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PONTUSSON, Harry Jonas. Labor, Corporatism, and Industrial Policy: The Swedish Case in Comparative Perspective. *Comparative politics*, 1991, vol. 23, no. 2, p. 163

DOI : 10.2307/422359

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The Swedish Case in Comparative Perspective

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In capitalist societies, the investment decisions of private individuals, corporations, and financial institutions largely determine the direction of economic development. But governments sometimes undertake strategic investments through state enterprise or lending to the private sector. Furthermore, many government activities influence the investment decisions of private actors. While the effects of government policy are often indirect and unintended, state intervention in its various forms provides an opportunity for societal actors other than business to shape allocative outcomes in a purposive manner.

Focusing on the Swedish experience, this essay addresses the ability of organized labor to influence corporate investment decisions through corporatist arrangements and, specifically, through its participation in the formulation of selective industrial policy measures. Following conventional usage, I employ the term "corporatism" to designate any arrangements whereby organized interests participate directly in the formulation of government policy. (I shall later distinguish between bipartite and tripartite corporatism.) By "selective industrial policy," I mean any direct government support to business that targets particular firms, sectors, regions, or investment projects. It is commonplace to distinguish between defensive and offensive industrial policy, that is to say, between measures that subsidize inefficient production and measures that promote particular forms of economic restructuring. Since a purely defensive industrial policy is obviously not viable over the long run, I am particularly interested in labor's influence over offensive industrial policy measures.

It should be noted at the outset that labor might influence state policy by means other than direct participation in policymaking (for example, electoral mobilization and industrial militancy) and that the state might influence corporate investment decisions by means other than selective industrial policy measures (for example, trade policy and profits taxation). Also, labor might influence corporate investment decisions directly through codetermination or collective bargaining. The purpose of this essay is *not* to provide an overall assessment of the extent of labor's influence over corporate investment decisions in Sweden. Rather, my aim is to bring out and to account for what I believe is a fundamental tension between labor incorporation in policymaking and selective state promotion of economic restructuring. This tension bears on a number of prominent themes in the growing literature in comparative political economy, yet the literature to date either misses it entirely or fails to articulate it theoretically.

I shall explore the tensions between labor incorporation and selective state promotion of economic restructuring first by contrasting the role of the Swedish state in postwar economic development to that of the French state, and then by contrasting Swedish industrial policy to

Swedish labor market policy.[1] Whereas the cross-national comparison speaks primarily to the question of the state's leverage over business, the cross-policy comparison speaks more directly to the question of labor's leverage over the state. Let me begin by setting out my principal arguments under four headings: the outcomes to be explained (that is, the basic contrasts that emerge from each comparison); the significance of these outcomes; the explanations I shall develop; and the premises of my discussion.

Outcomes

As Andrew Shonfield noted a long time ago, Sweden and France exemplify two distinctive types of supply side intervention in economic development.[2] Postwar French planning hinges on selective state intervention in the supply of capital and involved direct influence over corporate investment decisions. In Sweden, the state rarely intervened in this manner prior to the 1970s; instead, supply side intervention occurred through labor markets and focused on promoting labor adjustment to market-driven restructuring. I shall argue that this contrast is closely related to the fact that French labor was weak and politically excluded while Swedish labor was strong and politically integrated in the postwar era.[3]

The basic point of the comparison of policy arenas within the Swedish case is that the patterns of policymaking that accompanied the emergence of selective state intervention in the supply of capital in the 1970s diverged markedly from that of "active labor market policy." In the industrial policy arena, corporatist arrangements were less prominent, and organized labor was less able to influence policy outcomes through corporatist arrangements.

Significance

Most students of Swedish politics fail to specify the limits of corporatist policy bargaining, conveying the image that all significant state policy measures—indeed, all significant political-economic outcomes—are a product of direct bargaining between representatives of labor and capital. Both my comparisons bring out the circumsbribed or asymmetric character of Swedish corporatism: whereas the restructuring of the labor force became subject to detailed state intervention and corporatist bargaining in the postwar period, the restructuring of capital has largely remained beyond the reach of corporatist policymaking. In view of this asymmetry, it seems somewhat misleading to characterize the Swedish political economy *in toto* as "corporatist" (and I suspect that this holds for other supposedly "corporatist" political economies as well).

My comparison of Sweden and France suggests a critique of the conventional conceptualization of "statism" as well as corporatism. For Stephen Krasner and other proponents of the statist perspective, "strong states" like France and Japan are distinguished by their autonomy from societal pressures and their ability to change society.[4] The problem with this view is that it treats society as a single entity and fails to take into account how relations between the state and particular social groups differ. It may be that the French state has been more autonomous from business interests than the Swedish state, but this observation clearly misses the crucial contrast between the two cases, namely, that the French state has been far more able to ignore or resist the demands of organized labor. It is hardly coincidental that the systematic pursuit of an interventionist industrial policy was accompanied by the political exclusion of organized labor in the Japanese case as well.[5]

Explanations

Why did the Swedish state adopt one form of supply side intervention, and the French another? As commonly noted, such variations among advanced capitalist states fly in the face of functionalist arguments that explain the changing role of the state in terms of objective requirements for the (expanded) reproduction of capitalism.[6] But this particular contrast also flies in the face of the literature that explains the extent and purposes of state intervention in terms of the balance of class power and, in particular, the power resources of labor, for the implication of this literature is that the state will intervene more extensively and more selectively where labor is strong.[7] Generalizing from the postwar experience of welfare state expansion, the "power resources school" ignores the French and Japanese cases.

