The Neoliberal Restructuring of the Welfare State: Pension System Reform in Sweden, A Critical Case Study

by
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Abstract

This thesis draws on the 'critical case' of Sweden and focuses on the provision of pensions to assess the extent to which the post-war social democratic regime and adherent meanings and practices in daily life have been transformed in a neoliberal direction. The Swedish economy of the late 1990s, still distinctly social democratic, although retrenched and increasingly 'financialised', was not stable. The 1999 pension reform has further privatised financial risk and hence potentially advanced neoliberalism. By subjecting the ability to consume, in working-life as well as in retirement, to financial market performance, the rate of growth of inequity is accelerated. The systemic infrastructure and the knowledge-formation required for this pension system to function as intended as well as be accepted as legitimate seem however to be lacking. The system engineers, following neoliberal ideas, sought to fulfil the objective of institutionalising a mass investment culture in the everyday by promoting the notion of risk as potentially profitable if managed well. Yet, as argued in the thesis, due to their politico-ideological preferences, they underestimated the resilience of existing demographic and geographical cleavages formed by the traumas and desires provoked by economic restructuring and financialisation in the post-war period. By analysing subject-formation in the everyday, the thesis shows that for a finance-led accumulation regime to be stable in Sweden, these cleavages and inadequacies have to be regulated. The new pension system in Sweden thus points to the tendential microfoundational limits of the projects of neoliberalism and financialisation.

Acknowledgements

Coming from a comfortable, bourgeois background in Stockholm, Sweden, to dedicate my research for this Ph.D. thesis to a critical political economy study of the neoliberal restructuring of the Swedish economy and the role of pensions therein may not seem like the 'natural route'. Indeed, the 'drag' of studying pensions, or, as Robin Blackburn calls it, 'grey capital', would seem like an unlikely avenue of research. More apparently fascinating topics could have attracted my attention. However, similar to Professor Sven Steinmo's realisation of surprise that studying systems of taxation is not only interesting but also illuminating of tendencies in the political economy, pensions have proven extremely rewarding for me. Yet, the choice of this particular topic of study was a matter of moderate desperation and, as it has turned out, fortunate circumstance. For this circumstance, I am grateful to Dr. Paul Langley and Dr. Adam Harmes for having inspired me. My growing conviction of a particular cultural strand of critical political economy is according to this line of thought, I assume, a matter of what Rankin has called 'middle class radicalism'. The formation of my intellect is thus symptomatic of the contingency of capitalism.

Still, writing this Ph.D. thesis has not been altogether easy. In fact, it has been very difficult at times. Without the support from many special individuals, I would never have been able to write these very words. It is funny, I have many times imagined writing 'the acknowledgements', although I have been extremely far from finishing the work. I have done so with a very deep sense of gratitude. When I now finally write 'them', I feel this depth of gratitude even stronger. All these individuals who have supported me throughout this time have done so in their own particular ways depending on personality and role.

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Claes Belfrage, 26 August, Massenheim, Germany

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Introduction

This thesis addresses the literature on the restructuring of European advanced capitalism, through an analysis of the "critical case study" (Eckstein 1976) of the 1999 Swedish pension reform, here argued to play a key, in the sense of Regulation theory (Lipietz 1994), 'regulatory' role in the economy. This is predicated upon the view that the Swedish case continues to be of paradigmatic importance for the prospects of the survival of social democracy under neoliberal pressures to transform.

Ryner (2002) showed that despite that neoliberalisation of Swedish social democratic elites could be expected to be unlikely, it did nevertheless happen in the 1980s and early 1990s. The consequence of this was a radical transformation of the formal institutions of the Swedish economy. The Swedish economy was to a considerable extent thus made subject to the disciplinary powers of financial markets (Gill 1991). However, significant welfare and labour market institutions remained in place. Since the early 1990s, much of what remained 'traditionally social democratic' in the economy was put under neoliberal pressures to transform in a more market-friendly direction. Indeed, the neoliberal restructuring of the Swedish economy was incomplete and thus the disciplinary powers of financial markets seemed to have a highly mediated impact on Swedish wage-earners and the daily life of the economy more broadly. In fact, the Swedish welfare state was still alive and well in the hearts and minds of wage-earners (Svallfors 1996). Ryner labelled this condition "compensatory neoliberalism".

European post-war, income-replacing pension systems have played a central role in the creation and popular embrace of what the former President of the EU Commission has called the "European Social Model". This has not the least been the case in Sweden, where the post-war pension system not only suspended pressures on wage-earners to save for their retirement and thus enabled mass consumption, but also served to structure the economy in accordance with the "Swedish Model". Such pension systems thus serve to socialise risk. Yet, to reform or even replace such systems has proven politically destabilising. However, in the mid-1980s, these pension systems started to come under increasing political and fiscal pressures, against the background of ageing European populations and supposed economic inefficiency. The ensuing international debate on pension reform in the 1990s was dominated by an ideological debate between the World Bank with its allies and the International Labour Organisation (ILO) and its sympathisers. The World Bank, on the one hand, advocated a neoliberal system of risk-privatising individual equity accounts, with a precedent set in Chile in the early 1980s, in order to combine alleviating fiscal pressures with supposed financial market-stimulation of the economy. On the other hand, the ILO relativised the proclaimed fiscal pressures and hereby rendered pension reform an intrinsically political issue. The question the ILO asked was: - how high taxes are European wage-earners willing to pay for retaining these pension systems? This heated debate was concluded by a compromise being struck between the two positions. The model promoted in Europe by this consensus was the so-called "Third Way" pension system.

