

What is Social Democracy

A book about Social Democracy by Ingvar Carlsson and Anne-Marie Lindgren



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Foreword

Every social democrat has his or her own highly personal answer to the question of what Social Democracy stands for. Social Democracy is not and never has been a party with a fixed body of dogmas, which every member must adhere to.

There is, however a historical body of ideas, shaped by more than a hundred years of debate and practical politics, which provides a foundation for the work of the party. This collection of ideas covers both values and an analysis of society, both dreams about the society of tomorrow as well as the practical policies for the society of today.

This booklet deals with this tradition of ideas: how it has developed, what it looks like today and how it can be used to understand the period of change which our society has now entered. In this sense it is an introduction to the historical body of ideas as well as the current debate on ideas within Social Democracy. It is also a personal answer to the question of what Social Democracy stands for.

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Introduction

At the end of the 18th century, Norrköping was one of the largest industrial cities in Sweden, and textile mills dominated industrial life in the city. In 1894 around 4000 persons – men and women – worked in the textile mills in Norrköping. The average annual production per worker in the woollen mills was valued at 2 696 crowns; the average annual wage for a female loom worker was hardly more than 500 crowns. That was for a 10 to 11 hour working day, six days a week. No holidays, only a few days off at Christmas and at Midsummer.

It was a wage that people just managed to get by on. Those who made the fine yarns of woollen materials could never afford to buy them. A statistical survey of the living conditions of textile workers in 1894 showed that only the supervisors could afford a house which was larger than one room and kitchen; a third of the workers, many with families, lived in so-called "iron-stove rooms", apartments with no separate kitchens. Household budgets show that people lived on a meagre diet of porridge, peas, potatoes and herring. Many people were undernourished. The reports of the medical officer of the town provide a record of unhealthy working conditions, of textile dust which created a chronic cough and in the worst cases led to lung-disease, of tuberculosis and stomach complaints as well as of many accidents on the machines. The average lifespan of a textile worker was just over 40 years.

Children went to school for six years, and after that it was time to find a job and to contribute to the upkeep of the family. A twelve-year old labourer in the textile industry could contribute between 150–200 crowns per year to the family budget.

Very few had voting rights. The right to take part in the parliamentary and municipal elections was restricted to those who had an annual income of 800 crowns. Only supervisors had an income at that level.

Moreover, those who attempted to join a trade union ran the risk of being fired on the spot.

This is a simple and concentrated description of the background to the rise of the labour movement in Sweden. The technical developments of

the 1800s and the system of mass industrial production which this development made possible, created huge fortunes – but these fortunes were very unevenly distributed. Injustice was very real and most people lived on the brink of utter poverty: a longer period of illness could wipe out the finances of poor households, and an economic downswing meant instant dismissal. For those who were old or unable to work all that remained was the poor-house.

The labour movement arose from the harsh experience of poverty, humiliation and injustice. It was, however, the socialist ideas which provided a structure for the protests and which created the organisation which led to a political breakthrough.

The roots of ideology

The ideology of Social Democracy has several different roots. The basic values can be expressed in the slogans of the French revolution: freedom, equality, brotherhood. These in their turn can be traced to the idea of the equal value of all men.

The ideology of the new labour movement was, however, not only a question of values, it was based on an analysis of society: a model which could be used to explain why injustices had arisen. In its basic form this analysis was formed by Friedrich Engels and Karl Marx and it was a mixture of the philosophy of history, economics and sociology. Different lines of thought within the political belief expressed in the idea of socialism – an expression which can be highly misleading since the different lines of thought differed in very marked ways – have later on developed this model of thought, adding to it or drawing from it.

One of the main points in the Marxist model is the materialistic view of history. What is meant by this, to express it simply, is that it is the development of the forces of production, (technology and the organisation of labour), which determine the possible development of society, ("the social superstructure"). This led to the conclusion that the realisation of the goals of socialism required basic changes in the structure of the economy: only when the means of production were controlled in the interests of the many who worked in industry, and not in the interests of private profit on the part of a few owners of capital, would mankind be able to achieve freedom and equality.

How this popular control was to be shaped and in what way it was to be realised has been an issue of intense conflict between the different groups which can be covered by the label "socialist". From the beginning, as in the case of Marx himself, the answer was that the private ownership of the means of production – land, capital, factories, raw materials – must be abolished and the working collective must take over ownership. Marx himself was, however, very vague as to how this collective management should be shaped; this vagueness was deliberate, since he, as he expressed it himself, was not writing recopies for a future soup-kitchen. In the wider ranks of the socialist movement during the 1800s the question of the practical design of collective ownership did not play any predominant role in the debate. The much more down-to-earth question as to how the working class could achieve influence in its own society enjoyed much greater prominence than the question as to how people should act once this influence was achieved.

Reformism or revolution?

On this issue the labour movement split in two directions, the revolutionary and the reformist. The revolutionary school maintained that power could only be achieved by the violent overthrow of the old system which would enable people to begin the whole process of changing society from scratch. The reformist school maintained, on the contrary, that power could be achieved by peaceful means and that society could be changed by gradual reforms.

In a historical perspective we can see how these views were shaped by the external conditions under which the socialist parties could work in their own societies. The Russian socialists, who were bitterly persecuted or forced into exile by the Tsarist police authorities, chose the revolutionary method. The Western European socialists, who for that matter were also exposed to persecution and to harassment by the powers that be, but who could nevertheless work for and achieve success within the framework of the existing system, chose the path of reformism.

This choice of course of action when it came to winning political power determined the consequent ideological and political development of the parties. From the revolutionary school there developed the communist parties, and from the reformist, the Social Democratic parties. Subsequent

developments led in very different directions. The communist parties chose a one-party model, i.e. in practice political dictatorship, and the economy under centralised state control. The Social Democratic parties chose democracy and a multi-party system with a market economy regulated by political decisions in order to guarantee what was socially desirable.

The view of ownership

Two separate theoretical models of collective ownership were developed during the 1800s: one school maintained that collectivisation should be carried out in a programme of nationalisation, i.e. that the state in its role as the common organ of all citizens, should take over ownership of the means of production. It was this model which would later be put into practice in the Soviet Union and the other planned economies in Eastern Europe. Today it is most often this model which is regarded as "socialism", but if one considers the historical background this is an oversimplification.

Another school of thought held that collective ownership should be organised through trade unions; this line of thought is called syndicalism, a term which originates from the French word for a trade union, *syndicat*. A variant of this is the workers' co-operatively owned companies. These ideas have never been translated into practical policies but they have played a role in the debate on what is sometimes called industrial democracy, a debate which within the ranks of the Swedish Social Democrats has moved on to become a debate about "the good work".

During the 1900s there developed within the European, and not least within the Swedish Social Democratic movement a third school of thought, known somewhat loosely as the mixed economy which moves the whole question from a focus on ownership to a focus on the right to be able to exercise influence.

One should remember that the collectivisation – nationalisation – of the means of production was never a goal; it was a means. The rights of private ownership were to be abolished because they were seen to be the cause of repression and injustice; it was the abolition of this repression and these injustices that was the goal, not nationalisation in itself.

The practical experience of developments in the Soviet Union after the revolution of 1917 demonstrated two things. On the one hand repression did not disappear with the collectivisation of the means of production, it

was in fact only one form of repression being exchanged for another. On the other hand it was quite clear that there were very real difficulties in getting the whole nationalised business structure to function with the efficiency required in order to meet people's needs of such goods as food and clothing, housing, furniture and also working tools. Gustav Möller pointed out in an article written in 1918, that the only reason why people should support a socialist order of production was that they would in that way be genuinely better off; why establish a new order which only entailed being worse off?

Sweden's own experiences from the so-called socialisation committee, set up by the Social Democratic government in 1920, pointed very much in the same direction: the move from general and principled demands for collective ownership to practical considerations as to how this would be organised in a very concrete way, ended up in very great difficulties.

This, generally speaking, can be said to be the weakness of the classical socialist theories: they deal with the economy on a macro-level and from a perspective of power and redistribution. They ignore completely the practical questions as to how individual companies, which form the basis of the economy, can be made to function efficiently and smoothly in relation to the very rapidly shifting needs of the consumers. Marx was a national economist, not a business economist. In terms of practical politics, which very much deals with creating good conditions for economic growth, and which in turn is a precondition for welfare and security, there is no way round these issues of business economics. "We cannot carry out socialism with a production system which leans on crutches", to quote from the article by Gustav Möller mentioned above.

And it is here that the classical theories do not provide an answer.

During the 1920s the theoretical debate within Social Democracy started with a critical examination of nationalisation and the search for an alternative to it. The leading debater on this subject was Nils Karleby, who was chief secretary to the commission on nationalisation. Parallel to this theoretical debate there were also discussions about new methods to tackle the massive unemployment problem of the 1920s, i.e. in practice a debate on a new sort of economic policy with a considerably more active role for the state than what was propounded by the established economic theories.

In this debate Social Democrats such as Ernst Wigforss and Gunnar Myrdal played very prominent roles, but it was a debate that took place

not only within social democracy; several liberal economists – among them the man who was later to lead the Folkpartiet, Bertil Ohlin – made important contributions. But within social democracy these new ideas in economics could be linked to the theoretical discussions on influence over the development of society, and from this there developed what was to become the social democratic ideological model. In this it is a question of the right to exercise influence rather than the formal rights of ownership which is placed at the centre of the debate.

The criticism of private ownership in the 1800s must be seen in relation to the fact that ownership also ensured very real power. In companies, the employers had unlimited power over wages, working hours and other conditions of employment. Even political power belonged to those who were well off: voting rights required some form of wealth or incomes on a level which few workers could reach. In the same way that those who drove the question of workers' rights in factories risked instant dismissal, those who protested against the oligarchy risked persecution and even imprisonment. Most of the leaders of the early labour movement landed at some time or another in the courts and in prisons, convicted of crimes such as "blasphemy", lese-majesty, " and "contempt of parliament", charges which themselves demonstrate only too clearly what it was all about: a criticism of the established social order.

But in pace with the growing strength of the labour movement, both politically and among the trade unions, the link between power and ownership was seen to be something which could be broken without involving the nationalisation of the means of production. When political power was linked to the right to vote, and not to ownership, legislation and economic policy could be used to promote popular demands for security and justice. When the trade union organisations became stronger, the workers could promote their interests against the owners of capital when it came to both wages and working conditions. And in line with the rise in the share of wages, the workers could promote their interests more and more as consumers against companies.

In other words, it was possible to fight against injustice and exploitation without finding oneself in the political and economic difficulties which a strongly centralised system entailed. And that without running the risk of new types of repression which inevitably arose in a system which allowed only one party and only one set of opinions as to how society and the economy were to be organised.

This does not of course, mean that all injustices and all difficulties disappeared. The completely conflict-free solutions simply do not exist in reality. But the Social Democratic model meant that power shifted from the owners to the workers, and that thereby goals such as freedom and equality, economic security and social justice – not to mention the basic demands for democracy and influence! – became a reality to a much greater extent than was the case in countries which followed a supposedly more "orthodox" line of thought.

Today we can, however, see how positions of power once again are beginning to shift as a consequence of changes at the international level. The globalisation of the economy has in many ways meant that ownership, capital, has increased its power over society and individuals. The challenge for the future is to find the new political instruments which will enable us to win back that power – without ending up in a system which limits democracy.

Social democratic value terms: **Freedom**

Freedom movements, of varying kinds, have existed in all ages – the slave risings of antiquity, the peasants' uprisings in the Middle Ages, the religious wars of the 1600s, the national liberation movements in Europe in the 1800s.

But freedom did not always mean what we put into the word today.

The same Swedish lords who went to war to defend the right of the Protestant Church to free itself from the supremacy of the Pope persecuted every form of religious deviation in their own country. The national liberation movements of the 1800s aimed at liberating their countries from the dominance of other nations. But the states which became free in this way could be very harsh in their treatment of minority groups within their own borders, and the new tyrants quashed all revolts against their own power.

The rising merchant and industrial classes in 1700s and 1800s in Europe demanded freedom from all laws and regulations, not least of all from the different privileges held by the old land-owning upper class, which stood in the way for development of trade and production. But when the workers demanded to be allowed to negotiate their own wages and working conditions then the demands for freedom came to an abrupt end.

As Ernst Wigforss once asked: "Freedom, yes, but for whom? And for what?"

"Freedom" is a term with many levels of meaning and is not at all as uncomplicated as conservatives and neo-liberals would like to make out, when they talk about the freedom of the individual as something which is the opposite of collective decisions.

No man lives his life completely independent of other people. It is not just that people in general are social beings; it is a question of how we depend on co-operation with other people for our own survival and for our own well-being. No one can build his house completely on his own, make his clothes, obtain his food, do his own plumbing, construct his own means of transport and cure his own diseases. If the individual is to have access to all of this, and the freedom which follows from not being exposed to hunger, cold and disease he/she must cooperate with others. Or, to put it in another way: there is a need for collective solutions. Collective solutions are a precondition for the freedom of movement for the individual and the opportunity to manage his own life.

But these collective solutions demand in turn that the individual people accept the rules needed for the collective to function. What we ourselves do has an effect on others, just as much as the actions of others affect us. For this reason the society in which we live together, in mutual dependence on our different actions, must be based on rules which everyone respects – and this respect requires that the rules in their turn take into consideration all the members of a society and not just some of them.

There is, therefore, always a tension between the demands for freedom which the individual makes – and the limitations on the freedom of every individual which are required in order to protect the freedom of all others.

Traffic rules are an everyday example of this. Speed limits, restrictions on parking, etc. involve of course a limitation on the absolute freedom of the car driver to drive where he would like or to stop wherever he would like to. At the same time the rules entail greater freedom to move around on the streets and squares for all those who are not car drivers, and who

would otherwise would find it difficult to get around because of all the cars. In fact the rules increase the freedom of movement for car drivers as well; in a completely unregulated system there would quite simply be traffic chaos and no-one would be able to get anywhere.

It is above all the neo-liberal "doctrine of freedom" with its tough individualism which pretends that this mutual dependence does not exist and which does not take into consideration the social contexts in which individual freedoms must operate. For those who live alone in the desert it is possible to smoke a cigarette when and where they like, the damage affects only the smokers themselves. But if you work together with others and demand the right to smoke wherever and whenever you like, you will infringe on other people's freedom to protect their own health.

For this reason the neo-liberal view of freedom is in practice only freedom for the strong, a freedom to be paid for with an increased lack of freedom for the people who are not so strong. The freedom of the businessman to decide on the conditions of employment means that the rights of the employees to have a say on the work they do is reduced, the property owner's freedom to decide over his property reduces the freedom of the tenants to decide over their own homes, the freedom of the landowner to build on the coast or on beaches reduces the freedom of other people to move around the countryside.

The Social Democratic concept of freedom focuses on freedom for the many. It is a reaction against the lack of freedom and the force which people are subjected to when decisions about their conditions in life are made from the point of view of someone else's self-interests. Democratic socialism was and is a demand for freedom from repression and humiliation, from hunger and ignorance, from fear of unemployment, sickness and old age, and a demand for freedom for active participation and co-determination, for personal development and the opportunity to influence the society which determines the individual's life and future.

But if this freedom is to be enjoyed by everyone then there is a need at the same time for some limitations, particularly on the freedom of the strong to lay claim to more than others and to exploit others for their own needs. Those who praise the right of the strong, who view freedom as an individual trophy to be won in competition with others who have only themselves to blame if they lose, see these limitations on freedom as objectionable. But if one sees the freedom to run one's own life as a universal human right then it is inevitable that the rights of the strong must be limited for the good of all others.

There is always a tension between the individual and the collective, a tension which is an inevitable consequence of the fact that people are at one and the same time individuals and social beings. If one is to emphasise the individual's freedom of movement onesidedly then one ends up in a system where the strong will repress the weak. If one emphasises onesidedly the demands of the collective community, then there is a risk that the needs of the individual are subordinated unconditionally to those of the group. Just as we must be aware of the first sort of risk so too must we, as Social Democrats, be equally aware of the other. We must be on our guard against justifying in a routine way limitations on the freedom of individual people because this, in some very general sense, can be regarded as increasing the freedom of others.

There are examples of how collectives can enforce a uniformity in lifestyles and opinions without being able to justify this with regard to the needs of others. Collectives can by appealing to group loyalty quash debates and prevent a critical review of decisions which have been made in the name of the collective. Collectives can develop controlling élite's, which, in practice, exploit the group, not for decisions which benefit the general good but in the interests of strengthening the position of the élite itself.

This sort of risk is of course something which exists in every type of collective, regardless of political colour. Sociological studies show that the greatest conformity of opinion is to be found within the private business community. But as Social Democrats whose fundamental view is that the freedom of the individual must be realised through the society to which he or she belongs, we must be on our guard when it comes to dangerous variants of collectivism. Moreover we must never forget that the realisation of freedom for all does of course demand continued balance between the interests of different groups and individuals –but that freedom can never tolerate compromises on the basic demands for human freedoms and rights as well as for political democracy.

Freedom is not under threat from that collectivism, which is an expression of the insight that as members of a society where we are mutually dependent on each other and we must follow certain common rules. It is threatened, on the other hand, by every type of fundamentalism, in religious, political or economic form. Fundamentalism can be described as a view that the group which one belongs to is quite simply right according to some sort of superior and predetermined mission appointed by God, History, or the Market. If one, in a very fundamental sense is right, then

there is no reason to consider the views of people with different opinions. On the contrary, for their own good and for the good of others it is important to ensure that they are not given the opportunity to implement their wrong ideas.

An openness to different views and opinions, a willingness to listen with respect and to exchange points of view in order to reach the best common solutions is therefore a necessary demand on all democratic/collectivist movements. It is equally much a demand that must be made on all citizens in a democratic society.

Social democratic value terms: **Equality**

The demand for equality is central to socialism. At the same time it is a demand which is often misinterpreted, not only by its opponents.

On the conservative side, the demand for equality is often dismissed with a reference to the fact that people are different; the demand for equality is interpreted in the sense that everyone must be treated in exactly the same way and live their lives in exactly the same way. At the same time there are also tendencies among those who defend equality to interpret equality in the sense that everyone must live under exactly the same terms.

This is of course wrong; equality does not mean the same as uniformity. People are, as has been said, quite different.

But in some respects we are all alike.

Everyone has a value of his or her own as an individual; everyone has his or her conditions and predisposition for development; everyone has his or her dreams and hopes about life and about the future.

And we are all members of society. The formation and development of society determines the opportunities we as individuals have when it comes to realising our potential and our dreams about the future.

In this regard the demand for equality is a demand for uniformity – the same opportunity to develop one's own character and to rule over one's own life.

The English sociologist Richard Titmuss, has described welfare as the resources which the individual has at his/her disposal and with whose help he or she can manage and determine their living conditions, such as health, knowledge, physical and psychological energy, social relationships, social security and so on.

This says something about what equality means, namely the same opportunities to control one's own living conditions. It says something as well about what the politics of equality must focus on: to create such equal power resources.

Basic to all of this is of course political democracy, which can also be described as the equal opportunities to influence the decisions which determine social development and which in their turn determine the conditions for one's own life. A universal and equal right to vote is not only a demand of freedom, it is also just as much a demand of equality.

But this formal equality is not enough to create real and equal resources to influence either society or one's own situation.

Knowledge belongs to the most important individual power resources, both on the labour market and for personal development. For this reason education – of good quality and sufficient volume – must be a right for all regardless of the individual's economic resources.

Health is also an important individual resource. For this reason, health care – of good quality and of sufficient volume – must be a right for all. For this reason people must be able to influence their own workplaces so that the work they do, does not damage their health.

Economic and social security are also a power resource. People who find themselves in the position of being dependent economically on others are unable to promote their own interests. Those who have hardly enough to live on and are continually worried about illness or unemployment have little or no room for personal development. What is fundamental to social security is of course that people have a job with a wage that they can live on. Economic protection in the event of unemployment and in old age is important in giving people power over their own lives.

Equal opportunities or equal outcomes?

What a policy of equality can create is equal opportunities for people; how people make the most of these opportunities is their own business. A policy of equality neither can nor should force everyone to move in the same direction in order to achieve the same goals.

In political philosophy the distinction is very often drawn between equality of opportunity and equality of outcomes. It is the latter definition, equality of outcomes, which the critics normally use when they maintain that equality is the same thing as uniformity.

If one interprets the demand for equality as meaning that everyone should have the same outcomes in every situation that would mean forcing everyone to be exactly alike. But this interpretation of equality conflicts with what is the innermost core of the idea of equality: people's equal right to run their own lives. If we force everyone to live their lives according to the same pattern, no matter how "equal" this may appear to be, then people do not in fact have any opportunity to run their own lives.