The functionalist approach might be recast by distinguishing different (national) patterns of capitalist development, each with its distinctive set of reproductive problems. Along these lines, I shall argue that French industrial policy and Swedish labor market policy can be seen as responses to different kinds of growth problems and different political pressures associated with such problems. The fact that state policy served certain functions that were necessary for capital accumulation does not explain its adoption, however. Our approach must allow for the possibility that the state might fail to fulfill necessary functions or might exceed its functionally necessary role. At this point, an analysis of the power and strategies of different class actors becomes necessary.[8] In contrast to the power resources school, I shall here emphasize the power of business and its attitude towards the state. Simply put, my argument is that business is more likely to resist selective industrial policy initiatives when labor is strong.

Turning to the cross-policy comparison, I shall argue that the ability of Swedish labor to influence labor market policy through corporatist arrangements hinged on its ability to bring marketplace power to bear on corporatist decision making in this policy arena and that the nature of industrial policymaking precluded such an articulation of corporatist and "extracorporatist" power resources. In other words, labor's ability to wield power through corporatist arrangements depends on the purposes and modalities of state intervention. Formal representative arrangements are of secondary importance.

Premises

Following Leo Panitch, I want to argue that corporatism should not be treated as a political-economic system unto itself. Rather, corporatist arrangements should be conceived and analyzed as partial elements of a broader configuration of institutional structures and class relations.[9] In contrast to Panitch, however, I do not assume that the capitalist context of corporatist policy bargaining precludes any meaningful exercise of power by labor. The question of how the policy outputs of corporatist arrangements relate to the interests of labor and business is a matter to be settled through empirical investigation. More important, my analysis seeks to go beyond the rather sterile debate between those who simply assume that labor benefits from representation in policymaking and those who treat corporatism as a mechanism of cooptation by reformulating the question. From the perspective adopted here, the question is not whether labor can exercise power through corporatist arrangements, but rather under what circumstances and for what purposes it can do so.

It is, of course, problematic to generalize from a single country case (or a comparison of two cases), and the tentative nature of the arguments suggested here must be noted. On the other hand, the Swedish case arguably represents a limiting case of the corporatist exercise of power by labor in a capitalist setting. Other countries, such as Austria, might fit the ideal type of tripartite corporatism better, but it seems quite safe to claim that in no other country has the labor movement been as influential as in Sweden. With roughly 85 percent of the work force belonging to unions, Sweden is by far the most highly unionized of the advanced capitalist countries. Also, the Swedish Social Democrats have enjoyed a longer and more stable tenure in government than any other reformist labor party (1932–76, 1982–present).

Sweden versus France

The postwar governments of both Sweden and France catered to the interests of large, export-oriented, and technologically advanced industry, but the allies of big business differed. The governing coalition that emerged in France in the 1950s included small business and various "petty bourgeois" (self-employed) strata. Along with nonunionized, often Catholic employees of small business, these traditional strata provided a mass electoral base that made it possible for conservative governments to exclude organized labor from policymaking. In Sweden, organized labor was an integral part of the postwar governing coalition. The "Swedish model" reconciled the interests of big business and labor at the expense of smaller and less efficient employers. In this sense, it represents the diametric opposite of the "French model."

As indicated above, I want to explore the relationship between labor's position in the political economy and the distinctive modes of state intervention—supply side intervention in particular—that emerged in Sweden and France in the era of postwar expansion. This relationship involves the structure of interest representation in the formulation of state policies. I shall first lay out the essential differences between the modes of state intervention and the patterns of policymaking in the two cases, and then develop my explanation for these differences.

Modes of State Intervention As John Zysman and others argue, French planning can be seen as the ideological-institutional framework of an industrial policy (or policies) involving the selective use of financial incentives to bring about certain kinds of marketplace outcomes.[10] Zysman's analysis of the French system of corporate finance points to three types of interventionist levers. First, the French stock market was always very small, and French business depended on long-term credit for external finance. This dependence was a source of bank leverage in corporate affairs, but long-term lending in turn rendered banks vulnerable, and their need to refinance corporate loans with the central bank or parapublic credit institutions became a source of state leverage over banks (most of them nationalized). Second, the state intervened to keep interest rates down. As the demand for credit typically exceeded supply, its allocation necessarily came to involve an element of discretion by bank managers and/or government officials. Third, the French state subsidized loans for particular development purposes.

Zysman argues that these levers enabled elite bureaucrats committed to economic modernization to impinge on the marketplace choices of corporate management and to build alliances with particular firms. Equally important, he suggests, state domination of the financial system was a source of information about and expertise in corporate affairs, enabling government officials to formulate viable industrial policies.

What is striking about the Swedish case, especially by comparison to the French, is the fact that institutional arrangements which, on the surface, would seem to provide a potential for selective state intervention in the supply of capital to the corporate sector were never really deployed in this fashion. The build-up of public pension funds in the wake of the pension reform of 1959 is frequently cited as evidence of a gradual extension of public control of investment. At their peak in 1970–73, public pension funds accounted for more than 50 percent of supply to the market for long-term credit. However, the legal rules governing their lending practices effectively prevented the funds from pursuing any active investment policy or otherwise exercising discretionary influence over final borrowers.

Through lending requirements imposed on private insurance companies as well as public pension funds and control of the release of new bonds issues, the central bank intervened extensively to secure cheap credit for the central government and the housing sector in the postwar era. But the central bank consistently avoided detailed intervention in the supply of credit to business. Whenever the central bank restricted the release of corporate bonds, the commercial banks (all but one private) were allowed to issue corporate bonds on a rotating basis, and it was up to each bank to decide which bonds to issue when its turn came. In this and other respects, the big private banks can be said to have shielded business against the state.

The Swedish system of "investment funds" enables firms to escape taxation by setting aside profits for future investment. To remain tax exempt, the funds must be invested according to government stipulations. Though the release of investment funds provides a potential lever for the state to influence the kinds of investment that firms make, as well as their timing, it was primarily used as a tool of countercyclical management in the 1950s and 1960s. In other words, government releases specified a time period during which the funds had to be invested but did not discriminate among firms or investment projects. In the 1970s, the system of investment funds evolved into a general investment subsidy and thus lost its potency as an instrument of countercyclical as well as allocative state intervention.

