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Globalisation, Marketization and Power –the Swedish case of Institutional Change

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Abstract

Globalisation is often meant to threaten the autonomy of national policy-making and generous welfare policies. This article examines two decades of policy change in Sweden, often viewed as a prime example of a fully-fledged welfare state. The analysis is focused on reforms within the welfare sector, which is compared to three other important areas – credit markets, labour market, and infrastructure policy. These areas can all be seen as crucial aspects of the Swedish Social Democratic Model.

The findings can be summarised in three parts. Firstly, seeing the credit-market deregulation as the first phase of the internationalisation of capital in Sweden lends some support to the idea of globalisation as the result of political decisions rather than a structural change caused by technical change. Secondly, during the last two decades, there are evident signs of marketization of the Swedish public sector. However, this analysis does not give support to the simple hypothesis of globalisation. There are quite large variations both between and within policy areas, a variation that is not easily related to the international integration. Thirdly, marketization involves a shift in political power. An overall effect is that the government has lost some of its former direct influence. However, behind the facade of the invisible market we find the same actors as before influencing policy. Globalisation can have tremendous effects on power. Whether or not this will be the case is first and foremost the result of political decisions and individual desires.

Globalisation, Marketization and Power – the Swedish Case of Institutional Change

The welfare state has been put under pressure during the last two decades. On the face of it the picture seems similar, no matter which west-European country you focus on. Viewed as an important institutional change globalisation has been named as one of the main causes of this important policy shift.

Inevitable policy adjustments are meant to follow this phenomenon. The freedom of capital and goods to move across national borders is meant to break down the power of national leadership and threaten the autonomy of national policy-making. Corporate demands for low costs and low taxes are supposed to force different governments towards common solutions in order to avoid the flight of capital. This adjustment would be especially true in states with high taxes and generous public welfare solutions. However, the "truth" of uniform policy changes in most countries as a result of globalisation should be seen as a contestable hypothesis rather than a proven empirical fact. There are other possible reasons for this development. When the neo-liberals of the 1970's came to power, as symbolised by the leadership of Thatcher in Britain and Reagan in the United States, it was seen as the ideological key for a radical shift in welfare policies. The ultimate goal for the political right was to dismantle the welfare state. This political turnabout can also be interpreted as a sign of growing opposition towards the traditional welfare state of the post-war period within a much broader spectrum of political parties as well as among common citizens.

This article examines two decades of policy change in Sweden, a country that is often viewed as a prime example of a fully-fledged welfare state. Accordingly, if we apply the logic above, it should show signs of considerable and uniform change. The analysis is focused on reforms within the welfare sector, which is compared to three other important areas – credit markets, labour market, and infrastructure policy. These areas can all be seen as crucial aspects of the Swedish Model where, from the 1950's through the 1980's, the Social Democratic Government left its imprint, creating a powerful state. Three questions are posed: Looking more carefully into the financial changes, what are the main causes of globalisation in Sweden? Studying the other policy areas, are there any substantial changes towards marketization? What are the effects of marketization in terms of political power? Together they are a way of detecting the links between globalisation, policy transformation and change of political power.

In short, the conclusions can be summarised in three parts as well. Firstly, seeing the credit-market deregulation as the first phase of the internationalisation of capital in Sweden lends some support to the idea of globalisation as the result of political decisions rather than a structural change caused by technical change. The explicit reasons, as well as more hidden motives, revolve around the need to compensate for economic shocks emanating from changes in the US economy and the oil crisis, and hence, not about technical change per se. Secondly, during the last two decades, there are evident signs of marketization of the Swedish public sector. However, this analysis does not give support to the simple hypothesis of globalisation. There are quite large variations both between and within policy areas, a variation that is not easily related to the international integration. And actual change is not easily connected to globalisation. Thirdly, marketization involves a shift in political power. Plural forms of government have replaced the old structures of power. An overall effect is that the government has lost some of its former direct influence over the different policy areas. However, the actual relations have not disappeared. Behind the facade of the invisible market we find the same actors influencing policy. Globalisation can have tremendous effects on power. Whether or not this will be the case is first and foremost the result of political decisions and individual desires.

The causes of globalisation – in Sweden?

Globalisation could be defined as the international integration of markets of capital, goods and services. Commonly used measures are the degree of openness of capital and financial markets or the openness of international trade. A first step in this analysis is to find the driving forces behind this development in the Swedish case. It is possible to distinguish between three different types of explanations of globalisation: globalisation as technologically determined, as the national response to actions taken by powerful companies and economies, first and foremost the US-economy (a power-oriented perspective) and lastly, as the effect of neo-liberal ideological change (Cf. Strange 1996; Loriaux 1997a, 7pp; Loriaux 1997b, 208pp; Garrett 2000, 1pp; Reiter 2001, 220p). [1]

When we examine international comparisons that attempt to test the different explanations the results are not clear-cut. Garrett stresses the importance of the revolution of information-technology as the driving force in the process of deregulation. New technology made it possible to move capital around the globe, and this was done both cheaply and very fast. At the same time this made it impossible to hold on to the traditional regulations of capital (Garrett 2000, 16pp, 41pp). Other researchers see this technological revolution not as a cause but as a condition, something that made reforms possible. The real driving force was rather uneven economic growth in the world economy, an imbalance that functioned as an incentive for some (powerful) economies to question and try to change the political state of affairs (Loriaux 1997b, 208pp). The most important actor was the US economy. There are earlier studies on reforms within interventionist states that support the idea of US deregulation as the important underlying cause: ”Once the United States unilaterally lifted controls, other countries felt competitive pressures to do the same.” (Simmons 1999, 41pp). An important mechanism is the political pressure from the internationally oriented companies that want equal rules for competition (Simmons 1999, 43; Cf. Loriaux 1997b, 208pp). The direct effects of this and the subsequent economic crisis or shocks exerted pressure on smaller countries to open their economies as well.

In Sweden the process of financial deregulation took place between 1985 and 1990. The focus of this study is the deregulation of the credit market in 1985. The most important part of this deregulation process was the decision in November 1985 to abolish all ceilings on loans from banks and finance companies (Cf. Jonung 1995; Svensson 1996 and 2001). This single stroke of the pen was then called the ”November Revolution” and could be seen as the most important decision within the sector, dramatically changing the character of this area. From now on the banks were free to offer credits to whoever they liked, without limitations on price or quantity. To be sure, this decision is not directly equivalent to globalisation. But it was certainly the first important step towards open borders. The formal sign of globalisation, the removal of restrictions and controls of the exchange market, followed the reform of the domestic capital market. There were no longer any restrictions on the flow of different types of securities, bonds and shares. The boundaries opened up (Records of the Bank of Sweden (Riksbanken) 1989-06-15; Report 1989/90:15, 21pp; Government Bill

1988/89:142, Supplement 2, 32pp. On remaining regulations, Report 1990/91: 8, 23 and 1994/95: RB1, 22).

As a matter of fact a comparison of financial openness between Sweden and other countries reveals a moderate change with regard to these reforms. The openness was considerable even before this deregulation process started; extended freedom of trade already existed in Sweden. The variation between different countries in the level of openness as well as the magnitude of change following from the deregulation is substantial (Cf. Oskarsson 2001, 223, figure 2; Reiter 2001, 226p).

Looking for the causes behind this process as well as finding the arguments and describing the extension of the reform, I assert that it is the latter explanation that holds in the Swedish case. The causes were political. The analysis in the case study is first and foremost built upon the actors' own perceptions of the situation and the actions that were taken and not explicitly on comparisons with reforms in other countries or facts about technical change within the sector. This could certainly involve the risk that the actors misunderstood the situation and the "real underlying causes" of the different phenomena they reacted to. The explicit question in the analysis is if this reform should be viewed as a result of an ideological motive, and even as part of a greater plan to bring down the Swedish Model, or if it was more egoistic and/or there were practical reasons behind the decision. Against this more or less rationalistic perspective we can put forward a sociological hypothesis referring to a less deliberated decision, as behaviour guided by rules of thumb or by social or cultural norms connected to the ruling elite.

