

**Arrow 13** – Labour mobility as a result of labour market policy controls pay rises in sectors with high demand, and hence helps controlling inflation.

**Arrow 14** – Labour mobility also helps assuring equal pay for equal work.

**Arrow 15 and 16** – The aim with marginal employment subsidies is to fight unemployment and inflation by reducing firms’ marginal costs.

It is interesting to see how each instrument in the Rehn-Meidner model fills more than one function and works together in completing the tasks and achieving the goals:

*Solidaristic wage policy* stimulates growth, equity and price stability.

*Restrictive general economic policy* stimulates growth, equity and price stability, as well as *public saving*, which in turn stimulates equity, full employment and growth.

*Labour market policy* stimulates all four tasks; growth, full employment, equity and price stability.

*Marginal employment subsidies* stimulates price stability and full employment.

All instruments in the model are dependent on each other. For example, a restrictive general economic policy and solidaristic wage policy will lead to unemployment, unless labour market policies are used to manage this (Erixon, 2000).

### 4.3. Summary

The Rehn-Meidner model is, as has been shown, a comprehensive model, in which all instruments have to be considered in order for the model to work, which is the most important feature of the model. Arguably, this has not been the case in Sweden, where a number of deviations from the model have occurred, as is discussed in the next chapter. However, certain parts of the model have been considered more than others; some have even been prominent in Swedish politics since the birth of the Rehn-Meidner model.

## 5. Application of the Rehn-Meidner model

The Rehn-Meidner model was presented in 1951, and since then it has been more or less influential in Swedish economic politics. In this chapter it is analyzed how Sweden has managed to apply the Rehn-Meidner model since it was introduced.

According to Erixon, we experienced a “golden age” for the Rehn-Meidner model from the beginning of the 1950s to the first oil crisis in 1973. After that, a “breaking-up period” with departure from the model between the first oil crisis and the Swedish crisis in the beginning of the 1990s. Later, we have experienced a “period of adaption” after the crisis in the 1990s, which has led to new conditions for economic policy in Sweden, but also a rebirth of the Rehn-Meidner model (Erixon, 2003: 107-108).

Swedish Minister of Finance 1944-55, Per-Edvin Sköld was against the Rehn-Meidner model. He was then succeeded by Gunnar Sträng, who was more positive to the model. For example, the value added tax was re-introduced and a big investment was made on labour market policies in the end of the 1950s (Erixon, 2003: 111).

Active labour market policies were implemented for the first time during the recession in 1957-58. Even bigger concentrations on labour market policies were made during the recessions in 1966-68 and 1970-72. Labour market policy's share of GDP and national expense did increase significantly, as well as actions to stimulate the mobility of the labour force and the matching process on the labour market. These measures agreed with the ambition of the Rehn-Meidner model to speed up the structural change and eliminate inflationary bottle-necks on the labour market (Erixon, 2003: 111).

Solidaristic wage policy was also implemented. Wage equalization between and within industries, as well as between men and women was in strong focus from the beginning of the 1960s to the middle of the 1970s (Erixon, 2003: 112).

The ideas of the Rehn-Meidner model regarding a restrictive general economic policy were carried out by the Social Democratic government between the end of the 1950s and the 1970s

by restraining fiscal and monetary policy (even if it was still counter-cyclical). Fiscal policy was now only slightly expansive, except during the recessions in 1966-68 and 1970-72 when it was restrictive. This, together with the active labour market policies, was, according to Erixon, an “approximate application of the Rehn-Meidner model” (Erixon, 2003: 112). Swedish Minister of Finance, Gunnar Sträng, argued during the recession of 1970-72 that Keynesian expansionary policies instead of selective employment policies would have resulted in a higher rate of inflation and hence would have worsened competitiveness for Swedish businesses. Besides, Sweden avoided devaluation during the second half of the 1960s, which is in line with the ideas of the Rehn-Meidner model (Erixon, 2003: 112).