This "Third Way" reform had been designed and was in the process of being implemented in Sweden. There, the old, distinctly social democratic pension system providing substantial pensions was being replaced by a modified neoliberal system consisting of insurance-based ‘notional accounts’ and smaller, but potentially expanding, individual equity accounts. Pensions would from now on be subjected to the performance of the Swedish economy as well as the performance of individual equity accounts; that is, risk was being privatised. This shift was obscured by a traditional social democratic language of sustained substantial pensions. Thereby, an increase of the exposure of daily life to the financial markets was done subversively. In accordance with the ideas of the World Bank, the two objectives of easing fiscal pressures and financial stimulation of the growth of the economy were met. The unfinished neoliberal project was thus resumed, cloaked in social democratic terms. The objective of this approach seems to be the socialisation of wage-earners into accepting a supposedly superior, yet politically sensitive, economic model in which financial markets play a leading role. ‘Investor subjects’ were to be gradually shaped.

The question asked by this thesis is therefore twofold. Firstly, is the neoliberal project of financial market exposure capable of subversively shaping subject-formation in Swedish daily life through the introduction of a neoliberal pension system? Secondly, if so, what are the consequences for the ‘critical case’ of Sweden, and hence social democracy? Certainly, if the neoliberal project succeeds in restructuring the Swedish economy, not only its formal economic institutions, but also its microfoundational daily life, the ‘Swedish Model’ along with a more traditional social democracy may very well have effectively been passed into history. However, if its microfoundations respond in a manner, which serves to delegitimise this project, social democracy may still have a breeding ground for some form of revival.

The construction of this argument starts, in chapter 1, with an engagement with the dominant discourses on the stated absolute imperative of pension reform for the global competitiveness of European economies. It hence commences with an exploration of the neoliberal origins of risk-privatising pension reform. The alarming cries over the ageing economy, here known as 'inverted Malthusianism', are fundamental to the construction of legitimacy of these discourses and will therefore have to be considered in detail. Neoliberal opinion-makers and the financial sector have sought to undermine the welfare state, and particularly post-war, risk-socialising pension systems. By wedding 'inverted Malthusianism' to the understanding of national economies as disciplined by global financial markets, a discourse of 'no alternative' to risk-privatising reform has been formulated. Neoliberal strategies of economic competitiveness have on this basis come to demand particular, legal-political institutional structures, which discipline economic behaviour into conformity with the expectations of markets.

The rise of neoliberalism cannot be understood without either its selective reliance upon orthodox Neo-classical economic ideas or the frequent and enthusiastic support received from the financial services sector (cf. Dumenil and Levy 2001). Neoliberals call upon central ideas within orthodox Neo-classical Economics, despite that the latter has been critiqued and modernised by Neo-classical Economists themselves since several decades. The materialisation of this worldview necessitates the private regulation of financial risk through the evaluation and purchasing of financial services (Ericson et al. 2000). It thus often echoes the interests of the financial services sector, increasingly, yet unevenly, 'disintermediated' in the economy (French and Leyshon 2004). Still, in order to secure democratic legitimisation for its policies, neoliberals pay some tribute to changes in mainstream economic thought. In this sense, neoliberalism is a laggard in relation to developments within Neo-classical Economics, championing selected parts of the latter's worldview. Accordingly, neoliberal discourses on pension reform, drawing upon orthodox neo-classical thought, came to an early fruition with the experiment of replacing the Chilean risk-socialising post-war system with an extremely risk-privatising pension system under Pinochet's *Junta* in 1981.

The World Bank's 1994 publication, *Averting the Old Age Crisis: Policies to Protect the Old and Promote Growth*, was the starting point of a heated international debate over pension reform with the Chilean system as its reference point. This publication drew upon outdated elements of Neo-classical Economics and only selectively upon new developments in the field (Diamond 2007). This struggle, particularly important for the European welfare states, seems to have ended with the invention of the Swedish 'third way' reform. However, this 'solution' merely taps the 'old wine in a new bottle' (Cichon 1999). It is argued that the seeming European embrace of the Swedish reform is primarily a political strategy to avoid political struggle while allowing for the continued restructuring of European economies in the direction of a neoliberal finance-led economic model.