On the other hand, the Swedish Social Democrats pioneered selective state intervention in the labor market in the postwar era. Accounting, on the average, for 4.7 percent of the central government expenditures in 1965–75, this type of intervention included measures to stimulate demand for labor in particular localities and to create jobs for particular categories of workers, notably the handicapped, but also supply side measures to promote labor force adjustment to changes in the demand for labor (such as retraining programs and relocation subsidies).

Patterns of Policymaking Postwar Swedish governments avoided direct intervention in wage bargaining, and wage bargaining remained distinct from corporatist bargaining over state policy. Still, the notion of "political exchange" captures the underlying reality of postwar Swedish policymaking: the unions recognized wage restraint as necessary for the Social Democrats to remain in power and in return expected a strong voice in policymaking.

While Swedish policymaking has been characterized by extensive consultations with unions and business organizations, we find very little "tripartism" of any substance in the French case. The institutional framework of planning established in the immediate postwar period included various consultative mechanisms, designed to promote producer group collaboration, but organized labor was quickly marginalized, and planning increasingly came to assume the character of informal bargaining between state bureaucrats and managers of big firms—in Andrew Shonfield's apt phrase, a "conspiracy in the public interest between big business and big offialdom."[11] While postwar French governments did not depend on organized labor for electoral support, the organizational weakness of the unions and the massive transfer of labor out of agriculture meant that wage pressures did not pose a serious threat to economic growth. It was neither politically nor economically necessary to integrate organized labor into policymaking. At the same time, the subsidization of traditional conservative constituencies sharply curtailed the room for concessions to organized labor.

To a degree, business organizations were also bypassed in the formulation and implementation of selective policies to promote economic modernization in postwar France, but in many spheres they retained an important role in the policymaking process. It seems useful to distinguish two different kinds of institutional relationships between state and business in the French case: on the one hand, "technocratic" ties between state bureaucrats and firms (represented by corporate managers); on the other hand, "corporatist" ties between state agencies and sectors (represented by trade associations). In parallel fashion, it might be possible to distinguish between "interventionist" and "protectionist" state agencies. Be that as it may, the coexistence of these two patterns of policymaking facilitated the displacement of conflicts within the governing coalition.

The postwar "encorporatization" of Swedish policymaking went furthest in the arena of labor market policy. To facilitate a flexible response to labor market developments, the government delegated a great deal of decision-making authority to AMS, the administrative agency responsible for the implementation of labor market policy. With a supervisory board composed almost entirely of union and employer representatives, and union representatives forming a majority, AMS might be characterized as the prototype of a corporatist state agency. Significantly, corporatist representation was reproduced at lower levels of the organization through issue-specific advisory committees within the AMS bureaucracy as well as regional and local labor market boards.[12]

The AMS pattern of policymaking was *not* generalized across the gamut of government activities, however. The tripartite boards of the public pension funds represent a rare instance of the corporatist arrangements in the sphere of investment decisions, but these boards rarely met and never became the locus of meaningful decision making. In effect, they simply ratified allocative outcomes determined by a combination of legal constraints, central bank quotas, and market forces. The regulation of credit markets by the central bank represents the most important form of direct state intervention in the allocation of capital in Sweden prior to the 1970s, yet organized labor was never formally represented in this policy arena (nor was organized business). In short, the extent of state intervention in the restructuring of capital was very limited in postwar Sweden, and the pattern of policymaking that characterized such intervention did not fit the corporatist model.

Howard Machin and Vincent Wright question the degree to which the French state can be said to have pursued a coherent economic development strategy, as the adherents of the strong state argument claim.[13] Focusing on the most recent period, but clearly conceiving their argument as applicable to the postwar period as well, they point to the multiplicity of industrial policy mechanisms, deep-seated rivalries among state agencies, and the lack of overall coordination. I shall not attempt to settle this controversy here. Suffice it to note that my comparison of Sweden and France does *not* involve the claim that the French state pursued a more coherent development strategy. The point is simply that the two states intervened in economic restructuring by different means and that different interests were represented in the policymaking process.

Explanation I: Postwar Growth Problems The different patterns of state intervention and policymaking identified above are related to the distinctive dynamics of postwar growth in our two cases. Arguably, the French and Swedish states developed different interventionist capacities because they confronted qualitatively different kinds of growth problems.[14] In other words, sustained economic growth required different types of supply side intervention by the state in the two cases. The reasons for this might in turn be derived from the different make-up of domestic postwar coalitions and the societal interests served by state policies. Simplifying considerably, we might say that the French case represents a coalition of export-oriented business, smaller domestically oriented business, and various petty bourgeois strata governing at the expense of the working class and that the Swedish case represents a coalition of big business and labor governing at the expense of smaller business and the self-employed.

Again, small businessmen, the self-employed, and the nonunionized, often Catholic, employees of small business provided a mass electoral base for conservative governments in postwar (and prewar) France. At the same time as postwar governments promoted economic modernization, they cushioned its impact on "traditional strata."[15] They taxed the petty bourgeoisie most leniently and protected it against market pressures through tariffs and subsidies. They also enacted industrial relations legislation that enabled employers, small and large alike, to resist unionization or to play unions off against each other. Though real wages grew very significantly from the early 1950s to the early 1970s, the working class paid for the protection and subsidization of inefficient business, most notably agriculture, through more regressive taxation and a higher rate of inflation than in other advanced capitalist countries.