The latter seemed to be of little importance, giving a detailed and fair description of the reform. In short, the deregulation decision can be characterised as rational and well considered in that the leadership of the Riksbank acted with foresight and deliberately, pointing to "well-considered" arguments (as well as more hidden ones).[2] They referred to the development within the credit market, which included new types of markets making the regulations obsolete, and the growing weakness of the quantitative regulations when the "grey market" was growing in importance. They argued that the heavy regulations had distorted the market. The new grey market consisted of big corporations as well as new unregulated financial actors that could offer (expensive) credit where the regulated banks couldn't. But it was also a signal of evasion from some of the commercial banks that, using sophisticated techniques, they were able to withdraw credits from the regulated system without being caught in the regulating net of the central bank. The former head of the central bank, Bengt Dennis, comments: “They laughed at us. They had developed such effective techniques that they could manage just any restrictions on credits.” (Svensson, 1996).

At the same time one of the leading employees within the central bank, at that time deeply involved in the talks with the commercial banks, underscores the strong effect of the regulations on some of the actors (Svensson 1996).[3] They even threatened to put some of the banks out of business. Besides the official arguments, an examination of the minutes from the ‘negotiations’ between the Riksbank and the private bank representatives suggests this to have been one of the most important reasons for the decision of deregulation in November 1985. (For detailed evidence, cf. Svensson 1996 and 2001, ch.5). The deregulation was more or less a product of a small bureaucratic elite within the central bank in conjunction with the leaders of the big commercial banks, represented in the talks between these two parties. The political leadership in the government and parliament actually played a minor role in the process. Their main focus was not problems with the monetary policy. Rather, this became a part of a more pressing and all-embracing problem. “The main question was: How can we manage the tremendous budget deficit? How can we turn the development the other way around?” (Svensson 1996).[4]

Irrespective of the exact role and interests of the different actors within the detailed process, the primary arguments or reasons for change are still political. The development came about, not as a result of technological change, but as a result of the economic policy that was carried out in order to manage the different economic shocks and the stagnation that hit the USA and Europe. The marked activity of the central bank within the credit market – the introduction of new securities and bonds, the alternations of regulating and deregulating activity – was based on the policy that was thought would get the country through the recession at the end of the 70s. This implied that the government maintained high public spending, at a time when the economy was considerably weakened. This in turn brought about a huge foreign dept and budget deficit. The attempt to manage this situation was also the driving force behind government policy dealing with problems within the credit market. The first move came with an increased use of the regulations, and when this didn't succeed (or at least forced the commercial banks to complain and try to evade the system), followed by the deregulation, after a while leading to the complete removal of all capital restrictions.

Thus, the underlying cause of this quite dramatic institutional change was the two oil crises (following the political actions of the OPEC-countries) that hit the global economy and the policy change within the US economy which in turn hit the small economies, like Sweden, hard (c.f. Schwartz 2001). It was not a general ideological turn to the right or a sudden technical change that triggered off the deregulation process; at least this is not the case if we rely on the actors' own understanding, judgement and arguments.[5]

Certainly, the decisions were embedded within some form of ideology and actors' convictions of doing the "right thing". The leadership of the central bank, the real actor in this game, shared values with the commercial banks in these matters.[6] In addition to this, one can also point to deficiencies in the decision process. The sources of information were partly insufficient, shaky or in fact completely wrong. The decision was in fact based on a false idea of the mechanisms of the reform. The foreseen credit expansion was thought to be a sign of capital movements from the grey sector back to the banks. It was not so, the expansion was real and involved a fairly large inflow of new capital. And one important and explicit premise of the decision was the central bank promise that they were able to handle this expansion. In reality, living under a fixed exchange regime, they could not use the exchange rate to fight inflation and the expansion. And in making the decision they did not take into account Norway's similar problematic experience with credit inflow, even if they had the opportunity. A firm conviction guided the central bank leaders (in fact the leading bureaucrats) in making the decision. Other circumstances, such as a counteracting tax-system that boosted the credit market as well as separate treatment of the two parts of the financial regulation system and a rather interesting norm of mystery-making within the central bank, added to a quite bounded rationality of the central bank (cf. Svensson 1996 and 2001; Reiter 2001, 238).

It was not an omnipotent and all-seeing decision-maker that got the process underway, it was a decisive and myopic actor circumscribed by exogenous factors and other political actors.

This dramatic decision was at the same time a considerable institutional change. Emanating from political decisions made elsewhere and by more powerful actors, decision-makers in Sweden followed close behind. But they had some room to manoeuvre. Nearly all the world's states have taken the route of deregulation of the financial markets. But 'globalisation' in this form is far from a uniform phenomenon even if it is a widespread experience. The extension varies and takes quite different expression in different institutional settings. In an international comparison the Swedish reform was in itself quite radical and of considerable proportions (Loriaux 1997b, 219pp, underscores the differences between states; Simmons 1999, 36-69, points to the general transformation; Cf. Hviding 1995, 30; Swary & Topf 1992, 456pp).

Did this institutional change also lead to marketization in other policy areas? A part-answer comes with the knowledge of what has actually happened to the Swedish welfare state and important parts of the Swedish model.

The Marketization of the Swedish Model

In recent years there has been some serious debate about the actual impact of the political change and the supposed general effects of the structural changes (E.g. Pierson 1994; Pierson 1996; Martin 1996; Notermans 1996; Keeler 1998; Oskarsson 2001; Schwartz 2001; Grønnegård Christensen 1991(about Denmark); Lorrain & Stoker 1997 and Goldsmith & Page 1997 (about GBR) Majone 1990 (USA, Japan and USA) Granqvist 1997 (Finland)). Several participants in the debate contend that market reforms are the result of international integration in general and freedom of capital in particular. This development implies a situation where capital and production can easily move from one country to another in order to avoid regulations and high taxes, as well as find low production costs. Concurrently with this integration of the national state into the international economy and the threat of exit (rather than actual capital flow), market solutions enter former politically ruled areas (cf. Oskarsson 2001, 206pp). To the same extent democracy is supposed to diminish (Cf. Swank, 2000; Erlingsson 2001). An important interpretation of this general idea holds that the most dramatic change would come in social democratic states with comprehensive public solutions and high public spending. The prediction is a convergence towards the solutions of the liberal states. In contrast to this idea one could maintain that such structural changes would in fact lead to increasing differences between liberal and corporatist countries, or between co-ordinated and uncoordinated market economies. The underlying idea is that different types of political institutions – such as electoral systems, co-ordinating institutions between labour and capital, welfare-arrangements and so forth – treat exogenous factors differently. While inequality rises in the liberal state, welfare states increase their social expenditures, compensating those adversely affected by the forces of globalisation. However, several critics of the numerous variants of the globalisation hypothesis points to the weak causal chain between for instance increased freedom of capital or trade and changes in, lets say, welfare state policies (c.f. Schwartz 2001, 22pp).

One interesting alternative interpretation specifies under what conditions international integration will have impact: It is only in combination with large budget deficits that international market and capital flexibility punishes the welfare state, in turn leading to cuts in public expenditure (Cf. Swank, 2000, 47pp; Soskice 1999, 101pp). Still, one can ask how and why this pressure is translated into retrenchment.

The main task in this second part is to describe the scope of these reforms, thereby taking the first step towards answers on such questions. I want to give a systematic account of the impact of marketization on the Swedish Model. As a state with a huge public sector and very ambitious welfare policies, and having been severely affected by the recession in the 90s', the Swedish case is particularly apt for testing the different hypotheses. The analysis focuses on policy changes within four important and quite different policy areas: economic policy (the credit market), labour market policy (bargaining, labour market insurance schemes, labour exchange and labour protection), welfare policy (especially on education and health) and infrastructure policy (transports and communication). Special attention is given to welfare policies proper. However, these different policy areas can all be seen as crucial elements of the Swedish Model through which the Social Democratic Government, from the 1950's through the 1980's, created a powerful state. In short, the state regulated the credit and labour markets, had total control over health care and educational institutions, as well as over the whole transportation system. Together these public policies constitute a welfare model in a broad sense, where several sectors and social parties is de-commodified, that is, brings social protection to quite different parts of society through a wide variety of policy instruments. "The essential feature these all share is that they disconnect or buffer income streams from market outcomes, whether those incomes take the form of wages, employment, or profits“ (Schwartz 2001, 31).

The question is if there has been some real changes and, if so, if this change can be described in terms of less public control over supply and demand. Is there really a movement towards marketization of the Swedish Model and how can it be described?