Chapter 2 seeks to provide a conceptual framework for the particular finance-oriented developmental trajectory, which seems to be emerging out of this period of crisis and restructuring in Europe. In order to do so, it challenges the dominant literature on the restructuring of European capitalism. Particularly, it critiques the 'Varieties of Capitalism' literature in political economy for its internalisation of the 'post-industrial trilemma thesis' and its resulting implicit preference for the risk-privatising 'American model', at the expense of social democracy. I here show that the dominant literature suffers from a contingent tendency with regard to the establishment of such a politico-economic trajectory and downplays the regulatory role of risk-socialising pension provision. This is solved by turning to Parisian Regulation theory, and particularly its more recent version of the Social Structures of Innovation and Production (SSIP) approach, sensitive to historical developments in the economy (Amable 2000; Amable and Petit 2001; Boyer 2005). Yet, this is argued to be insufficient as such an approach does not adequately account for the institutional and socio-cultural specificities of national economies and suffers from a relative inability to comprehend contingency. By developing the notions of "accumulation strategy" (Jessop 1982), "societal paradigm" (Jenson 1989), "the capitalist state" (Alnasseri et al. 2001; Lipietz 1988) and "uneven development" (Harvey 1982), I seek to conceptualise the period in the aftermath of the crisis of Fordism as politico-economically strategic and contingent.

This leads to an analysis of the literature on the "finance-led growth regime" (Boyer 2000a). I pay particular attention to the idea of the emergence of a "coupon pool capitalism", as the more realistic, yet politically contingent objective of economic restructuring and pension reform in Europe (Froud et al. 2002). Out of such a development the financialisation of daily life emerges. Indeed, this is the very objective of recent neoliberal and financial sector advocacy: to bring investment decisions into the meanings and practices of daily life. Yet, this process cannot be assumed to occur smoothly, without resistance. The approach developed hence inscribes scope for contradictions in the confrontation between financialisation and a societal paradigm, which still to some extent answers to notions of risk-sharing and solidarity. Along this line of thought, the Swedish case seems exceptionally illustrative.

In order to grasp how these meanings and practices jostle together in daily life, the third chapter develops a cultural political economy approach, which integrates the multi-levelled sociologies underpinning economic activity and subject-formation. Following the Regulationist approach developed in chapter 2, these sociologies originate from the social contradictions emerging out of the crisis of Fordism and neoliberal restructuring. In order to simultaneously account for these, the notion of 'economic aesthetics' is developed. I claim that this notion is capable of grasping the complex everyday constitution of subjectivities formed at the busy crossroads between accumulation strategies and politics of representation in the unevenly developed economy. As such, it is sensitive to discourses of class, gender, sexual desire, age, language, rural-urban identities, etc. This is crucial to the critical case study of the Swedish economy, as conflict can be expected to arise along these discursive lines with the pension-led imposition of financialisation on daily life. This conceptualisation of the everyday will also enable us to grasp the emergence of particular forms of resistance to, and non-participation in, an economy, which can be expected to harbour conflicting logics and practices. The literature on financialisation refuses to study cases beyond the Anglo-American economies as the former are harbouring just such. It is however argued in this thesis that politics does not allow for such refusals.

Where financialisation is imposed, it must be analysed due to its divisive consequences and where better than in the Swedish case? This will result in the formulation of a number of questions, or criteria, regarding the viability and resonance of financialisation in the Swedish economy, and the legitimacy and credibility of the finance-led accumulation strategy striving towards its regulation through the introduction of a partly financialised pension. Answers to these questions are sought, in accordance with the Regulationist approach, through a historical account, assessing the impact and role of the new pension system on Swedish daily life.

This historical account presented in chapters 4 and 5 has a rather natural starting point in the formation of Swedish Fordism during the interwar period and immediately following the 2nd World War. Without the formation of Swedish Fordism, capitalism could not intensify and consumption could not become a central regulatory mechanism in daily life. Indeed a consumerist and upwardly striving subjectivity was forged during this period. Still, without the introduction of substantial and income-replacing pensions, such a social democratic subjectivity could not have been formed. In fact, the 'Swedish model' hinged upon the ATP pension system (*Allmänna Tjänstepensionen*) for social regulation, but also for the regulation of the economy, more broadly. Hence, the intense struggle over the design of this pension system was a struggle of opposing accumulation strategies played out in a hotly contested democratic process.

Following the ‘golden age’ of Swedish Fordism, a multi-phased and multi-dimensional crisis ensued. Three interlinked stages are identified. In the first stage, during the 1960s and 1970s, social democratic Swedish Fordism was challenged from within as the labour movement was radicalised. The radicalisation of the labour movement was contested by the “New Right” in the 1970s and early 1980s, which resulted in the neoliberal restructuring of the Swedish economy. The formulation and legitimisation of the idea of wage-earner funds emerged at the core of this struggle, and with that the function and meaning of pensions in the economy. During this period, the foundations of a finance-led economy were being constructed in Sweden on the back of the coupled de-legitimisation of the ATP system and the encouragement of private pension savings. Yet, a second stage of the crisis unfolded in the early 1990s as these incomplete processes caused a regulatory breakdown. However, a neoliberalised social democracy did little else than seeking to stabilise this fragile constellation. Out of the resulting “compensatory neoliberalism”, the new pension system emerged, designed and introduced in a manner, which echoed the neoliberal scant concern for democracy. It will be shown how the combination of processes that led to this moment emerged out of the inherent contradictions of Swedish Fordism. This will in turn set the stage for chapter 5 and the assessment of the new pension system’s ability to regulate the emerging finance-led economy.