The subsidization of inefficient business reduced the marketplace incentives for moving resources from declining to expanding sectors of the economy. Selective state intervention via the financial system can be seen as a response to this problem, for it enabled the state to steer capital to growth sectors/firms behind the protective barriers and inflationary biases built into the French economy. Over the long run, the effects of rapid, government-promoted growth and modernization outweighed government efforts to protect traditional strata: the small business sector contracted, and a massive transfer of labor out of agriculture occurred in the 1960s.

In the Swedish case, by contrast, the overall thrust of government and union policies in the postwar period was to reinforce marketplace incentives for capital to move. "Solidaristic wage policy" might be characterized as the centerpiece of the political economy of class compromise in postwar Sweden. Adopted by LO, the powerful confederation of blue collar unions, in the 1950s, this policy meant that LO would seek to coordinate the wage bargaining of its affiliates according to the principle of equal pay for equal work, irrespective of employer ability to pay. Corresponding to the redistributive ambitions of the labor movement, solidaristic wage policy also served as a means to promote the productivity growth necessary to reconcile high wages with price stability. For wage solidarity meant that workers in the most efficient firms or sectors would restrain their wage demands while LO would push for higher wages for workers in less efficient firms or sectors. As a result, the profit margins of more efficient employers would increase, encouraging them to expand capacity, while the profit margins of less efficient employers would be squeezed, forcing them to rationalize production or go out of business.

LO's wage bargaining strategy thus pitted the interests of different segments of business against each other. Trade liberalization played an important part in enforcing the selective profits squeeze implied by wage solidarity (curtailing the ability of inefficient producers to pass higher wage costs on to consumers) and symbolized the convergence of interests of labor and export-oriented business. As a group, the employers remained committed to the principle that market forces should determine wage increases, but they were willing to compromise this principle in return for wage restraint.[16] Though local wage drift often counteracted the redistributive provisions of central wage agreements, a very substantial reduction of wage differentials among LO members did indeed occur in the 1960s and 1970s.

Capital mobility was hardly a problem in this context. Rather, the most pressing problems confronting the government had to do with labor adjustment to the restructuring of capital. Labor adjustment was a problem in a twofold sense. On the one hand, workers and communities were adversely affected by economic change, and their problems had to be addressed in a direct and visible manner in order to sustain the consensus behind restructuring within the labor movement. On the other hand, the bottlenecks in the supply of labor that accompanied rapid economic restructuring under full employment threatened solidaristic wage restraint by strengthening the bargaining power of workers in growth sectors. At the same time that active labor market policy helped workers adjust to changes in the demand for labor brought about by economic restructuring, it subsidized the recruitment and training costs of growth sectors.

The different modes of supply side intervention in our two cases might thus be explained as responses to different kinds of growth problems and the political pressures associated with such problems. In each case, selective supply side intervention served to reconcile the interests of different segments of the governing coalition.

Explanation II: The Power and Preferences of Business The "functionalist" explanation set out above can not stand by itself, however. For one thing, it invites the obvious question, why were different governing coalitions formed in the two cases? The obvious answer, suggested earlier, is that the Swedish labor movement was stronger than the French by virtue of a more favorable social structure and greater political unity and simply had to be included in the postwar governing coalition. To be sure, this amounts to no more than a reformulation of the question, but I shall not address the historical reasons for labor's greater strength in Sweden here.[17] Instead, I want to pursue a different critique of the functionalist explanation set out above.

The fact that state policy did serve certain functions that were necessary for capitalist development does not explain its adoption. Our approach must allow for the possibility that the state might fail to fulfill necessary functions. Also, it must allow for the possibility that the state might exceed its functionally necessary role. It may be that active labor market policy was precisely the kind of selective supply side intervention needed to lubricate capitalist development in postwar Sweden, but this does not explain why the Swedish labor movement failed to realize its (clearly articulated) ambitions to extend public control of investment.

At this point, the functionalist argument must be complemented by a historical analysis of the power and strategies of different class actors. As indicated at the outset, the problem with much of the literature that adopts this approach is that it tends to focus almost exclusively on the power of labor and to treat the distribution of class power as a zero-sum affair. From a comparative perspective, the Swedish case is distinguished not only by the organizational strength of unions and the electoral strength of Social Democracy, but also by a cohesive and very well organized business community, dominated by (Swedish) multinational corporations. Though French business enjoyed priviliged access to the state in the postwar period, one would be hard put to argue that it was more powerful than Swedish business.

Following Zysman, we might understand the emergence of an interventionist state in postwar France in terms of the formation of an institutionalized state capacity to intervene in capital markets. The key institutional reforms that made this development possible were introduced by the Left-dominated governments of 1944–47, which not only nationalized industry and set up the institutional framework of planning, but also nationalized the major banks and established mechanisms of state intervention in the financial system. The Left conceived these reforms as means to curtail the power of private business, and the business community strongly opposed them. It was only over a period of time that planning came to be accepted by business and to serve as a framework for state-business collaboration in pursuit of economic modernization. Significantly, this evolution occurred against the backdrop of the collapse of the Resistance coalition in 1947–48 and the massive decline of union membership in the following years.

Selectively allocated financial incentives brought business into the planning process, but the centralized nature of the bureaucracy and its relative insulation from popular pressures, and particularly from the labor movement, would seem to have been a crucial component of the pattern of direct state-business relations that came to characterize the interventionist state in postwar France. Arguably, business resistance to selective state intervention was reduced by the fact that the proposals which state bureaucrats brought to the bargaining table typically emanated from within the bureaucracy itself. Be that as it may, the essentially private nature of state intervention via the financial system undoubtedly facilitated a promotional relationship between government officials and corporate managers.