Another sign of the application of the Rehn-Meidner model in Sweden in the 1960s and 70s is that Sweden was among the OECD-countries with the highest downfall of profit rates and profit shares. Besides, the public sector’s share of total savings increased rapidly in Sweden compared to other OECD-countries (Erixon, 2003: 113).

Erixon argues, however, that the Social Democrats did not use the Rehn-Meidner model much in their formation of the general economic policy during this period: fiscal policy was still largely expansive, which was against the idea of a restrictive general economic policy that the model advocated. Rehn and Meidner claimed that the fiscal policy during the booms in 1965-66 and 1968-70 was far too expansive. The restraint of the fiscal and monetary policy that was later set to hold down inflation was implemented too late, which led to the following recessions to be deeper than necessary (Erixon, 2003: 113).

Erixon draws the conclusion that “the Rehn-Meidner model was not applied consistently in Sweden from the recession in the end of the 1950s to the recession in the beginning of the 1970s” (Erixon, 2003: 114). Despite this, he calls this period, the “golden age” of the model, considering the breakthrough of labour market policy and solidaristic wage policy, and the fact that profit shares fell, public saving increased and value added tax was introduced (Erixon, 2003: 114).

The biggest success of the model during its “golden age” was that wage equalization appeared to be compatible with high growth, low unemployment and a rate of inflation similar to the one of the rest of the world. Furthermore, Erixon claims that the biggest victory for the Rehn-

Meidner model was that it showed that decreased profit shares led to a high production growth for the industry (Erixon, 2003: 114).

The downfall led to rationalisations and fusions, and to unprofitable businesses and industries being eliminated, which created conditions for structural change. The increased pressure for such a change was one of the main reasons that the production growth was high (Erixon, 2003: 115).

During the 1970s and the 1980s Sweden proceeded to move away from the Rehn-Meidner model even more. The general economic policy got more expansive than earlier, especially regarding currency and fiscal policy, which led to big fluctuations in profits and profit shares. On a more globalised market it was also harder to use monetary policies to control production and employment (Åmark, 1988; Erixon, 2003: 116).

The following problematic time for Sweden's economy began with a positive supply and demand shock. Sweden's industry enjoyed a boom in 1973-74. This boom, however, soon transformed till a crisis. High demand for labour force and high profits generated in higher salaries, which in turn led to the competitiveness of Sweden to decrease dramatically. According to Erixon, this shows that the idea of the Rehn-Meidner model that high profits have an unbalancing role in the economy is correct (Erixon, 2003: 117).

The non-Socialist government then further distanced itself from the Rehn-Meidner model by devaluing three times between 1976-77 instead of restraining the fiscal and/or monetary policies. These "crimes" against the model should not, according to Erixon, be over-emphasized considering the deep recession that occurred during that time. The expansive fiscal policy of the non-Socialist government during the boom of 1978-80 is a much worse treachery of the model (Erixon, 2003: 119).

The consistent selective employment policy that was carried out by the different governments in Sweden followed the idea of the Rehn-Meidner model, even if the support of crisis-industries was too big and long-standing in order to support the structural change advocated by the model (Erixon, 2003: 119-120).

In the beginning of the 1980s both the Trade Union and the Social Democratic Party started to work on new ideas for the economic policy, which is a sign of what Rudolf Meidner claimed; there is no doubt that the trade union's influence over the government has decreased significantly since 1982 (Åmark, 1988).

The Social Democrats then regained power in 1982 and responded to the recession and growing unemployment by devaluing, which led to a new boom, increased wages and an overheated economy. A few years later the bond market was deregulated and the overheating of the economy was sharpened. The government tried to control inflation by price controls and appeals for wage restraints. This crime against the Rehn-Meidner model did not work, and led to a governmental crisis, which in turn led to Minister of Finance Kjell-Olof Feldt to resign (Erixon, 2003: 121).