The fifth chapter assesses the contribution of the new Swedish pension system to the progress of the financialisation of daily life in the Swedish economy. It does so by constructing a set of criteria resting on ontological premises discussed and introduced already in chapter 4. The regulatory power of this new system is thus evaluated. The introduction of this new pension system can thus be seen as seeking to deal a final blow to the ‘social democratic economic aesthetic’. As such, it constitutes a third and potentially decisive stage in the crisis of Swedish social democracy and, thus arguably, social democracy more generally.

I point to the difficulties experienced by the State and the financial sector in its efforts to form investor subjects and integrate daily life into Swedish coupon pool capitalism with resulting losses of legitimacy. The assessment shows that the processes of neoliberalisation, financialisation and pension reform seem unlikely, at least in the medium-term, to be capable of overcoming resistant logics, meanings and practices in Swedish daily life. As it stands, Swedish financialisation promises to be divisive not just between income groups, or between included and excluded, but also geographically as the uneven development of the Swedish economy continues, creating financialised urban cores and a peripheral *Hinterland*. Nevertheless, despite strong processes of individualisation in Sweden since the formation of the post-war pension system, a strong sense of solidarity remains in the fragile societal paradigm, which is critical of the divisiveness of Swedish financialisation. Thus, the resumed neoliberal project of subversively transforming Swedish wage-earners into investor subjects asks profound questions to its advocates. As such, the legitimacy of this new system is weak, indeed in crisis, yet the impact of the project of neoliberal restructuring of the 1980s and 1990s is profound, rendering the effective formulation of alternatives very difficult.

I will conclude that the case of the Swedish pension reform clearly highlights how contingencies in capitalist development, in the processes of reception and internalisation of financialisation, can come to seriously jeopardize the project of financialisation. The Swedish pension reform is highlighted as a critical project for the so far failing attempt to integrate also the microfoundations of the economy in the neoliberal push towards a finance-led economy. However, it may also provide evidence of a sustained breeding ground for a return to some form of social democracy. With caution, social democracy is not dead, but the heavy siege laid upon it is having profound effects upon its future popular viability. As such, it contributes, albeit humbly, to the literature on the restructuring of the European welfare State and opens up a space for future research on financialisation in cases beyond the Anglo-American economies.

Chapter 1 – The Neoliberal Discursive Construction of Inverted Malthusianism and Pension Reform

I Introduction

This chapter identifies the contingencies of the struggle over pension reform. As such, it shows how risk-privatising pension reform is rendered necessary for the purpose of securing a developmental trajectory in the European economies, and the Swedish one in particular, towards the adoption of a neoliberal finance-led economy. However, by way of commencing this discussion, the role, function and meaning of pensions and pension systems must be outlined.

Pension systems inevitably redistribute pension capital as the latter cannot be saved and consumed at the same time. However, pension systems are historically and culturally specific institutional designs accumulating, managing, and redistributing wealth differently according to different 'norms of reward' and divisions of responsibility for provision. Reasons for warranting a pension vary from the most common, wage-earning, to soldier-widowing and studying. As such, they draw faultlines between eligible and ineligible, and determine levels and rules of reward.

In different systems, different divisions of responsibility for the provision of pensions have been formulated. Here, the State, the financial sector, firms, the individual, or other actors in the economy are assigned responsibility for upholding these commitments. With this responsibility comes financial risk as neither productivity growth nor volumes of pension commitments are stable over time. Economic policies can of course seek this stability, and accumulated pension capital can play a significant part in the function of such policies as in many advanced capitalist economies in the post-war period. .

The designs of pension systems are integral to welfare systems, and do generally correspond with the role and function of the latter. Pension systems are thus historical compromises, or, in the case of private systems, financial service designs which relate to the norms and designs of public or occupational systems, between different groups and actors in an economy. Yet, no pension system functions this mechanically nor is this stable. As it can powerfully support and undermine particular politico-economic projects and developments, it is frequently challenged and hence undergoes transformative processes. As such, pension systems are institutionalised, social and economic relations, which are discursively constructed as particularly benefitting, but also imposing costs on, different social groups and individuals. Therefore, reforming pension systems frequently involves struggle over norms of reward and distribution of wealth in the economy more generally, as well as divisions of responsibility for provision.

Since the early 1990s, the reform of pension systems in advanced capitalist economies has been brought to the forefront of struggle as a most pressing issue. The pension systems primarily called into question are the large-scale public systems that were formed in the post-war period, and a number of reforms have already taken place, notably in Sweden. Although wide-ranging in their designs and frequently modified (Clark 2003: 14-15), a few shared characteristics can be identified among these post-war pension systems. The receipt of a pension was framed in a Marshallian manner as an absolute entitlement to *income replacement* in retirement derived from social citizenship and hence a prerequisite for 'substantive legitimacy'. It contributed to the redemption of intergenerational "equality of status as required by political and civic citizenship in a capitalist society" (Ryner 2008: 8). Equality of status was thereby largely premised upon loyal wage-earning and mass consumption.