Some supporters of equality do the concept of equality a disservice when they interpret it as meaning that everyone must have equally much of everything.

However, even if the basic principle is "equality of opportunity" (in running one's own life), one cannot completely dismiss the demand for "equality of outcomes". We can take the school as one example: everyone must have certain basic skills if they are to manage as citizens and to fend for themselves on the labour market. In this respect the school must achieve "equal outcomes". This in its turn can in reality entail "different opportunities", i.e. that schools work with different pedagogical methods since all methods don't suit all pupils equally well. Or it can mean that one invests greater resources in helping some students who have greater difficulties than others.

But over and above the basic skills which everyone must have, one can obviously not demand that everyone must reach the same level. Someone who is good at music has the right to develop their skills just as much as someone who is especially gifted at mathematics or at woodwork or in dealing with people should have the right to develop their skills.

The fact is that equality also involves the right to be different – without this meaning that the one or the other should be seen to be more important or in any way superior to others.

It is only in the truly equal societies that the right to be different exists. In the unequal society there will always be some who will be sorted out, pushed aside and thus never allowed the opportunity to develop their own special talents and character.

Freedom and equality

It is very often stated, at least among conservative debaters, that freedom and equality are – generally speaking – opposites.

This thesis is based on the mistaken interpretation of the demand for equality as one involving identical outcomes. The fact is that if everyone is forced into one and the same mould this would be in conflict with the individual's freedom to decide how he or she wishes to shape their own lives and everyday situation.

But the definition of equality is not one which holds that everyone must be exactly the same. Equality entails being the same only in one very special regard: the equal right to determine one's own conditions in life. Or, to put it in another way, the equal right to freedom.

If we are serious when we talk about the demand for freedom we must of course mean that freedom is something which is a right for everyone. It is absurd then to talk of a conflict between freedom and equality. Equality is, on the contrary, the very precondition for freedom: only in an equal society does everyone have the opportunity to be free. In an unequal society, where the stronger are allowed take what they want at the expense of the weaker, some people will have fewer opportunities than others to run their own lives. The strong will dictate living conditions for those who are less strong and in this way their freedom will be curtailed.

If the thesis that freedom and equality are in conflict with one another is to have any validity, then freedom must be defined as the right to take what you like at the expense of others. Such freedoms, freedoms which can only be enjoyed by a few while the rest are left without, are of course in conflict with the demand for equality.

However, if freedom is defined in such a way that it leads in practice to subordination and lack of freedom for many people, then the question is if we really are discussing freedom at all? Is it not much more a question of privileges for a limited group of people?

Equality and efficiency

A discussion which keeps popping up at regular intervals is one which maintains that "too much" equality is damaging to the efficiency of the economy. Economic differences are needed according to some conservative debaters;

the possibility of becoming rich, of making more money than others is one of the factors which they claim promotes economic development.

Naturally, the reward for effort – as for example a wage for work done – is important for the will to work and to achieve. Social Democracy has never held the view that all work should be paid exactly the same wage, but has always accepted that jobs which demand a higher level of education or which place a greater burden of responsibility on the employees should also pay a little better.

But the idea that competence and responsibility must be rewarded is naturally something which applies to every area of professional work! One cannot just pick out some branches and say that in just this branch the higher level of ambition and competence must be especially rewarded, while other professions must exercise economic restraint quite simply because the others must be so much more worthwhile. But the "opportunity to get rich", which the conservatives claim is an important driving force, very often turns out, on closer inspection, to be something which applies only to certain jobs and to certain positions. Other professional groups and sometimes even whole branches are expected to accept that their efforts are not worth particularly much in wage terms no matter how competently they are carried out – but they are nevertheless expected to do a good job.

It is, however, not enough that highly educated specialists and business leaders achieve good results if the economy is to grow. It is just as important for example, that a building worker and a hospital auxiliary do their jobs well, just as the architect and the doctor should do their jobs well; and what use do we have for competent business leaders if those who are to carry out their directions in practical work lack the motivation for the task in hand?

When large economic differences are described as positive, it is the high wage groups that are often in focus: the opportunity to reward certain achievements markedly. The other side of the coin is something which is not discussed: that some jobs must systematically be downgraded. There is otherwise no way in which to achieve wage differences. But if one is to evaluate the efficiency of large economic differences then one cannot only look at what happens at the upper levels of the income ladder; one must also observe the effects at the lower end.

It is then that one can see that a society with large differences is not economically efficient. Large differences in education mean that there will

be many people with a low level of education, and many people with a low education means a low level of competence and thus a lower level of productivity in working life. Large differences in health because hospital care, for example, is too expensive or because many working environments are dangerous to health, mean that many people will not be able to work at full capacity.

Moreover if we have large wage differences this is the same as having many low paid groups. But many low paid means that total demand in the economy will be lower and that there will be fewer opportunities for companies to grow and "make money".

There are many examples which vividly illustrate this.

The USA is the industrial country with the biggest income differentials and this means that there is a large number of "working poor", people with a job which they cannot live on. In the USA there is deep concern at the low level of productivity in industry, something which makes it difficult for American industries to hold their own in the world of international competition, not least in the face of the developing industrial nations of South East Asia. This low level of productivity can be explained, to a very large extent, by the many low paid jobs.

The United States has a lower level of unemployment than Western Europe, something which is sometimes claimed as positive proof we could also get rid of unemployment with the help of increased wage differences. The low figure has, however, been criticised by many economists who point out that it conceals a high level of part-time unemployment; if one measures the level of marginalisation on the labour market rather than the number of persons with a job, then the American figure ends up on roughly the same level as the European. Nor has the USA not had a better long-term average rate of growth than Western Europe has, despite the lower level of unemployment. This is something that should have been the case, since lower unemployment should mean that capacity is more fully utilised.

The explanation is the many low paid jobs, which do not create very much new demand which in its turn can create new jobs.

An OECD report from the mid-1990s provides no confirmation of the theory that increased wage differences by themselves create new jobs. Research on developing economies demonstrates that economic equality, contrary to many critics, benefits economic growth. Those countries which have succeeded in achieving a sustainable level of economic growth – mainly the countries of South East Asia – are characterised, contrary to conser-

vative theories, by a certain degree of equality. A relatively large proportion of the population have had the opportunity to participate in production and to receive a reasonable economic reward for their efforts; for this reason domestic demand has grown continuously and this in its turn has created new jobs and continued growth. In countries which have failed to promote growth there is, on the contrary, a large proportion of the population which is not involved in production or who have had such meagre wages\incomes that they have been unable to support a growing domestic market.

Inequality entails everywhere and in every situation that some people's capacities cannot or quite simply are not used to the full. This, from a human point of view, involves a powerful limitation on people's opportunities in life and on their opportunities for development.

Such limitations are in fact not particularly efficient.

Social democratic value terms: **Solidarity**

Freedom and equality are both concepts which because of their complexity have interested political philosophers; a lot has been written on the meaning of the terms and on the relationship between the terms. The concept of solidarity has not interested political philosophy in the same way. On the one hand there are many simple, almost slogan-like statements, expressing what solidarity is:

- Together we are strong,
- United we stand, divided we fall,
- Carry one another's burden,
- All children are everyone's children,
- Don't touch my mate!

What these statements express is a sense of mutual belonging between people – a mutual belonging which at one and the same time focuses on our responsibility for one another and our dependency on one another.

The word solidarity is related to the Latin term "solidus", which means compact, fixed, durable. In the early days of the labour movement solidarity was a question of holding together; society could be changed only through working together. No-one could do anything on his own about the unjust structure of power at that time, only together with others did one have the strength needed to do so.

But the demand to hold together, to support one another, was not only directed at the struggle for change, it was also directed at the changes that one wished to achieve. It was a question of holding together in the struggle for a better society and of sharing the gains from the struggle justly and equally. The struggle was aimed at winning common improvements, at a welfare which would cover everyone – it was not a question of individuals creating welfare for themselves by beating others in competition.

The term solidarity is the practical expression of the insight which we wrote about in the section on equality, that all people as social beings have a mutual dependency on each other for their own individual welfare. And that the society functions best which has as its starting point in the good of all and that we all therefore have an interest in contributing to this common good.

Hospital care can be seen as a practical example of this. The right to good medical care, regardless of income, is a basic welfare demand. If it is to be a true right for all, we must – in solidarity – contribute jointly to financing it. It is a form of help from those in good health to those who are ill or injured, but it is at the same time a way of ensuring that one as an individual, will receive help, if and when one is struck by illness or by an accident. The solidaristic financing of the system provides security for individuals, and equality between individuals – but contributes also to a better society since we then avoid the social problems as well as the negative effects of reduced economic efficiency which follows in the wake of having a part of population lacking the resources to care for its health.

The link between solidarity and individual security also be seen in the system of social insurance. Families with children receive help through the tax system, paid for by all tax payers, including those who do not have children; and in this way we all contribute to creating better conditions for children. Gradually these children will also become tax payers who will contribute to the pensions for the older generation, including those who have not had children themselves; and in this way we all contribute to creating security for the elderly. This provides security for the individual

at the same time as it creates a more secure society for all of us to live in.

But solidarity is much more than a collective self-interest. Just as with freedom and equality the concept of solidarity has a moral content as seen in some of the statements at the opening of this section. Solidarity is also a question of our mutual responsibility for one another as expressed in the biblical demand "carry one another's burden". In more everyday language it is a question of helping one another with difficulties and not leaving people struggling with problems to their fate. "All children are everyone's children" does not express a desire to remove from parents their special responsibility for their own children, more the fact that we have a responsibility to shape a society which gives all children good opportunities for development. The moral content of solidarity quite clearly has its roots in a Christian ethic; the parable of the Good Samaritan is a clear expression of the message of solidarity.

Today we use the concepts "freedom, equality, solidarity" as social democratic value terms. But the original formula from the French revolution was "freedom, equality, brotherhood", where the term "brotherhood" shows what the moral content of solidarity is: the mutual respect and support which is self-evident in the relationship between people who belong together. It was this idea which Per Albin Hansson (Social Democratic prime minister 1932-1946) expressed in his famous speech in the Riksdag in 1928, known as the "people's home speech":

"The foundation of the home is togetherness and a feeling of belonging together. The good home does not allow for privileged and disadvantaged, no pets and no foster children. In such a home one does not look down on the other, no-one tries to win advantage at a cost to others, the strong does not repress or plunder the weak. In the good home there exists equality, care, co-operation. Applied to the larger people's and citizens' home this would entail the removal of all social and economic barriers which now separate citizens into privileged and disadvantaged, into ruling and dependent, into rich and poor, into wealthy and impoverished, plunderers and plundered."

Solidarity does not exclude the individual effort to develop one's own personal opportunities and needs. But it is in direct opposition to the egoism which allows the exploitation of others for personal advantage.

In this sense solidarity is one of the preconditions for equality. For it is, in the final analysis, a feeling of brotherhood, of solidarity, which can persuade people to cooperate with one another and which can get the

strong to refrain from using his strength to exploit the weak. At the same time it is only in an equal society that true solidarity is possible, since it is only in an equal society that it is not necessary to beat others in competition in order to survive oneself.

In this way these three value terms are interlinked. Freedom requires equality, equality requires solidarity and solidarity requires freedom and equality.

Social democratic value terms:

Democracy

Today, democracy – popular government – is established as a political ideal in large parts of the world. But democracy as a form of government, is young, even if the concept itself has been inherited from ancient Greece. The idea of modern democracy was developed during the 1800s but remained for a long time an idea which met with strong opposition from conservative groups. The conservative ideal of a society was strongly hierarchical (graded); each social group had its own special place and its own special task. It was the special task of the higher ranks to govern society; the lower ranks were regarded as lacking the necessary qualities to do this. Universal suffrage, the foundation stone of all democracy, was achieved in most European countries in the face of strong political opposition from the right. In Sweden it was the coalition between the Social Democrats and the Liberals, which after several decades of very hard political conflict, pushed through a Bill on universal suffrage in 1918. Just when the principled opposition of the conservatives was broken there arose new opponents of democracy: in part the radical right-wing totalitarian movements (nazism and fascism), and in part the revolutionary elements in socialism which promoted the principle of the one-party state.

When it comes to the latter it must be said that all true socialism is incompatible with dictatorship and repression. Socialism as a movement arose as a reaction to the lack of freedom and against the repression which

working people had to live with in the then non-democratic societies, and the goal of socialism was the liberation of people. It is impossible to realise this by means of totalitarian government, regardless of the attractive labels which are sometimes put on it. True socialism must always be democratic.

Today, democracy is accepted as an ideal even by its former opponents, with the exception of some extremist groups on the Right and on the Left. But unanimity is strongest when it comes to democracy as a form of government; there exists a considerable degree of disagreement between different political groups when it comes to the effective reach of democracy, i.e. those questions which democratic bodies must have the right to decide on.

Demands on democracy

The word democracy means, then, popular government. The word is used to describe a social order where all adult citizens have the right to participate in the political decision-making process: raise questions, form opinions, and try to win support, vote in elections to decision-making bodies. "Democracy" is in other words a special form for making decisions on issues of social concern; it is then a question of a collective decision-making process, which builds on equal individual rights for all citizens.

In order to be able to talk of a democracy, certain basic constitutional demands must be met. These include

- universal and equal voting rights in free (and properly conducted) elections;
- freedom of opinion (which includes religious freedom);
- freedom of expression and freedom of the Press;
- the right to join political and trade union organisations;
- the right to build parties and to take part in elections.

If one or several of these criteria have not been met then one cannot talk about democracy.

But is this sufficient?

One can say that these criteria are both necessary and sufficient in order to be able to talk about democracy in a political/constitutional sense, but they are not sufficient to guarantee that a democracy works in reality. It is not difficult to see that economic and/or social factors can in practice weaken the formal democratic rights. An insecure labour market where

many people are worried about their jobs, can strangle debate and lead many to feel unsure about expressing their critical views. Insufficient education or poor language skills can make it difficult to follow political debate, to keep abreast of those issues under discussion or to assert one's interests against other better educated or more articulated groups.

For this reason Social Democrats hold that a properly functioning democracy requires equality, in the sense we have earlier defined the term. Large economic and social divisions in a society weaken democracy, if not formally, then in reality, since citizens do not participate in the political process on equal terms: some will have infinitely greater opportunities than others to assert their own special demands on society. And if large groups begin to experience that the democratic process cannot protect their interests, then there is a risk that their faith in democracy will weaken – and the scope for non-democratic movements will increase.

The protection of democracy requires that one must determinedly protect its external conditions such as freedom of expression, freedom of the Press and regular free elections. But it demands also a policy which makes democracy a living concept for every group in society.

The vigour of democracy

The protection of democracy is also a question of protecting the vigour of democracy. The purpose of freedom of opinion and of free and general elections is to achieve decisions which are well rooted in a majority of the citizens, as to how the common, social interests should be managed – decisions which can also become a practical reality. Both forming opinion and taking part in election lose their meaning if they do not lead to decisions which influence reality.

In that perspective the real threat to democracy today does not come from totalitarian political movements as was the case previously. It now comes from the global financial power seeking interests which have grown stronger and stronger during the '90s. We can speak of a double threat: on the one hand issues of importance for the citizens will be influenced more and more by power groups which they cannot do anything about themselves. On the other hand the consequences of this will often be the sort of growing divisions which in themselves are a threat to democracy and to social stability.

Regaining room for manoeuvre from the global financial interest groups for the political democratic bodies is therefore a decisive democratic issue in our time.

But even with more room for manoeuvre for democracy there remains the question as to the effective reach of democracy. What decisions must the democratically elected, political organs have the right to make? And what can democracy not be allowed to become involved in?

The right-wing parties which opposed the introduction of democracy at one time now belong to the strongest supporters of democratic forms of government. But at the same time it would appear that their efforts are more directed at ensuring that these democratically elected organs should have as little say as possible in running things – decisions must instead be taken on the market, in the civil society, in the family and so on. Sometimes one just cannot avoid thinking that the old overclass opposition to democracy has merely changed character: the forms are respected but they try to empty them of all meaning. What is then recommended turns out by coincidence to give the greatest advantages to the same socially strong and well-established groups which held power in society before the break-through of democracy.

Not everything is a question of politics. The fact that Social Democrats abandoned the demand for nationalisation was an expression of the insight that not everything can be run by political bodies, which we will discuss in the section on economic democracy. Democracy in the wider sense of "participation", is something more than representative bodies and it requires more opportunities for citizens to act than is provided for them as voters every fourth year (more about this in the section on the public sector).

But there is good reason to warn people about the debate which is formulated in terms of what "the State" can be allowed to do. The very choice of words is highly misleading; "the State" implies supremacy, and the question gives the impression of dealing more with what public authorities must do. But if we exchange "the State" for "democracy" then we can see that the question is not so much about what public authorities must do for the people, it is much more a question as to what the citizens say they want to do together.

Democracy can never decide on limitations on human freedom and human rights, but apart from that it is an issue for the citizens themselves to decide what they want "the State" to do. One cannot introduce rules

which remove from citizens this right – this is something which one strand of the debate on limiting democracy's reach would appear to be advocating.

But that debate is strangely divided. On the one side there are those who maintain that people are knowledgeable and competent enough to look after their own affairs without the interference of "the State". On the other hand it is presumed that these same knowledgeable and competent people merely force through irresponsible and bad decisions when they make these decisions together in their role as voters. What we can see here is a glimpse of the same contempt for voters which was expressed in the early 1900s in the arguments against the introduction of universal suffrage.

Social Democracy believes now, as then, in the ability of citizens to make wise decisions in concert. This is also the case in the question of where to draw the line between the responsibility of the community and the individual. Who outside the community of citizens would be able to draw this line?

As we wrote in the introduction, democracy is a collective process by which citizens decide on matters of common concern. And a number of concerns are common, and must be settled by decisions which everyone has the opportunity to influence – otherwise there will only be chaos or real injustice. We cannot each and every one of us build our own sewage systems. The market is unable to provide every child with education on equal terms. It is far too great a burden for individual households to manage the care of the elderly on their own and the courts can quite definitely not be run by citizen's defence committees.

There is much in the life of the individual which is determined by the way in which society is organised. For this reason we will never avoid the question of the democratic process, the collective form for decision-making, no matter how much we wish to emphasise individualism and individual responsibility. And for this reason democracy, or for that matter politics, must have an effective reach to make those decisions which affect the organisation of society.

The tension in democracy

However, the fact that democratic decisions are designed to create social structures which are advantageous for the development and welfare of the

individual, does not mean that all individual desires can be met. The political process is focused on trying to find joint solutions which – considering a number of external conditions, such as economic resources for example – are the best possible for the majority. Democracy can therefore not be defined as the right to get what you want. Democracy is the right to be involved and to exercise influence but not to dictate decisions according to your own ideas; on the contrary, democracy requires respect for decisions which have been made, also when these decisions are contrary to one's own desires.

Here we find an inevitable in-built tension in democracy. The overriding goal is, at the end of the day, the freedom and well-being of the individual. But the necessary means are collective co-operation since people are and remain social human beings dependant on others for their individual welfare. This can of course be experienced as a limitation.

What must be stated clearly is that the alternative to the democratic process is not a happy deregulated civil society where everyone can follow their own desires – it is rather a society where everyone must struggle against everyone else for their own welfare and where the strong will force out the weak. The in-built tension in democracy is at the same time a major challenge and can also be the factor which creates the dynamism and vigour of democracy: to create an order where everyone has the opportunity to participate and where the social order is not created by some groups being by definition subordinated to others.

Democracy is a question of rights but at the same time it is also a question of a responsibility: the responsibility of taking part in the democratic process and making it a living process. For this reason, Social Democracy rejects the view of democracy which is usually described as somewhat like a market: the voter goes around looking at the supply of views and promises of reform and chooses those which suit him/her best.

The question is who has decided what alternatives should be on offer in the market???

To use a simile, democracy is not like a public square, it is much more like a building – a building where we all discuss the drawings, where we all take part in the building work and where we are all responsible for ensuring that the materials are used in the best possible way.

The tools of analysis

Marxism

An ideology consists not only of values but also of tools for the analysis of society – to be used to obtain an understanding of the mechanisms that must be changed if one is to achieve one's ideals.

Karl Marx (1818-1883) and his theories play a central role in the socialist coloured analysis of society – theories to a large extent shaped in cooperation with Friedrich Engels (1820-1895). "Marxism" as a concept is, however, often misunderstood, and before we discuss the role of the Marxist analysis in the development of the ideas of Swedish Social Democracy we must first of all discuss the concept of Marxism itself.