The devaluation in 1982 was, according to Ulf Jakobsson, the beginning of a distinctive departure from the Rehn-Meidner model. Furthermore, the bond market and the currency market were deregulated, who both was fundamental in the Rehn-Meidner model. The Social Democratic government then claimed that the inflationary goal was superior to the employment goal.

During the 1980s the solidaristic wage policy was abandoned as well. Wage differences between and within industries increased. Also, labour market policies diminished during this time.

In the beginning of the 1990s Sweden suffered a deep recession and economic crisis. The growth of GDP was negative and unemployment grew rapidly. Sweden was no longer a country of full employment. A fundamental reason to the crisis was the overheating during the 1980s. Investments financed by loans that grew up from the deregulation of the bond market caught up the businesses who could not afford to pay the rates of interest for the loans. With the help of the Rehn-Meidner model the crisis can simply be explained with a general economic policy that was not as restrictive as necessary, and not enough public saving (Erixon, 2003: 124-125; Meidner, 1999: 17-18).

During this period unemployment rose dramatically as well. Meidner saw several reasons to this, and specifically recognizes that the Social Democratic government declared that the goal

of price stability had higher priority than full employment. Increasing unemployment was tolerated (Meidner, 1999: 17).

The non-Socialist government in the beginning of the 1990s implemented an active labour market policy in accordance with the Rehn-Meidner model, unlike its Social Democratic predecessors. Minister of Finance, Anne Wibble, even used Gösta Rehn's motto "hate the inflation" as an argument for the economic policy (Erixon, 2003: 125-126).

When the Social Democrats formed government in 1994 there was a state of mass unemployment in Sweden. The Social Democrats, with Göran Persson as their leader, approached this with a restrictive fiscal policy. They also continued building the active labour market policy that was created by the non-Socialist government earlier. But despite these obvious similarities to the Rehn-Meidner model, Erixon argues that the combination deviates from the model's recommendations in times of mass unemployment. Furthermore, he claims that the policies carried out in the 1990s were failed in terms of the Rehn-Meidner model since, no matter what reason, mass unemployment occurred (Erixon, 2003: 129-131).

Anders Björklund gives in his article from the beginning of the 1980s the answer, an undoubtedly no, to the question whether the idea of the Rehn-Meidner model regarding a restrictive general economic policy has been followed in Sweden. He, as well as Erixon, points out the tendency of overheating during booms. This is, according to Björklund, the "main departure" from the model (Björklund, 1982: 19).

Furthermore, Björklund claims that the labour market policy has been carried out rather actively, just like the Rehn-Meidner model advocates. Above all, he points at labour market education, mediating service and mobility subsidies as the most important aspects (Björklund, 1982: 22).

Considering the solidaristic wage policy Björklund divides two different interpretations of it; first a general wage equalization regardless of work; and secondly the principle of "equal wage for equal work". He claims that wage policy in Sweden has been concentrated on the former rather than the latter, which is not in accordance to the idea of the model of a solidaristic wage policy.

In 1976 Sweden experienced a rate of inflation and increase of wages that was way too high in relation to the rest of the world. A restrictive general economic policy dampens the inflation, but also leads to increased unemployment. What was done in Sweden was that a restrictive general economic policy was combined with a large investment in labour market policy. That way, wage costs and inflation were managed to push down without a rapid increase in unemployment. Björklund concludes on the basis of this, that there is reason to make a positive judgement of labour market policy as a tool for stabilisation policy (Björklund, 1982: 30-31).

### 5.1. Summary

The Rehn-Meidner model has had influence on Swedish economic politics, as has been shown in this chapter. However, it needs to be stressed that for the model to work and be applied properly, all its instruments have to be considered, and this has never been the case in Sweden, not even during the golden-age of the model. Hence, it is fair to conclude that the model has not been applied ever, although certain ideas of it have been influential. This failure is simple to see, mainly by regarding the failure to recognize the model's interdependency requirement.