Critically, business interests did *not* generate an interventionist state according to this interpretation. The postwar reforms of Left-dominated governments served to strengthen the leverage of the state and thus brought a new kind of state-business relationship into being (without entirely displacing traditional, corporatist linkages). The war brought this change about by mobilizing the working class and other popular forces and by temporarily discrediting the business community.[18]

By contrast, Swedish business mobilized very effectively against the labor movement's ambitions to institutionalize planning and industrial policy in the immediate postwar period. Though the Social Democrats prevailed in the general election of 1948, they abandoned the idea of planning and selective nationalizations in the face of business opposition. The struggle over pension reform in the late 1950s confirmed this settlement. To secure the introduction of a comprehensive pension system, the Social Democrats compromised on the rules governing pension funds. Arguably, business acceptance was a prerequisite for the successful implementation of active labor market policy, and business accepted this form of selective state intervention because it did not threaten the autonomy of corporate management. By definition, active labor market policy is essentially a matter of adjusting the labor force to corporate investment choices.

The business-centered explanation of the contrast between French and Swedish supply side intervention suggested here might be summarized in terms of three points. First, the power resources of Swedish business were more autonomous from the state than those of French business. Second, as a result of this, and of Sweden's neutrality, the balance of class power was more stable in the Swedish case, that is, Swedish labor never enjoyed the kind of "breakthrough opportunity" that the war created in the French case. Third, Swedish business resisted state intervention in corporate affairs more strongly than French business because labor wielded significant influence over the state.

Industrial Policy versus Labor Market Policy

The Swedish Social Democrats launched an "active industrial policy" in the late 1960s. The experience of active labor market policy served as a model for this initiative. Having succeeded in institutionalizing selective state intervention in labor markets, the labor movement sought to translate this success to the sphere of investment decisions. The practice of industrial policy in the 1970s diverged sharply from the model of labor market policy, however. On the one hand, industrial policy evolved into a series of ad hoc rescue operations rather than a set of coordinated, forward-looking adjustment policies. On the other, corporatist arrangements never assumed the same prominence that they had in the arena of labor market policy, and organized labor had much less direct influence over industrial policymaking. Before elaborating further on this twofold contrast between labor market and industrial policy, let me briefly describe the development of industrial policy in Sweden.[19]

The Development of Industrial Policy Labor's "industrial policy offensive" of the late 1960s was a response to concrete rank-and-file demands, New Left criticism, and electoral gains by the Center Party, advocating environmentalism and the promotion of regional development. These political pressures can be related to long-term changes in the structure and external environment of Swedish industry.

The competitive position of several of Sweden's traditional export industries (lumber, pulp/paper, iron ore, steel, and shipbuilding) began to erode in the 1960s, and their decline assumed crisis proportions as international demand contracted in the mid 1970s. At the same time, the advanced sectors of industry (broadly, engineering and chemical industries) responded to the intensification and changing dynamics of international competition by seeking to reduce labor costs through labor-saving investments, by pursuing product specialization while avoiding debt-financed capacity expansion, and by investing in production facilities abroad. The basic premise of labor's postwar strategy—that advanced industrial sectors would generate new employment at roughly the same pace as jobs were lost in declining sectors—thus became increasingly precarious.

Unemployment manifested itself as a problem at the local or regional level long before it became a serious concern at the national level. While the rationalization of basic industries exacerbated problems of regional decline, speed-ups and a more general deterioration of working conditions appear to have accompanied corporate adjustment to intensified competition in the 1960s.

From 1967 to 1973, the government introduced a series of institutional reforms designed to enhance the state's capacity to influence the process of economic restructuring in general and corporate investment decisions in particular. To begin with, a separate ministry of industry was created in 1968. Two administrative agencies, the Industry Board and the Board for Technological Development, as well as a tripartite National Industrial Policy Council and several tripartite sector councils were subsequently set up under its auspices. As part of labor's industrial policy offensive, the government acquired direct ownership engagements in a number of smaller firms considered to be of strategic importance and established a holding company to coordinate the activities of state-owned firms and to promote their expansion. To provide private business with risk capital, the government established a state-owned investment bank and a separate pension fund, known as the "Fourth AP Fund," for the purpose of investing pension savings in the stock market.

Organized business and the "bourgeois" (nonsocialist) parties opposed most of these reform initiatives, but the bourgeois parties' election victory of 1976 did not reverse the trend towards greater selective state intervention in the restructuring of capital. On the contrary, government spending on industrial policy increased multifold in the late 1970s and accounted for only slightly less than AMS's share of government spending in 1976–81 (5 percent as compared to 6.5 percent for AMS). Essentially a matter of bailing out firms on the verge of bankruptcy, so-called "extraordinary" measures absorbed three-fourths of industrial policy expenditures during the bourgeois tenure in government. With only a couple of minor exceptions, these measures were entirely concentrated in shipbuilding, basic and specialty steels, two cooperatively owned forest product companies, and a state-owned mining company. State intervention in these sectors involved direct ownership engagements as well as subsidies and subsidized loans. Indeed, the bourgeois parties nationalized more industry in their first three years in power than the Social Democrats had done in the previous forty-four years!

The Defensive Orientation of Industrial Policy Active labor market policy was conceived as an offensive adjustment policy, catering to the recruitment needs of the advanced sectors of the economy. It involved extensive planning and continuous state intervention in labor markets. By contrast, the major industrial policy measures of the 1970s were defensive not only in the sense that they were almost exclusively concerned with declining sectors, but also in the sense of being reactive. Invariably, these measures were formulated in response to firm crises and initiated by corporate request for state aid. In no case did the state anticipate or actively seek to preempt firm crises.

Economic circumstances provide the most obvious explanation of the defensive orientation of industrial policy. Indeed, it is somewhat misleading to juxtapose the defensive orientation of industrial policy to the offensive orientation of labor market policy. For industrial policy emerged precisely to cope with the shortcomings of labor market policy and might well be characterized as a defensive form of labor market policy. In other words, labor market policy remained offensive in the 1970s because the government chose to subsidize employment in declining sectors through channels other than AMS.