Pension provision was hence presented as rightly redistributive. This norm, although differently expressed in different settings, came more or less to apply to the welfare system as a whole. The reliance upon private savings, vulnerable to market-performance, during retirement was intended to be reduced, if not altogether removed. Facilitated by the high growth sustained in the post-war recovery years and the expectation of continued high fertility rates, States and firms, expressing the urges of distributive coalitions, took on the responsibility for the upholding of these pension systems. In a Keynesian manner, pension capital was commonly amassed in large public pension funds used to finance politico-strategically industrial production or infrastructural projects, in order to maintain "adequate levels of investment", in the event of declining growth, and hence full employment (Esping-Andersen 1985: 35-6). Alternatively, pensions were organised in Pay-As-You-Go (PAYGO) systems immediately transferred from one generation to another. Consumption and investment could be kept high over the whole 'life-cycle' (Merton 1983). Real pensions would adjust themselves to demographic changes through the latter's impact on prices,[1] and

[1] In the theoretically legitimating paper par excellence of the US social security system, Samuelson (1958: 482) argues that: [w]ith population growing like (1 +m)', output will come to grow at that rate. Fixed *M* will come to mean prices falling like 1/(1 +m)'. Each dollar saved today will thus yield a real rate of interest of exactly m per period-just what the biological social-optimality configuration calls for.

in the case of extreme inflation “social security programs can re-create themselves anew astride the community's indestructible real tax base” (Samuelson 1958: 482fn). The financial risks of pension provision were socialised, which was considered to be normatively and economically superior to risk-privatising alternatives (Hacker 2004: 249; Samuelson 1958). As such, pension systems were central to shaping the hegemonic conditions, which enabled the post-war growth period (Blackburn 2002: 45-68) of ‘embedded liberalism’ (Ruggie 1982).

Asking why pension reform is so urgent calls for the justification of why present arrangements of wealth-redistribution, responsibilities for pension provision, norms of reward and particular faultlines of inclusion/exclusion should be reconsidered. Consequently, pension reform calls the legitimacy of existing distributive coalitions into question. It thus politicises the economy where it is at its arguably most political. Unsurprisingly, then, reforming pension systems is understood as a dangerous practice among politicians. More recently, world leaders like Ronald Reagan (in 1983), Alain Juppé (in 1995), Berlusconi (in 1995), Kohl (in 1996-7), Clinton (in 1998) and Tony Blair (in 2000) have been made more than aware of this. Pension reform is an issue of highest political sensitivity and of greatest strategic import.

Those who today call for the reform of pension systems claim that reform is an absolute imperative for economic survival and global competitiveness. Following the neoliberal turn in the 1970s and early 1980s, the idea of pensions as entitlements derived from social citizenship and importantly redistributive is being framed as a

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Similarly, when $m < 0$ and population falls, rising prices will create the desired negative real rate of interest equal to m.

luxury of the post-war period of high growth. Pensions, along with other welfare provisions, are presented as a cost to the economy. A “welfare pessimism” has arisen (Taylor-Gooby 1997: 173). Today, it is argued, under conditions of global competition, lower growth rates, high unemployment and post-modern social fragmentation, radically different arrangements for pension provision have to be made serving different purposes and constituting less of a burden to the economy (ibid.). Accordingly, pension reform is understood as part of “necessary welfare retrenchment” (Hay 1998). The resulting reforms can be categorised according to their form and process. Clark (2003: 14-19) distinguishes between “parametric” and “structural” reforms, in which the former primarily refer to cumulative, or gradual reforms, processes retaining the overall institutional design of the system, whilst the latter refer to more large-scale institutional overhauls, which radically transform norms of reward and divisions of responsibility for the provision of pensions.

Structural reforms have been made in the neoliberal direction of the privatisation of risk, towards ‘actuarialism’[2] and financial market funding. Here, the financial sector provides forms of pension savings, whose performance depends upon financial market performance. Thus, pensions should no longer be defined by social citizenship, but rather financial markets. This is in turn intended to spur an efficient, market-allocation of investment capital. The State and firms are hence relieved of their responsibility to guarantee set pension entitlements. Yet, the needs of and risks for the individual are said to be best catered for on a privatised, risk-induced basis. Alternatively, the privatisation of risk can be understood as leaving “individuals and families responsible

[2] This term implies linking pensions more closely to contributions.

for coping with social risks largely on their own" (Hacker 2004: 249). However, given the high degree of politicisation of public pension systems, radical reforms of extreme risk-privatisation have been rare, particularly in the welfare states of Western Europe. Therefore, the famous 1981 Chilean reform under the Pinochet government remains almost unique. (Extreme risk-privatisation has been more common for occupational pensions.) Although having many neoliberal and financial sector supporters and being advocated by the World Bank in the mid-1990s as the ideal model to follow (World Bank 1994), extremely risk-privatising pension reforms have come to be understood as politically (and economically, Cichon 1999) unrealisable, particularly in European and North American economies in which pension provision had been at the core of the formation of a social citizenship.