## **6. Similarities and differences between the Swedish Model and the Rehn-Meidner Model**

There are similarities between the Swedish model and the Rehn-Meidner model, and more importantly some significant differences.

First of all, the solidaristic wage policy is something that is prominent in both models. It is argued, however, that this idea has been pushed to its extreme limit and has moved towards “equal pay regardless of work”, rather than “equal pay for equal work”, which was the original idea of the Rehn-Meidner model. This movement away from the idea of Rehn and Meidner is argued to have decreased the interest in growth.

Another similarity is the collective bargaining, which is one of the most important features of the Swedish model still today. The strong position of labour unions was also something that Rehn and Meidner considered necessary in their model.

Regarding the labour market, which is the foundation of both models, it is possible to see similarities in its policies. The Rehn-Meidner model advocated active labour market policies, which is something that has also been followed in the Swedish model, mainly during the 1950s and 60s. Lately, however, policies in the labour market have become less and less active.

Furthermore, the fundamental goal of full employment is apparent in both models. Differences are obvious, though, in how this goal was supposed to be achieved. The Rehn-Meidner model required all of its instruments to be used, as they are interdependent, which the Swedish model did not recognize this interdependency and neglected parts of the Rehn-Meidner model.

One major departure from the Rehn-Meidner model was the failure to keep down inflation. Keeping down inflation was important for Meidner and especially Rehn who used the motto “hate inflation”.

It is obvious that the Swedish model and the Rehn-Meidner model do have some similarities, but it is equally obvious that they are not identical – they do have some crucial differences as well. The most clear corresponding characteristic the models share is the labour market policy, in which it is feasible to count also the solidaristic wage policy and collective bargaining. The strong position of trade unions in Sweden does also have much to do with that.

The most noticeable departure from the model is the economic policy in Sweden, which has not been as tight as proposed by the Rehn-Meidner model. This has resulted in a failure of the ambition of a low inflation. This is something that has been much recognized, for example by Rudolf Meidner himself.

Sweden's welfare ambitions were probably incompatible with the Rehn Meidner model. For example, it is obvious that relatively equal incomes, regardless of work, have been advocated in Sweden, which is not in line with the solidaristic wage policy of the Rehn Meidner model.

To conclude, in order for the Rehn-Meidner model to work properly, it is required that all its instruments are considered since they are interdependent. This is where Sweden has failed in terms of the Rehn-Meidner model. As it has been shown, the Rehn-Meidner model has influenced Sweden in the creation of the Swedish model, but to say that Sweden adopted the Rehn-Meidner model is definitely not accurate. The main reason for this is the interdependency between Rehn and Meidners instruments that has not been considered in the Swedish model.

### 6.1. The failure of the Swedish model

It has been shown that the Rehn-Meidner model was never applied, and is not the same as the Swedish mode. Some obvious differences, as well as similarities between the two models have been outlined. Furthermore, the Swedish model is thought by many to have failed, especially from an economic point of view. While it was easy to see that the Rehn-Meidner model failed, it is more difficult to analyse the failure of the Swedish model.

One of those criticizing the model is economist Klas Eklund, who argues that the Swedish model has indeed failed. He claims that the Swedish model was too little influenced by the

Rehn-Meidner, and that is part of the reason why the Swedish model failed, and yet another relation between the Swedish model and the Rehn-Meidner model worth discussing.

First of all, a more differentiated labour market where human capital was regarded more important than previously complicated the use of the solidaristic wage policy. The notion “equal pay for equal work” eventually led to equal pay regardless of work, which led to a shortage of skilled workers. This wage solidarity reduced incentives to study, which also resulted in a shortage of skilled workers (Eklund, 2001).