Selective state intervention was clearly necessary to prevent sectoral crises from translating into mass unemployment, but this line of argument does not explain the absence of state intervention in the restructuring of advanced sectors. The change of government in 1976 might also be invoked to explain the defensive orientation of industrial policy. For the bourgeois parties, the crisis of Swedish industry was first and foremost a cost crisis, and general measures to restore the competitiveness of Swedish exports, such as devaluation and the reduction of payroll taxes, constituted the key to economic recovery. The role of selective state intervention was to ensure that restructuring occurred under "socially acceptable forms," that is, to allow a gradual phase-out of employment in declining sectors. The bourgeois parties saw little need to intervene in fundamentally "healthy" sectors of the economy.

The significance of the change of government should not be exaggerated, however. In terms of the sectoral distribution of state aid to industry, the defensive orientation of industrial policy was apparent already in the first half of the 1970s, and the sectoral policy measures undertaken by bourgeois governments typically represented a direct continuation of previous government involvement. Furthermore, it seems more accurate to characterize the policies pursued by the Social Democrats since 1982 as a retreat from selective industrial policy than as a shift from a defensive to an offensive policy orientation. Back in power, the Social Democrats moved decisively to cut subsidies to inefficient producers and increased government support for research and development (as well as the AMS budget), but they did not undertake any offensive sectoral policy initiatives. Like its bourgeois predecessors, the new government relied on devaluation as the centerpiece of its economic recovery strategy.[20]

Again following Zysman, we might see the defensive orientation of industrial policy as an expression of the absence of an institutionalized state capacity to intervene in the system of corporate finance. Three arguments along these lines seem particularly apposite. First, Swedish policymakers lacked levers to influence the investment decisions of firms that could raise capital through regular channels. Second, they were forced to rely on direct subsidies and/or public ownership engagements to bail out firms in competitive troubles. Such measures had to be approved by parliament and thus came to be politicized. In the context of a very evenly balanced electoral situation, neither the Social Democrats nor the bourgeois parties could afford to disregard local constituencies clamoring for protection. Third, Swedish policymakers lacked independent information and relevant expertise; consequently, they were unable to anticipate problems and were forced to rely on information provided by the management of the firms that were to be bailed out.

The Marginal Role of Labor With respect to the pattern of policymaking, several features distinguish industrial policy from labor market policy. Though the legislators apparently intended the Board of Industry to be the administrative equivalent of AMS, it never actually came to assume this role. Instead, administrative responsibility for industrial policy was dispersed among a number of public agencies and corporations. At the same time, the ministry of industry assumed a more pivotal role in policymaking than the ministry of labor. The ministry handled the negotiations with corporate management that preceded extraordinary aid measures and administered such measures directly. Like labor market policy, industrial policy diverged from the traditional division of labor between ministries and administrative agencies in Sweden, but they diverged in opposite ways: whereas AMS tended to assume responsibility for the formulation as well as the implementation of labor market policy, the ministry of industry tended to assume responsibility for the implementation as well as the formulation of industrial policy.

Related to these differences, corporatist arrangements in the arena of industrial policy were different and less prominent. While the unions held twice as many seats as the employers on district and county labor markets boards as well as the AMS board of directors, they were less well represented than business organizations on the boards of industrial policy bodies. In contrast to AMS, the decision-making process of such bodies did not pivot on bargaining or consensus formation among interest group representatives, and corporatist interest representation was not reproduced at lower echelons of the organizations. The tripartite Industrial Policy Council and sector councils established in 1967–73 had no resources to undertake policy measures and quickly evolved into discussion clubs without any real policymaking functions. Several sector councils simply languished in the 1970s.

Sectoral crisis measures were formulated through direct negotiations between the ministry of industry and the management of the firms in question. In two cases, shipbuilding and steel, representatives of a national union (the Metal Workers' Union) participated in such negotiations. To the extent that labor was represented in other cases, it was represented by union locals, which typically assumed the role of lobbyists for "their" firms. Even in shipbuilding and steel, the role of organized labor was rather marginal, and its influence appears to have been almost entirely restricted to employment issues in a narrow sense.

I do not mean to imply that labor had no influence over industrial policy in the 1970s. The point is rather that labor's influence was essentially indirect and negative. The bourgeois parties' concern with ensuring that sectoral decline would assume "socially acceptable forms" was very much motivated by their desire to avoid a confrontation with the unions and to secure the wage restraint necessary to make the strategy of devaluation work. The power of organized labor in Sweden thus shaped the parameters of industrial policy, but the unions had very little direct influence over specific choices within these parameters. They did not participate in decisions concerning the terms on which private owners would be bought out and creditors compensated or the recovery strategies to be pursued by the reconstructed firms. The process whereby such decisions were made pivoted on direct negotiations among officials in the ministry of industry, managers, owners, and banks rather than tripartite bargaining.

Economic circumstances may well be the primary explanation of the defensive orientation of industrial policy, but they hardly explain the marginal role of organized labor in industrial policymaking. Similarly, the change of government in 1976 would seem to be rather unimportant in this context, for the institutional features distinguishing industrial policy from labor market policy clearly predate this change. One would be hard put to argue that the bourgeois parties actively tried to exclude organized labor from industrial policymaking. They certainly did not change the composition of interest representation on the boards of industrial policy agencies, and there is no evidence to suggest that unions have been better represented or more influential in direct negotiations between the ministry of industry and specific firms under Social Democratic rule.

A number of factors might be invoked to explain the marginal role of organized labor in industrial policymaking. For one thing, organized labor lacked a coherent overall conception of the kinds of industrial changes it wanted to promote. Even more than government officials, it lacked independent information and relevant expertise. Furthermore, the interests of different segments of the labor force diverged sharply with respect to specific industrial policy measures.