Instead, historical compromises are now sought around hybrid, multipillar pension systems, in which elements of risk-socialisation, in the form of means-tested minimum pensions, are retained but which predominantly can be characterised by market-friendly institutionalised forms of risk-privatisation (Palmer 2000). The dominant feature in such systems is a PAYGO notional defined contribution (NDC) system, in which pension provision is only minimally redistributive and regulated by changes in the demographic composition of age cohorts and economic growth (Williamson and Williams 2005)**.** Another pillar is a funded element of individualised investment choice between fund managers. Thus also in this hybrid alternative are pensions no longer a defined benefit, or entitlement. In fact, it is questionable whether this 'alternative' is really much else than a new pension policy instrument, packaging neoliberal risk-privatising pensions more politically palatable, or an 'old wine in new bottles' (Cichon

1999). The new pension system introduced in Sweden in 1999 is commonly understood as providing the design and the rationale behind such types of reform.

Hence, in either alternative, pensions have become risky and partly financialised, deemed essential to an economy, which is increasingly understood as suffering from demographic imbalances and economic inefficiency due to a lack of exposure to the discipline of financial markets. By increasing the efficiency of the economy through financialisation, wealth is generated that supposedly offsets the dangers of financial risk. Accordingly, where such structural reforms have taken place, such as in the Swedish case, the sponsors of the new systems promise that it will be able to provide more or less the same pensions, and similarly the same welfare provision, as that of its supposedly inadequate predecessors (Lundberg 2003). If we accept these promises, “it becomes difficult to sustain the proposition that major welfare retrenchment has occurred” (Pierson 1996: 173). Previous guarantees of entitlements are replaced with promises of a ‘status quo’. Whilst these reforms are still in their youth, the legitimisations are politically difficult to question. However, what is certain is that with the privatisation of risk come greater opportunities as well as rising inequalities. Against the background of the post-war hegemonic norms of social citizenship in relation to the welfare state, particularly in Sweden, it is difficult to imagine that these rising inequalities would be acceptable. Still, norms and subjectivities change, particularly when exposed to new meanings and practices. Without evidence of future performance, the impact of risk-privatisation on the formation of meanings and practices in daily life therefore becomes critical for the assessment of the future legitimacy of a neoliberal risk-privatising pension system, and hence potentially its viability.

As claimed in the introductory chapter, the neoliberal economic restructuring of the Swedish economy, seemingly leading towards financialisation, provides a critical case for the political and socio-economic viability of a neoliberal, finance-led economy (Boyer 2000). If it can happen in Sweden, it seems possible that it can happen everywhere else. The role, function and impact of neoliberal, risk-privatising pension reform is central to this development. The fact that the Swedish pension reform is the dominant reference point in international pension debates today makes the developments in Swedish daily life arguably even more critical to the viable introduction of a neoliberal finance-led economic model in economies where pensions and the welfare state carry a strong meaning. The critical case of the Swedish pension reform will be analysed in chapters 4 and 5. In this chapter, the construction of the imperative of neoliberal risk-privatising pension reform, and particularly the turn to hybrid multipillar reform such as the Swedish one, is analysed.

This chapter proceeds in a number of steps. Firstly, it explores the neoliberal origins of risk-privatising pension reform. For this purpose, the alarming cries over the ageing economy, central to calls for pension reform and here known as ‘inverted Malthusianism’, will be considered in detail. The undermining of the welfare state, and particularly post-war pension systems, calling upon inverted Malthusianism has been a key strategy for neoliberal opinion-makers and the financial sector. The understanding of national economies as disciplined by global financial markets has become discursively wedded to inverted Malthusianism. Hence, neoliberal strategies of economic competitiveness have come to demand particular, legal-political institutional structures, which discipline economic behaviour into conformity with the expectations of markets, made understandable to us by Stephen Gill's notion of "new constitutionalism" (1991, 2000). Thus, secondly, the chapter deals with the rise of neoliberalism and its selective reliance upon orthodox neo-classical economic ideas, but also the value of neoliberalism to Neo-classical Economics. This interrelationship came to fruition with the experiment of replacing the Chilean post-war DB PAYGO system with an extremely risk-privatising pension system in 1981. Sections three and four deal with this reform as a crucial experiment for orthodox Neo-classical economic ideas on pension reform and neoliberal pension policy advocacy. Section five explores the heated struggle over pension reform, which emerged with the World Bank's publication *Averting the Old Age Crisis: Policies to Protect the Old and Promote Growth* in 1994. This struggle, particularly important for the European welfare states, seems to have ended with the invention of the Swedish 'third way' reform. This will be analysed in section six. However, as it will be shown, this is merely the same wine in a new bottle. It is argued that the seeming European embrace of the Swedish reform is primarily a political strategy to avoid political struggle while allowing for the continued restructuring of European economies in the direction of a neoliberal finance-led economic model. As such, to study the popular reception of the Swedish reform in Sweden and beyond it is crucial to grasp the political viability of a finance-led economy in the European context.