Marxism, if one means by that the social theories of Marx, is not a political ideology or a political action programme. Karl Marx created a theory of development based on the philosophy of history where his starting point was European economic and social history, from which he drew a number of conclusions as to the direction development would take in the future. "All history is a history of class struggle", to quote from the Communist Manifesto, and class struggle in this context means an economic struggle: the struggle for power over the means of production and the distribution of the fruits of production.

Marx saw the socialist society as the end of history and by that he meant a society where all struggles over the means of production had ceased. This end point was, however, for Marx the consequence of technical changes in the forces of production themselves, forces which created resources large enough to provide welfare for all –because of which the class struggle would become quite simply superfluous. According to Marx capitalism was in this way, the necessary, but final stage before the breakthrough for socialism; it was primarily through capitalism that forces could be released which would create the results of production great enough for

everyone to enjoy welfare. But the inbuilt inability of capitalism to manage these forces and to redistribute the fruits of production equitably, would inevitably lead to chaos and collapse, the proletarian revolution would then break out and after that the classless society would be created.

In other words, the socialist society was seen as an inescapable consequence of the course of history, not as something organised through political action. In reality, the Marxist theories exclude politics as a means of changing society in the true meaning of the word, since development was seen as governed by certain ordered processes primarily in economics and in technology.

Marxism reinterpreted

To sit down and await development – particularly when it is a question of development in the very long term – is, however, somewhat uninspiring when viewed in terms of a political action programme. And it is even more uninspiring when the existing daily conditions of the masses are experienced as unbearable and when their demands for change become almost explosively powerful. So what happened during the 1800s was that a number of political strategies were developed aimed at speeding up the process; these can be seen as the political superstructure laid on top of Marxist scientific theories.

As we have already described, the socialist parties split into two main directions: a revolutionary and a reformist. The revolutionary parties wanted to speed up the development by achieving revolution through political (violent) means, without awaiting the changes in the relationship between the factors of production, which according to Marx provided the preconditions for revolution. The reformist direction of thought wanted to start the process of changing and improving society in order to be able to meet the demands for social justice and equality without waiting on the revolution, which according to Marx was a precondition for improvement.

At least in the early phase of the history of socialism debates arose as to which party was the most doctrinally correct, which, as a rule meant which was most faithful to Marx. This sort of discussion is pointless; all parties which have adopted the ideas of Marxism, have made their own selection and provided their own interpretation of them. This is true also

of the old form of Soviet communism, despite their claims to be the true Marxist party.

Belief in fate

This discussion on adherence to Marx has, however, a very special cause: Marxism claimed to prove in a true scientific fashion the necessity of socialism, and to depart from the Marxist scheme of things meant putting up barriers in the path of development. This determinist element in Marxism – by that we mean the idea that the historical development is predestined to follow a certain direction – has unfortunately led to serious damage to socialist ideas. If development is predetermined, then those who have understood this and who therefore represent "the truth", need not listen to the views and judgements of others. The others are by definition wrong and therefore of no importance. The extreme consequence of this is the persecution of free ideas, those who oppose what has been decided as The True Way are branded as the enemies of society.

All determinist views, or if one so wishes, all fundamentalist ideologies which promote the idea that there exists ONE single way which must be followed in order to reach the good society, are in that sense of the term non-democratic. The demand that everyone follows the one and only way becomes, namely, superior to the democratic demand of allowing people to choose their politics in a free debate and through free elections. Within Soviet communism, which, moreover, was expressly built on the theory of the monopoly of the leading class in interpreting the truth of history, the anti-democratic element became devastatingly strong – and this led to a development which was in direct conflict with the socialist values of freedom and equality.

Marx tried to encapsulate and explain the development of society in a grandiose model and this attempt is typical of the 1800s. The belief that the development of society followed some sort of laws which could be discovered and explained in a scientific way, was common in many areas of thought and largely inspired by the tremendous progress of natural science in the 1700s and early 1800s. Today not even the natural scientists claim to be able to explain the purely physical development in terms of laws and thereby in terms of a predictable system; and even fewer social scientists would make such claims for their own disciplines.

What they say can be done, is that they can establish certain relationships and certain probabilities. Certain mechanisms which operate in the economy can be identified, and to some extent the effects of these mechanisms can be predicted. But in an economy and in a society where millions of people are involved, where a number of highly shifting needs and desires make themselves known and where a number of very different forces, in part working together and in part conflicting, are in movement, one can never know for sure what direction development will take. This is because it is not predetermined: it depends on people's own activities.

The theories of Marxism are a scientific and systematic construction. As with all scientific theories it must be tested scientifically, that is it must be tried in the light of reality in order to establish if the predictions are correct. This critical examination has already shown that Marxism as a systematic construction does not hold any more than other systems developed in the 1800s to explain and predict the development of the world. When it comes to the different individual theories which make up the actual construction, there are among them those which do not hold when tested against reality. This is true for example of the Marxist theory of the value of labour, the theory that the value of a product is in direct proportion to the number of hours it has taken to produce it. The peculiar conclusion of this theory is that an inefficient work organisation creates more valuable products than an efficient, since the inefficient organisation requires more working hours per product.

Several other theories of Marx have, however, shown themselves to be valuable instruments in developing our knowledge of reality, and they are now part of what is generally accepted within most social sciences. But also on this point it can be said that Marx suffered the same fate as other economic and political thinkers from the 18th and 19th centuries such as Adam Smith and John Stuart Mill. Some of their theories have no validity and others have quite simply become outdated. However, there are those which remain important instruments of economic and social analysis.

In this book we will deal with two central concepts in the Marxist theoretical system, concepts which have played a role for

the development of ideas both within Social Democracy and socialism in general and which – in a somewhat more developed form – remain important tools of analysis. These are the materialistic view of history and the class struggle.

We would, however, like to point out that we see these theories as instruments which can be used to examine society and not as a set of given answers to the political challenges of today's politics. Within some sections of the socialist debate Marx has from time to time been regarded more or less as the founder of a religion, whose words provide the guiding principle which must never at any time be questioned and in today's debate there is a tendency for such interpretations to appear once again. One must always be on one's guard against this narrow-minded dogmatism: not least since the history of socialism itself demonstrates how dangerous it is, and how easily it can come into conflict with the realisation of socialism's own ideals. The methods which will bring us closer to the ideals of freedom of equality are to be found only in a critical and open-minded debate on the situation of the world of today and the challenges we face, not in a dogmatic and literal interpretation of the works of Marx.

The materialistic view of history

According to the older history books, Gustav II Adolf entered the 30-years' war in order to defend his Protestant co-religionists against the threat of Catholicism. According to a much more recent view, Swedish involvement in the war was seen as a step in the same expansionist policy which earlier on had led to the wars in the Baltic states and Poland and which had very clear economic motives.

These two different ways of describing the same event demonstrate the difference between the idealistic and materialistic view of history. According to the idealistic view of history it is ideas which provide the motor force for development. According to the materialistic view of history it is instead a question of economic needs, technical change and related factors.

At the core of the Marxist view of history is the idea that the relationships of production are decisive also for social organisation, "the social superstructure". In the old agricultural society it was not only working life and the conditions of work which were different to what they became in

the industrial society, it was also the political organisation and the way of living and thinking. "The production forms of material life determine the social, political and spiritual life processes altogether. It is not people's consciousness which determines their existence but, on the contrary, it is their social existence which determines their consciousness", writes Marx in his book 'The critique of political economy'. And what Marx means, roughly, is that it is not the ideas which determine how society will be formed, it is rather the conditions of life, created by technology and economics which determine the ideas.

An illustration of this can be found in our changed views on interest. In the early Middle Ages it was a crime to take any interest at all for lending anything; with the technology of that time large trading or business enterprises requiring well-functioning finance markets did not exist. In step with the large-scale projects made possible by technology the need to be able to borrow money grew; and to borrow money for such risky projects one had to pay for it. In this way the moral abhorrence of interest rates faded away.

When the conditions of production change, through technical development, through changed patterns of trade and so on, then the political and social organisation of life must also change. In line with the breakthrough for industrial society, the old political estates in the parliament became an impossibility and were replaced by a two-chamber parliament; as industry, and also the workers in industry, grew in importance, it became impossible to exclude them from the franchise. "With the change of the economic foundation then the enormous superstructure passes through what is more or less a rapid transition", to quote once again from 'The Critique of Political Economy'.

A consequence of the idea that economic forces determine also "the superstructure" is that many of the political and social values can be traced back to economic conditions: "interest never lies". Behind the liberal ideology of freedom of the 1700s one can clearly trace the need of the growing classes of tradesmen and factory owners to break the privileges of the land-owning aristocracy, which prevented the expansion of trade and industry. And behind the growing demands for freedom and equality of socialism one can, in the same way, see the needs of the working underclass to break the privileges of tradesmen and factory owners.

This quite clearly does not in any way minimise the validity of the ideas of freedom and equality, or the involvement on the part of those

who, often at great personal risk, struggled for these ideas; the fact that individuals in their actions can be driven by a strong idea of idealism cannot be denied, regardless of what one believes about the driving forces of "history". But it explains why different political interest groups can interpret words such as for example freedom in such very different ways and emphasise such different aspects of the idea of freedom. Once again, the question arises "Freedom for whom? And for what?"

This also explains why socialist models of thinking develop a strong interest in economics and economic organisation: it is possible to see a clear connection between the way economics and working life are organised, and the opportunities provided by society to realise one's own basic ideals, ideals such as democracy and freedom. True democracy which is based on the idea that everyone as equal citizens can participate in the political process, is not possible, if working life divides people into those who are important and those who are unimportant, into people who hold power and those who are powerless, into those who decide over others and those who are not even allowed to decide over themselves. The attitude created in relationships of production will be reproduced in political life: if we want to have a political democracy of independent and responsible citizens, then we must also have a working life where employees are independent and responsible, not a working life where they merely take orders and have no right to express an opinion.

According to this view political democracy requires that the rules of economics are not drawn up only with a view to the profits of the owners of capital, regardless of what these profits cost others. The rules must be drawn up with a view to the interests and needs of the larger working population for such things as working conditions which do not endanger people's health, or the right to exercise influence over one's job, to protection against arbitrary treatment, as well as an interest in the opportunity to grow and develop. In other words, if we want to have "a social superstructure" of freedom and democracy, then we must also form the economic base, production, in accordance with these ideals. Otherwise the ideals will be nothing other than utopias.

As we have already pointed out, for Swedish Social Democrats this does not entail that the individual ownership of companies must be forbidden, and clearly also it does not entail that one can ignore basic business requirements such as the fact that incomes and expenditures must match. But it does mean that the citizens together, through their elected

bodies, must be able to decide on the social conditions ("the rules of the game") for business operations. And it does entail that employees, at the work places and through their trade union associations, must be able to influence wages and working conditions as well as the organisation of the day-to-day work.

The role of ideas

For a true historical materialist, ideas, ideologies, lack significance in the development of society. Social Democracy does not have quite this schematic view of things. One cannot of course look at ideas and ideals as mechanical instruments for economic interests. Ideas such as freedom and equality, justice and charity, have existed in all ages regardless of the techniques of production and the structure of economies. They have of course, influenced what we can call social life; people have at all times looked after the old and the sick, and every society has in one way or another had some arrangements for how those who lacked relatives to care for them, should be looked after. In that sense ideas and ideals have always had an independent influence on the shaping of society.

But one sees at the same time that the political breakthrough for certain ideas has never come until there have existed, so to speak, the economic means for the breakthrough – or if one so wishes, when the forces of production have provided the opportunities for it. The peasant uprisings of the Middle Ages against the privileges of the nobility failed. The attacks in the 17th, 18th and 19th centuries made by the tradesmen and industrialists succeeded – because they represented a more modern, more effective order of production than did the old aristocratic landowning economy. The connection between economic change and the breakthrough of new social ideals is very clear.

The class struggle

According to Marx the progress of history is shaped by the struggle over the means of production and the distribution of the fruits of production; "all history is a history of class struggle". "Class" represents, here, membership of an economic group, determined by the relationship to the means of production. The decisive class barrier goes between those who

own the means of production, such as land, money and machines, and those who do not own anything other than their own labour.

The owners of those means of production, which at a certain level of technological development are the most important, will also have power over society. Those who lack power will revolt against this, but according to Marxist theory, no real changes can occur until production technology begins to change, so that other factors of production become dominant. The group – class – which controls these other factors will then become the new power holders.

“Class” is then something quite different from social group. The concept of class as defined by ownership was not unambiguous even during Marx’s own lifetime; in fact, Marx had to introduce the concept of “middle level” about a number of economic groups who could not be classified as capitalist owners of property nor as a propertyless proletariat. In the economy of today, which is much more complex, the concept of class is even more difficult to handle. Highly paid, but for that matter also employed persons, specialists in the private business sector, become workers, if ownership is used as a criterion for class membership, while the pizza baker with only a part-time worker becomes a capitalist.

The 1900s have also demonstrated that the relationship to the means of production – “class” – is not the only distinguishing mark in society. Gender is historically also a distinguishable variable which played just as big a role in the pattern of ranking different groups as class does, albeit that the pattern has other characteristics. Religion or ethnic background can also function more or less as powerful distinguishing factors.

Moreover, political democracy and trade union organisations have influenced the structure of power; the ownership of the means of production does not classify people in the same way as it did in the 19th century.

All this means that the concept of class alone is not enough to explain divisions in modern society, and that they cannot be tackled by means of changes in production alone. But the concept of class is useful as a tool of analysis, if one allows it to refer to the dividing line between subordination and domination in both working life and in economics.

The dividing line does not need to cover everything: both employees and shareholders have an interest in “their” companies being strong and successful, since this is the basis both for security of employment and for a secure return on capital. But there may well be decisive differences between groups as to how this strength must be achieved. An increase in

production which is bought at the cost of increased pressure on the employees can appear attractive for the shareholders: more work for the same wage cost. But for the employees the price of this, in the form of increased stress and perhaps increased risk of injury, can be all too great.

As far as the taxpayer is concerned, perhaps the cost of looking after the injuries, which come about because of this, will slowly on appear to exceed the profit to be gained from the increase in production.

The continually recurring conflicts between the parties on the labour market on the question of labour law can in the same way be explained in terms of a perspective on power – or for that matter in terms of a class perspective. Is it the employers who should be allowed to decide on his own if someone should be given notice or what the grounds for notice should be? Or should notice only be permitted on certain grounds and after negotiations with the trade union representatives of the employees? Discussions are often carried out in terms of what is rational from a business economics point of view, but at the end of the day, the issue is where power over work should reside. Should the employees have influence over their work place, and dare to oppose their employers without risking their jobs, or should they be treated as mechanical “factors of production” which can be brought in or thrown out depending on the one-sided judgement of the employer?

What the concept of class does teach us, is to put the question: in whose interest? How are different groups in society affected by a certain type of action? What sort of subordination or domination is created through a certain type of political action? The questions should of course be asked even when it comes to other dividing factors, such as gender or ethnic background.

Asking these questions is important, particularly in times of change such as our own. Many well-tried recipes no longer have any effect; it is then important that we do not swallow new recipes uncritically, just because they are new – but that we instead examine who it is that they benefit or disadvantage: that we examine what can and should be done to ensure that the unavoidable changes in production do not create new class divisions, and new divisions between those who have power over their working lives and those who do not.

One can, by using the concept of class, see that such a development looms over us. In high technology-based society, which is replacing industrial society, knowledge plays an ever greater role. Using Marxist ter-

minology we can say that knowledge is rapidly becoming the most important factor of production, ensuring power to those who have it while those who do not, find themselves trailing behind. The obvious strategy for Social Democracy in this case is to try to spread this factor of production to the majority of the people. The motive is both economic and ideological: a high and even level of knowledge in the workforce, is a precondition for Sweden as a nation, being able to hold its own economically and to retain its welfare system. Moreover an even spread of knowledge-capital is also a precondition for equality among the citizens.

Practical politics

The inherited ideas in Social Democracy include not only the classical ideals of freedom and equality, or the classical instruments of analysis such as the materialistic view of history. It is also just as much a question of the party's hundred year history: of the thoughts which have been developed in the interplay with the demands of practical politics, and of learning from experience.

We will discuss later the development of Social Democracy in some special areas of politics. Here we would like to take up the question of interplay of ideology and practical politics. Because there must be an interplay: one can, never in advance, in the form of a theory, work out in detail what the development of society will be, or even what should be a good social order. Policies must be continually tried out, with ideology as a guiding star but with practical experience as a starting point for what is possible and what solutions are workable.

Ideas about what society should look like are, of course, the starting point for politics: they are the goals we wish to achieve. From this it does not follow that one can realise everything one wants to achieve immediately. Nor does it mean that all the differences between ideals and day-to-day reality must be explained as a betrayal of ideals.

All politics must have as their starting point real existing preconditions, particularly in the case of economic affairs. We cannot carry through reforms today with money which we will have 20 years from now; it is not enough to say that the aim is worthy if the practical preconditions are lacking. We cannot ignore the restrictions on politics which are made by environmental demands, for example, the international economic cycle or the

competitiveness of industry. We can of course choose between somewhat different ways of dealing with these restrictions, but we can never ignore the fact that they exist simply because we dislike the demands which they make on politics.

Take for example the huge budget deficits of the '90s. We can choose between different combinations of tax increases or expenditure cuts in order to reduce the deficits and we can distribute both tax increases and cost reductions in different ways. But we cannot choose to allow the budget deficit to go on as it is. That would lead to economic problems which at the end of the day would create considerably greater strains than those created by the budget clean-up.

This can be seen as a consequence of the materialistic view of history: the external, material, preconditions determine the framework for what is politically possible. Gustav Möller introduced the great reforms of the '40s and '50s as Minister for Social Welfare: no-one has ever questioned his deep personal engagement in his duties, an engagement for the poor and the socially excluded in society based on his very own harsh experience. But it was Gustav Möller himself who wrote in the first great reform bill (1947) that future progress in social reform must depend on the pace at which the economy developed.

It is of course the task of politics to try to change the external preconditions, so that they provide greater opportunities to realise one's own values. But this is as a rule a very long-term project, and you cannot spend your profits in advance. You cannot move into a house before the walls and the roof are in place. Before you begin to build at all you must prepare the ground first and that in itself can involve both very heavy and time consuming effort. The struggle for universal franchise and the 8-hour working day in the 1890s produced results more than 20 years later. The efforts put into sorting out government finances in the 1990s are necessary if we are to secure our welfare system in the long term, but in the short term they demand unavoidable sacrifices. The massive efforts put into education in the 1990s are also necessary if we are to secure jobs and welfare in the long term, but they will not lead to results from one year to the next.

Politics is a question of will: to will changes, to will the realisation of dreams and ideals. But politics is definitely not a question of conjuring tricks! On a day-to-day perspective politics can never achieve more than what the external conditions allow, and there are situations where these conditions can be very tight indeed. In a longer perspective politics can

change these conditions, but in that case one must realise that this requires time – and often a lot of courage.

Another important experience is to beware of confusing means with goals. This is unfortunately a mistake which is often made, both on the Left and on the Right. On the communist side this led to the view that a wholly state-owned economy and a free and equal society were the same thing; the result was a lack of freedom and inequality. On the conservative side the same mistake is made in viewing private enterprise and economic efficiency as the same thing and it ignores the threats posed to stability and efficiency in the world economy as a whole by the massive speculative currents of private capital in today's world.

In our view political actions as well as political strategies must always be judged in terms of what they actually achieve: if they promote development in the direction of the goals we have set up, or if they move development in a completely different direction. If the latter proves to be the case then it is quite clear that the means used must be reviewed. In the same way one must be prepared to review commitments which have already been made: do they fulfil the function which they once did, or have changes in society meant that they no longer function as well as they did or perhaps that they are no longer even needed in a way they once were?

A third lesson is that society is never complete. There is perhaps, at the back of the minds of many Social Democrats the remains of a Marxist view that history at some time will come to an end in an ideal society, where everything continues in a state of eternal harmony. But a society is something which continuously develops and changes, where many different forces are at work, where new problems turn up and where new generations, with new demands and new experiences, grow up. In this way the demands on society, on the economy, on politics are also continuously changing.

The mixed heritage of ideas

In our introduction we wrote that the ideology of Social Democracy has many roots; this heritage of ideas is in fact anything but uniform. With the help of the tools of analysis we can examine what must be tackled as well as examining which values can be realised. But values and analysis were not part of the same system of thought from the start; they have been

woven together in the work of practical politics and in the theoretical debate throughout the years since the first models were formulated. Ideas about freedom, equality and brotherhood are much older than the Marxist theories about the class struggle and the march of progress towards socialism. Marxism is in fact lacking in a philosophy of morals, even if Marx himself could be very eloquent in his criticism of social injustice. But Marxism is, as we have said, a theory based on the philosophy of history about the development of society, and as with all scientific theories it attempts to demonstrate what is true and not what is right.