Such considerations might be subsumed under a more basic explanation of the contrast between labor market policy and industrial policy. Arguably, organized labor was able to dominate the debate about labor market policy and to influence policy outcomes because of the close relationship between labor market policy and labor's marketplace power. On the one hand, the implementation of labor market policy depends directly on the cooperation of unions (and employers as well, of course). For instance, relocation and retraining measures are only successful to the extent that workers actually take advantage of them, and Swedish unions have played a critical role in encouraging them to do so. On the other hand, state intervention in labor markets bears directly on the organizational interests of unions and affects their day-to-day activities. In other words, union interests with respect to labor market policy are clear and intense.

By contrast, the implementation of industrial policy does not depend directly on trade union cooperation, and it is more difficult for labor to bring its marketplace power to bear on the specifics of industrial policymaking. To put it somewhat crudely, labor does not have the kind of "bargaining chips" that would enable it to participate in negotiations between firms and government officials as an independent actor. The implication of this argument is that the nature of corporatist intermediation depends on the context in which it occurs, that is, that formal representative arrangements are of secondary importance. Labor's ability to influence state policy hinges on the articulation of corporatist representation with labor's own (autonomous) power resources.

Conclusion

The comparative political economy literature frequently associates corporatism with economic planning or industrial policy in the broad sense of supply side intervention. I have tried to show that this association is analytically and empirically suspect. Once we begin to distinguish among different forms of corporatism and different forms of supply side intervention, it becomes apparent that selective state intervention in the supply of capital seldom occurs under the auspices of tripartite negotiations among national representatives of labor, business, and the state. The contrast between Sweden and France and the contrast between Swedish labor market policy and industrial policy both bring out the tension between industrial policy in this narrow sense and the corporatist integration of labor.

Whereas the French state intervened extensively in the supply of capital in the postwar period, the Swedish state rarely intervened in this manner. Instead, the Swedish state intervened in the supply of labor. I have argued that selective intervention in the supply of capital was necessary to sustain economic growth in the French case and that active labor market policy was sufficient in the Swedish case. But the limited extent of state intervention in the sphere of corporate investment decisions should also be seen as an integral part of the institutionalization of class compromise in Sweden. Selective state intervention in the sphere of corporate investment decisions did emerge in the 1970s, but its reach was largely restricted to declining sectors. More important, organized labor never gained the influence over this type of state intervention that it had gained over selective state intervention in labor markets.

In contrast to Zysman, who treats the institutional arrangements of the French financial system as instruments of state intervention that might be used for any number of political purposes, my analysis suggests that there is a close, interdependent relationship between modes of state intervention, patterns of policymaking, and policy purposes. The relationship between selective industrial policy and the political exclusion or marginalization of organized labor is twofold. On the one hand, selective industrial policy presupposes the cooperation of corporate management, and business is less likely to cooperate if labor is an influential participant in the policymaking process. On the other hand, organized labor lacks the information, expertise, and power resources to participate effectively in industrial policy negotiations.

In light of the Swedish experience of industrial policy, two points should be added to refine the first of these propositions. To begin with, the willingness of business to cooperate with the state will be shaped by other factors as well. Most obviously, the management of firms that are on the verge of bankruptcy may not have any choice but to cooperate. In addition, management is likely to distinguish between union actors whose constituency is directly dependent on the marketplace success of the business in question and those who represent a broader constituency.

My analysis implies that the incorporation of labor interests and labor actors into policymaking would fundamentally alter the relationship between business and the state in France. The experience of industrial policy under the French Socialists is of obvious relevance here, but it does not provide an ideal test case, for the unions were never fully integrated into economic policymaking under the Socialists. Leaving aside the question of the extent to which the Socialists can be said to have represented the interests of labor, it is noteworthy that the practice of industrial policy has diverged sharply from socialist theory. In opposition to the "national champions" approach of their predecessors, the Socialists initially conceived industrial policy as concerned with the system of production as a whole, emphasizing research, training, and linkages among firms. The sought-for coherence proved elusive in practice, however, and industrial policy remained essentially firm-oriented.[21] Arguably, the available policy tools did not lend themselves to the alternative industrial strategy of the Socialists.

I think I have established that there are systemic constraints on the corporatist exercise of power by labor in a capitalist setting. But the constraints may not be as tight as the Swedish experience of industrial policy in the 1970s suggests. To the extent that codetermination provides unions with veto power or some other form of real influence at the level of the firm, it might provide unions with power resources that are more closely linked to industrial policy. Along these lines, LO has argued for collective profit-sharing ("wage-earner funds") on the grounds that firms partly owned by the workers would be more apt to collaborate with the government and that coownership would enhance the role of unions in industrial policymaking.[22]

Also, the reformist goals of labor may not require selective state intervention in the supply of capital. The recovery strategy pursued by the Swedish Social Democrats since 1982 represents an alternative strategy, combining union participation in management decisions at the firm level with general (nonselective) government policies designed to promote industrial innovation and expansion. Thus far, this strategy has been remarkably successful. Its long-term prospects lie beyond the concerns of the present essay, the point of which is simply that labor's effective participation in an active industrial policy would require far-reaching reforms of capitalist society.

NOTES

This article is based on a paper that I wrote as a fellow of the German Marshall Fund and presented to a seminar at Trinity College, Oxford, in the spring of 1988. I wish to thank the Marshall Fund for its support and the seminar participants, Geoffrey Garrett and David Soskice in particular, for their encouragement and constructive criticisms. For comments on subsequent drafts, thanks are due to Peter Katzenstein, Bo Rothstein, Peter Swenson, Sidney Tarrow, Göran Therborn, and Vincent Wright.