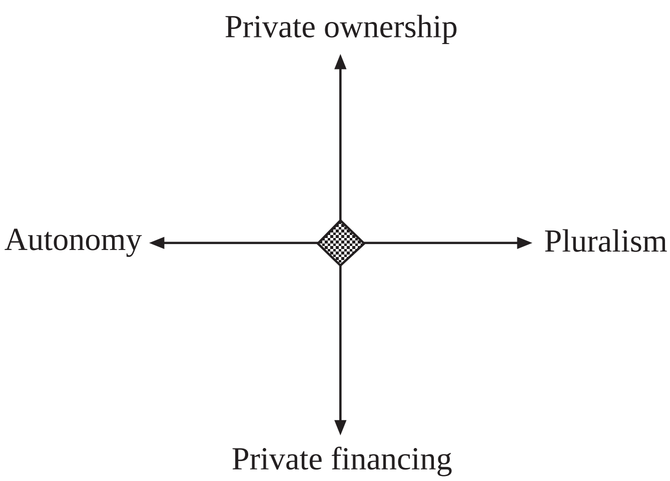
However, before we get to the analysis and results, let us briefly comment on the concept of marketization. There is a tendency that alternative concepts generate different and disconnected theoretical and empirical discourses even though they in fact describe the same thing. The literature on deregulation (e.g. Majone) focuses on collective goods and public monopolies and deals first and foremost with infrastructure and transportation. Other perspectives (e.g. Montin, Lorrain & Stoker) concentrate on privatisation, thus focusing on traditional welfare production. An additional school of research deals with retrenchments and cuts in public spending (e.g. Pierson) while more traditional research on public administration describes the change in terms of decentralisation (e.g. Montin, Steunenberg & Mol).

But the radical reorganisation of the public sector should be seen as one phenomenon, albeit multidimensional, and as such be conceptualised in a more general analytical framework. The core of this framework is the dichotomy between two basic principles of distribution: politics and market. Thus, the public sector reforms should be conceptualised as a general movement away from political decisions towards market solutions; we witness a change we could designate marketization (Lane 1997, 1p).

The cornerstones of the market are supply and demand. The above mentioned concepts are all different dimensions of the supply side and constitute the conditions of production. In this perspective they are expressions of three dimensions of the market – type of ownership (private or public), degree of pluralism (how many competitors/producers) and degree of producer autonomy. At the one end of the spectrum services or goods are produced privately, i.e. the producer competes against other (private) producers with a high degree of autonomy in, for example, fixing prices, deciding what to produce and so on. At the other end of the spectrum we find politically controlled production where the state or local authorities own the single producer (public monopoly) who is circumscribed by regulations on prices as well as on quality and quantity. Many different and interesting solutions can of course be found between these two extremes. The combination of publicly owned production with a high degree of autonomy, i.e. market reforms within the welfare state, and a low degree of pluralism, is for instance a probable solution. Another common way of arranging the production of social goods, especially if these are collective goods, is to control the privately owned monopoly through detailed regulations, thereby circumscribing the autonomy of the producer.

The complete model of marketization also requires a description of the demand side. The question here is whether demand is "free" or somehow manipulated by political decisions. It is fruitful to single out one important dimension here, whether consumer demand is subsidised or not, i.e. if the good is privately or publicly financed. The more private financing through fees and charges, the more market-like situation. With a good totally financed through taxes, the market is "closed" and prices no longer reflect the real demand. If we now combine these four dimensions the model can be illustrated with the following figure (notations showing values rather than the pure variables):[7]

Figure 1 A Model of Marketization



The graphic representation, apart from illustrating the main dimensions, also shows a most interesting outcome. The shaded area represents the classic form of socialist production through tax-financed and state-led monopoly. It represents almost complete political control of the production of a good. But this is not the typical production of collective goods of welfare, not even in the classic Swedish Model. Swedish Social

Democrats have always had a rather pragmatic view on private ownership (unlike, for instance, the old “pre-Blair” British Labour Party). The important goal has been to have sufficient public control in order to maintain an equal distribution. The means have been subordinate to these goals. Tax financing of goods and social services has been a common denominator (Cf. Esping-Andersen 1985; Svensson 1994). A radical shift would include a substantial change in this dimension, leading to more private financing, at least within the welfare sector.

We will now try to understand what has happened to the Swedish Model after 1980 by applying this conceptual framework to the selected policy areas mentioned above, focusing on welfare policies. The period began with the Social Democrats returning to power after six years of non-Socialist rule, and after the economic shocks caused by two oil-crises. This was a new era in which a Social Democratic Government had to manage an economy that had become much more complicated, a challenge it took on by announcing the policy of the “Third Way”.

Marketization of the Swedish Model – the general picture

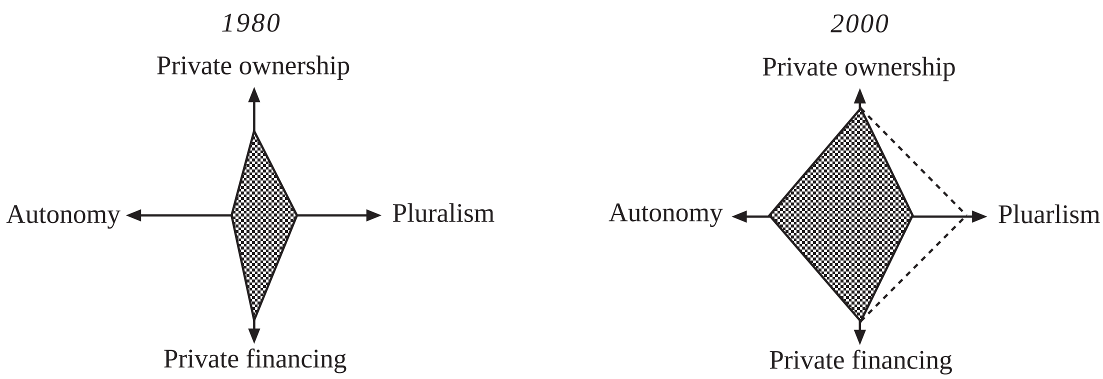
There are, generally speaking, clear signs of the marketization of the Swedish public sector during the last two decades. However, there is considerable variation between different dimensions of marketization. We find a clear and general increase on the autonomy dimension, more private ownership and competition, while changes in financing are generally more or less non-existing. There is also considerable variation between different policy areas. Let us start with a brief and simplified account of developments within these policy areas.

The development within financial policy, in terms of market solutions, has already been described as the main cause for change in other policy areas. Changes within this area open up the economy and, for instance, facilitate capital movement. However, financial policy in itself is a domestic policy area, which has undergone change as a consequence of exogenous pressure or ordinary political struggle. Compared to developments in other parts of the Swedish Model, the degree of marketization of financial policy is considerable. The point of departure was the Social Democratic post-war program, “Efterkrigsprogrammet” (1946), in which the Social Democratic Party planned for radical societal reforms. One explicit and important goal was “public planning of investments" and "increased control over the capital market" (Arbetarrörelsens Efterkrigsprogram 1944, 22).[8] A far-reaching system of public control was developed within the area of monetary policy during the post-war period, through which the Riksbank became an important tool in the government's strategy of financing its ambitions in the welfare sector in general, and the building sector in particular. All regulations impacted powerfully on the dimension of autonomy. Besides having indirect influence through regulations, the authorities also claimed the right of representation in the central boards of the banks, and subsequently also in the regional and local banks (between the late 1960's and 1976). Subsequently the government even got the right to confirm the elected chairman of the bank boards. The direct ownership of commercial banks complemented these means of public influence, first of Sveriges Kreditbank, then PK-banken (later on Nordbanken). Apart from these two dimensions, public influence was quite low on the dimension of financing. In relation to pluralism, there were two types of limitations. Firstly, there were laws that made it impossible for foreign banks to enter the Swedish market as equals, and secondly, the market was limited and could be described as an oligopoly with a few dominant banks.

The deregulation process in the 1980's substantially increased the autonomy of the separate banks. This also applied to foreigners' right to run banks (in the form of branch offices and not only as affiliated companies) and to own Swedish banks. The last step in this reform-process was carried out in 1990 (Government Bill 1986/87: 12; NU 1989/90: 38; Cf. Larsson 1998, 223 and Marquardt 1998, 5). The last bastion of direct government control over banks was its ownership in a big commercial bank. This was partly privatised as early as 1984 and the process was completed in 1995 (Cf. Persson 1997; Larsson 1998, 228p). The marginal public ownership disappeared.

