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The "People's home" is falling down, time to update your view of Sweden

Abstract

Swedish society is changing profoundly. The egalitarian, solidaristic "People's Home", which has attracted widespread progressive admiration internationally, is being eroded and dismantled. The political economy of this process, since the turn of the 1980s, is highlighted; a process which includes a major, if not complete, substitution of a capitalist market of social provision for a welfare state, and of a stock market-driven capitalism for a full employment work economy. Some of its direct inegalitarian consequences are indicated, as well as unintended ones of petty corruption, cronyism, and swindle. The socio-political dynamics of the turn is briefly outlined.

Keywords: outsourcing, neoliberalism, Swedish model

From public service to private profiteering

In 2017, a profound process of social change in Sweden, an almost forty years old process, has suddenly been highlighted by a chain of scandals.

The latest so far – by August 17th – concerns a corporation specializing in leasing physicians to public health care. Because of its shady financial practices, its accountants KPMG have refused to sign an audit for it and have left their job. The making of Swedish passports has been outsourced to a cosmopolitan firm, through two consecutive lucrative non-competitive contracts. Two entrepreneurial policemen of the Police Board, generously wined and dined by the firm, convinced one rightwing and one Social Democratic government, that "for security reasons" there should be no competitive bidding. Somewhat earlier this summer, another outsourced "security" issue blew up, forcing two cabinet ministers to resign. Under the previous rightwing government it had been decided to outsource the IT management of all the registers of the Transport Board to private business. First to a Swedish one, but in 2015 the Director paid IBM to do it, without demanding any security clearance, and IBM outsourced the data, many of them sensitive to Swedish defence, further to its Eastern European contacts. At about the same time, it came out that Swedish Social Insurance had paid out about \$800 million to fifteen mafia companies claiming to provide assistance to disabled people. Last winter and spring the Swedish public was informed of two thirty-somethings who

had swindled 130,000 pension savers before their company – whose board included the former CEO of Swedish Business and a former Social Democratic Minister of Justice (!) – was thrown out of the part-privatized pension system.

These cases all derive from the conception that private profiteering is always better than public service and provision, which therefore should be outsourced and marketized. They are just the tip of a huge iceberg. By 2014, a third of all patient health care visits went to a private provider, a fourth of all home care hours for elderly, and a fifth of special elderly housing were private business (Vårdföretagarna 2016:34f). In education a fifth of pre-school children are in private hands, 15 percent of primary school, and a 25 percent of secondary school children, according to *Skolverket* (National Board of Education) statistics, still a public service. Most of these private units are for profit, some of them taking their profits to international tax havens.

The new business of Sweden is business

”Sweden Heads The Best Countries For Business For 2017”, *Forbes* declared on 21.12.2016. Post-industrial capitalism, accumulating on stock, finance, and real estate markets took off in the second half of the 1980s.



Figure 1. Stockholm stock exchange turnover as percentage of GNP, 1963-2012. Source: Hedberg & Karlsson 2016:239.

The stock exchange value went from 12 percent of GNP in 1980 to 68 in 1989 and 128 in 2012, i.e., larger than in the leading ”shareholder value” countries, USA and UK, at 115 and 123 percent in 2012 (Hedberg and Karlsson 2016:214). The soaring stock and

financial markets are behind the remarkably rapid rise of income inequality in Sweden noted by the OECD. In Greater Stockholm in 2010 the top decile was the only part of the population with a positive capital income, and the latter made up 32 percent of the declared income of the richest ten percent.¹ Measured by the Gini coefficient, wealth is now distributed in Sweden more unevenly than in USA, although the share of the top 1 percent is much larger in the US (Lundberg and Waldenström 2016:40).

Sweden's turn to stock exchange capitalism has been accompanied by an abandonment of full employment, once the pride of social democracy. During the oil crises of the mid-1970s and the early 1980s, Sweden belonged to a quintet of developed countries successfully keeping unemployment below five percent (at 2.8% on the average), Austria, Japan, Norway, Sweden, and Switzerland. Full employment as the primary goal of economic policy was abandoned in 1990, and has remained secondary and unreachd ever since. The other four countries have been more successful, and joined by others.

How could it happen?

Two key processes: 1. A Social democratic turn to neoliberal economics in the 1980s: a competitive devaluation to raise business profits, de-regulation of the credit market, abolition of all capital controls, substituting inflation control for full employment as priority policy. 2. A rightwing government policy of 1991–94 and 2006–14 of turning social rights into a market for private business.

Enabling contexts, of political economy: General transnationalization, financialization, and de-industrialization of core capitalism, new type of economic crises in mid-70s and early 80s, international diffusion of neoliberal policies of de-regulation, sharp transatlantic rightwing political turns. Of sociology: weakening of industrial labour, middle class expansion, a post-1968 de-radicalized individualism.

Political skill and concentrated power: The Social Democratic turn to liberal economics was made by a small group of technocrats in the Ministry of Finance and the National Bank, whose influence grew with their seemingly successful overcoming the crisis situation in the early 1980s. With the new homemade crisis from their deregulations they were thrown out of power, together with the whole party. But the liberal current in Social Democracy survived, and back in office from 1994 they maintained the rightwing opening up for private welfare business. However liberal, they have respected the party links to the unions, the leading one of which organizes the workers of the export industry and has always had an ear for liberal economics,

The architects of the successful bourgeois coalition governments of 2006–14, also a tiny coterie, operated in a similar manner, also skillful at crisis management. The major party, the "New Moderates", turned Blairism upside down, and vaunted their respect of union rights. The tax cuts were smartly finessed, the abolition of taxes on property, wealth, and inheritance was accompanied by income tax cuts for the employed working-class. The new social divisions created by the privatization of education

1 Calculations for my study by Simone Scarpa from Statistics Sweden household income data.

and care were blurred by being paid for by vouchers from taxes. In the public debate so far, the liberal slogan of "freedom of choice" has been at least as popular as the leftwing "no profits on welfare".

Effects: Inequality and social corrosion

The income equalization of 1968–80 has been wiped out, and Sweden is now a mediocre European country of income distribution, but with an extraordinary of inequality of wealth. Welfare capitalism has opened up new channels to private enrichment. Its effects on service provision are unclear and controversial. The effects on health and social care, appear too uncertain to call (Hartman 2011). School performance has declined since 2000, the gap between socially advantaged and disadvantaged pupils has increased, and is wider than the OECD average. Taking their social background into account, public school students perform better than private (OECD 2016).

A major effect is illustrated by the scandal cases mentioned above. A corrosion of the social, the civic, and the professional, through the strong incentives to monetary instrumentalization, to corruption and to cronyism. The social formation of modern Sweden, People's Sweden, of independent farmers, organized workers, and public service professions is up for sale.

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