II Inverted Malthusianism

The strains put on risk-socialising pension systems by a more permanent ‘greying’ of the advanced capitalist economies, than those foreseen by e.g. Samuelson (1958), provide risk-privatising pension reform with much of its rationale. Risk-socialising welfare provision was once claimed by Malthus to be dangerous to the territorially delimited economy. Such provisions would blunt the ‘goad of necessity’, derived from inequality and spurring the productive industry of the thrifty labourer. Instead of saving to support himself in sickness and old age, the labourer could spend the fruits of the land on the well-being of his family. The dangerous consequences would be the removal of the check on the rising generation, “the ‘killing frost’ of misery”, and hence a declining economy as more people had to share the scarce fruits of the land (1998: 46-8). Today’s alarming cries over population ageing can be understood as a form of inversion of Malthus’ thesis: with fertility and mortality greatly reduced by the socio-economic impact of post-war welfare states, economic growth is prevented by the increasing scarcity of productive labour.

The United Nations (UN) *World Population Ageing: 1950-2050* report describes a sombre scenario. Population ageing is historically unprecedented in scope, pervasive and profound in impact, and enduring. These developments vary from region to region and country to country (see Lutz and Qiang 2002; UN 2002). Still,

> population ageing [is expected to] have an impact on economic growth, savings, investment and consumption, labour markets, pensions, taxation and intergenerational transfers…, health and health care, family composition and living arrangements… [with] a direct bearing on the intergenerational and intragenerational equity and solidarity that are the foundations of society (UN 2002: xxviii).

In the OECD economies, as figure 1 shows, without exception, populations have aged significantly since 1960, yet the rate of population ageing is to accelerate considerably accelerate between 2000 and 2030.

Country	Elderly Dependency Ratio		
	1960	2000	2030
France	18.8	23.6	39.1
Germany	16.0	23.8	49.2
Italy	13.3	26.5	48.3
Netherlands	14.7	20.8	45.1
Spain	12.7	23.5	41.0
Sweden	17.8	26.9	39.4
Switzerland	15.5	23.6	48.6
United Kingdom	17.9	24.4	38.7
OECD Europe	15.3	22.1	39.2
United States of America	15.4	19.0	36.8

Figure 1: Percentage of population aged 65 and over as a percentage of the working population (15-64, 'Elderly Dependency Ratio') in OECD countries (taken from OECD 1997: 102).

Hidden behind these numbers are of course also trends in birth rates, life expectancy, (im)migration, education and (early) retirement. These in turn are strongly affected by developments in social and economic policies. The mainstream of demographic studies is based on the conventional theory of ‘demographic transition’. Coming to dominance in the 1950s and 1960s, this theory assumed that as modernisation enables enhanced food security and improvements in public health, life expectancy increases. Birth rates were expected to follow, with some time lag (due to cultural or perceptual dynamics), because societies seek a population equilibrium (Lutz and Qiang 2002: 1199). In its application to the post-demographic transition conditions in post-war Europe, however, these predictions of re-equilibration turned out to the extremely naïve (Lutz 2005: 20). Demographers foresaw no significant increases in either life expectancy or migration. In fact, life expectancy was assumed to have an upper limit in the low 70s for men and the high 70s for women, whilst migration was written off as an insignificant ‘constant’. Instead, the main focus was on fertility, for which both the 1950s ‘baby boom’ and the 1970s ‘baby bust’ came completely unexpected (Booth 2006: 2). Yet, the estimations on birth rates remained greatly exaggerated: “at the end of the demographic transition, fertility [was predicted to] stabilize at *replacement level*…of roughly 2.1 children per woman” (italics in original, Lutz 2005: 21). As life expectancy continued to increase, much thanks to the achievements of the welfare state, “[i]ronically, in terms of total population size, these two errors tend[ed] to cancel each other out” (Lutz 2005: 20). The ‘total dependency ratio’ even decreased and continued to do so until 2000, as a comparison of columns 2 and 3 of figure 2 shows.

Country	Total Dependency Ratio		
	1960	2000	2030
France	61.3	52.8	67.9
Germany	47.4	46.7	75.1
Italy	47.9	47.8	72.7
Netherlands	63.9	47.7	73.2
Spain	55.1	45.3	64.8
Sweden	51.8	57.9	70.4
Switzerland	51.5	49.6	77.0
United Kingdom	53.7	54.0	68.0
OECD Europe	57.9	50.4	67.4
United States of America	67.4	52.0	68.0

Figure 2: Percentage of population aged 0-14 and 65+ as a percentage of the working population (15-64) in the OECD countries (taken from OECD 1997: 102).