There is in fact a tension between the ideological – utopian tradition, as expressed in value terms such as freedom and equality, and the Marxist "scientific socialist" tradition. Marx had a habit of expressing himself somewhat disdainfully when it came to the so-called utopian socialists (although some of them were fairly practical politicians), because in his view social changes could not be based on ideals but must be based on what the historical scheme for development demanded.

This idea that development is based on laws and that political action must as a consequence consist of measures which are in agreement with the scheme of things, has on many occasions conflicted with the ideological value concepts. The most terrifying example of this is of course the Soviet system, where the assumed faithfulness to the development scheme of "scientific socialism" led to a direct repression of the ideals of freedom, equality and solidarity. There are, however, several examples as to how the debate about the "correct" organisation and method have been ranked higher than the discussion about what is demanded by freedom and equality. The radical debate of the 1960s and 1970s which often had as its starting point the demand for freedom – for example support for national liberation movements against colonial powers – led in many cases to very formalised discussions about organisation, where the demands for freedom and equality were forced into a corner.

If one, together with Social Democracy, sets aside the idea of development as bound by laws, and instead sees it as a result of people's own will and involvement, both individually and collectively, then the ideas, "the utopias", become the most important factor – albeit with certain specific tools of analysis as an aid. The question is no longer which organisation is the most correct, but rather in which way can we best work to promote our ideals, and what policy can best provide opportunities for a long-term development towards the goals which we wish to achieve.

In that perspective the old question about Social Democracy being a party of class or a party of the people turns out to be wrongly formulated – since it is based on the idea that it is a specific political form which is the most interesting. Social Democracy is a party which works for freedom, for equality, for solidarity and for democracy. Quite obviously such efforts will always take as their starting point the needs of those who have too little freedom and who suffer most from the existing state of inequality. But a society based on freedom, equality, solidarity and democracy can never be anything other than a society for all.

Capitalism

The concept of "capitalism" is central both to the debate within the socialist camp as well as to the overall debate on political economy. Despite this, the definition of this concept is remarkably vague. Contemporary encyclopaedias define it simply as private business enterprise with a market economy. This hardly explains how charged the concept has been and still is. Nor is it really the same interpretation of the term as held by the growing labour movement.

The classical socialist agitators did not waste any time on defining what they meant by "capitalism", but one can see from their writings and their speeches that they put into the term something quite different from what is put into it by contemporary encyclopaedias. Their definition of capitalism is much closer to an interpretation which sees "an order of production where the interests of the owners of capital in profit is ranked above all other interests in production". With this definition capitalism becomes more or less the opposite of a market economy, since a market economy presupposes a balance between different interests, a situation in which no one factor is ranked above the other.

"Capitalism" in the the agitation of the early labour movement was used to describe a privately owned business enterprise, which was based

primarily on a greater input of capital goods than the owners own working tools, and which, secondly, was powered by an interest in profit which was greater than the owner's need to provide for himself – in other words an effort to amass even more capital.

It was then this interest in profit which was seen to be the root of all evil: the harsh exploitation of the workers, the unhealthy working environments, the low wages, the unfair distribution of society's wealth. For this reason the interest in profit should be abolished. The way to do this was to abolish private ownership of the factors of production which were the very foundation of capitalism: industrial plants, large fortunes, machines, and natural resources.

The socialist agitators of the 1800s were building on a much older criticism of private ownership as such; this is for example clearly formulated in the works of the philosopher of the 1700s Jean-Jacques Rousseau who said that the first person to put a fence around a piece of land and claimed it as his own laid the foundations for all future social disparities. "The fruits of the earth belong to everyone, but the earth belongs to no-one", wrote Rousseau in a phrase which pre-empted the socialist agitators.

Unclear about nationalisation

As we have already pointed out there existed disagreement as to what should replace private ownership of the means of production; there were those who believed in nationalisation, others in ownership through trade unions, and others in different forms of co-operative enterprise. Interestingly enough there existed a criticism of private ownership also among liberal thinkers such as John Stuart Mill, who showed a strong personal interest in workers' co-operatives.

The early socialist debate was even more vague when it came to the question as to how the new collective ownership would provide a solution to a number of basic business economic problems, for example how decisions about new investments should be made. There has never been any real socialist theory of business economics.

The reason for this was that the socialist criticism was not a question of business economics or for that matter of economics; it focused on power. It was a criticism of the massively uneven distribution of power: the criticism of an order which made it possible for the profit interests of the

owners of capital to dominate all other interests in society, economic, political as well as social. It was this unequal distribution of power which benefited the few and created injustice, exploitation and the lack of freedom.

By changing this distribution of power, by giving power to those who were previously repressed then one could also get at injustice and exploitation without having to abolish private ownership. Social Democracy arrived at this insight in the 1920s and 1930s and one can say that this reorientation was clearly confirmed at the 1932 Party Congress. Ideas of this sort can be traced back to earlier socialist discussions as for example within the British Fabian Society.

This provided a solution to the purely practical problem which the movement had begun to confront when it came to the question of translating slogans such as "Socialisation/nationalisation" into concrete and workable measures. The tremendous difficulties met by the Soviet republic when it came to maintaining production in industry and agriculture, and the obnoxious measures adopted by the Bolsheviks in order to achieve this, proved in themselves to be highly discouraging. On top of this there was the party's own experience from the so-called Commission on Socialisation, where the impossibility of constructing a completely new system on the drawing board, not only for the management of companies but also for the interplay between producers and consumers, more or less had to be abandoned. As Nils Karleby, Secretary to the Commission, expressed it in 1924: "It is quite clear that when it comes to those slogans which we would uphold on principle, adopting them is one thing, the problem of how to fill them with a practical content is quite another."

Does this mean that Social Democracy accepts capitalism?

Much depends on what is put into the word. If one defines "capitalism" as "private ownership", then the answer is yes. But if one like the early agitators, means an order of things where private profit is ranked above all other interests and neither society nor the employees have any influence on business enterprise, then the answer is no. The ownership and the private enterprise which we accept today is something quite different from the ownership and enterprise which the workers faced in the 1800s; that form of private ownership is something which is as unacceptable to us today as it was then. The ownership which we accept must function under strong socially determined conditions; environmental legislation, labour market legislation, rent legislation, planning and building

legislation, consumer legislation. It is an ownership with a powerful counter-balance in strong trade unions and their agreements, which provide the employees with influence over their working conditions. All this gives a quite different, and more just economic and social result than did the unlimited and unregulated private ownership in the textile industries in Norrköping in 1894.

The fact that Social Democracy accepts private ownership of the means of production means that we also accept the profit motive as a driving force in private production. We must realise that the return on capital is one of the instruments which creates a rational use of resources, as long as the interests of capital are balanced by other interests, so that a large "profit" is not achieved by means of underpaid labour or a waste of natural resources. In the Soviet system the cost of capital was by definition set at zero, a fact which contributed to the result that resources were exploited in a very inefficient way. The inefficient use of resources entails at the end of the day that people get a much poorer return on their labour than what they would otherwise have been able to get. This is something which hardly benefits the welfare of working people.

But, once again: the fact that Social Democracy accepts the profit motive as such, does not entail the acceptance of this motive being ranked above all other interests. If this were the case then the other factors of production – such as people or the environment – could be used in the wrong way. The profit motive must be balanced by other interests: a political democracy capable of action, strong organisations for wage-earners, consumers backed by legislation.

Nor does Social Democracy maintain that the profit motive is a good driving force for every type of activity. The profit motive must be completely excluded from the system of justice. It is as a rule not a suitable instrument when it comes to utilities which should not be distributed by means of the price mechanism, for example education and health care.

In addition to this, Social Democracy holds that there are good reasons for other forms of ownership such as producer or consumer co-operatives alongside private enterprise. In order to promote the dynamism and development of the market it is important that there are other actors, who work with different driving forces and who have different goals in their work!

This is a fundamental standpoint adopted by the Social Democrats: there are no uniform models which fit everywhere and which are suited to

every type of activity. Some solutions suit one sort of activity, other types of activity require quite different solutions. It is the nature of the task in hand and the goal of the activities, which should determine the choice of method to provide the best results.

There are, of course, shortcomings in this "mixed economy". There is always the risk that the balance of power changes, that positions which have been won by the labour movement can be lost. But in the continuous dynamism, created by the development of society itself, one can never protect oneself completely against a change in the balance of forces at work. Solutions which guarantee an eternally problem-free situation just do not exist. In the ideas about all encompassing systems from the 1800s – both those coloured by liberal as well as socialist thinking – one meets a sort of philosophy of harmony: at some point in time history will come to an end and a peaceful balance will be established for all time to come. But history never comes to an end. Society is neither complete, nor, for that matter, perfect.

For this reason it is not a decisive reason for rejection when a certain model has shortcomings or can be open to attack; this is the case with every system. What we can say is that the Social Democratic model provides better results than both the more "orthodox socialist" as well as the more orthodox "capitalist" systems. And for this reason it is worth sticking to this model.

"Abolish capitalism"

Let us now deal with the slogan "Abolish capitalism" in the sense of "abolish private business enterprise", since it has played an important role in socialist debate and still turns up now and again.

And the first question here is "how"?

In the globalised economy of today it is hardly enough just to abolish private business enterprise in Sweden; we will still have to follow the rules of the international economy. In order to truly "abolish capitalism" in today's world we must do so on a global level. It is very easy to see that within a foreseeable future there are no chances whatsoever of doing so.

So even those who hope for the abolishment of capitalism as a final goal of socialism at some point of time in the distant future, face the question as to how we are to deal with the capitalist system which exists during the many

decades we have ahead of us. We can find no other answer than that provided by the Social Democrats; to create such counter balances to the private profit motive that it becomes a tool we can use instead of being a dictator.

And if one can imagine a society without private enterprise then another question arises: "what should we have instead?"

The model with a completely state-owned and state-controlled system must for very obvious reasons be rejected. It does not meet the demands either of democracy or of economic efficiency.

What remains then is some form of decentralised collective ownership, perhaps co-operative or municipal enterprises. Since the idea of a complete state control of the economy has been rejected, then these enterprises cannot be fitted into some sort of system of state-regulated production plan. They must be allowed to decide on their own production and on their own investments. To put it in another way: they must function in relation to the market, in other words, the consumers. And they must be able to use their capital for new investments if they are to have any chance of growing – and this in its turn gives them a clear interest in earning the capital so required.

What, then, remains of the difference between this model and privately owned enterprises? Will it not be the case, at the end of the day, that roughly the same type of mechanisms which lie behind collectively owned enterprises, with an interest of surviving on the market, are the same as those which motivate privately owned enterprises?

The former republic of Yugoslavia adopted a very special model of its own for collective ownership of the means of production, namely wage-earner managed enterprises. Their experience demonstrates that the same type of conflict of interests arose between wage-earner run enterprises and the society around them, as can be found in the case of any type of private production.

No matter how the real ownership is determined, people have, depending on their own starting point, different interests to protect in the economy. Conflicts are something we can never get away from. It is perhaps not even desirable to do so – the opposite goals and desires create perhaps the dynamism which provides the motor for further development. The central point here is to ensure that these conflicts do not lead to one group exploiting the other.

But in that case we are back to the Social Democratic conclusion that it is all a question of power – not of who enjoys ownership. It is power not ownership which must be redistributed and balanced.

If we can achieve this sharing of power then private business enterprise within a market-system for the production of goods – a production which is distributed by means of the price mechanism – has advantages, which it would be difficult to recreate in a completely collectively-owned industrial structure, one advantage being the setting up of new enterprises.

Market economy

During the decades following the Second World War – what is sometimes called the period of the Cold War, even if the degrees of cold could vary – two systems confronted each other, politically as well as economically: the democracies of the West against the dictatorships of the East, the market economy of the West against the planned economy of the East. When the Berlin Wall fell in 1989, and with it the whole real socialism of the East, it signified victory for democracy and the market economy.

But – what is meant by the term market economy?

A market is a place where a number of independent sellers come with their commodities to display them to a number of independent buyers. And if a buyer finds something which he needs, at a price which he considers reasonable to pay, then they will conduct an affair. If the price is, on the other hand, higher than what the consumer is prepared to pay, then the seller is not able to offload his goods. If the price on the other hand is too low, then the sellers will not bother to come to the market.

The "market economy" signifies, as an economic model, quite simply a system where the supply of goods is determined by the price mechanism: the supply is determined at the point of intersection between what the consumers are prepared to pay and what the producers demand as a profit for their work.

The model presupposes that entry to the market is free, that is that those who wish to produce and sell goods should have the right to do so, and those who have money to buy may freely choose what they wish to use

the money for. This "free bargaining" is supposed to provide both an effective use of resources, required by a successful economy, as well as a plurality of goods, which welfare and freedom of choice requires. And it is this efficiency, and this welfare/freedom of choice, which provides the economic and ideological basis for a defence of the market economy.

The market economy presupposes therefore what is called free enterprise, that is anyone who so wishes, is free to start and run a business, which produces goods for which there is a demand. In the political debate the term market economy is, therefore, often used as a synonym for "private enterprise".

Every action taken against private enterprise, or against the private profit motive, becomes in the eyes of the ideological representatives of private enterprise the same thing as an attack on "the market economy" – and an attack on democracy.

But the fact that private enterprise is a precondition for the market economy is not at all the same as saying that all activity based on private enterprise is a market economy. At least not according to the textbook definition of this term.

What is required namely is a good deal more than privately owned enterprise to ensure that "the market" will lead to a truly effective use of resources and to the welfare/freedom of choice, which is the very ideological-economic reason for its existence. There is for example, a need to ensure that no single producer is so dominant that it can control the total supply and thereby the price, the need to ensure that consumers are equal, so that no single group can distort the supply through the special demands that they make, to ensure that an increase in demand for a good can always be met by an increase in supply and that everyone is free to enter into competition on a market, which appears profitable.

As the authors of textbooks in macro-economics usually point out, there has never been a situation in which all these conditions for a market economy have been present at one and the same time, "apart from temporary situations in certain local markets for agricultural products".

In reality, consumers are not all equally strong – some are richer than others and their demands are thereby much more interesting from the point of view of the producers. Nor are the different producers equally strong – there is almost always one who is larger than the others and who can influence both the price and the quality of the goods. It is seldom the case that the supply of goods can be increased quite simply because the

demand is great – apartments in the city areas of large conurbations are normally very much in demand, but it is not possible to increase the supply of them all that much; there is as a rule not all that much land left for new construction. Even if access to the market is in nominal terms free, it is in practice very often limited – it is not always easy to get together enough capital in order to start up the production of PCs, to take one example.

But also an imperfect market (to use the established term) is of course also a market, in the sense that it is the price which controls both the supply and the demand. But, and this is very important, both the distribution of the resources of production and the distribution of the products become less efficient and less just than would be the case in the ideal market situation.

Ideal and reality

The markets of reality – the real existing market economy as one might call them – seldom correspond with ideals of the market economy! They mirror the economic forces which hold at any given point in time and not the optimal efficient distribution of resources. As many unfortunate examples demonstrate, this type of inequality on the market results often in inefficiency and sometimes a quite clear destructive use of resources. Companies which enjoy substantial capital strength have often ruthlessly exploited natural resources. Damaging and even dangerous products have been sold in situations where the consumer is at a disadvantage, as is the case with the large pharmaceutical companies' cynical methods of selling medicines in poor countries, medicines which have not been approved by the ministries of health in the richer countries. In cases where the labour force is at a disadvantage, then wages more often than not are very low and the working environments unhealthy and even dangerous.

And all of this – quite apart from the moral aspects involved in ignoring people's health – represents a very serious waste of resources.

Much of the classical Social Democratic criticism of "the market", as well as much of the criticism expressed today, is in reality a criticism of these imperfections, these distortions in existing markets. When the agitators of the 1800s went to attack against market forces, which allowed traders to wallow in excess while the children of the washer women did

not even have bread to eat, they were criticising existing economic inequalities. With a more equitable income distribution the washer women would be able to afford both bread and nourishing foodstuffs while the trader would have to reduce his excess consumption – without any need to interfere in the least with the market mechanisms themselves. On the contrary, an income distribution of this type will allow the population to approach the ideal market model.

Criticising such distortions in real markets, which are deviations from the ideal market economy, is not at all the same as being an opponent of the free exchange between seller and buyer, or opposing freedom of choice for the consumer or even private enterprise. But very often such criticism of the real markets' – distorted – way of operating is taken as a criticism of the principle of market economics. Or to put it more clearly: as a criticism of private enterprise. Since today's debate is one in which there is a tendency to see private enterprise and the market economy as the same thing, it is common for representatives for what is quite simply special interest groups within the business sector to appeal to "the market economy" as an argument for measures, which benefit businessmen at the cost of other groups.

But "the market economy" does not require a one-sided concern with the special interests of businessmen. The market economy, in the true meaning of the word, presupposes on the contrary, that the interests of business are balanced by the interests of consumers and/or the employees – and that these then are just as capable of promoting their interests.

In order to ensure this strength, what is required are measures of a collective character. Consumer legislation, for example, makes for certain demands on product safety. Trade union organisations have pushed through improvements in the working environment. Both measures entail the better use of the resources of production, both human and material – and an efficient use of resources is part of what the market economy is expected to achieve.

The history of the consumer co-operative movement provides a number of interesting examples of how people have enabled the market economy to function better by strengthening the position of the consumers – and also demonstrated how one can achieve important social goals through this type of action. (In terms of a footnote to the history of ideas it is worth noting that leading ideological thinkers of the co-operative movement in the 1930s promoted a thesis that the labour movement

could, and should, use market mechanisms in their reform programmes.) As a classic example one can mention how the co-operative movement, by starting their own production of light bulbs and margarine were able to break existing producer monopolies and so push through lower prices and better quality over a very broad front. There was very little interest in building good houses for workers until HSB (the tenants' savings and building society) demonstrated that it was possible to build well-equipped and well-designed smaller apartments which were affordable on an industrial worker's wage. After that more companies followed their example.

And in recent times there are many examples of how different ecological movements have succeeded in promoting important consumer demands for more ecological-friendly products – despite the fact that from the beginning producers rejected the idea and claimed that it was technically impossible to meet the demands.

There are also a number of liberals who are prepared to go along with the idea that "completely unregulated markets" do not always function in accordance with the ideals of market economics. But "unregulated markets" are always the same thing as markets where enterprise and capital interests have too much power. Or is there anyone who has heard of an "unregulated market" where the problem has been that the consumers have had too strong a position?

It is a fact that the world of business does not always of its own accord live up to the ideals of market economics. The market economy presupposes, naturally enough, private enterprise, but it is not the same as saying that private enterprise guarantees a market economy. On the contrary, private companies when left to themselves, often function in contradiction with the principles of market economics.

The market economy presupposes competition between several companies acting independently of each other, where none of them can become so big that it can on its own influence the supply and thereby also the demand for a product. In reality most companies do their best to avoid competition. The most common thing is that they try to give their own product a special "brand status" which provides it with an advantage in relation to other products which are just as good. It is not unknown for companies to split up markets, in practice, between themselves, or that several small companies get together in order to obtain a stronger and less competitively exposed position on the market. In some cases there have been instances where a large company has bought smaller competitors,

only to close them down and in this way become the only company on a particular market.

From the point of view of companies all this is logically defensible: the position they hold, and their own ability to make profit becomes more secure as the number of competitors declines. There is, therefore, an inherent drive towards concentration within private enterprise – something which Marx clearly demonstrated.

Legislation against barriers to competition and against the setting up of different types of cartels is therefore an important method for maintaining a market economy. In the same way social institutions – such as legislation which creates clear rules for business transactions – play an important role for a well-functioning market economy, something which modern economic research demonstrates more and more clearly. The use of government regulations designed to promote the free market and to ensure that it functions according to the ideal can appear as a paradox, but it only illustrates what we have said above: private enterprise alone does not guarantee a true market economy and it is important to distinguish between what is in the interest of a true market economy and what is only self-interest on the part of the businessman.

The shortcomings of the market model

The market model, as in the case with all economic models, has its limitations too. There are certain things which it cannot manage, not even in its ideal form.

The market cannot manage the use of such utilities which lack a price tag – such as air and water, or the environment in a very broad sense of the term. It is difficult for the market to take into consideration minorities. Because even if every single individual had exactly the same purchasing power, there would still be instances where it would be more profitable to produce goods demanded by hundreds of thousands of people than to produce goods which only ten persons required – unless these ten together could pay a little more than the other hundreds of thousands.