Thus, reforms aiming at deregulation and privatisation involve extensive changes within the dimensions of autonomy and ownership. But even if the deregulation also implied a growing freedom of entrance the degree of pluralism is still rather restricted. Even if competition appears to grow, with more foreign banks and traditional companies entering the market, the same huge commercial banks still dominate the market. In sum, since 1980 there has been a substantial increase in autonomy for the individual "producers", and a movement towards a total dominance of private ownership. The result is a credit market with high values on nearly all dimensions (autonomy, pluralism, private ownership, and private financing). This development is illustrated in the following figure (the dotted line illustrates anyone's formal right to enter the market, where the reality is a strong oligopoly):

Figure 2. The marketization of financial policy 1980 - 2000



Before we turn to the welfare sector, let us look briefly at some of the other areas, so as to construct a simplified picture for a comparison. In some parts of the infrastructure, there is a clear change towards a private market (For details and empirical evidence, cf. Svensson 2001, ch.4). Especially concerning professional transportation, there have been changes in most dimensions and the development is far more radical than in welfare policies. For example, the formerly totally regulated area of taxi-transportation experienced a sweeping change. The result was competition founded on pluralism and free entrance to the market for the private producers, private ownership, and far-reaching autonomy. Within the area of railway-transportation and tele-communication, marketization implied continued dominance by the big monopolies (with some competition from small companies). At the same time the autonomy of these monopolies substantially increased. The state still controls the different networks through public enterprises (railways and roads) or through small governmental regulating authorities (tele-communication). The old type of public enterprises, running the service and activity have been converted into independent subsidiary companies or even private joint-stock companies. But also these private companies are often dominated by the state as a large stockowner.

Within this area then there has, generally speaking, been a considerable increase in autonomy (for taxi companies as well as for rail and telecommunication companies), and in some cases an increase in the degree of private financing (some subsidising still exist). Apart from the state owned or controlled networks, private ownership is gradually increasing. But the degree of competition is generally quite low, and depends on still existing monopolies.

Thus, there are some clear signs of marketization. Superficially development in this area also seems to be well timed, coinciding with the dramatic changes opening up Sweden's borders and integrating Sweden with Europe. But even if the most important decision within the infrastructure was taken in the second half of the 1980s' (apart from the deregulation of domestic aviation, decided on in the early 1990s'), after the credit market deregulation, it came before the "completed" process of globalisation. The reforms in fact came at the end of a process that had started much earlier. In addition, the explicit reasons for change did not have to do with adjustment to Europe or other exogenous factors. Rather, the decisions were made in a climate of a growing desire for freedom of choice and efficiency, independent of international change. So there is not much in this development that really supports the hypothesis of globalisation. Doubts about a simple model are strengthened when we look briefly at labour market change.

When the period of labour market reform began this aspect of The Swedish Model was characterised by a regulated entrance to the labour market in the hands of a public monopoly (The Swedish National Labour Market Administration, AMS). The negotiations between seller and buyer were circumscribed by central agreements and strong employment protection laws and the unemployed had a strong position through generous (and partly public) unemployment insurance. Studying different parts of the labour market change will give us quite different descriptions. When it comes to labour market exchange the monopoly has been relaxed. Even if the public labour exchange dominates completely, it is now possible for private alternatives to operate. Labour legislation is another area that has undergone some minor change. The extensive regulations have become somewhat tarnished so as to increase flexibility. Some former restrictions on vacancies and time-limited jobs have been repealed and it is now possible for the individual employer to make some exceptions from the priority rules in cases of redundancy. However, the most important parts of the regulated labour market are more or less untouched. Even if there has been some decentralisation and the old peak organisations have been sidelined, negotiations are still in the hands of national representatives of unions and employers. It is far from an individual bargaining system. And parallel to new central agreements a new state led institute for mediation has been introduced. The unemployment insurance system is still general, public and mandatory. Time after time, demands for private alternatives have been rejected. In addition, somewhat decentralised, the active labour market policy is still at work (c.f. Svensson 2001, ch.4; Wood 2001).

Generally, in the area of the labour market, change is less clear-cut or even marginal i.e. some pluralism and competition among employment agencies, and some liberal reforms in labour rights. A short assessment of welfare policies produces a similar picture i.e. decentralisation and marginal competition from some private producers. Secondly, there are rather large variations between as well as within policy areas. This would not be the case if there were a common cause. Apart from the fact that there seemed to be other driving forces that resulted in marketization within the transportation sector, these variations are additional arguments against the simple explanation. Thus, this analysis does not support to the crude hypothesis of globalisation. However, as demonstrated, the idea can be specified taking different economic situations into consideration. In addition, a more detailed story should be told in order to test the supposed mechanisms of globalisation. The threat of capital flight if taxes and public expenditure are not reduced should show up in the arguments for different reforms as well as in more private financing and lower taxes. Let us therefore take a closer look at the welfare state development.

The welfare state in change?[9]

The Swedish Model of welfare can, at least in principle, be characterised by general and unitary public welfare arrangements, social insurance systems as well as a social service financed by public means. The welfare state can be seen as having de-commodifying effects, thus, functioning as a protection against the free market. Without the welfare arrangements the individual becomes exposed to the market forces (Cf. Esping-Andersen & Korpi 1987; Esping-Andersen 1990, 26pp; Esping-Andersen 1996, 10pp). A marketization of these policies would imply more market solutions and dependence on what the individual can afford, and in turn, increased importance of the labour market position. This traditional welfare model has been challenged during the last two decades. The motives have differed, from the ideological critique of the Swedish Employers Confederation (SAF) resulting in a detailed plan for privatising Sweden, to demands for reform founded on "pure" economic and demographic motivations (SAF-tidningen no 35/1990; Söderström et.al. 1999, 7; Cf. Stephens 1996, 56).

A closer look at the development of one important part of the "in-cash side" of the welfare state reveals that, during this period, the social insurance system became less generous in benefits and conditions. In fact, the whole social insurance system has undergone changes in the same direction. A comparison of the pension system, health and parental insurance in 1980 and 1998 shows a generally decreasing level of compensation (from 90 to 80%). A period of qualifying time is re-introduced into health insurance and the individual's contribution to the pension scheme is increased (e.g. Lane 1997b and Government Commission (SOU) 2000:3).[10] All these changes increase the dependence on the market, making it more costly to remain outside the work force for even a short time.

However, the re-regulation has not totally redefined the system. Essentially, it is a public, compulsory and general system including all citizens in the same way, contributing to at least a basic security. But the development threatens to make the system more a guarantee for basic needs, rather than a contribution to income security. This means an increase of private insurance solutions and a new opportunity for private companies in this, until now, closed market. There has been a massive growth in private insurance in some areas (pension, health) in the last few years (SOU 2000:3, 84pp, Försäkringsförbundet, 1999). To sum up, the social insurance system is largely a public owned and tax-financed system with increasing competition from (and between) private insurance companies and growing autonomy for the individual policyholder as well as "producer" in some areas.

The process of marketization has also affected the social service, the "in-kind" welfare state. At the beginning of the 1980's total public dominance in spheres such as education, social care, medical and health care, infant school and day nursery, care for the handicapped and the social and medical care of the aged was assumed. During the following decades, important aspects of these spheres were decentralised from the state to local authorities. In many cases the process has continued with deregulation, competition of offers and the development of local public companies (more seldom privatisation proper). Let me give some important examples. In the late 1980's and the beginning of 90's it became possible to set up private childcare. In 1992 responsibility for care of the aged and the handicapped was transferred from the state and regional to local authorities, and was followed by increased autonomy for the individual producers. The possibility of working as a family doctor, previously restricted, became possible with the family doctor reform in 1994. Subsequently there has been some re-regulation involving rules demanding agreements between the regional authority and the individual doctor. (Landstingsförbundet 1997; SOU 2000: 3, 167pp). The very core of medical care, hospital treatment, is in transition. In the last few years, regional authorities in several counties, especially in the bigger cities, have begun to privatise individual hospitals as well as the whole medical sector. Although the government is fighting these hotly debated local reforms nothing has been finally resolved (cf. Nyberg 2000).

