



THE UNCERTAIN FUTURE

by Steven Kelman

Few Americans, even those who know a bit about Sweden, have ever heard of the Swedish economist, Gösta Rehn. Nor have they heard of the so-called Rehn model named after him. But understanding the controversial Rehn model is crucial to understanding where Sweden has come from and where it may be going.

First, the Rehn model of the economy has embodied Sweden's recipe for combining economic growth with increased wage equality—and full employment with controlled inflation. It has also illustrated the Swedish ability to develop programs which satisfy both trade unions and business.

Second, the breakdown of the consensus over the Rehn model in the late 1960s signaled the current era of uncertainty, in which the ability of Sweden's political institutions to come up with new programs and reforms acceptable to a wide range of organized Swedish interests is being put to a severe test.

Rehn argued, as long ago as 1951, that Swedish unions ought to abandon opposition to technological change in industry, while not "going soft" in wage negotiations with low-wage, low-efficiency firms. Furthermore, Rehn believed that inefficient firms should not be allowed to ask the government for handouts in order to survive. They should either improve their efficiency or go bankrupt.

According to Rehn, the government was expected to carry out an "active labor market policy" by finding temporary work for the unemployed in public works projects, by retraining workers as necessary, and by providing grants to cover moving and relocation costs for the unemployed when they found jobs. There was something here for both labor and big business. Labor got full employment, increased wage equality, and the benefits of economic growth. Big business got assurance of continuing technological change and a supply of workers for expanding industries.

After its initial adoption in the mid-1950s, the Rehn model worked splendidly for a time. During the late 1960s,

some unexpected things happened. After small inefficient local firms in northern Sweden went bankrupt, their former employees duly landed in highly paid industrial jobs in the big cities. But many of these workers soon discovered that they preferred small-town life back home. Technological change at the factory level also created dissatisfactions. Work sometimes became more boring or faster paced, or both. Finally, it was discovered that the union policy of negotiating equal wage increases for workers in both weak and strong firms tended to hurt the weak, low-wage companies and provide excess profits for strong companies, which could afford even higher wages.

A "Green Wave"

These difficulties became apparent at a time when the Center Party, one of the three nonsocialist parties opposing the Social Democrats, was in the process of articulating the Swedish version of an environmentalist, antigrowth, "small-is-beautiful" critique of Sweden, that most modernistic of modern societies. The Green Wave, as it came to be called, featured demands that Sweden reverse the general trend towards industrial and population concentration by putting massive governmental resources into a movement to spread industry and social services evenly throughout the country, so that people could stay in small towns, close to nature, if they wanted to. The Green Wave's spokesmen also urged that Sweden reverse its "march into the nuclear society" by abandoning atomic power as a source of energy—this in a country where such sources now provide more electricity per capita than anywhere else in the world (twice as much as in the United States).

The reaction against the effects of technological change on workplace conditions occurred mainly within the union movement and the Social Democratic Party. It took the form of calls for "co-determination"—a demand for union involvement in everything from setting the pace of work to deciding when to set up new shifts or abandon production lines. In

Steven Kelman, 29, is a doctoral candidate in political science at Harvard, where he received his B.A. in 1970. Born in New York City, he is the author of Push Comes to Shove: The Escalation of Student Protest (1970) and Behind the Berlin Wall: An Encounter in East Germany (1972). He will spend the coming academic year at the Institute for Social Research in Stockholm before assuming the post of assistant professor of government at Cornell in 1978.

effect, this meant the end of the Rehn notion that unions should not attempt to block technological change.

This year, labor-management negotiations are underway concerning the content of co-determination agreements, and one of the most interesting changes worth watching in Sweden in the coming years will be the effect of co-determination on Swedish industry and working life.

Other issues growing out of reactions to the Rehn model remain as open sores in the Swedish political system. The Green Wave thrust the Center Party from a position as the smallest of the nonsocialist parties to that of the largest. Some parts of the Center program, such as increasing grants to industries willing to locate in depressed regions of Sweden, had already been introduced earlier by the Social Democrats. But the nuclear power issue still festers, plastered over by an almost comic compromise between the Center and its two coalition partners, who favor continued reliance on nuclear power. After pledging in the 1976 election campaign that he would never agree to the continued construction of nuclear power plants, the Center leader, Thorbjörn Fälldin, now Prime Minister, said that the plants should be built to save the jobs of construction workers—but should not be allowed to come into use.

Buying Union Control

In 1971, Rudolf Meidner, the senior researcher of the *Landsorganisation* (the national labor federation) and an old associate of Gösta Rehn, was assigned the task of finding solutions to the "excess profits" problem caused by the uniform wage-increase negotiating strategy.

Meidner's scheme for dealing with excess profits—the handing over of new issues of company stock to a union-controlled fund—would permit those unions to achieve eventual voting control of most Swedish companies. Clearly this plan would bring a fundamental transformation of the Swedish economic structure. It remains to be seen if the national labor federation and the Swedish political parties can reach a satisfactory compromise on this issue.

All these discussions about Sweden's future take place against a background of economic uncertainty, as in other Western countries. One should be skeptical about suggestions that Sweden's high tax burden, wage levels, and fringe benefits spell an end to the steady economic growth that has propelled Sweden near the top of the GNP-per capita league.

Such predictions have been voiced regularly by critics of the Social Democrats ever since the 1930s.

Nevertheless, serious questions remain. In 1975 and 1976, wage increases in Sweden far outstripped increases among Sweden's leading foreign competitors like West Germany, a difficult situation for a country as dependent on foreign trade as Sweden. Typical of Sweden's increasing difficulties overseas is the plunge of Volvo auto exports to America. In 1973, Volvo sold almost as many cars in America as in Sweden; now, a combination of a buoyant home market and weak U.S. market has transformed the ratio to nearly 2:1 in favor of domestic sales. U.S. Volvo sales slumped 27 percent in 1976. Even more ominous: Volvo lost about one-fourth of its American dealerships. In August 1977, partly to help export sales, Sweden devalued its currency by 10 percent.

Moreover, Sweden is moving away from the Rehn model policy of not subsidizing weak industries; there have been massive government subsidies to shipbuilding and steel. There is also a small but noticeable trend toward making up for lost markets in the industrialized world by essentially "political" sales to Third World countries like Algeria and Cuba; the foreign government is the purchaser, and the purchase often constitutes a gesture of appreciation for Swedish support. (Sweden, which backed the winning side in Angola with both public statements and money, negotiated a major sale of Volvo trucks to Angola last year.) One by-product of this is that it may reduce Sweden's freedom to adopt independent stands on issues of importance to Third World countries.

Yet overall, the visitor to Sweden in 1977 is struck not by the impression that a social experiment has broken down or run out of steam, but rather by a bubbling surfeit of new experimental beginnings. Most of the new areas of serious concern in Sweden also crop up in America—not only the small-is-beautiful and industrial democracy issues, but also, for example, the shifting roles of men and women.

Sweden approaches these new questions without the pristine certainties of days gone by, and with an economy that is just hobbling along. What the Swedes still have in their favor is a set of political institutions that appear better adapted than ours to produce wide agreement on new courses of action and a strong residual optimism, which reminds one of the hopeful innocence for which Americans were once famous.