This tendency on the part of the market to concentrate on the middle ground, where the largest number of buyers is to be found, is especially apparent in the media sector. We have today a large supply of TV channels,

but all of them concentrate on producing the same sort of programmes – news, sports and entertainment. The reason for this is that the broad band of public interest is to be found in the middle belt, and it is there that one can sell advertising space. The freedom of choice offered by the market is not a choice between many different types of programmes, but the choice between different channels where one can see the same type of programme.

Even those who, in normal circumstances, are strong supporters of the market economy now feel that there is a need to retain some non-market controlled channels instead of leaving everything to the market, because viewers with special interests must have something to choose from.

More generally, one can say that the market cannot distribute resources according to need, but only according to that demand which can be expressed in money terms. This means that the market will always give preference to that sort of demand which pays best.

Fundamentalist supporters of market economics normally reject this sort of criticism and say that it is obvious that production should move to those types of activity where there is the greatest demand; their argument is that large demand mirrors a large need. This is a line of thought which completely ignores the significance of differences in economic means in determining demands. The fact that children in the shanty towns of Latin America often cannot afford to have shoes on their feet, at the same time as upper class families buy clothes as a form of daily entertainment does not mean that the children's needs for shoes is smaller than the upper classes' need for luxury fashion clothes. The only thing it demonstrates is that the upper classes have considerably more money to spend on consumption.

It is of course, very often difficult to determine objectively what the "needs" are when it comes to one product or another. "The need" of red armchairs compared with "the need" for blue bicycles is difficult to formulate in a number of objective criteria just as little as "the need" for microwave ovens compared with CDs, slalom skis or plants for a rockery in one's own garden. This sort of consumer preference can only be expressed in a free market, where (roughly equally strong) consumers can themselves decide which goods they wish to give priority to within the framework set by their incomes.

But there are certain very basic needs which we can define with certainty. Among these is the need for food, for fresh air and for clean water, for health care and for education.

When it comes to what are literally vital goods, and when the supply of these goods is limited by environmental or economic factors, then it is not reasonable to distribute these goods by means of the price mechanism, i.e. to allow those who can afford to pay for what they need, to get what they can – and leave the rest without. In these situations something more than market economy is required.

Social services, such as hospital care and education, are examples of such vital "goods", where need and not the ability to pay, must determine the distribution of the goods. But the most important of all the limited resources which mankind must use with care is quite clearly the environment, in the broadest sense of the word. Fresh air and clean water are not utilities we can argue about. And not, for that matter, how far the Gulf Stream travels or the thickness of the ozone layer either. For this reason these are not assets which one can "manage in market terms"; here it is necessary to set up compulsory rules when it comes to the way in which the market handles natural resources. These are rules which the market can never draw up by itself. They must be put in the context of a political process, where the starting point is the discussion of what nature can tolerate – not what price "the market" is prepared to pay for a good environment.

Of course one can in some situations use market mechanisms to protect the environment, as is the case with charges which make environmentally destructive activities far too expensive and thereby also uninteresting.

But such charges are something which the market cannot develop on its own. It must be done outside "the market" – in the sphere of politics.

In the current political debate there is a tendency to set the market economy and the politically run economy opposite one another, as if they were two incompatible entities. But in reality it is not a question of either/or, it is much more a question of both/and. Market economy is a smooth and efficient system for meeting the demands for consumer goods. But sometimes there is a need for political action in order to achieve a fair balance between consumer and producer, and between consumer groups of different types, which is required if the market is to function in accordance with its own principles.

There are some things which the market cannot deliver. There is a need for political rules for the use of goods which for several reasons do not carry a price tag, or which should not be distributed by the price mechanism – out of consideration for important human needs.

Social Democracy usually calls this the mixed economy. And this is the model which Social Democracy stands for.

Economic democracy

The demands made by Social Democracy on economic life are usually summarised under the headline "Economic democracy". This is a general term for several different demands on the way in which economic life functions within the framework of the mixed economy. It is moreover demands on several different levels rather than one demand for certain specified organisational solutions.

As we have pointed out several times earlier, the classical demand for nationalisation/socialisation was a question of power: power over the single company, economic life and society. During the second part of the 1800s, when the labour movement began to grow, private ownership guaranteed considerable power in all these different areas. For this reason ownership was at the centre of the criticism delivered by the labour movement, and for this reason the remedy which was recommended was the abolition of private ownership.

But in reality the problem was not only winning power from the private capitalists, it was also about spreading power. It was an issue of power at so many different levels, power which should not be exercised through only one channel, regardless of whether this now consisted of the private profit motive or state ownership. Part of the power which the large industrialists of the 1800s had, should of course be handed over to civil, democratic organs – not least of all by reforms in the right to vote, so that other interests than those of the owners of capital could influence the process of legislation and taxation. But other issues did not at all belong to the political level. There it was more a question of providing greater resources to the consumers so that they could influence the variety and the quality of supply. It was also a question of giving power to employees so that they could influence wages and conditions of employment.

The classical demands for nationalisation were in reality far too restricted: they left no room for this diversity of power. In a completely nationalised economy it was thought that the influence of wage-earners, of consumers and of citizens should be channelled along the same lines, something which cannot be done. Different sorts of influence require different sorts of instruments, and it is important that everything functions

properly – otherwise the final result may well be, as was the case in the Soviet system, that nothing works.

Economic democracy is a question of these many different ways of creating influence and co-determination over production and working life. For this reason it cannot be encapsulated in a few simple schematic models. This in turn means that it does not sound quite as powerful as the earlier demands for nationalisation, despite the fact that in terms of content it is much richer.

An important part of economic democracy is of course the influence of wage-earners over their own conditions of work. This is an influence which the employees must have in their role as employees, without needing to take a long way round by means of purchasing shares in their companies. But a real influence for consumers and a protection of their interests is also something which is part of economic democracy. So too is influence for citizens over those parts of working life which are of importance for social relationships as a whole.

Economic democracy must therefore be exercised "on many levels and in different forms", as stated in the party programme of the Social Democrats.

On one level it is a question of political, civil, influence. This covers demands both for certain economic instruments of control and for certain types of legislation: environment and working environment legislation, the law on co-determination, the laws governing product safety and product information to mention but a few. Economic democracy grounded only on social regulations is as difficult to uphold as political democracy based only on legislation and the control exercised by public authorities. It is also a question of people's personal opportunities, both to exercise influence and to shoulder responsibility, individually and in groups, as wage-earners and as consumers.

Wage-earner influence must in some areas be exercised collectively, through the trade union organisations – in part because it is a question of common interests but also because it is the concerted action which provides wage-earners with negotiating strength. Highly educated specialists who are in demand can of course negotiate better wages on their own while the cleaner, the welder or the shop assistant requires the support of the collective.

But in other and equally important areas it is a question of how the individual can develop in his or her job and extend the opportunities for

exercising influence over their own jobs. Today, there exist very large differences in working life in Sweden when it comes to this: some jobs allow for great freedom and for considerable opportunities for development; still others are monotonous, allow very little room for development and very tightly controlled down to the last detail. It is the well-established view of Social Democracy that working life must be organised in such a way so that everyone, regardless of their position, must have the opportunity to influence their own jobs, to develop and to have a career in their working lives.

But in order to secure these basically individual goals there is often a real need for collective efforts through the trade union organisations!

Consumer influence is sometimes exercised successfully by means of common actions, for example through campaigns designed to influence the environmental approach on the part of producers. When it comes to services such as those which are used by a group, for example child care or schooling, it is also in part a question of creating influence by means of a group, for example for parents/pupils in a class or in a school. The work of the public sector must be built up in such a way that such forms of consumer influence are made possible.

But a lot of consumer influence is and must necessarily be individual. Some of it is a question of the opportunity to choose between different alternatives. This right presupposes a varied supply of products and this in its turn requires the producer to work in direct contact with the consumers. It is quite a different question that there exists economic restrictions both in the "market", as well as within the public sector, even though these restrictions may be of a different type when it comes to what sort of alternatives can be provided.

But the right to choose presupposes that the consumer, in the market, has the economic resources to be able to weigh different purchases against each other, and not only to take the cheapest. Economic democracy therefore requires decent wages!

Tensions can arise between the different parts of economic democracy. Employees working in care services or hospital services have, together with all people who work, the right to exercise influence on their jobs and on their conditions of work, but this influence must be co-ordinated with the right held by patients and their relatives to influence the organisation of the services which they get. The general demand of citizens for consideration to be paid to the environment can, in the short term at least, be

seen as a threat to jobs in those companies whose costs increase on account of the new environmental demands. The desire on the part of the employees to have secure jobs can put them in a position where they are on the opposite side from the consumer's freedom to choose between different alternatives and products, a freedom which of course implies that certain goods or certain companies can be excluded from their choice and may well have to disappear.

There is seldom a very clear solution to these sorts of conflicts. It is therefore very important that the different interests are allowed a voice in the debate and this is also a reason why there must be different ways in which to exercise influence. One can then discuss the best possible solution — and this is something which must be done by the persons involved themselves, and not something to be dictated by the State.

From the beginning there was a view within the labour movement that "socialism" could be used to create jobs that would be safe and secure for all time to come, a view which later made its presence felt in the debates on economic democracy. This is naturally enough an impossibility: technical development and changes in consumer demand will always mean that some jobs and some companies disappear while others enter the scene. But it is then important to see that it is part of economic democracy that those who are affected by such changes must also receive help to adapt to new conditions.

Economic democracy is then a composite idea, but it expresses the classical goals of the labour movement: economic life must not be controlled by the self interest of entrepreneurs, it is a question of an interplay between the different groups which are affected by it.

Why did communism collapse?

In 1917 Lenin's Bolsheviks came to power in Russia by means of what was later known as the October Revolution. Russia became the Union of Soviet Socialist Republics, the Soviet Union. Land, natural resources, industries were taken over by government – because, according to the new political leaders, this was the proletarian, socialist revolution which Marx had foreseen and on which the new classless society would be built.

In 1989 the Soviet Empire crashed under the strain of its own compact failures, leaving a shocking history of repression and lack of freedom which for long periods of time had turned into a regime of pure terror. The social structure which collapsed along with the Berlin Wall was a very determined class society with all power concentrated into the hands of a small despotic upper class and which on every point was in conflict with socialist values of freedom, equality and brotherhood, in whose name the Soviet Union had once been called into existence. "Everything had been changed into its opposite", to quote the German 19th century philosopher Friedrich Hegel, whose so-called dialectic scheme of development played an important role for Marxism.

The Soviet system has seriously discredited the concept of "socialism", and many people, particularly on the more conservative side, hold that it demonstrates above all the impossibility of socialist value-terms such as equality and solidarity.

But the fact that an illiberal, unequal and an unsolidaristic social system collapses says of course nothing at all about the possibility or impossibility built into the ideals of freedom, equality and solidarity. What it does say is that these ideals cannot be realised by the use of methods which in themselves act against these very ideals. Or to put it in Marxist terms: if the forces of production are organised in such a way that they presuppose the power of the few over the many – which was the case in the Soviet Union – then such a society cannot be democratic or equal.

For Social Democracy this has always been an obvious state of affairs. Unfortunately, there remains a certain type of socialist debate which chooses to ignore the lessons to be drawn. Instead, the collapse of the planned economy is explained away with the help of despotic leaders, old undemocratic structures inherited from the time of the Tsars etc., etc. This is quite simply a falsification of the facts.

The principal explanation lies in the ideology of the Russian Communist Party – know as Marxism-Leninism – which shaped the whole political and economic organisation of the Soviet Union. The unavoidable lesson to be drawn is that all who wish to be true to socialist ideals must realise that centrally controlled, monolithic systems can never achieve these ideals even if the outer structures – the collective ownership of the means of production – correspond with the classical socialist theories. It is not the form but the function and the content which are decisive.

The Bolshevik revolution

The Russian Tsarist regime was overthrown in March 1917 after many years of extensive unrest and rebellion against the harsh totalitarian regime. A liberal democratic government came to power but was overthrown in its turn in November of the same year by the Bolsheviks, a small, but well organised communist party under the leadership of W I Lenin.

(At this point in time the old Gregorian calendar was still in use in Russia and according to this calendar the revolutions took place in February and October. In history books these are known as the February and October Revolutions.)

The change that took place in November was more or less a coup d'état in which the Bolsheviks quickly took over important points of communication in what was then the capital, Petrograd, occupying government offices and forcing the government to resign. There was no broad – or for that matter even limited – popular support for a socialist take-over, something which not even the Bolsheviks claimed themselves. The revolution was carried out on behalf of the people, not together with the people, because the Bolsheviks unlike the people themselves understood what was required of the process of development.

This idea that a small "élite" which understands correctly how to interpret reality, has the right to act on behalf of the people, regardless of what

the people think themselves, was the primary cause of the Soviet road to disaster. It was quite simply this theory – the theory of the avant-garde – which the whole system was built on.

The Bolsheviks faced a very basic theoretical problem when it came to their own revolution: it did not follow the Marxist scheme of development which they themselves appealed to. According to this scheme the proletarian revolution should be preceded by a phase of capitalism. Only when capitalism was established would the forces of production be liberated, forces which would make it possible to achieve such extensive production that a classless society – a society with no struggle over the means of production – would be possible. Capitalism could not, however, achieve this on its own, since it lacked the ability to control the forces which it had created; this development required a proletarian revolution. This revolution would be carried out by the industrial workers who at the same time would make up the majority of the population.

But the Russia of 1917 was not a capitalist industrial society, it was more a feudal agrarian society. The revolts and the unrest during the period 1905–1917 can be seen more as a reaction against the inability of this feudal regime to adapt itself to what the growing industrial – and mercantile – economy required. There was hardly anything worth describing as an industrial working class, and in the Marxist sense of the word, the Russia of 1917 was in no way ready for a socialist revolution.

The October Revolution did not follow from a Marxist scheme of economic logic, it was a politically directed act of the type, which Marx himself more or less excluded as a method for influencing the course of history. The revolution expressed the will of the revolutionaries to force the pace of the development which they saw as historically determined, by hopping over a couple of phases in the scheme of things. In order to reconcile this effort at forcing the pace of change with the Marxist theories the Bolsheviks developed a theory of the "vanguard", or the avant-garde to use the French word for this phenomenon.

The theory of the avant-garde

The avant-garde theory holds that it is a vanguard, an enlightened élite, which has understood the objective and given course of history more than any other group and which can pre-empt this process by carrying through

in the name of the people, those changes which will nevertheless be the final result of the historical development.

The theory is based on Marxist determinism, i.e. the view that development was governed by laws – and therefore left no room for discussion. In accordance with these two ideas, development determined by fate and the ability of the élite to speed up the process, the proletarian revolution could be carried through at an earlier point in time and by a small minority. In accordance with this, all political power could be reserved for the Communist Party, i.e. the "vanguard" which understood how to interpret developments in the correct way. Other parties were not allowed and indeed were not needed according to this view of historical determinism: they would only lead development on to the wrong course.

Membership of the Soviet Communist Party was never open. The Party was, during the whole period of Soviet rule, a selective party; those who wished to become members had to demonstrate for a fairly long period of time that they were worthy of being taken up as full members in the organisation. The criteria of what was meant by "a worthy" candidate were laid down by those who already held power in the party. Those who were critical of the party had neither the opportunity to build other parties in order to influence politics nor the right to join the only party allowed, in order to attempt to change politics. Hardly more than 10 per cent of the population of the Soviet Union enjoyed membership of the party and this limitation was deliberate on the part of the party: it was meant to be a party, not for the mass of the people but for the enlightened, Marxist-trained élite.

The avant-garde theory is logically compatible with the view of history as predetermined: for those who believe that the end of history must inevitably come about in a particular way, it was not impossible to conclude that one could jump over a number of intermediate phases in order to achieve the final goal a little more quickly. The mistake is, of course, that historical development is not predetermined but is influenced by people's own actions, both individually and in groups. And for those, who like Marxist-Leninists, allow only a certain type of political influence, shaped by a minority of those in power which the population cannot control, there arises an inevitable head-on collision with the democratic principles of freedom and equality.

Strangely enough analogies to the theory of the élite and to the theory of historical determinism can be found in certain currents of political

thought on the right in politics. On the right one can also find the sort of elite thinking which is expressed in the view that power and influence should be retained for those who are regarded as specially knowledgeable or competent. When the right wing opposed the introduction of the general franchise it was based on the argument that ignorant citizens would be the easy victims of irresponsible agitators, who would put at risk the stable and calm development which was in the interests of all citizens.

Within neo-liberal groups there are very definite elements of historical determinism; it is quite easy to find in the debate of the 1990s a number of statements where other views and opinions – even those with a majority of voters behind them – are dismissed as not conforming to the demands of the "development". Some local politicians influenced by neo-liberal thinking were especially good at rejecting criticism from different groups of citizens and saying that "the man in the street" did not really understand what it was all about. Government policies were run according to the idea of the "one and only way", literally the only policy which was at all possible in terms of development. It was the ideological map which was important, and the fact that the terrain looked quite different in reality, was something that was not given any particular attention.

There are then more than just orthodox communists who should reflect over the lessons to be learnt from the Soviet system: the idea of fate, the fatalist view of development shaped by history and not as something which is controlled by people's action, is incompatible with rational problem solving. And for that matter with democracy.

A new economic overclass

The explanation as to why developments in the Soviet Union lead away from the socialist ideals which it claimed to build on, is to be found in the social theory of Marxism-Leninism. The Soviet system, "the real existing socialism" as it was called towards the end, lived up to the Marxist criteria of the collective ownership over the means of production but not to a single one of the socialist values: not freedom, not equality, not solidarity and not democracy. It was *unfree*, because people were not allowed to freely formulate and express their own opinions or for that matter to freely attempt to influence the society in which they lived. It was *unequal*, because the society in which they lived graded people into the privileged and the unprivileged, into a

power elite unreachable in terms of popular control and a majority of the population without power in society. It was *unsolidaristic*, because the harsh control exercised by those in power over the citizens created suspicion which made true co-operation and trust impossible.

And all of this can be traced back to the lack of democracy – the lack of democracy which was built in into the ideology of the system itself.

Nevertheless, if the Soviet system failed to live up to the ideals of socialism and in reality broke with the Marxist scheme of development which it saw itself as the true expression of, then one can explain its history and its collapse in Marxist terms. What the October Revolution created was in reality a new order of production, where the central factor of production – which replaced land and money – was called political power. The leadership of the communist party was an aristocracy in society and controlled the whole apparatus of production. Just as with all aristocracies in all periods of time, they used their power to promote their own interests.

The Soviet Union was a clear example of a class society with very real differences in power, incomes, privileges and opportunities for personal development between those who controlled the means of production and those who were controlled.

The Soviet Union was industrialised during the communist era and after the war was in the forefront of certain types of technology, mainly armaments and space technology. There are several examples from economic history as to how dictatorships can effectively mobilise resources for certain types of technical development: during the 1970s when the economy enjoyed some liberalisation, there were even economists in the West who held the view that the Soviet Union was about to catch up on the economic advantages enjoyed by the US economy. As late as the 1980s, American investments in space technology and armaments – the so-called Star Wars programme – was motivated by a fear of the growing economic and also military potential of the Soviet Union.

But dictatorships are not able to match the demands for diversity and for plurality created by a growing modern economy. In the rigid planned economy of the Soviet Union there were no opportunities to adapt to the changing desires of consumers let alone understand the changes in time; there was equally little room for any initiative either from management or from employees aimed at ensuring a smooth and efficient system of production. Inefficiency, a waste of resources and an increasing inability to meet the demands of consumers, was what made the planned economy collapse.

Ironically enough, this collapse can also be interpreted in Marxist terms. The communist party in the Soviet Union had undeniably restructured the production system of the country and in doing so "had liberated productive forces", but the one-party state lacked the ability to handle these forces in a way which satisfied the needs of the working population. The in-built conflicts in the system was what brought it down at the end of the day.

The return of communism?

Less than ten years after the collapse of the planned economies communist parties have returned to government in several Eastern European countries or in some cases they have made substantial progress in elections. In some cases it is a question of reformed parties who have settled the score with their Marxist-Leninist inheritance. In other cases the review that has taken place can be questioned and in still more cases it is a question of parties which expressly maintain their old ideals.

The fact that old communist parties, despite their histories, have once again begun to play a political role depends to a large extent on the strains caused by the political and economic reorientation in these countries. Many people have of course been able to enjoy new opportunities, opportunities which they would never have been able to enjoy in the old system and many people are also better off. But many people find themselves on the edge of society: unemployment, poverty and social problems have increased, in some cases drastically. Capitalism has undeniably demonstrated its worst sides in many Eastern European countries.