When studying infant schools, dental and medical care (hospital as well as non-institutional care) and care for the aged it appears formal change and individual examples of privatisation correspond with actual impact. Measured as the number of employees that are privately employed, privatisation is in fact increasing in all these sectors. Even though there is still considerable public dominance, there has been considerable change within at least some of these areas during the last ten years. Nearly 45% of the dental care providers are privately employed with 20% of those working in non-institutional medical care, both having increased by approximately 10% in the last ten years. For other sectors the percentage is quite moderate (5 to 10%), but even here we have some change in the same direction (Cf. SOU 2000: 3, 92pp; 133). Different local authorities vary greatly regarding the extent of change. In the majority of local authorities (57%) nothing has happened at all. In others the change is dramatic, with over 25% of former public activity, including basic education, having been privatised (SOU 2000: 3, 94p).

The process from decentralisation to privatisation can be exemplified in greater detail by looking at developments in public education. In Sweden, as in many other countries, basic education has always been a public responsibility. The more ambitious

Swedish Model consisting of an inclusive, uniform and centrally governed education was created between 1940 and 1975. In the early 1980's there was general political support for the tax-financed school, with centrally regulated time schedules and very detailed national plans for different subjects and educational goals. Smaller local variation was kept within the public school. The state exerted great influence through the Board for Education (Cf. Lindbom 1995, 64; Hadenius 1990, 268pp). In short, we had a public (a mix of the state and local authority) owned school with low autonomy in relation to the state. The competition between different schools or types of schools did not exist and it was financed with taxes. As in other areas this public solution was called into question. While the late 1980's were characterised by decentralisation, the 1990's became the decade for freedom of choice. All dimensions of marketization were somehow affected.

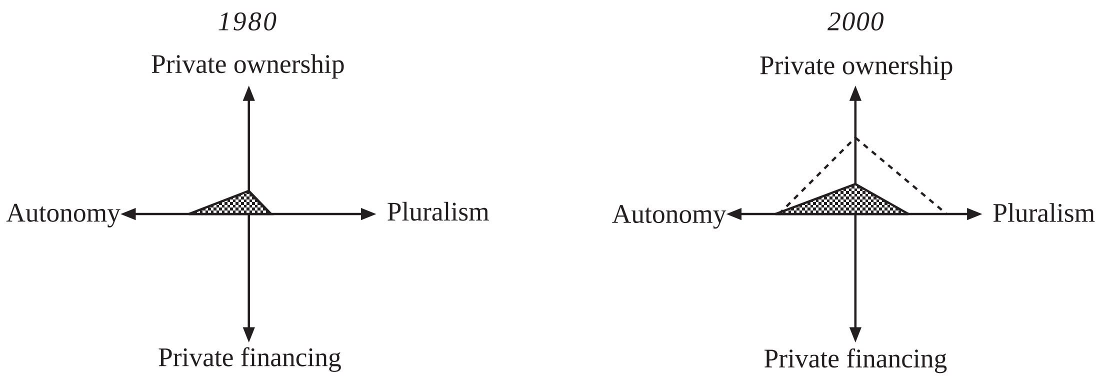
In 1982 the first steps were taken towards a more liberal view on what could be called independent schools (public or private schools that offered an alternative pedagogy), regarded as marginal complements to the traditional schools. The rules for the state subsidy became marginally more generous. But emerging political differences were ignored and demands for more room for private alternatives were turned down (Standing Committee of Education (UbU) 1982/83: 10, 12; (UbU) 1987/88: 14, 11). The social democratic vision and answer to growing demands was to increase the flexibility and influence within the public framework for pupils and parents, as well as teachers and local producers. The turning point came in 1989 when the state subsidy to the local authority was reformed. A system where the subsidy was linked to a very detailed instruction was replaced with a very unregulated system. The local authority was now free to decide how to reach the general goals. The detailed plans governing the use of school grants were abolished and the responsibility given to the local authorities. The local authority now also took over responsibility for the teachers. A new state authority focusing on principle goals rather than on details replaced the old Board for Education. The Social Democratic strategy was decentralisation within the public framework, local democracy and even individual choice between different subjects. But the government rejected all requests for the freedom to choose between different schools, demands that implied voucher systems and private schools (Standing

Committee of Education (UbU) 1989/90: 9; (UbU) 1990/91: 9; (UbU) 1990/91: 17; Government Bill 1989/90: 41).[11]

In 1991 the non-Socialist Government focused on the latter proposals, trying explicitly to break up the public monopoly. The proposals were introduced in two phases (1992 and 1993). The first one included a voucher system to support choice between schools (private as well as public), thus stimulating competition, as well as a generous subsidy to private schools. Among other things, the second step made provision for what was called "reasonable" school fees (Government Bill 1991/92: 95; 1992/93: 230). This was the revolution of freedom of choice. When the Social Democrats came to power in 1994 they didn't immediately abolish the voucher system but rather chose to make the condition less generous. They also abolished the option of systems with school fees, and limited the right to choose between different schools. The subsidy for public schools decreased from 85 to 75% of the average cost. Presently reform aims once again to strengthen local autonomy within the public framework, developing new local authorities to stimulate direct democratic participation (Standing Committee of Education (UbU) 1998/99: 11; (UbU) 1999/00: 5).

The impact of the "revolution of choice" is not as radical as the principles would suggest; the public system dominates almost completely. Private producers employ no more than 2% of all employees in the school sector. But as is the case in the other areas of the welfare state there is a clear trend towards more private solutions and individual choice. By 1995 one out of ten local authorities had introduced some type of voucher system. Between 1989 and 1999 independent private schools increased from 1 to 7%. To conclude, we can describe the development in terms of a substantially increase in local as well as individual autonomy, a small increase in the degree of private ownership and more competition, especially between different public schools. Basic education is still tax-financed; there are very few instances of private fees. All in all, politics still controls education, even if market solutions have become more important lately. The development for this area can be illustrated as follows (shaded area for change):

Figure 3. The Marketization of compulsory education



As this example from education shows, in general the idea of a welfare state still holds in Sweden. Reform has barely touched public financing and most social services are still produced within or owned by the public sector (even if private fees are a growing phenomenon). The important change has been the decentralisation of several activities, first and foremost to the local authorities, and the growing importance of freedom of choice. This development is also a springboard for private producers, a still marginal but growing phenomenon within several areas of welfare production (indicated by the dotted line). Generally speaking, change involves increased pluralism, increasing possibilities for private production and ownership (in reality a clear dominance of public production), and a significant expansion of local power and autonomy. The welfare state has been decentralised, allows for a larger degree of choice, but is still universal and (mostly) public.

Earlier research has concluded that the Swedish welfare state is still going strong, that reforms within these sectors "hardly represents a fundamental change" and should be seen as a "marginal adjustment, not a paradigmatic shift away from the basic principle of the welfare state." (Stephens 1996, 56, and Esping-Andersen 1996, 14). This analysis seems to corroborate this view. I would argue however that they have overestimated the resistance to the demands for rolling back the welfare state. Even if the levels of competition and private management are still moderate, the general trend is obvious and distinct within most areas in this sector. Paradoxically, the crucial decisions seem to have been the decentralisation and liberal reforms within the different public activities initiated by the social democratic Government in the 1980's. Some of these measures were introduced to make the welfare state bureaucracy more responsive to citizens needs; other steps were first and foremost a way to handle the ever growing costs. These initiatives paved the way for the more radical reforms introduced by the non-socialist government in the early 1990's, focused on deregulation fostering freedom of choice within the welfare service. These steps, combined with already increased local autonomy and self-reliance, have made it difficult to counteract local initiatives for private ownership and competition in the welfare service. A change in one dimension paved the way for changes in two others: Increased local and individual autonomy was a springboard for increased privatisation and competition.

The crucial barrier against a radical and extended marketization is probably the fourth dimension, financing; the main areas are still tax-financed. But there are already proposals for more private financing and perhaps the process of harmonisation with the European Union (and EMU) is going to bring fundamental change.

Marketization and globalisation?