Marginal tax rates grew rapidly. Deductions were generous. Hence, looking for loop-holes was interesting. Many Swedes then started to plan their lives, work, savings and investments according to what was good for them personally, not for the social economy. As Gunnar Myrdal said: ”the Swedes are turning into a nation of cheaters”. Absenteeism and early retirement also increased as the benefits did too (Eklund, 2001).

Some factors were directly related to departures from the Rehn-Meidner model, such as how the Swedish model, the way it was shaped in the 1970s, was too rigid, unable to respond in a flexible way to globalisation, and how neither monetary nor fiscal policy was as tight as Rehn-Meidner wanted (Eklund, 2001).

German sociologist and philosopher Jürgen Habermas is following the same track, and argues that a crisis of confidence is born when the people are not willing to contribute to the security that is demanded. In *Legitimationsproblem im Spätkapitalismus* from 1973 he writes:

“The division of labor between the state and the private sector that forms the basis for the Swedish model requires that a continually increasing share of the national product be transferred to the public sector [it is now 64 percent]. Technical and economic changes must be accompanied by enormous public investment in order to insure the stability of society. There is a point where a dislocation in the social structure, caused by the free play of the market forces, becomes so great that people are no longer willing to pay the price for the necessary remedies. The demand for security remains, but the desire for each person to contribute to the cost of this security diminishes. The welfare state then faces a crisis of confidence.” (Habermas, 1973).

This “crisis of confidence” is what Sweden is argued to have experienced, and a reason to the failure of the Swedish model. It is simply becoming too costly to contribute to the welfare state. This is related to what Myrdal suggested when he was talking about Sweden turning into a nation of cheaters, as discussed above.

More criticism comes from the historian Urban Lundberg who points out that another sign of the failure of the Swedish model is the increased deviation from the model by its foremost advocates – the Social Democrats. Lundberg takes up a number of reforms that work as examples of this: deregulation of the currency market and the bond market; increased privatization; tightening of the qualifications for sick leave; liberalization of the labour market; a lower level of compensation (Lundberg, 2006).

The failure of the Swedish model is not as simple to recognize as the failure of the Rehn-Meidner model. The Rehn-Meidner model failed since it was never applied consistently – the interdependency of the instruments of the model was neglected. The Swedish model is more complex, and so is its failure. The failure of the Swedish model is mainly argued to concern the unwillingness of the Swedes to pay the high cost of the model. Also, the model requires homogeneity, both socially as well as economically, that is not worthwhile.

As the Swedish model is argued to have failed, and the Rehn-Meidner model is argued not to have been applied consistently, a myriad of questions arise concerning the future of Sweden, its economics, politics and models. A few of them are discussed in the next chapter.

## 7. Discussion

With this background given, a fair amount of questions arise, such as:

Is it possible for a country like Sweden to have its own model today?

How does the issue of multitude affect the Swedish model?

Is it rather plausible to form a model on European level with the EU, and in that case how would that be possible? Is the Rehn-Meidner model an alternative?

### 7.1 Is it possible to have a model of our own today?

Since the entry to the European Union, and later on the expansion of the EU through first the Amsterdam Treaty and then the Treaty of Lisbon, Sweden's independency as a state has diminished. Power has been transferred to the EU. The long-standing so called Vaxholm conflict illustrates this; in the Vaxholm conflict the Swedish trade union Byggnads put a Latvian company working in the Swedish city Vaxholm in blockade, because it refused to sign a Swedish collective agreement. The Latvian company later went bankrupt, and blamed it on the blockade they were put in by Byggnads. The Court of Justice of the European Union ruled in favour of the Latvian company. It was also determined that Lex Britannia, a law that say that Swedish collective agreements have the right to push away foreign collective agreements, regardless of content, is discriminating (Brors, 2007).

As illustrated by the Vaxholm conflict, the conditions for labour in Sweden are no longer dictated within the borders of Sweden. Moreover, the labour market, with its parties and policies, is the most important thing in both the Swedish model and the Rehn-Meidner model. When Sweden is no longer able to dictate its own conditions, it is obvious that the possibilities to have a model for the country have diminished significantly.