Our view is that there are certain lessons we as politicians in all parties have to draw from these events.

It is a very common argument that planned economies collapsed because they were unable to meet the demands of their citizens for welfare or for freedom of choice. This argument is correct – but the same rule applies to every economic system. If they are unable to meet the demands of the people for work, welfare and freedom of movement they will not survive no matter how beautiful the principles are, that they claim to build on. It is the real way in which it functions, not the rhetoric around it, which determines people's views of the system.

This is something which should be borne in mind by the supporters of the market economy who can be heard explaining today that larger groups

must be prepared to accept lower wages and a lower level of welfare in the future, if the (market-) economy is to function well. Why is it they believe that people should accept an economic order, which forces them into poverty in order to create economic growth which they can never benefit from themselves? Why is it that they believe that people should be loyal to a system which does not respect their own desires or needs? What sort of arguments can be used to defend an economic order which would appear to presuppose that some working people cannot expect to enjoy any of the benefits of the system, as this would lead to the system collapsing?

It is not attractive principles which create support for political or economic systems, it is instead the way in which these principles are applied to people's everyday situations. This is the important lesson of the collapse of planned economies – both for parties on the left as well as parties on the right.

Swedish communism

The first Swedish Communist Party was started by a group which broke away from the Social Democratic party in 1917. The communist faction which broke away wanted to follow the revolutionary path of restructuring society while Social Democracy chose the reformist and democratic path. The Communist Party has over the years split on several occasions, in the 1920s and also in the 1970s; behind the splits there have always been what one is tempted to describe as issues of dogma, i.e. how Marxist teachings should be properly interpreted. The original party, Sweden's Communist Party (SKP), changed its name in 1967 to the Left Party of Communists (vpk) and in 1995 adopted the name The Left Party. There are several small parties which call themselves communist; some of them are break-away groups from the vpk while others were started as a reaction against what was regarded as a lack of orthodoxy within the party.

Skp was like most Western European communist parties a satellite party of the Soviet communist party. Among the Western European communist parties it was really only the Italian and to some extent the Spanish communist parties which maintained a somewhat independent line in relation to Moscow. It was in fact a part of what was called "democratic centralism" that the Soviet communist party was superior to all other parties and in a position to provide guidelines for parties in other countries. The programme of the Swedish Communist Party was therefore based wholly on the Marxist-Leninist theories and just like the Soviet party they adopted the principle of selective membership.

At the beginning of the 1960s groups within the party began the process of attempting to adopt a more independent, left-wing socialist view, but this, however, led to very harsh internal conflicts and the reorientation was only partial; the approach to democracy remained unclear. The 1960s and 1970s saw a wave of left-wing radicalism with a romantic view of Chinese communism which led to a revival of the "revolutionary"-coloured thinking (under the somewhat difficult name of Marxism-Leninism-Mao Zedong thinking). Although the most doctrinaire groups broke away from the vpk, this meant that the reorientation within vpk nevertheless met with new difficulties.

After the fall of the Soviet Empire the old theories have also disappeared from the official programme of the Left Party. There has been no real confrontation with the ideas of Marxism-Leninism and the reorientation has been much more a question of "smoothing things over and carrying on as usual". The ideological position of the Left Party today is unclear and best described as highly confusing. The Party has no well-defined left-wing socialist theory. Instead there has been an attempt to add on certain new ideas, such as ecology and feminism, to their programme but without working these into their own fundamental ideas – whatever these are – and producing a well balanced political programme. The inability to get to grips with the old theories has meant, moreover, that the internal debate in the Party displays some worrying traits.

Settling differences with the old ideas

It is of course understandable that the Left Party does not wish to hang on to the past, and the nature of politics as such requires that one looks

forward rather than backward. But, as for individuals so also for parties, it can be wise to learn from past mistakes: to settle old scores is a condition not only for being able to go on with life but to make sure that one goes on in the right direction. And in order to find the right direction one must be very clear what was wrong with the old system!

Marxism-Leninism strayed from the ideals of socialism in a fatal way and this was not a question of bad luck or the wrong sort of leadership, it was an unavoidable consequence of the theories themselves. It is imperative that we settle scores with both the determinism and the élitist thinking as represented by these theories, not primarily as a public confession of old sins but in order to ensure that the dreams of freedom, equality and brotherhood will never again be misused in a political system which is in direct opposition to these ideals.

The history of communism is namely a history of the abuse of dreams and ideals. There were many idealists among those who were attracted to the communist movement, many who had joined on account of their socialist dreams and who genuinely believed that this was a way to achieve them. Their mistake did not lie in their intentions, their mistake was to think that form and function were the same thing, that means and goals were also the same thing. This led the Marxist-Leninist theories to define socialism as a state-owned economy under the direction of one party. Because of this the methods used could not be questioned, for by doing so one questioned also the goal, and the basic values.

However, because they failed to examine what the methods were leading to, they contributed to failing the ideals. It is necessary, therefore, that we settle the score with the sort of thinking that led to this failure.

It is this settlement, this insight, which is lacking in the Left Party of today. On the contrary, what we find in today's debate is an example of how the old dangerous confusion of form and content is once again beginning to show itself. It is naive to excuse this by saying that it is only dreams about the ideal socialist society; by now we should all have learned that beautiful dreams which are not related to a realistic analysis of the world can be turned into frightening nightmares.

During the 1990s the Left Party has all but solved its ideological problems by giving itself a new profile as a party of discontent on the left. They have opposed the cuts in public expenditure required by the work of balancing the budget, but they have never been able to provide sustainable alternatives; on the contrary they have chosen to turn a blind eye to those

parts of the problems which did not fit in with their own programme. Slogans have replaced an analysis of problems, in the short as well as in the long term.

This is perhaps a consequence of the fact that they have not faced up to the need to settle the score with the historical determinism of their own past; one can still glimpse the idea that development "when all is said and done" is predetermined to move in the direction of the left. And when development does not seem to do so, they do not seek the causes of this in the shift in the underlying economic and technical structures, instead they explain it as a lack of willpower or as an expression of the wrong sort of politics – not least on the part of Social Democracy.

In this sense they are true to their own tradition: the earlier *skp/vpk* were used to accusing Social Democracy of a lack of doctrinal purity. Now they have evidently come to the insight that this impure doctrine of the Social Democrats in the past, was in fact more correct than their own "doctrinal purity". In their arguments they try to promote an image of themselves as a "more correct" form of Social Democracy than the Social Democrats are themselves.

They do have a point when one thinks of how their forerunners represented Social Democracy as a deviation from the "true and proper" doctrine of socialism. The welfare policy which the Left Party is now so keen to protect, was only a few decades ago a failure in the eyes of the communist propagandists and a betrayal of the true ideals of socialism, a way to manipulate the working population in order to get them to accept capitalism.

It is of course excellent that the Left Party has now come to realise the superiority of reformist politics but one would like to see some insight into the strength to be found in other parts of the social democratic traditions: those parts, namely, which deal with the fact that all policies of reform, in order to be sustainable, must be rooted in economic realities. Beautiful ambitions which, if they are to be realised, require a very different sort of reality than what we face in our world, are not worth very much. If one attempts to put such slogans into practice there is a very real risk that instead of solving problems one will, in fact, only create new ones.

In that sense the Left Party remains a prisoner of its own tradition: the tradition which makes them see reality as it is represented in their theories and not as it really is. For this reason they do not have any solutions to offer when it comes to the problems of the real world.

The politics of welfare

Social security has since the 1930s been central to social democratic politics. To use a classical Social Democratic expression one can say that it is a question of redistributing the fruits of production: by means of taxes money is taken into the State and into municipalities only to be redistributed to households, either in the form of direct economic subsidies or as social services.

The motive for this policy is something which we described in the introductory section on the basic values of Social Democracy. The freedom of people to steer the course of their own lives requires a certain degree of economic security and access to vital services such as health care and education. Equality requires that these preconditions of freedom are provided for all citizens. In order to ensure this equality and thereby also the freedom, it is necessary that all of us, as citizens, guarantee these preconditions in a solidaristic fashion, in other words that we finance them jointly via taxes.

Social Democracy speaks often of welfare policy as a policy of security. An important part of welfare policy is the creation of security in situations where people for different reasons – ill health, unemployment, old age – cannot ensure their own upkeep. But welfare policy is also very much a question of providing opportunities for development, the opportunities to be found in education and in training, rehabilitation in cases of people who are seriously injured, child care which makes it possible to combine family life and working life, support for those who wish to lead an independent life even when they have physical disabilities, etc.

Many of the reforms of welfare policy have been pushed through against a harsh opposition from the non-socialist parties in parliament. Today, the principles of welfare policy enjoy a broad political support, with the exception of the Moderate Party, which in important areas wishes to replace welfare policies with private solutions. The extensive support for

welfare politics does not, however, mean that there is no reason for us to discuss the welfare society. We have the strains on government finances from the 1990s, which have forced us into difficult choices when it comes to priorities, and we must take into account the fact that these problems will continue during the coming decades when the requirements of the educational sector as well as the need for elderly care make for increased demands on available resources. There is also naturally enough a continuing debate about how the system of security and public services works and how they need to be developed and changed in line with changes in external conditions. What was regarded as good solutions to problems in the 1950s are not always good solutions in the '90s. In that sense the welfare system is never "complete", and we must beware of seeing reforms which were carried through in one period as something which is determined for all time to come and which must never be changed.

A policy of universal welfare

An important principle for a social democratic welfare policy is that it is on the whole *universal*. It is based not on means-tested benefits for the most needy only, but covers the whole population on equal terms. Child allowance is paid to all families with children, the old age pension to everyone who is 65 and over and school remains free for all children.

In some cases benefits are means-tested. The principle of universality can be said to apply in situations where the needs of the citizens are the same: the right to education for all children, the right to hospital care for the sick, the right to a pension for all old people. The means-tested benefits are adopted to meet more specific requirements: housing subsidies for families which do not have high incomes, special subsidies for medicine or for medical treatment for those who are often ill, etc.

The idea behind the policy of universal welfare is simple. When everyone benefits from reforms then everyone is also interested in joining in to help pay for them. And when everyone is involved in paying, then we have the resources to ensure that the social insurance system and social services are of good quality. This is something which the groups with a weaker economic standing benefit from.

The view is sometimes expressed also within the Social Democratic party, that – particularly when resources are limited – it would be better to

provide benefits only to the low paid and to the unemployed. In this way we can concentrate support to the needy and ensure that they really get what they require.

This line of argument presupposes that all those who are highly paid and who would not stand to enjoy any of the social benefits, would nevertheless be prepared to pay via taxes for an extensive support for those most in need. Experience tells us that things don't work like this. Research demonstrates that universal systems are more beneficial than means-tested systems for the groups which are disadvantaged.

If it is a case that those most in need would be the ones to receive child benefits, free hospital care or free education, then all the other groups would have an interest in ensuring that the benefits are as cheap as possible. They would have every reason to attempt to limit the costs of benefits which they themselves do not enjoy, and where they themselves are not directly affected by the low quality of the services on offer. If, on the other hand, all of us can enjoy the tax financed benefits, then all of us will have an interest in ensuring that such things as health care and schools are well run, or that sickness insurance and the pension system provide a reasonable economic protection. It is no slump that Sweden with its coherent pension system, has the lowest percentage of poor among pensioners.

Universality must not be allowed to mean that all social benefits must be financed fully by taxes. As we shall discuss later, there may well be reasons for financing, at least some part of certain types of benefits, with charges or some other similar cost. However, the tax financed part must cover so much of the cost that the individual tax payer feels that he or she gets something for taxes paid. And is prepared to go on paying for them!

The universal system counteracts social divisions in society and this is a value in itself. It is important to Social Democracy that a security system does not create a division into those who receive and those who pay for benefits: social benefits are not some sort of charity from high income earners to low income earners, it is rather something which we citizens provide for one another, which we all contribute to according to our ability and which we all enjoy according to our needs.

The different parts of welfare policy

Welfare policy has two main parts: public services (such as health care and other forms of care) and economic allowances/payments, the so-called

transfers. The transfers are also of two main types: one type is the economic allowances which are paid in the form of a general sum, the same for all (such as child allowance and old age pensions), and in part social insurance, where the payments made are based on a certain percentage of the wage.

Both transfers and public services are to a great extent financed via taxes and they are administered/produced by public bodies.

Both the form for financing and for the production of services have been discussed and criticised in the 1980s and the 1990s but it is important to be clear about the fact that there are different forms of criticism, with different roots and with different aims:

- one type of criticism comes from the Moderate/neo-liberal quarter and its purpose is to dismantle the whole public welfare structure and replace it with private solutions,
- another type of criticism focuses more on the problems within welfare systems and it aims to promote change which will solve these problems without implying any attack on the foundations of welfare politics
- a third discussion, finally, has focused on the necessity of achieving a better balance between government income and expenditure which in turn necessitates a number of economic changes in the commitments in welfare politics – changes which can of course, be reversed when the economy allows for it.

The need to balance government finances has been exploited by many who have sought to abolish large sectors of welfare politics. In other cases the economic necessities have added weight to the discussions on changes, which would have been well motivated anyway. It is however important to be aware of the fact, not least of all in the discussion of how we are to see welfare politics in the longer term perspective, that there are a number of quite separate lines of discussion here.

The discussion dealing with the *first* point above is an ideological/principle discussion and on this point the Social Democrats naturally maintain a principled defence of welfare politics. The discussion dealing with the *third* point is almost exclusively dependent on a very pragmatic/economic thinking and when it comes to this the Social Democrats can never escape from their responsibility for taking into consideration what the economy of the country can afford.

The much discussed reduction in the payments made in the social insurance system to a level of 75 percent of earned income has therefore

exclusively economic motives and contains an important reminder: even if welfare politics has as its starting point the values of Social Democracy, it is not enough with an ideological conviction and good will in order to maintain the level of social reforms. We must also have the money to finance them with! If the economy turns down it is not possible to maintain the level of welfare benefits. One cannot, quite simply, distribute money which does not exist.

The discussion under the *second* point is in principle interesting for Social Democracy: how should we develop and change the welfare system? In line with changes in the economy and labour market, demands on the welfare systems also change. When the average income level rises, there is more room to make for greater demands on individual payments to pension savings – but at the same time it may be the case that changes in the labour market, with increased demands for recurrent training, make for new demands on how society finances education.

The welfare system must be continually related to the needs and to the preconditions both of society and of the individual. We now see how both needs and preconditions are undergoing change:

- the number of older persons is rising with increased demands both for pensions and for services for the elderly. Demands for training and education increase. At the same time the total tax burden cannot be increased much more.
- the labour market is becoming more flexible with greater demands for mobility. This requires flexibility in the welfare system, at the same time as demands increase for a system which must be able to match ever greater economic swings affecting the individual.
- citizens demand a greater say in the running of social services which they use in their everyday lives.

All of this requires a careful balancing both of the structure of welfare policy and of what should be included in welfare policy. It is a question of defending the basic need of security and basic opportunities in life and most of all of protecting those services which people have difficulty paying for themselves. The social democratic policy involves putting the public services – hospital care, services, education – first and foremost while we are at the same time prepared to look for new forms for combining public and individual savings within the system for social insurance.

However, when it comes to public services new forms are demanded by development. It is a question of the need for more everyday power, greater

flexibility – at the same time as we must stand by the basic demands for accessibility and good quality for all.

“Benefit dependency”

One main line of criticism from the non-socialist parties against the politics of universal welfare is that it creates “benefit dependency”; people get used to living in a situation where the community always guarantees their economic security and they therefore take no responsibility for their own welfare.

This criticism is as old as welfare policy itself; the first proposals for compensation for industrial injury at the end of the 1800s were met by just such arguments. Without wishing to deny the need for a discussion of how to share responsibility between the individual and the community, one can nevertheless state that there is a very clear line of interest in the criticism of “benefit dependency”. The criticism is most common among the well paid, well established groups – and it is directed primarily against “benefits” which are paid to the low income groups, those suffering from industrial injury, etc. These same critics can demand an increase in other benefits, such as increased support from the community to private schools or tax subsidies to private domestic service. These of course benefit primarily well established groups.

There *are* people in Sweden who are dependent on economic support from the community for their upkeep. But it is a question in part of people who are unemployed, and in part of people who have such low wages that they cannot live on them. The cause of “dependency on benefits” is then the lack of jobs or the low wages, and if one wishes to put a stop to this “dependency” then it is a question of increasing the number of jobs – and increasing jobs with wages that people can live on.

One can think that it is a little strange that so many of the debaters who are most vocal in their criticism of “benefit dependency” at the same time often support the idea of increased wage differentials and more low paid jobs. The latter is of course something which more than anything else contributes to benefit dependency.

All systems can be abused and it is always possible to provide examples of wrong-doing, mistakes or pure and simple cases of fraud. But the fact that such examples exist is not the same as it being a common pattern; all

studies of how sickness insurance and unemployment insurance work, demonstrate clearly that the level of fraud is low.

We must of course attack fraud in all its forms even if it is limited. It is also important to maintain that the welfare system makes for double moral demands. On the one side there is the demand for tax payers to contribute in all solidarity to supporting those who have been hit by illness or by unemployment. The other demand is that those who are in need of this support, should not to try and extract benefits which they are not entitled to – and in this way cheat their friends, neighbours, workmates and relatives.

But Social Democracy has no reason to allow the debate to be guided by one-sided negative descriptions of the effects of the welfare systems. We must not only listen to the voices of those who criticise the system, we must also listen just as much to the voices of those who need support in different forms – and who are not always heard as much, because they are not as good as formulating their needs.

We can hear not only the criticism from those who – very often without having visited a welfare office themselves – talk about how easy it is to get social welfare benefits. We can listen more to those who bear witness to how difficult and how painful it feels to need to ask for help when one cannot take care of oneself. We do not only listen to those who talk about how the unemployed who refuse to take jobs offered to them because the jobs seem to be rather boring. We must also listen even more to those who can describe the sense of hopelessness in not being able to find a job that they can do, and in looking for job after job without being able to find one.

All reports show quite clearly that those who are unemployed and who no longer have control over their own economy, who are no longer part of a social network, run the risk of damage to their self confidence and to their ability to take the initiative. Would these reports ever be produced if what some people say is true, that welfare policy makes people happy enough to live on benefits? Of course not. If it were true then unemployment would not be a problem for the individual!

Which is exactly what it is. People want to manage their own economy and play their own part on the labour market and they feel miserable when they are deprived of this opportunity: even in cases where their upkeep is secured by means of “benefits”.

On the other hand there is the fact that long-term unemployment sometimes means that people can never get back into working life, and in that sense they become adapted to a life as “recipients of benefits”. But the

basic cause for this is not that the benefits paid to them have been too generous, it is because they have been unable to obtain work: it is the lack of work, not the existence of benefits for the unemployed, which is the real problem.

When unemployment at the end of the 1980s stood at around one per cent, one never heard any talk about able people preferring to live on benefits instead of obtaining work...

One risk with the tax financed system is, however, that benefits which can be perceived as "free", tend to be overexploited. This means that costs become unnecessarily high and that resources, which would have been of more use in some other part of the welfare system, become unnecessarily locked into one area of payment. For this reason it can be argued, that some form of individual cost such as a non-payment day within the sickness benefit system, or a charge on a visit to the doctor is defensible, quite simply as a way of ensuring that we remain aware of the fact that social benefits do cost. Mixed forms of public and private financing have always existed in the history of welfare politics: people have always paid for child care and for visits to the doctor, people have always paid into the unemployment insurance funds, and it was only for a very short period of time that sickness benefits covered the whole loss of income, etc.

Social Democracy has therefore no reason to reject the idea of mixing public and individual responsibility for the welfare system, but having said that, there is good reason to look closely at how responsibility should be shared. We cannot accept solutions which entail that some people will be left without a social safety net or that the quality of the benefits provided by society becomes very low.

It is necessary to balance responsibilities and rights against one another within the framework of the welfare policy. It is not part of our history of thought to regard society as responsible in every way for the welfare of the individual: the very reason for welfare policy is that citizens should not find themselves in such a position of powerlessness that they are unable to look after their own health or to provide an education for their children, that they lack a safety net when unemployed or that they should be worried about their upkeep in their old age. It is a question of providing mutual help in living up to the responsibilities which can be very great for the individual on his or her own, but it is definitely not a question of people running away from their own share of this joint responsibility.

There exists a somewhat unpleasant undercurrent in the Moderate Party's view that "people must learn to take responsibility for themselves" – and that is that we should get out of taking responsibility for one another.