Taken together, marketization reforms have implied increased self-determination in several areas, in others more private production, and sometimes a slight increase in competition. Large monopolies still exist and financing is still public within the important welfare sector. Market reforms that have received a lot of attention have in fact involved quite different dimensions and their impact has varied greatly. While welfare policies have only been marginally affected, changes in infrastructure are more marked. Although structural factors, such as increased openness and technical change, now feature in both, the impact is quite different. As has already been said, this implies that the general idea of marketization as a result of internationalisation does not seem to be correct. In addition, the recent history of the Swedish welfare state does not correlate well with the mechanisms of globalisation. Increased possibilities for the flight of capital has not resulted in a decreased tax-level, which would make welfare production impossible, nor has private financing within the public system become more common. The empirical data in this investigation, and several other studies show that this is not the case. There is, indeed, growing pressure on governments, but their answers have been to change the mix of taxes or to take administrative measures on the international arena against different types of tax evasion. Factors other than low taxes are actually more important in making decisions on investments. Over time, Sweden's tax level and total public expenditure show weak growth. The variation between different countries is constant over time (Cf. Ganghof 2000, 597pp, 637; Swank, 2000).

However, explanations pointing to different political institutions need reliable mechanisms. These mechanisms are the actors' perceptions about their own strength and interests, as well as those of their opponent:

> The set of constraints and incentives provided by the institutional context does influence change, but it does not completely determine it. The agents of this change (usually employer's associations and governments) act pragmatically: they concentrate on the policy areas in which they encounter less resistance or which they consider to be more vital to the interests that they represent. (Regini 2000, 9).

From this point of view the impact of marketization is dependent on political preferences in combination with different political institutions: ”It is therefore the set of constraints on and incentives to change provided by each actor that largely determines the behaviour of others.” (Regini 2000, 22). Repercussions of structural change, as low-wage competition or capital flight, are always indirect, and intervening variables, as political institutions or the actors' market position, twist and turn the outcome in several different directions (Cf. Swank 2000 and Kitschelt, Lange, Marks & Stephens 1999, 427-460; Anderson 2001; Schwartz 2001, 36).[12] This is also the conclusion of this study.

The area of infrastructure shows some examples of technical change that created new products, e.g. tele-communication, which were not blocked by existing institutional arrangements. This was followed by a weakened position for the state monopoly. But even this area is a good example of a reform that emanated from the agency of strong political coalitions striving for market solutions. Separating the network and the operation (traffic) on the network facilitated marketization. This solution was a matter of political design and not a result of technical change or international integration. Resistance from strong political actors has in the same way, affected the outcome of welfare state reforms. One interpretation is that this resistance has been propelled by a coalition of political parties and unions, seeking to block radical changes to the welfare system. Recent literature has emphasised the importance of employers' organisations in co-ordinated market economies. The strong degree of organisation among employers has been a necessary condition for the classical compromise between labour and capital. This was the case also in Sweden. Even if the classic corporatist system has been removed, co-ordination still takes place between employers and unions on different levels. It consists of a network of ongoing negotiations, common insurance solutions, jointly owned companies and a far-reaching exchange of information. Apart from such organisational support there is still broad electoral backing for the Swedish welfare state among both workers and the middle class.[13]

Recent comparative studies that reject the different alternative hypotheses of globalisation gather instead around the opposite standpoint. To the extent that structural forces matter the effect is increasing compensation among strong welfare states. Different models of welfare solutions tend to diverge, rather than converge.[14] However, there is an interesting deviation from this common theme. Globalisation makes a difference when international pressure reinforces the stress of the budget deficit of a state in acute economic crisis. This is supported in quantitative data as well as in case studies:

> [W]here general governmental fiscal stress is high (e.g., budget deficits approaching or exceeding 10 percent of GDP), increases in international capital mobility are associated with reductions in social welfare effort; at average levels of budget imbalance for the contemporary era (i.e., 1960s to 1990s average budget deficits approaching five percent of GDP) capital mobility is largely unrelated to social welfare effort. When budgets are in balance, capital mobility is associated with small positive increments to social welfare spending (Swank, 2000, 375 (ch.7).

This is also the case in Sweden. The crucial decisions to allow for or to introduce different market solutions to education and the welfare sector in general are all related to the national dept and budget deficit. The decisions were related to the economic crisis and the deals it generated at the beginning of the 1990s'. The important decisions of decentralisation were made before the crisis became acute, but as we have seen the government was haunted by the growing budget deficit during a whole decade. The retrenchments that were forced upon the whole public sector at the beginning and in middle of the 1990's were directly caused by the economic crisis and the reliance on foreign investors. The hypothesis of globalisation is thus correct, but only under certain conditions. International integration had an impact, but this was mainly due to an indebted and weak economy. Basically, it was about a mistaken economic policy.

These changes in the early 1990s' are crucial to an understanding of institutional change. Important and historically grown institutions cannot resist change in seriously adverse circumstances. The repercussions of the deep recession are an example of this. Another important example is the deregulation of the credit market, which was once viewed as an important shield for the whole welfare system. These different changes can be characterised s "formative moments", forcing history to take a new route. Structural or exogenous shocks change the conditions of the game, leading to a weakening of the mechanisms that make the institution work. (Cf. Rothstein 1992, 19p; Rothstein 1998, 153pp).[15]

An implication of this is the increased possibility for new coalitions and change of preferences. In the wake of an economic crisis and the political measures it necessitates it is quite possible that support for the welfare state will decrease. Also the moderate reforms we have witnessed within the welfare sector can, in line with this reasoning, have far-reaching effects. The coalition that supported the traditional welfare state may erode as a result of transferring power over public welfare from the state to local authorities (c.f. Swank 2001). While the purpose was to cope with the problems of the Swedish economy, and at the same time get the universal welfare system through the crisis. However, given greater control over welfare production, local authorities of different ideological persuasions instead pursued alternative policies. It is possible that citizen support threatens to diminish with increasing and visible variation. Where private solutions exist parallel to public ones that experience growing economic problems, where cheaper programs are compared to more generous ones, and where local economies are as stretched as the national, the situation forces local politicians to cut down public expenses. When differences between the alternatives become clear and visible middle class support can decrease rapidly. This effect of decentralisation is probably strengthened by the existing segregation where prosperous municipalities are compared to poor ones. This creates political cleavages, as it becomes obvious to the wealthy middle-class citizen that he would be better off by not subsidising the poor parts of the country. This scenario is not caused by an expansion of autonomy and freedom of choice but is the effect of the transfer of power from national government to local authorities and even separate parts of municipalities. The arguments on constitutional change put forward by Swank is clearly applicable to this development:

> Extensive devolution of policy-making power to regions throughout much of the developed democratic world may well fragment and otherwise weaken national welfare state coalitions in the long run (Swank, 2000, 386 (ch.7).[16]

This take us to the last question, how marketization, itself an effect of a struggle between interests, influence power.

Marketization and power

Marketization involves a shift in political power as well as policy changes. Building upon the statement by Lowi that "policies determines politics", the following analysis shows how some of these reforms – policies – have certain effects on political institutions. In other words, the assignment here is to measure the effects of marketization in terms of political power. To the extent that international integration has caused the changes in the Swedish model towards more market-like situations, it has also had influence on power. We saw above that there is considerable variation between different policy areas in this regard. As the previous sections of the analysis are focused on welfare policy we should, ideally, continue with an analysis of the effects of these changes. However, since the changes in these areas have been marginal such an approach would be less fruitful. Marketization has been substantial in relation to financial policy and infrastructure, but changes are less clear-cut in the areas of labour market and welfare policies. Therefore, in order to come up with clear evidence, more attention is focused on the areas where change is most obvious.

While handling these policy changes the whole of the Swedish polity seems to be in the melting pot. The concept of corporatism can no longer capture the most central dynamics of the Swedish political system. In the new and more pluralistic society the large interest organisations are still there, but they wield their influence in ways other than through corporatist institutions. Lobbying and media are replacing these arrangements. One obvious reason for this is the formal decisions explicitly intended to get rid of these institutionalised arrangements (Cf. Hermansson, Svensson & Öberg 1997; Rothstein & Bergström 1999; Hermansson, Lund, Svensson & Öberg 1999). But one could also interpret this change in politics and power as an effect of policy change. Marketization is in itself a way to reduce the importance of political decision-making, and the direct influence of politicians in particular. From the perspective of the individual as a consumer of welfare, transportation and so forth, there are gains to be made that are explicitly stated in the goals of the reforms (Cf. Petersson et.al. 1998, 26pp). But besides these direct and general effects concerning actual utility, there are equally important effects on political power due to changes in the conditions for future action and political participation.