It is important to note however, that this, although Sweden can no longer set its own conditions in these situations, does not imply the end of the Swedish labour market model in which trade unions possess a high level of power in determining conditions for work. As shown, it is illegal to take action like Byggnads did in this case, but there is still room for action. Claes Stråth, who

was responsible for the Swedish government's investigation of this case claims that the Swedish labour market organizations, such as trade unions like Byggnads, still have a strong position with tasks that in other countries lie in the hands of politicians or governmental institutions. The Swedish labour market model has to be combined with the European Union law, and the trade unions are tasked with a higher level of responsibility to follow it (Stråth, 2008).

Since the Swedish state is increasingly unable to provide for the needs of its people, this power is increasingly transferred in two directions; to the supranational level (i.e. the EU) and to the local level (i.e. municipalities and/or counties). The former direction was mentioned above, while the latter will be discussed more in the next section.

## 7.2 The growing multitude issue

As discussed earlier, the Swedish model emerged in a homogenous industrial society. Today we have a multiple service society. This certainly affects the Swedish model. Unlike the golden age of the Swedish model after World War II, there is now a number of different needs, and the needs in for example Malmö in southern Sweden and Östersund in the northern part are significantly different. To then form a comprehensive model for the many different needs that exist in our multiple service society today is a difficult task. Hence, much responsibility for the welfare is transferred to municipalities, who possess a richer knowledge about the local needs, as discussed by Hjern in *Europeisk l'ancien régime, EU och kommunerna* and *The Swedish Social Welfare Municipality*. Hjern writes that many problems concerning social welfare involves clients with complex needs who are weakly organized. Furthermore, national institutions can efficiently deal with problems expressed by strongly organized interests, while the weakly organized clients are more conveniently handled by local social-policy formations. Examples of such clients are the unemployed, youth, sick, and disabled – the so-called “nonproducers”. In these cases Hjern claims that the local governments become “a collective, area-based, pressure group” (Hjern, 1990).

Furthermore, Hjern also claims that Sweden has, since the 1970s, moved in the direction towards a country of welfare municipalities rather than being a welfare state (Hjern, 1999: 7).

But, as Hjern also discusses, the relation between state and municipalities must improve considerably in order to work efficiently. Perhaps this new and improved relation between the state and the welfare municipalities is a new possible model.

The issue of homogeneity was also discussed by Marquis Childs in the book *Sweden: the middle way*. He saw Sweden's homogeneity as a strength in its walk on the middle way. Likewise, Professor Walter Korpi recognized the importance of the ethnical and racial homogeneity that prevailed in Sweden in the formation of the so called Swedish model.

Just as the Swedish model after World War II focused on the industrial society in which most Swedes were employed, focus today must be transferred to the society we live in today. Sweden is no longer a typical industrial society. It is rather the case that globalization has moved the industrial society to developing countries with lower wage rates and a lowly skilled labour force. Hence, Sweden must focus on areas in which the own country possess advantages, such as areas that require a more highly educated labour force. The highly educated labour force is often seen as a disadvantage in the international competition that prevails, since highly skilled labour pushes prices upwards. This disadvantage could be tried to be made an advantage instead, for example by focusing on highly skilled labour such as research, development, technology etc. in order to stimulate growth. The Swedish model that is focusing on the male industrial worker is outdated. The future requires a model – not on the state level, but on the local level – that focuses on a multiple, highly skilled service society with a rich diversity of citizens.

### 7.3 A model on European level

Similar to the problems Sweden faces with its own model today, are apparent in Europe, or more specifically the EU, if a model would be attempted to be formed on European level. The problems would even be greater since the multitude is greater. Finding a model for welfare for the EU, which consists of states that are built on completely different values, is an even greater task. To use the three welfare models discussed by Esping-Andersen; the conservative model, the liberal model, and the Social Democratic model, it is fairly easy to realize that merging these ideas of welfare to one comprehensive model would be a difficult task.