There is an equally dangerous tendency to reformulate social problems as individual problems. The costs for the pensions paid in cases of industrial injury is turned into a question of the injured person's willingness to take a job, and not as a question of how the working environment can be improved. The problems faced by young people in some of the large suburban housing complexes is turned into a question of the ability of parents to set limits for the behaviour of young people, while at the same time one ignores the segregation and unemployment in these areas.

By turning all social problems into a question of the will of the individual, one avoids having to come to grips with the social problems: we do not need to worry about the working environment, about housing segregation, about unemployment. It is sufficient to make demands on the individual! In this way they can obtain an alibi for their own attacks on welfare policy: it is meaningless to try to help people, the only thing that comes out of it is that we make them lazy and passive and we make the problems much worse. (It is moreover a very common method of debate on the part of non-socialist parties: there is no point in trying to change society because in part the changes do not lead to anything and in part they only make things worse. It remains a mystery how something can be both dangerous and led to no result at the same time...)

It is a mistake to forget the responsibility of the individual for the collective. But it is just as mistaken to deny our common, our social responsibility. The fact is that the individual does not determine his or her conditions of life alone: they are determined by the society in which he or she lives.

There are then a number of things which people must tackle collectively. For this reason we must provide support for those who are hit by unemployment, ill health or disabilities by means of the social institutions which we have set up together. It is not a question of making people passive recipients of help but of providing them with resources which they can use to overcome the problems they face.

Tax financing

Tax financing – or more precisely, the fact that an ambitious welfare policy requires a relatively high level of taxation – has always been the object

of criticism, especially from the Moderates. One of the arguments is that an all together "too high" tax pressure holds back economic growth. An other argument deals with what is called "the money go- round": what people get in social benefits is eaten up by the tax which one must pay instead, so why not let people pay their own social insurance direct from their own pockets?

The argument about the excessively high taxes has not changed much over the years; regardless of how high the tax level has been, and regardless of how good or how bad the economy has performed, the tax level, according to the right wing party/the Moderates, has always been too high. This would seem to imply that the argument is perhaps more based on Moderate ideology than on economic reality.

Economic research shows no connection between economic growth and the level of tax: it is quite possible to have both good economic growth and high taxation. What is decisive for growth is in fact not the level of tax but the actual way in which taxation is shaped.

And, one might well add, how the taxes are used. If we can maintain a well-developed, high-quality school system with the help of taxes then this of course benefits growth. On the other hand, the economy does not benefit very much from low levels of taxation if this means that there is a poorly run educational system or a poorly developed transport and telecommunications system.

There are in fact no strong reasons to become entangled in a mechanical debate about the size of the tax burden. What is a "reasonable" tax level is not only a question of the level but also of what we get for our taxes – and what it would cost to pay for these things in an alternative way.

Lower taxes do not mean that the costs for such things as hospital care, education and pensions disappear, only that they must be paid for in some other way. The propaganda about lowering taxes promoted by the Moderate Party does not mention what the different income groups would have to pay themselves in order to be able to afford the social services which must be paid for to a greater extent from the household budget. Nor do they take up the issue of the effects of such a change – for the individual as well as society – in cases where some groups must, for purely economic reasons, accept a lower level of education or a lower level of health care.

At the same time we Social Democrats must not make it easy for ourselves by believing that as long as the goal is good that we can continue to raise the level of taxation. It is a truism that the tax level can never be as

high as the sky. It is not only social welfare which must be paid for by the total income of the country! And even if it is possible to combine economic growth with a high level of taxation it is more difficult to avoid "unsustainable" tax structures the higher the level of taxation.

There are times when the different demands on the tax system can be in conflict with one another. Up to the start of the 1990s Sweden had an income tax system where the percentage of tax rose in line with income; the rise – progressivity – continued at an even rate throughout the whole income scale. This progressivity contributed, however, to pushing up wage increases and thereby also the level of inflation. This was due to the fact that progressivity ("the marginal rate of tax") also struck very hard even in the normal income intervals, so that a considerable wage increase was required if the rise was to provide any tangible form of net gain.

Inflation is always negative from the point of view of the politics of redistribution. By making productive investments costly in comparison with financial speculation it damages investment and also economic growth. It also undermines the foundation of welfare politics.

The tax system had to be restructured for this reason. A simple way of summarising the changes carried out is that we now have progressive taxes only for those with higher incomes and not as was previously the case, for more or less all wage-earners.

The tax system has, as this example shows, two very important functions: to finance social welfare and contribute to a stable development of the national economy. For Social Democracy it is important to emphasise the role of taxes in redistribution, and that an equal distribution of welfare is also efficient from an economic point of view. But we must also make sure that the other function is viable, that of providing a general instrument of economic control. Ensuring this, does not mean that we are pursuing "right-wing policies": it is an expression of the realism which was required in order to create a stable foundation for welfare politics and for the politics of redistribution.

"The money-go-round"

Part of the taxes, according to some critics, is only a "money-go-round", i.e. the money goes back to those who paid it as tax at an earlier stage. True enough, this is a consequence of how the system is constructed – everyone

helps to pay, everyone gets a share of the benefits and the consequence is we pay for something for ourselves.

But what we pay for with taxes is more than just our individual benefits. What we pay for, what follows from the universal, tax financed welfare policies, is also a certain social order. We pay not only in order to have hospital care for ourselves, we also pay for the social security – and the economic efficiency – which is built into the fact that all of us can afford to look after our health. We pay not only for the education of our own children, we also pay for a school system which provides everyone with an opportunity for education.

Such things such as health care, social services and education are collective utilities for Social Democracy. All of us have a common interest in ensuring that they function well – even if we have no need to use them ourselves. It is for this reason that we also share a common interest in paying tax for them – even if it means that we to some extent pay for ourselves. But the fact that we buy both social gains and personal gains for the same money can only be regarded as an advantage.

The effects of having a tax financed system of social services are quite different from the effects of a system which require massive efforts on the part of individuals themselves in order to obtain good health care and good education. In countries where parents must pay high school fees to ensure that children can attend the *good* schools, while those who have no money for such fees can not make any demands on quality at all, the result is that all too many people do not even get a good basic education.

From the point of view of the individual it means that many people never get the opportunity to enjoy a worthwhile personal development or even a freedom of choice when they enter the labour market. This in its turn can lead to social problems such as drug abuse and criminality. From the point of view of society it means that – apart from the costs of drug abuse and crime – the economic strength of the nation can be damaged quite simply because parts of the labour force have insufficient schooling.

A welfare system can of course be based on mainly private solutions which provide fairly good average compensation to large parts of the population. But the distribution of both costs and benefits will be more distorted than is the case with a system which is based mainly on tax financing, and that will be the case even if one attempts to protect the weakest groups by offering them services free of charge. For those groups which lie slightly above the level of free services it, can be experienced as

all together too burdensome to pay the insurance cost themselves – so burdensome that many of them in fact chose not to do so. By the middle of the 1990s some 34 million Americans were not in the health insurance system!

The cost for the individual, will quite simply not be any lower, if the insurance is paid for in a private system instead of being paid for through taxes – in many cases the cost will, on the contrary, be much higher. Private insurance systems require moreover higher premiums from those who are regarded as "risks", such as disabled persons and the chronically ill. Those most in need of insurance are those who very often find it most difficult to get it. In the Swedish sickness insurance system we have the opposite principle in operation: we have a protection against high costs for those who need to use health care services often.

There are, then, several very good reasons for what the Moderates describe as the "money-go-round". It is not, as they would like to put it, an awkward system of transferring money between one's own pockets, it is a necessary condition for a welfare system to offer the quality services which the citizens as a group demand from the community – including the issue of a just policy of redistribution.

Public or private production

The tax financed services such as health care, welfare services and education are produced mainly by municipalities and county councils. Recently, this has been questioned on several fronts, even among groups who hold that social services should be financed through taxes. But, as the critics would have it, it is not necessary for local government to produce these services themselves; it should be possible to hand over these services to private enterprise which would then carry them out on a commission from local government. There is a view that this would enable costs to be kept down and the tax payers would then get more value for their money.

It is of course not an end in itself that tax financed services must be produced by local government. On the other hand it is not a goal in itself that these services should be provided by private enterprise either. Choosing private enterprise should be an alternative, if it is a way of ensuring a quality in the public services which can not be obtained in any other way.

The question is if one can get that?

All international comparisons show that it is not where the principal authority lies – i.e. if production is carried out in the private or the public sector – which is decisive for cost structure. What is decisive is whether the business is carried out well or badly and this, in its turn, is related to the organisation and not to the ownership.

The hospital sector is an example of a relatively well developed service in all industrial countries, but different countries have chosen different combinations of both public and private financing as well as of public and private production. The development of costs has, however, been relatively similar in all countries, regardless of the system chosen. In most countries health costs at the beginning of the 1990s were the equivalent of 10-12 percent of GNP – and in all industrial countries the rising costs for health care were an issue for a political and economic debate of deep concern.

The question of whether there should be a public or private management of such services as schools or nursing homes for the elderly is not only an issue of cost efficiency for the individual school or nursing home. It is just as much a question of the efficiency of the system as a whole. Different parts must fit together and link up without leaving gaps. It is easier to achieve this type of efficiency in a system with a coherent organisation than it is by employing a large number of free standing enterprises.

Hospital care is, once again, an example of this. The costs for hospital care have risen dramatically in all industrial countries and in all these countries political measures have been adopted in order to gain some control over the development. Sweden is, however, alone in having succeeded in turning around this cost trend by using measures designed to get "more value for money". The efficiency has been achieved by carrying out changes within the public health sector and not by carrying through a programme of privatisation.

International economic experts on health care agree that Sweden has achieved its good results quite simply because the health care system has been held together under public management; in countries where there are considerable shares of private hospital care the governments have failed to achieve control over the development of costs, quite simply because the organisation is too split up. The fact is that the Swedish health care system is seen to be one of the more efficient in the world. The American system,

on the other hand, mainly financed through an insurance system, is regarded as one of the most inefficient health care systems.

There are of course shortcomings within the Swedish health care system and this in part can be traced to the lack of economic resources we experience today. But the shortcomings are not any greater than they are in countries where a larger share of the GNP is spent on health care. As far as the future goes, we must be prepared to reckon with the fact that health care will need additional spending, among other reasons because the number of elderly people is going to rise. The same demands are made all over Europe. Sweden has, in fact, in many ways, a much better starting point since we start off from a lower level of costs. This in its turn is due mainly to the fact, that health care is to such a large extent a public concern. The important question for the future is therefore, how we can obtain the necessary new additional resources for health care – not how we can promote privatisation which in itself is no solution to the basic problem.

Not only a question of costs

The question about whether health care, services and education should be run by private companies or by public bodies is not only a question of costs. It is also a question about how we put into practice a basic principle, something that is the prime reason why we finance these services through taxation: they must be available to all on equal terms. The production must be steered by people's needs, not by their profitability.

But private enterprise must always have as its starting point profitability; the owners must live off their profits. This can lead to efforts to keep down costs not only by working more efficiently in the broadest sense of the word, but by avoiding certain jobs which involve greater costs than others, such as patients in need of highly demanding care or school pupils who require special support. In social systems with strong elements of private enterprise there is always a tendency to segregation. This does not mean that every private health care or educational enterprise works in a way that segregates people, but when one considers the system as a whole, the tendency is quite clear. This is something that must be considered when debating whether services should be managed privately or publicly.

There is no simple reason for giving a categorical no to private enterprise within the social sector. There is above all no reason for binding oneself

to what are first of all organisational solutions; they must be shaped with due consideration to the demands of the activities, and it would seem likely that what is suitable can vary depending on what has to be done. Private enterprise may well suit some sectors of public services but not others.

Generally speaking, we would support the view that solutions which are suitable for the production of goods on a market basis cannot be applied without any further ado, to the production of services based on needs; the conditions are very different in both cases. What are good solutions when it comes to the production of social services must be determined by the specific conditions which apply to these services. It should not be based on conditions which apply in a completely different type of production.

Both Swedish and international experience show that what has been given as a reason for "privatisation", i.e. the pressure on costs and the greater variation/plurality, could be achieved just as well, if not better, *within* the public sector, provided that it is organised in order to meet these demands. On the other hand, the demand to ensure that the less "profitable" citizens are not marginalised, something which public production is specifically designed to avoid, cannot be met satisfactorily in private companies.

The conclusion is self-evident: public production is something which should remain a weighty part of the social services in the foreseeable future.

In this respect it is necessary that society retains a decisive say in the production itself, particularly when it is a question how extensive the services paid for by taxes, should be.

The non-socialist period of government 1991-1994 introduced the principle of allowing doctors and schools to set up private practices freely. In reality, it was a question of a free draw on tax resources: those who started a private school or a private clinic were in the position where the local government had to pay what they charged. This was regardless of whether the school or the clinic was needed, when set against needs which existed and the problems which had to be solved.

Tax funding is, however not an unlimited resource. If costs rise in one part of the system then savings must be made in some other part of the system. This is what is done in the political-democratic decision-making process; different needs and different requests are weighed against each other within the framework for the resources available, so that money can be distributed in a way which best meets needs.

This means that not all needs or requests can be met; tax funding is, as stated above, not an unlimited resource, so it is in the nature of things that

some demands must be refused. But it means that everyone has the same opportunity to influence the decision-making process; no-one has a preordained right to priority which overrides all other needs. It means also, that a balance between different demands, is made within a process which is open to public review, where opinions can be formed, where influence can be exercised and where partial decisions can be corrected all the time, if new discussions or some new experience demonstrates that these corrections are needed.

But when local government is quite simply made responsible for financing services which they cannot even influence when it comes to how or when they are set up, then the democratic process is derailed. Costs for the private institutions have a very clear priority, regardless of how important they are, when compared to other needs within the schools or within care services; they must be paid for, and the result of this is, that savings must be made on costs in some other part of the system.

The non-socialist parties describe this as a reform which promoted freedom of choice. It did of course increase the freedom of those who wanted to start their own private schools or who wanted to start their own private clinics. But it was also a freedom which was purchased at a cost to others. For those who wished to continue in local government schools, or who had health problems which were not catered for by private clinics, then there remained only the choice of accepting the limitation which the new private establishment entailed. They had no opportunity to push through any change in this state of affairs.

This is a set-up which is unreasonable. One cannot tax the citizens in order to guarantee them certain social services such as a school which is open to all, and then go on to introduce a new set-up which means that the taxpayers are in practice left without the possibility of controlling how the money is used.

It is both desirable and necessary to have plurality and variation in the services provided in the public sector. People are different, and if everyone is to have the same opportunity to find what suits them best, then there must be alternatives to choose between. But it must be stated quite clearly that freedom of choice can never be unlimited since the resources – read tax income – are not unlimited. Democracy is not, as we said, a matter of always getting what one wants. Least of all is it the right to do what you like with other people's money – tax money that is.

Democracy is the right to be part of the decision-making process, by means of which we, as citizens, decide what solutions are best with a view

to what is the common good. Even if this means that certain individual desires cannot be met, at least in the sense that they cannot be financed through the tax system.

Individual responsibility

The different needs to be met in any community – bringing up children, the elderly people's need for support, measures against drug abuse – can never be satisfied only through public effort. What "society" can do is create the conditions for a good living standard for citizens. But "society" can never decide how the citizens should use the opportunities created. This is a question of the individual's own responsibility.

"Society" can ensure that there are good educational opportunities for all – but it is the individual who must choose as to how to make the most of them. "Society" can contribute to ensuring good conditions for the development of children and young people, by providing, for example, economic support to families with children and by providing a well-run child care service. It is however the individuals themselves – not only parents but all adults – who decide what will come of these opportunities, and this by ensuring that they have the time and the interest for children, by setting limits where limits are needed, and by being aware that what they do themselves can have an influence on children and young people. "Society" can build up a system for looking after people who abuse drugs and alcohol, it can use different methods to put a stop to the trade in drugs and exercise influence on people's habits when it comes to alcohol. But it is the people themselves who must shoulder responsibility for ensuring that the problem of drugs does not grow – since it is all these individual demands for alcohol, (or for that matter drugs), in social life, in business life, at courses and conferences which lead to problems for individual people, problems which "society" must try to solve by providing care services.

For this reason the public sector cannot be organised in such a way that it removes from people their sense of responsibility for themselves, it cannot make social problems a task for employed specialists only. There is good reason for Social Democrats to be self-critical. There have undeniably been periods when Social Democrats have acted against initiatives for parent-co-operative day-care centres, voluntary work within the social sector, or young people who would like to run their own youth centre in

conflict with some paragraph in the building law. We have perhaps forgotten when we talked about "the responsibility of society", that society is not the same thing as the state or local government employed experts – it is on the contrary, the citizens themselves.

Welfare policy provides people with certain rights. But it also makes for demands. "To each and every one according to his needs, from each and every one according to ability" is a well-known formula of Louis Blanc, the French socialist of the 1800s, a formula which shows that it is a question both of rights and of responsibilities.

Quite clearly then, the public sector must function in a way which makes it possible for people to exercise that necessary element of individual involvement, in areas where they are affected – pupils and parents in schools, patients and their relatives in hospital care, voluntary efforts in areas such as youth work and assistance to the elderly. If social services become something which is consumed in a passive way, and a responsibility which one more or less unwillingly gets out of through paying taxes, then we create an attitude of indifference and non-involvement also in society as a whole, and at the end of the day, perhaps also for democracy. If the public sector, on the other hand, presupposes a measure of individual participation and involvement then it also creates a responsibility for, as well as an interest in society.

The voluntary engagement can of course never replace the responsibility of society or of the collective in ensuring that services such as hospital care, education and social services are made available. Appendicitis operations must be carried out at a hospital. Those who are affected by appendicitis should not need to depend on voluntary collections among friends and relatives in order to have the operation carried out. It can sound very attractive when we say that as fellow human beings we can take a responsibility for the sick and for old people who feel alone. But seen from the point of view of the sick person, it is decidedly more secure to have people come from the home help organisation at fixed times in order to provide assistance, than it is to be dependent on the kindness of voluntary workers. It is also important to remember that an insufficiently developed social structure for medical care, can place unreasonably difficult demands on the relatives of those who need a demanding sort of treatment or who have seriously disabled relatives: a responsibility which in practice very often must be shouldered by women and which thereby limits their freedom of choice.

A challenge facing us in the future is to find the proper balance between public, collective responsibility and the engagement of individuals. In part, because it is important to develop forms for the practical involvement of citizens in those services which are so important for the citizens themselves. But also because it can release resources for the development of the educational sector as well as for greater efforts in the care of the elderly, two areas which we know will make for great demands during the coming decades, and which quite definitely are areas of considerable social concern.

It is therefore wrong to see the public sector as something opposite to the "civil society", the engagement of citizens. They are in fact two sides of the same coin. The public sector and the engagement of individuals cannot replace one another; it is much more the case that they depend on one another. An engagement on the part of citizens in social services is necessary for a democracy. But a basic economic security and control over one's own life, as provided by social services, is in its turn a condition for people being able to cope and become involved. There is nothing which makes people more passive than the sense of powerlessness which arises when people can no longer control their own lives.

A new age

The labour movement is a child of the industrial society. It developed as a revolt against the very deep social injustices of the early industrial society. But it was also the resources of the industrial society which provided the labour movement with the opportunity to change society.

From the end of the 1940s a long period of reform began, a period which lasted more or less 30 years; this period is sometimes called the harvest period of Social Democracy. It was during this period that the system for social insurance was built up, primary education was introduced and secondary education expanded, the old housing slums disappeared, labour

legislation was introduced, hospital care was expanded extensively as were child care and care of the elderly. All these reforms were an expression of political will, the will to make society better, more secure, more just and equal for the many people in working life. It was the Social Democratic values which shaped this policy for an equitable redistribution – but what provided the means for distribution were, of course, the resources created by the developing industrial society.

For decades after the second World War the whole of the Western world enjoyed a period of high and stable growth. Behind this lay the reconstruction of a Europe in ruins after the war, but also in part the technical development, which made possible the mass production of such goods as cars, refrigerators and television sets. Several factors came together and made it possible for Sweden to exploit these opportunities extraordinarily well. The quality and competence of Swedish industry was of course a basic element, but another factor of significant importance was also something that was to become known as "the Swedish model". This built on co-operation between the parties on the labour market which, together with an economic policy, created at one and the same time stability and efficiency; this model combined measures to promote investment and rationalisation with a policy of redistribution, which gave everyone a share of the economic progress. By doing so it made people prepared to accept the industrial economy's pressure for change.