Let us take a closer look at these components. The measuring of changes in the conditions for political participation includes an analysis of three factors: The relationships, formal and informal, between the actors; number or range of participants; and the values or preferences held by them. In order to find out the effect on actual political participation and policymaking we are forced to use data primarily from formal participation in committees, i.e. corporatism, and actors' use of written communication with departments and governmental boards, i.e. lobbying. This is complemented with some personal communication with decision-makers within the central bank.

When it comes to formal organisation, the result is that the government has lost some of the direct influence it formally had over the different policy areas. In some areas of transportation power has shifted to independent agencies and public corporations, often in close co-operation with large private companies. In welfare policy, and especially in education policy, there has been a notable shift from the central government and state bureaucracy to local authorities. In credit market policy, where marketization went furthest, the old corporatist arrangement, as well as the close relationship between the state bank and government, has been abolished. This is said to obstruct state led and sector-specific policies (Reiter 2001, 236p). Top-level talks between the commercial banks and the independent state bank became less important when the commercial banks were given greater autonomy. The formal operative meeting once a month, where the central bank was able check if the banks had fulfilled their duties and put forward new demands, was replaced by a twice-yearly meeting for discussion and information (Cf. Svensson 2001, ch.6). However, a closer look at the informal relations in this sector reveals quite a different picture. The regular face-to-face discussions among leading actors have been replaced by equally frequent but more informal meetings between the leader of the independent state bank and the top leadership of the biggest commercial banks. Adding to this shift there has been a large increase in single contacts between representatives of the state bank and commercial banks and companies, both at top level and further down. As the role shifted and the Riksbank became the premier bank on the market, it had to learn much more about how the actors assess the market and what their view on different policies is. The meetings and links between the state bank and the market actors are thus actually more frequent and closer than before (Cf. Svensson 2001, ch.6).[17]

Another important condition for political participation is how the range of actors is composed and whether there have been any changes in the aftermath of marketization. A systematic investigation of several sectors reveals a consistent picture of change. The number of actors rise with the degree of marketization, where the effects are most evident within credit market, tele-communication, and some areas within professional transportation, but quite marginal when it comes to welfare policy (on the national level). There are new operators of mobile as well as traditional tele-communication, private companies operating local and regional railways, new types of small banks attracting the best customers, all trying to compete with the old producers (C.f. Reiter 2001, 232p). However, and this is maybe the most important finding, even where competition now exists the traditional monopolies or oligopolies continue to dominate and are nearly as strong as before. The new competitors are comparatively very small.

Looking more closely at the case study of the credit market we can also add some findings about the character of the growing network between the major actors. At the same time as the links between the Riksbank and the banks have become more frequent they also seem to have been strengthened in other ways. The change from conflict to co-operation may have fostered the development towards a strong policy network with numerous contacts, as well as shared experience and values. A systematic analysis of recruitment patterns and educational background provides clear evidence of an increased recruitment of highly qualified personnel with experience from the private finance sector, an increase that corresponds with the reforms of marketization. None of this has happened within traditional (non-reformed) public activities (Cf. Svensson 2001, 249pp).[18] Modelling an investigation of political attitudes using data from the Public Investigation (SOU) Democracy and Power in Sweden (1989) corroborates the idea of shared values. A comparison of the political attitudes of different parts of the political and business elite on the basis of a representative sample drawn four years after deregulation reveals a clear picture of a distinct credit market elite. This group differs from the ordinary citizen as well as the political elite in general in its attitudes on taxes, the public sector, income differences and private health care (Cf. Svensson, 2001, 244pp; SOU 1990:44).

These findings are only important because there is a relationship between these conditions and the actual participation. Evidence from interviews and archives shows that the contents of these contacts are of political importance: examples stretch from regulation proposals, domestic and international competition, to how to manage the question of EU. It is not unusual that experts within the state bank co-operate with representatives from the commercial bank, harmonising their reactions towards initiatives from the Ministry of Finance (Cf. Svensson 2001, ch.6). Arguments in favour of independent state institutions that only focus on the rules and strictly public matters are based on the idea that such authorities are much stronger and more responsible as public actors than parliament in resisting competing particular interests and short-sighted public opinions. This analysis seems to falsify this idea. At least in the case of credit market policy, the area (apart from taxi) where marketization was the most radical, it seems to be quite the opposite.

If we move to the formal participation (corporatism), and compare private business or financial actor participation before and after marketization, the result is not clear-cut.

Table 1. Participation in 25 committees concerning credit market and banking policies. Selected committees 1969–1996

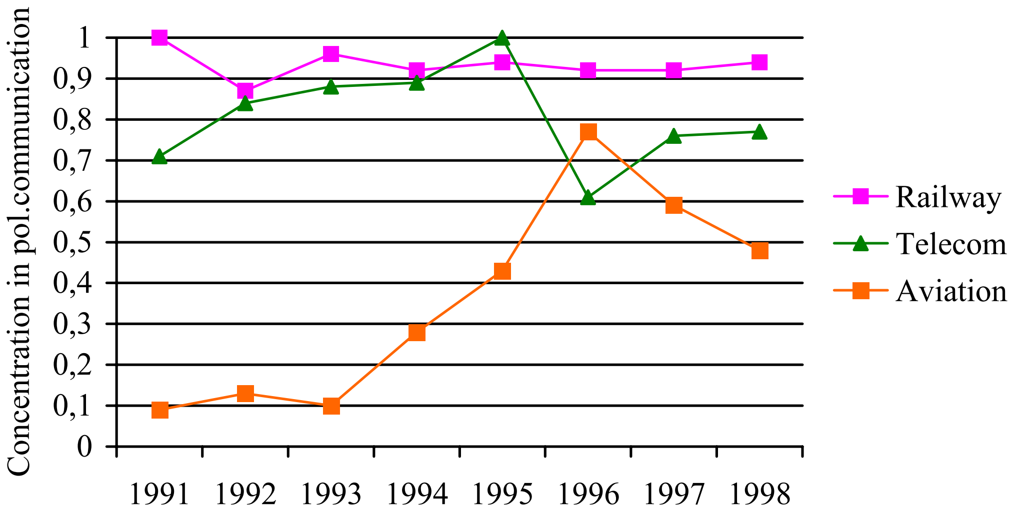
	Politicians	**Civil-Servant**	**Financial actors**	**Others**	
Before 1985	18,4 (21)	53,5 (61)	18,4 (21)	9,6 (11)	100% (114)
After 1985	9,7 (14)	62,1 (90)	15,2 (22)	13,1 (19)	100% (145)

For a detailed description of the selected committees, Cf. Svensson 2001, 259

The most obvious result is the clear shift of power from politicians to civil servants, which differs from the general development, described elsewhere (Cf. Hermansson, Svensson & Öberg 1997). But it is consistent with the development towards an independent central bank as well as with the story of how the deregulation came about. An examination of the private financial actor participation shows the development going in the expected direction. Formal corporatist participation has decreased, even if the development is marginal. Taking a closer look at the group “others” complicates the picture. This group consists mostly of private companies, with the result that the participation from business in general has marginally increased. The latter conclusion is also consistent with an investigation of remittances within the sector of transportation, and it is significantly different from the development with traditional public sectors dealing with the core activities of the state (as labour market and defence) (Svensson 2001, 267pp). We learn from other research that the informal participation using lobbying is increasing. The development is especially true regarding big private companies.

An optimistic hypothesis about the effects of marketization would be that this extends the range of political actors, destroying strong informal links, and thus contributing to a more plural political situation. However, a systematic analysis of both tele-communications and banking, using quantitative data, shows traditional actors continue to have political importance. If we measure political action as writing comments or making statement of opinion to the Ministry of Finance (lobbying), the result is quite the opposite - it is rather consistent with the earlier description of the conditions for political action. The same observation can be made if we focus on lobbying within the area of transportation, that is, on actions towards the Ministry of Communication where, as we can see in figure 4, the level of concentration is as high today as ever. The exception seems to be the development within domestic aviation. Here increasing concentration throughout the decade, reflecting the elimination of small aviation companies during the first years of the 1990s’ is followed by a surprising increase of fragmentation (growing pluralism) during the last years (using the Herfindal-Hirschman index as a measure on concentration).[19]

Figure 4. Degree of concentration of actors using political communication towards Department of Communication 1992–1998.