Concerning the Rehn-Meidner model, it is applicable, but on a European level rather than on Swedish level. It could be seen as a potential macroeconomic project for the EU. Unlike the Swedish model it manages mainly economic policy. An application of the model would require a coordinated labour market policy on a European level with the ambitions of full employment, high growth, low inflation, and equality. The question of the Rehn-Meidner model's possible relevance for the EU is noticed by Lennart Erixon: "the model is probably a conceivable project for the EU rather than a new old strategy for Sweden in the 21<sup>st</sup> century" (Erixon, 2003: 136).

## **8. In Conclusion**

The main objective of this thesis was to sort out the Swedish model and the Rehn-Meidner model, and analyse their relation. It was found that there are obvious similarities between the models, but more importantly that there are crucial differences.

The core of the Swedish model was found in four different ideas: the basic concepts of equality and solidarity as a foundation of the Swedish model, were found in Swedish Prime Minister Per Albin Hansson's idea of 'the people's home'; the level of state intervention to guarantee welfare is apparent, but not excessive, which is recognized by Marquis Childs in his idea of Sweden as the middle way between capitalism and communism; this reasonable level of state intervention was accompanied with an agreement between labour and capital in order to secure the welfare, which Walter Korpi called 'the historical compromise'; and finally, these ideas have led to a system where citizens are not dependent on the labour market for a certain high standard of living, as Gösta Esping-Andersen's concept 'de-commodification' means.

The Rehn-Meidner model is more concrete. The goals of full employment, low inflation, high growth and equality were to be achieved by solidaristic wage policy, restrictive general economic policy, labour market policy and marginal employment subsidies. Important for the model was that these instruments were interdependent. This interdependency was failed to be recognized in Sweden, and hence the model was never accurately applied. The model had its obvious influence in Sweden, however, and some similarities to the Swedish model, but since the interdependency of its instruments was neglected, it is incorrect to say that it was applied.

The Swedish model is also argued to have failed, but for completely different reasons. It is argued that the Swedish model requires homogeneity, socially and economically, that is not worthwhile for its citizens, and that people consider it too costly to contribute to the model.

In the previous, discussing chapter some emerging questions are dealt with. The homogeneity requirement and the issue of multitude are discussed to have led to a crisis of the Swedish model and the Swedish welfare state. Instead, welfare municipalities are suggested, where the

needs of the citizens are better recognized and easier dealt with because of the local competency.

The other direction is towards the supranational level. Sweden's membership in the European Union has led to a situation where conditions can no longer be set within the borders of Sweden to the same extent as earlier. The autonomy of Sweden has decreased. This alone does not imply that a model cannot be maintained on Swedish national level, but it makes it more complicated.

Conclusively, a major issue that is complicating the maintenance of a model, on any level, is multitude. Models require homogeneity, which is a hurdle in a society that is becoming more and more differentiated. Hence, a model on Swedish, European or even global level is growing more complicated. Yet again, the solution may be municipalities where the competency is.

### 8.1. Suggestions for further research

All questions discussed in this previous chapter deserve a more extensive discussion, and may be topics for further research. I would like to stress the models' and their inherent ideas relevance today and/or in the future as an interesting area for further studies. Do the ideas of the Swedish model belong to the past or could they be useful in the creation of a local, national, or continental society again?

Concerning Rehn and Meidner's ideas, and its model for economic policy, it is an interesting question whether the model could be suitable for an economy in a reality that today looks significantly different than in the 1950s when the model was created.

Today, both models face an obstacle called globalization. The relation between globalization the respective model is worth a closer look. The EU, a result of the globalization, is another part whose relation to the respective model needs to be investigated. Can the ideas of the models' even pass through the system of rules, laws and conditions of the European Union?

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