By the middle of the 1970s this development had slowed down. Putting it very simply, the rate of growth fell because the type of demand which had maintained a high level of growth had become satisfied. On top of this there were other changes:

- a technical development which made it possible for industry produce more with a smaller input of human effort
- new international patterns of trade and increased competition from the new industrial nations
- an increased awareness that industrial society in the form which it had hitherto, put tremendous strains on the external environment and the availability of natural resources and, that both production and consumption had to be adapted to what the environment and the availability of natural resources tolerated.

To use Marxist terminology, one could talk about large changes in the forces of production. Changes such as these create new positions of power in the economy and in politics as well as involving changes in political and

social structures. This means that old political instruments are no longer as effective as they once were, and that new strategies, adapted to the new reality, had to be developed.

What change does not demand

Social Democracy has had some difficulty in understanding the need for new thinking. After many decades of unbroken success and with it the feeling that we master the means of achieving what we want, we have perhaps created barriers which prevent us from realising that development has swung off in a new direction, and that we face quite different types of problems today.

The discussion about this need for change was made difficult by the fact that the non-socialist parties describe the problems of the Swedish economy as a consequence of welfare policy, despite the fact that a quick review of the situation in the rest of the Western world, would have demonstrated that the problem was similar in all other countries. The need for a new analysis of reality was seen by many as a demand for a review of the ideological values of equality and justice and a capitulation to conservative thinking. But the Swedish problems of the 1990s did not arise from the fact that we had invested "too much" in social welfare or that companies had "too little" freedom of movement and that everything could be solved if we only changed the balance between welfare policy and adopted a positive attitude to enterprise. There are individual elements in our earlier policies which can be criticised, but the most important explanation of the problem we face today is the basic changes in technical and economic systems – researchers usually call this "a shift in the paradigm". The Social Democratic politics of the 1960s and the 1970s are not suitable for dealing with the new situation which has arisen, but neither are the neo-liberal demands inspired by the 1920s demands for total freedom for the capitalists. The new order of production does not require greater social differences, on the contrary it requires new methods to counteract and reduce them.

When we look into the rear mirror we can see that the classical political instruments of the welfare state began to lose their impact already in the 1970s, because the technical and economic links which welfare policy was based on, had begun to change. The Conservatives interpreted this as

proof of the fact that their criticism of the welfare system was correct, and that the solution lay in adopting a more "market-oriented" policy. But a glance in the rear mirror shows that the 1980s, when this recipe was adopted in more and more countries, did not see a solution to the economic problems. On the contrary the 1980s saw the creation of new and very difficult social problems. The original definition of the problem was quite simply wrong.

The non-socialist government in Sweden, 1991-1994, wearing ideological blinkers when viewing reality, provided with their policies what can be regarded as a very clear example of how this mistaken analysis of the problems led only to a rapid increase in the difficulties which they thought they were solving.

Social Democracy will find a way to renewal in old-fashioned Conservative solutions to problems. The challenge facing us is one of finding methods which, given today's economic and technical structures, are effective in promoting the goals of freedom, equality and solidarity.

Today it is hardly meaningful to look for big new "systematic solutions", like the labour market and economic management policies of the 1950s. Such solutions were possible when industry and the labour market were dominated by the large-scale industrial production of standardised products for mass markets. They do not work in an industrial system which is based on small series and differing products, or for a labour market where the service sector with its demands for flexibility and all-round talents are the dominant factors we face. Instead of looking for large-scale systematic solutions we must now start to put the parts of the jigsaw together: it is several different types of methods on many different levels which, when taken together, will provide results.

Back to the 1890s

In our introduction we described the conditions of industrial workers 100 years ago. Immense changes have taken place when it comes to these conditions, but despite the immense differences in external conditions, one can say that, now at the end of the 1990s, Social Democracy faces the same *type* of challenges as it did in the 1890s. If Social Democracy enjoyed a harvest time between the 1940s and the 1970s, when the fruits of the work of the earlier decades in changing society could be reaped, we now

find ourselves once again in a period when the ground must be prepared anew. Politics is no longer a question of making use of the good opportunities which have already been created. Politics must focus on the creation of new conditions for a policy of equality and justice. We find ourselves today, as in the 1890s, in a phase when a new order of production is emerging, where the technical and economic changes have created new relationships of power, new social structures, and new conditions for politics. Now, as then, we can see how groups who have been the first to use the new opportunities provided by the new technology, are also those who have been able to increase their influence and their wealth. Now as then, we can see gaps arising between those who stand to win from the new order and those who stand to lose from it. Now, as then, new tensions are developing in society as a consequence of these widening gaps; then, people discussed in worried tones "the social question" and the threat posed by the proletarian underclass, today we are worried about segregation, long-term unemployment and the rise in violence and criminality. Then, people were concerned for "the established social order", today we are concerned about democracy.

Today, as then, there is a feeling of pessimism about the future in many walks of life, a pessimism born out of the problems which the process of change creates, and which people feel they see no solution to. There is perhaps a feeling that something which people placed great value on is being lost, without being able to see what can be won instead.

There are risks and dangers in the development we face today, just as there were, a hundred years ago. It is important to see and to realise that. But there are today, just as then, great opportunities.

The industrial society, in its early phase of development, created very real injustices and the harsh exploitation of the working population. The labour movement was able to change all this: the substantial resources of the industrial society could be used to remove injustices, to create economic security and to increase people's influence over their own lives as well as the societies in which they lived.

The new information society has in its initial stages created very real differences in power and welfare, and has created a labour market with very strong elements of exploitation: those who have jobs are forced to work at an ever higher tempo and they face tough demands when it comes to flexibility, at the same time as large groups are completely or partly excluded from the regular labour force.

But this new distribution of economic and political power will not, of course, remain unchanged for all time to come. Huge economic and technical changes of the type which the industrial world is now experiencing, do not take place at an even pace in every sector. Changes start and accelerate in certain sectors, and those within those sectors enjoy for a certain period a certain advantage over others, not only economically, but also when it comes to the power to promote their interests at the expense of others.

But the new technology, the new knowledge will be spread wider and wider to more and more sectors in society, and will thereby reduce the advantages which the "start up sectors" originally enjoyed. Counterforces will arise in reaction to the mechanisms of inequality which are so strong in the initial phase of change, counterforces which will influence continued development. It is the task of Social Democracy to act as one such counterforce and to contribute to the development of other such forces.

If one had predicted the future industrial society as a continued development of the economic and social conditions in 1890, then the predictions would have been completely wrong. In the same way one would be wrong if one took the special conditions pertaining today, and drew from them very definite conclusions about how the new knowledge-based, information society will develop. Development today depends just as in the past, on how we handle it.

Here are some of the questions which we see as central for Social Democracy during the next few decades:

- it is necessary to develop new international forms of co-operation in order to achieve control of the global finance markets and to regain power from the interests of capital,
- it is necessary to make substantial investments in education in order to spread knowledge, the ever more important factor of production,
- it is necessary to develop the opportunities provided in order to create equality, for example to spread jobs regionally or to involve ever more people in the democratic dialogue,
- it is necessary to link together environment policy with a policy for growth and employment. Environment policy, with the forceful demands which it makes on the careful use of natural resources, can be developed as an important counter force to the increased language of power used by capitalists,
- it is necessary to develop new democratic forms which are based on the necessity of strengthening international political co-operation and at the same time the influence of citizens in their local communities.

The new capitalism

There are two aspects to the increased international mobility of capital. The one deals with the question of investment capital and the other with purely finance capital.

To begin with there is the capital which goes into productive investments: large modern companies operate over the whole world and they chose to invest where the conditions are best. That means that there is pressure on the individual countries – or rather on groups of countries on the same technological level – to provide roughly similar rules for taxes, charges, labour legislation and so on. Those who offer "poorer" conditions, seen from the point of view of the companies, run the risk of losing investments.

This does not, however, entail a general downward pressure on such things as wages and social benefits. Modern knowledge-based and technologically-intensive companies require such things as a high level of education among their employees, a well-developed national infrastructure and well-run social institutions from a stable legal system to a well-run health care system. These requirements are met only in countries which have reached a certain technical as well as social level of development, and a larger part of the international investments carried out by companies in the industrial world are made consequently in other industrial countries. In this case both voters and wage-earners have the strength to promote their interests against the companies, since the companies are dependent on the competence of social institutions as well as employees. Seen in these terms, there is then, an exaggerated fear that the internationalisation of production will force down the standard of living which people have so far enjoyed.

If this risk exists at all, then it exists for other reasons. It can arise if Sweden is unable to keep abreast of the development in knowledge and competence, and is forced to change over to a production of goods requiring a lower level of technological input, a sector where we would be in competition with low wage countries. In such a case both wages and social benefits would have to be adapted to the level of those countries we compete with. We must therefore avoid ending up in such a situation, and do so by investing substantially both in education and further education.

But if the process of internationalisation as such, does not force through a lowering of wages and social benefits, it nevertheless does force through a harmonisation of the economic rules of the game in different

countries. An individual country, today, has fewer opportunities to pursue a policy of its own than was the case in the 1960s, a policy which could deviate strongly from that of other countries, when it came to economic affairs, taxes, wage development etc. The margins for political measures have become smaller.

The other aspect of the internationalisation of capital is, however, more worrying. It is a question of the very powerful increase in the volume as well as the mobility of what is pure finance capital – or capital for speculation if you like. From the middle of the 1970s to the middle of the 1980s world trade in goods trebled – but the trade in currencies increased by a factor of 70. Only two percent of all currency transactions in the world are a payment for goods, the rest are "currency services", i.e. to a large extent speculative movements of capital.

Well functioning finance markets – for trade in bonds, shares and other financial instruments – have great importance for production; it is the finance markets which provide companies with part of the capital they need for investment. But what has happened today, with the tremendous growth of finance markets, is that they have, to a large extent, been disconnected from "the real economy", that is from production, and have quite simply started to lead a life of their own. This changes the rules of the economic game, in a way which does not comply with what the textbooks on macro-economics tell us about the way market economies function.

In 1996 the media reported how the New York Stock Exchange jumped with glee at the news that unemployment had NOT fallen. The Stock Exchange was quite simply afraid that more jobs would mean increased inflation and increased inflation would in its turn mean a risk of capital losses. We are far away, not only in time, from the old American car mogul Henry Ford, who thought that the welfare level of a country was related to the level of wages: the more people who had a job and incomes, the more there were who could buy the products of the companies.

The large speculative finance markets have a negative effect on the efficiency of economies. Many economists believe that the general level of interest is higher than what it should be in relation to the strength of production. Another consequence is that world trade becomes more unstable. This is something which explains why there is today, a serious discussion about adopting measures which would give us better political control over finance markets, even in political and economic circles where one normally finds a strong measure of support for private capital. One proposal is that

a special tax should be levied on every currency transaction, and that the money be paid to the United Nations. Today, however, there is nobody with the power to levy this tax; it would require new types of international co-operation.

An individual country cannot hope to solve the problems created by the international market for speculation, on its own. This requires co-operation. One of the most important tasks facing Social Democracy, together with sister parties in other countries, is to develop the forms for such co-operation, and to promote demands for co-operation in the international bodies where Sweden is represented.

The labour market

Also on the labour market there are today mechanisms which increase social divisions. A very basic demand on Social Democratic policy must be that it acts as a counterforce to these movements – not to reinforce them by supporting for example the development of new low paid jobs, something which the debate in the late '90s suggested as a solution to unemployment.

More low paid jobs are, at best, a questionable medicine: they may provide a temporary relief to the problem of unemployment but they certainly worsen the economic (and social) problems in the long term. They create very little overall demand to be of any value in promoting economic growth, and they provide no new dynamism in the form of new skills or knowledge of any interest for new investors, instead they create social problems which in the long term lead to new costs.

Eduard Bernstein, the leading German Social Democrat at the beginning of this century wrote: "The outlook for a socialist victory will depend not on an increase in poverty but on an increase in wealth." Something similar could be said about unemployment: it is not through more unqualified jobs with wages that people can hardly live on, that unemployment must be tackled, but through measures which create more competitive and more quality jobs.

- In this context education and further education are important investments,
- In this context it is a question of making the most of, and developing the opportunities provided by the new information technology

- as a means of spreading knowledge and popular education in order to stimulate creativity and innovation in working life as well as community life
- in order to create more jobs outside the large urban areas
- in order to make administration more efficient, not least in the service sector, and to create room for more practical jobs
- In this context it is also a question of the systematic use of the necessity to change over to a more environment-friendly production when it comes to developing technology and products, which in their turn will create new jobs,
- In this context it is a question of using the opportunities which Sweden's geographical position provides, in order to contribute to the developing markets of Eastern Europe

As we stated earlier on, the large systematic solutions of yesterday are no longer possible. But there are many parts which can be put together to provide the results which Social Democratic ideology has as its goal.

It is possible that one of these parts is related to working time. Naturally enough it is not as simple as reducing unemployment by cutting back on the general working time, "sharing jobs". But sticking to the old line of seeing reductions in working time as welfare reforms which can be paid for by a recovery in growth, is, in all probability, an unsustainable proposition.

With the growth of the new order of production and its rapid increase in productivity, both in industry and in the service sector, with its increased interaction between working time and leisure time and the greater demands for flexibility on the labour market the question of working time plays a different role than it did in the industrial society of the 1960s and the 1970s. The role of working time cannot be ignored when discussing what is called empowerment, or the necessity of mixing public and individual responsibility in meeting the demands on social services in the future. For this reason what is required is a very open discussion about the role of working time, both for welfare and for employment.

Democracy

A third important question, when it comes to the future, is the question of democracy. There are several very serious threats to democracy in our

time: one such threat comes from the large international markets for speculation which in several ways limit room for action in the political sphere. Another threat comes from the increasing social differences which mean that all too many people feel that they are no longer part of society. This creates dangerous tendencies on the part of people to position themselves outside the rules and norms which hold in society. A third threat comes from the feeling of powerlessness which many people, even in well-established groups, have begun to feel about ever being able to influence the development of society.

These problems hang together. It is a question of an economic order which excludes some people and which removes the right of social bodies, under the control of the citizens, to determine the course of events.

Taming international capital markets requires, as we have already said, international co-operation. The globalised economy requires closer links also on the political level. But this carries with it a new type of problem for political democracy: even if people in this way, regain some influence for politics against "the market", political influence will nevertheless land on a level which is far above that of the ordinary citizen.

It is however possible, that part of this problem is related to the fact, that we have not yet developed the new forms required for this new international co-operation. The methods we use today, are often unwieldy and tend to create a bureaucracy beyond the control of those with political responsibility. They also creates a sharing of responsibility between national and international interests which is not particularly well-thought through. The EU for example spends a lot of effort on the detailed regulation of questions which have nothing to do with the super-national level, at the same time as they lack instruments for acting in areas where problems can be solved only when member countries act in co-operation. In the same way the United Nations lacks important instruments of action when it comes to making a practical effort at preserving peace.

Some, though not all, of the mistrust shown towards super-national political co-operation can be explained by the fact that it is the "wrong" questions which are dealt with at that level. The inability to deal with some problems which do require international co-operation if they are to be solved, creates difficulties which can be felt at the national and local levels. Unnecessary or mistaken international regulations can create another type of frustration; in both cases citizens have a sense of powerlessness when it comes to getting to grips with the problem.

What must be done is, first and foremost, to sort out which questions, or rather which parts of questions, belong on the international level and which do not. Once that is done, to get on with the work of ensuring that international bodies are given suitable organisational structure as well as the instruments required to enable them to act. It is also then important to realise, that international regulations must have a certain flexibility: the more countries there are that cooperate, the more difficult it will be to apply identical rules in all of them. Countries are not identical!

International co-operation has always been important for Social Democracy and this will be the case even more so in the future – and that despite the new challenges facing democracy. We cannot solve this problem of democracy by denying the need for international co-operation and by trying to manage everything on our own at the national or local level: it is quite simply not the way to find an answer to questions which are the same for many countries and many peoples.

Today's world requires international political co-operation quite simply because so many of the problems which are confronted by individual countries are common problems. No one country can regulate the international flows of capital on its own. No one country can ward off the threats to the environment on its own – not even as far as its own environment is concerned, since emissions which threaten the environment are carried by winds across national borders and because the ozone layer is something we all share. No one country can maintain that which is basic to the security and existence of all countries, namely peace. On the contrary, it becomes more and more apparent how the security and safety of individual countries is intertwined with the security of others. It is not only a question of possible military threats, but just as much a question of the threats which political repression, economic underdevelopment, environment disasters and international crime entail – for all countries. The reactor collapse in Chernobyl had extensive and long-term effects for Swedish farming and Swedish fishing. The international trade in drugs creates problems for us.

The co-operation required must take place at different levels. It is a question of co-operation between different national states in existing organs for co-operation such as the EU or the UN and also a question of looser forms for co-operation between countries which share a common interest in special questions – such as the co-operation between the countries on the Baltic Rim.

But it is also a question of co-operation which is non-governmental, between popular movements and voluntary organisations of different types, between schools and universities in different countries, a question of co-operation between towns that set up twinning relationships or of co-operation between areas and regions round similar social problems. It can involve co-operation on concrete projects of very differing sorts and it can be a question of sharing experience or of forming opinions. Not least of all, it can be a question of building up counterforces to the strong capital interests of our day, through new forms for trade union co-operation across borders, by means of organised action on the part of consumers, through international political agreements on demands for social responsibility to be carried by businesses and so on.

For Social Democracy it is important to participate both in the construction of the necessary new forms for co-operation, as well to participate in the co-operation itself on all these different levels; this is not only a task facing the party at the central level, it is just as much a question for local party organisations and for individual party members. If one looks at international co-operation only as a question of supra national bodies, then it is understandable if people feel that internationalisation involves the loss of influence for ordinary citizens. But if international co-operation takes place on many different levels and through many different channels, of which many start at the local party level, then it is possible also to see them as an instrument in the hands of ordinary citizens.

One must not forget the other side of democracy: the local everyday work. This is something we discussed in the section dealing with the public sector. This type of everyday democracy makes for demands or changes in the central institutions so that they match local forms of organisations. It also confronts political parties with new demands – quite simply because this type of democracy is not only a question of parties!

Today's political parties are basically parliamentary parties, parties set up more to address overriding national questions: it is in these questions that the ideological dividing lines and the conflicts of interest can be seen most clearly. These dividing lines can also be seen to some extent in the increasing work loads on local politics, especially those which involve the politics of redistribution. But in some parts of local government it is not these dividing lines which are decisive. It is much more the case of another type of conflict of goals or conflicts of interest, as for example the often heated debates about new roads or new areas for building and construction.

The opinion groups and action groups which arise in local democratic work – environment groups, parent associations, groups of pensioners, etc. – are organised along different lines and with other aims than is the case for the traditional parties, but like the parties they play an important role in the democratic process. A role which in fact the traditional parties cannot fill; their role is something quite different, to represent the necessity of an overall perspective, for a balance between the different demands within a cohesive framework of values on a level where the task is quite simply one of weighing the different demands and claims on the resources of the community against each other.

It is important to realise that we are talking about several different opportunities for involvement in society which complement one another, it is not a question of rival forms. Parties need perhaps to learn how to cooperate in a better way with these opinion groups and action groups – without trying to take over them or to imitate them. Parties need to find new and more open forms for working, but they must at the same time have the courage to stand up for that which characterises party politics in a special way: the ability to maintain an overall view.

Finally, the survival of democracy is a question of ensuring that all the members of a society feel that they can participate in, as well as being respected by society. The elementary foundation principle of democracy is every individual citizen's right to influence political decisions by means of his or her vote. That every citizen in this way is given a vote, equal to every other citizen's, means in its turn that every citizen is given equal weight and value. This equal value must be mirrored in the way in which society treats its citizens: we cannot divide them into important and less important, into upstairs and downstairs people, into those who have all the benefits and rights and those who with low wages and poor working conditions pay for the privileges of others, without hope of a better future for themselves. In any society which divides its citizens in this way and which in practice excludes and downgrades some of them, democracy cannot be maintained. Indifference, mistrust or the direct sense of enmity towards society becomes overpowering.

We can already see signs of this in the wake of unemployment and of the development of low paid jobs. It is not a threat which can be warded off through an organisational reform of state bureaucracy or through methods for selecting members of parliament. These threats can only be warded off by attacking what has caused them: the social divisions, the social exclusion, segregation.

What is required, once again, is a policy which strives to wipe out social divisions, not to create new ones. A policy whose purpose is the common good of all, not just the opportunities of the few to get on and become rich.

A policy for equality.

An ideology is in one sense collection of values which determines how a society should be formed. But it is also a social theory, a way of explaining the development of society. This booklet presents the philosophical roots and the social theories of Social Democracy as seen by two social democrats who have been able to follow the debates and the practical politics of the movement from within. In the final chapter they discuss the future challenges facing Social Democracy.

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Socialdemokraterna