Rather than focusing on pluralism, the general finding seems to point towards concentration of power. Behind the rhetoric of a free market it is the same actors as before, dominant producers or even monopolies (in some cases former public enterprises) wielding influence within the policy area. Former relations have not disappeared. Rather, they have changed character, resulting in a strong policy network with numerous contacts, as well as shared experience and values. Within traditional channels increased participation of private corporations and representatives of industry and business follow marketization.

Conclusions and discussion

Irrespective if we ask about the causes of globalisation, the effects on the welfare state or the influence of policy changes on power, the answers revolves around the interplay between structural factors, political institutions and the interests and motives of the main contenders in the game. The dramatic institutional change of the credit market and growing openness was basically caused by political changes within the US economy. But in order to make a difference this shock had to be translated into the Swedish national setting. It was the interaction with the policy of high public spending, leading to a huge foreign dept and budget deficit, and the pressure from private banks as well as bureaucrats within the central bank that lead to the specific Swedish solution.

And if we turn to the effects on policies we can see that exogenous factors as low-wage competition, technological change or the threat of capital flight have to interact with the political institutions as well as the main actors' specific interests and motives in order to influence policies (c.f. Schwartz 2001; Swank 2001). There are evident signs of marketization of the Swedish public sector during the last two decades, as well as considerable variation between different dimensions. Marketization reforms have implied increased self-determination in several areas, in others more private production, and sometimes a slight increase in competition. However, large monopolies still exist and financing is still public within the important welfare sector. Market reforms that have received a lot of attention have in fact involved quite different dimensions and their impact has varied greatly. While welfare policies, defended by strong welfare alliances, have only been marginally affected, changes in infrastructure are more marked. Marketization is dependent on political preferences and interests in combination with different market positions and political institutions. But interests and preferences can change. Important factors in the Swedish case behind the introduction of different market solutions to education and the welfare sector in general are the national dept and budget deficit. The decisions were related to the economic crisis and the deals it generated at the beginning of the 1990s'. Another possible cause for radical change is constitutional reforms, which, even if they are "small", can have tremendous impact on the composition of support or alliances.

As we have seen in the last part considering power, the empirical cases of financial policies and infrastructure policies show that policy change reconstruct the institutional setting which in turn has impact on the power as well as make actors to reconsider their interests and motives. It is important to generalise these findings to the welfare policy area in a broader sense. On a general level policy change would probably effect power as much as other policies. The responsibility for schools, hospitals, care for the aged and child-care has been transferred from national to regional and local level. This has implied greater freedom for local variation. Concurrently with increasing freedom of individual choice, private production as well as private ownership, we are likely to notice a shift in power in favour of the private investors and new private producers, actors whose counterparts are local politicians with little expertise. Many of these newly created companies are parts of big social service corporations on a national or an international level. These new actors in this new market need information and contacts, make demands, sign contracts and settle agreements, and are consequently integrated into a growing mixed private-public welfare network. Over time their access to the (local) political representatives as well as to the welfare bureaucrats, who make the rules who control the market, will grow. The welfare system is not disappearing, but it will certainly follow a new path with a new welfare coalition ready to defend their specific interests. In the event of Sweden taking the American route, business, welfare and insurance companies will increase their interest in and actively promote social arrangements where access or generosity beyond basic needs will be founded on employment rather than citizenship rights (Cf. Dobbin 1999, 20pp).

Some participants in the debate will assess positively this development towards increased freedom of choice, a more pluralistic welfare system and a way to guarantee the basic needs for all. Other analysts see it as the collapse of the Swedish Model, where joint commitment will be replaced by private interest, to the disadvantage of people lacking individual resources. However, irrespective of how we evaluate the outcome, it should be clear that the path taken is the result of political choice and not something solely determined by anonymous global forces. Arguments about the "inexorable effects" of globalisation or international integration are only powerful if it can be shown persuasively that "integration so demands". When all is said and done, the future of the Swedish Model relies on political choice.

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[1] Garrett (2000) put forward four different perspectives in which technological determinism is complemented with ”new preferences and coalitions” (implicating power as well as ideological change); ”increased cost of closure” (the costs of regulation increases with increase of liberal reforms in other countries) and finally, that globalization is something quite old.

[2] The following reasoning and story can be found in Report from the Riksbank to the Parliament 1985/86: 15; Svensson 1996 (Interviews with several former members of the central bank staff). The story and the arguments are also told in Svensson 1991, chapter 5.

[3] Interview, Anders Sahlén. Former general Secretary of the Bank of Sweden, a short period the leader of the Swedish Financial Supervisory Authority.

[4] Interview Erik Åsbrink. At that time the First secretary of the Ministry of Finance, later on Minister of the same department.

[5] This also includes the internal, and at that time, hidden empirical data.

[6] It can be pointed out that an actor certainly has an interest to refer to ‘necessary adjustments’ to a given international integration, rather than to explicitly refer to power or underlying ideological reasons. The discrepancy between the official arguments and the interest of the commercial banks is quite interesting on this matter. Clear evidence of this tendency in a similar case can be found in Johansson 2000, telling the story of the withdrawal of employers’ organization (SAF) from the corporatist negotiations with the state and the unions.

[7] Illustrating different states of public control or marketization in this way we have to bear some assumptions in mind. First and foremost, the ***graph is only used for illustration*** and not real measurement. There are no ambitions to work out quantifiable scales applicable to quite different policy domains. Secondly, the different dimensions are drawn in such a way as to imply they have a zero-point and are independent of each other, and thirdly, the model is multiplicative rather than additive. This implies that a

change along one dimension changes the total area of marketization, it is not only adding more of one dimension. But it is multiplicative only in a "soft sense". Areas of the same size, but with a different profile or shape, produce divergent interpretations. Cf. Denkhaus & Schneider 1997 and Blankart 1990 who work with two different pairs of dimensions (control of property rights and competition respectively ownership and regulation) where other researchers are confined to one-dimensional measurements.

[8] Another mean to get hold of the power was the nationalization of the whole private insurance sector. This led to an agitated debate but was never accomplished.

[9] For a description in greater detail, Cf. Svensson 2001, ch.5.

[10] Even the most fundamental public assistance allowance has undergone some development in this direction (SOU 2000:3, 99pp). The contributions were all down to a level of 75% in 1995.

[11] However, the Social Democrats allowed private alternatives focusing on alternative pedagogy and certain profiles in music and sports.

[12] Schwartz (2001) make a distinction between employers and unions with different market positions, sheltered or exposed. This implicates four different views regarding welfare policies (30pp).

[13] Cf. Kitschelt et.al. 430pp and Soskice 1999 on the difference between "co-ordinated" and "liberal market economies" (CME and LME) and how the design of the welfare state has been producing its own support among producers as well as consumers. (455p). Cf. Svensson 1994, Pierson 1996; Stephens, Huber & Ray 1999, 179-193; Swank & Martin 2001 (with special attention to the importance of employers' organisations). Cf. Svallfors 1996 and Svallfors 2000 on the electoral support for the Swedish welfare state. Anderson 1998, Anderson 2001 (the support for social insurance).

[14] Most convincing so far is Oskarsson 2001. Cf. Kitschelt, Lange, Marks & Stephens 1999, 438pp. Swank (2000) ch.7. Swank rejects the curve-linear alternative, where initial compensation is followed by retrenchment in a later stage, as well.

[15] Intuitively fruitful, the idea seems at the same time to be problematic. Without a precise theory about the structures and about the conditions of expected change you falling the risk to produce "ad-hoc reasoning", putting the etiquette "formative moment"

on the event *ex post*. A possible way out is to develop the theory on "path dependency". Cf. Pierson 2000.

[16] Swank also points to the importance of the more competition-oriented corporatism that focuses on increased productivity and liberal reforms. Together this will decrease the support for the welfare state. Cf. Soskice 1999, 124pp (on the transition from "CE-regimes" to "CME-regimes").

[17] The empirical data is interviews with central bank leadership during the period, representatives for the private banks and their archive containing minutes from these meetings.

[18] Data is from Statistics Sweden (SCB) on the Swedish population and their employment 1987 to 1996.

[19] Concentration measured on data for 1992 to 1998 with the Herfindal-Hirschman index, where 0 is total fragmentation and 1 is total concentration. Data about the commercial banks contacts with the State bank; the Swedish Financial Supervisory Authority and Governmental Committees support this analysis. For further analysis, Cf. Svensson 2001, ch.6.