1. An earlier version of the France-Sweden comparison appears in Jonas Pontusson, "Comparative Political Economy of Advanced Capitalist States," *Kapitalistate*, 10/11 (1983), 43–73. For further elaboration and documentation of my interpretation of the Swedish case, see Jonas Pontusson, *The Limits of Social Democracy: The Politics of Industrial Investment in Sweden* (forthcoming).

2. Andrew Shonfield, *Modern Capitalism* (Oxford: Oxford University Press, 1965), p. 203.

3. This comparison treats Sweden and France as static and simplified models of postwar capitalism. It is based on snapshots taken around 1965 and ignores changes over time. The shortcomings of this procedure will be apparent to any reader familiar with either case.

4. Stephen Krasner, *Defending the National Interest* (Princeton: Princeton University Press, 1980), ch. 3.

5. Cf. T. J. Pempel and Keiichi Tsunekawa, "Corporatism without Labor?," in Philippe Schmitter and Gerhard Lehmbruch, eds., *Trends towards Corporatist Intermediation* (Beverly Hills: Sage, 1979).

6. James O'Connor, *The Fiscal Crisis of the State* (New York: St. Martin's Press, 1974), exemplifies the Marxist version of functionalist argumentation.

7. Cf., for example, Gøsta Esping-Andersen, *Politics against Markets* (Princeton: Princeton University Press, 1985), and Evelyne Huber Stephens and John Stephens, "The Labor Movement, Political Power, and Workers'

Participation in Western Europe," *Political Power and Social Theory*, 3 (1982), 215–249. For a more elaborate critique of this school of thinking, see Jonas Pontusson, "Behind and Beyond Social Democracy in Sweden," *New Left Review*, 143 (1984), 69–96.

8. Peter Katzenstein, *Small States in World Markets* (Ithaca: Cornell University Press, 1985), combines functionalist and distribution-of-power arguments in a similar manner.

9. Leo Panitch, *Working Class Politics in Crisis* (London: Verso, 1986), chs. 5–7.

10. John Zysman, *Governments, Markets and Growth* (Ithaca: Cornell University Press, 1983). Cf. Peter Hall, *Governing the Economy* (New York: Oxford University Press, 1986).

11. Shonfield, p. 137. Cf. Stephen Cohen, *Modern Capitalist Planning*, 2nd ed. (Berkeley: University of California Press, 1977).

12. Gosta Rehn provides a descriptive account of the organization of AMS in *Cooperation between the Government and Workers' and Employers' Organizations on Labour Market Policy in Sweden* (Stockholm: Swedish Institute, 1984). My discussion of AMS relies primarily on Bo Rothstein, *Den socialdemokratiska staten* (Lund: Arkiv, 1986).

13. Howard Machin and Vincent Wright, "Introduction," in Howard Machin and Vincent Wright, eds., *Economic Policy under the Mitterrand Presidency 1981–84* (London: Frances Pinter, 1985).

14. Cf. the logic of Alexander Gerschenkron's *Economic Backwardness in Historical Perspective* (Cambridge: Harvard University Press, 1962).

15. See Suzanne Berger, "The Traditional Sector in France and Italy," in Suzanne Berger and Michael Piore, *Dualism and Discontinuity in Industrial Societies* (Cambridge: Cambridge University Press, 1980), and Stephen Cohen, "Twenty Years of the Gaullist Economy," in William Andrews and Stanley Hoffmann, eds., *The Fifth Republic at Twenty* (Albany: State University of New York Press, 1981).

16. In theory, LO conceived solidaristic wage policy as an alternative to incomes policy, but in practice it recognized the need for wage restraint. The practice of solidaristic wage bargaining has also diverged from the theory in that egalitarianism has prevailed over "equal pay for equal work," that is, LO has sought higher than average wage increases for the low-paid regardless of the nature of their work. On the theory and practice of solidaristic wage policy, see Peter Swenson, *Fair Shares* (Ithaca: Cornell University Press, 1989), and Andrew Martin, "Trade Unions in Sweden," in Peter Gourevitch et al., eds., *Unions and Economic Crisis* (London: George Allen & Unwin, 1984).

17. On the historical reasons for the strength of labor in Sweden, see Jonas Pontusson, *Swedish Social Democracy and British Labour* (Western Societies Occasional Papers, Cornell University, Ithaca, 1988).

18. Cf. Fred Block's theory of "capitalist rationalization" in "The Ruling Class Does Not Rule," *Socialist Review*, 33 (1977), 6–28.

19. For other English-language accounts of the Swedish experience with industrial policy in the 1970s, see Roger Henning, "Industrial Policy or Employment Policy?," in Jeremy Richardsson and Roger Henning, eds., *Unemployment* (Beverly Hills: Sage, 1984); Kjell Lundmark, "Welfare State and Employment Policy," in Kenneth Dyson and Stephen Wilkes, eds., *Industrial Crisis* (New York: St. Martin's Press, 1983); and Gunnar Eliasson and Bengt-Christer Ysander, "Sweden," in Brian Hindley, ed., *State Investment Companies in Western Europe* (New York: St. Martin's Press, 1983).

20. The abandonment of the industrial policy ambitions articulated by the Social Democrats in the late 1960s is most readily apparent in the new government's approach to state enterprise; see Jonas Pontusson, "The Triumph of Pragmatism," *West European Politics*, 11 (1988), 129–140. More generally on the Social Democratic recovery strategy, see Andrew Martin, "Sweden: Restoring the Social Democratic Redistributive Regime" (Harvard Center for European Studies, 1987).

21. Cf. Yves Morvan, "Industrial Policy," and Frank Wilson, "Trade Unions and Economic Policy" in Machin and Wright, eds.

22. LO, *Näringspolitik inför 80-talet* (Stockholm: 1981), pp. 42–43, 191–193, 296–300.