While all demographers now consider migration to be of great importance, the continued increase of life expectancy is surprisingly much more controversial. Despite an undeniable continuation of increases in life expectancy, "the UN and many other statistical offices [still does not consider this as] problematic" (Lutz 2005: 21). Many academic demographers, in contrast, inject much more uncertainty and hence openness into their models, following the failures of the conventional theory of demographic transition (Lutz and Goldstein (eds) 2004). The peculiar stance of the UN is of course of political significance as governments do not have to engage with the prospect of adapting their economies to extreme population ageing (ibid.). Although birth rates can potentially be raised through various forms of family planning encouragements, and are hence rather unpredictable, to lower life expectancy is hardly a morally justifiable policy goal. Yet, why does increased life expectancy have to imply a threat to everything from economic growth to savings, consumption and pensions? And hence, does increased life expectancy necessarily put intergenerational and intragenerational equity and solidarity in danger? These questions are complex to answer.

Such threats are premised upon a number of loosely interconnected assumptions. Firstly, the working population will shrink, or, rather, the dependency ratio will increase, to such an extent that existing, risk-socialising pension and other welfare arrangements become economically unsustainable. Secondly, it assumes that people cannot extend their working careers beyond today's standard retirement age. That is, the capacity of those aged 65 and over to work is very low and the impact of medical advances on this capacity is insignificant (cf. OECD 2007b). Thirdly and related, it is largely inconceivable that today's intergenerational and intragenerational equity and solidarity can muster new forms of, or additional, redistribution (cf. see chapter 2-5 of this thesis). Fourthly, the productivity of today's working population has reached its maximum. Hence, there is no unemployment (cf. Cichon 1997). Moreover, technological advances will have no considerable impact on labour productivity (cf. OECD 2007c; ILO 2005). Female labour participation rates and birth rates are maximised through "Swedish-style free childcare facilities" (see Blackburn 2002: 18), educational and family policies, as well as a woman-friendly political culture and labour-market policies (see Hoem 2005; Jenson and Mahon 1993). If so, the capacity of migration between societies with different population regimes (e.g. from societies with high population growth to those with low such) to provide additional labour is negligible (cf. International Organization for Migration 2005).

These assumptions only incidentally match the conditions in any of the OECD economies. Indeed, when actually looking into the calculations underpinning these arguments they certainly do not always remain sound. As Forslund (2008) convincingly shows, Inverted Malthusianism is a problem because it has been constructed as one. His calculations show that, given continued increases in labour productivity rates, the problem of no longer having the same proportional wealth to distribute to the growing numbers of elderly has no mathematical grounding. Indeed, continued high labour productivity ensures that the per capita share of wealth will actually increase, rather than decrease, despite the pressures of an ageing population. Inverted Malthusianism is thus not only a highly contingent account of these economies, it is also a fragile political construction, which could be countered with policy solutions if deconstructed.

Therefore, and particularly considering the political sensitivity of reforming the post-war pension systems, fragile inverted Malthusianism must be wedded to a more authoritative rendition of its economic circumstances and solution to be capable of gathering support. More fundamentally, post-war norms of pension entitlements, as *income replacement* and derived from social citizenship, have to be effectively buried and be replaced with the notion of pensions as the result of individualised, risk-management. Risk-privatising pension systems have to become accepted as the 'objectively' correct alternative to be urgently introduced. Neoliberalism and its selective use of frequently discarded neo-classical economic ideas is central to such a shift.

III Neoliberalism

With the crisis of the Keynesian welfare state in the 1970s, "doctrines of the free market, both as ideology and as political economy," were revived (Gamble 2001: 127). With the suspension of the fixed dollar standard in 1971 and the onset of stagflation, the combination of the neoclassical doctrine of monetarism (e.g. Friedman) and the Austrian school's more explicitly political critique of the involvement of the state (e.g. von Hayek) in the economy started to be successfully made by think tanks and politicians of the New Right. Targeting in the first instance inflation, neoliberal policy-makers give "priority to capital as money rather than capital as production" (ibid.: 130-1; Duménil and Lévy 2001). The financial risks emerging out of the shift to a floating currency regime, the transnationalisation of production and an increasing indebtedness started to give voice to neoliberalism and to the calls of the financial services sector to be able to more freely manage and creatively exploit these financial risks. These calls, for what has come to be known as 'disintermediation',[3] were successful and resulted,

[3] As French and Leyshon show, the notion of 'disintermediation' has been used vaguely and widely to describe a number of different processes. In the first place, they identify two types of disintermediation. The first type refers to "when investors, or the purchasers of financial instruments, deal directly with the producers of those products, sidestepping the need to go via established intermediaries such as insurance brokers or agents" (2004: 268). This is usually accompanied by an increase in the provision of financial information as a means to attract investors and as demanded by the latter. Since recourse to intermediaries is less of an option, consumers are required to attain higher levels of 'financial literacy' in order to make sense out of this information. Otherwise, they may fall prey to the information packages and advertisement strategies of financial services firms. The second type of disintermediation involves the "direct investment or market borrowing by companies without going through a bank or other financial intermediary" (Hamilton 1986: 244). The emergence of this type has two immediate

in turn, in the explosive growth of traded financial papers and the extension of the 'disciplinary powers' of financial markets (Gill 1991). The relative failures of an initial extreme phase of deregulatory free-marketeering under Reagan in the USA and Thatcher in the UK produced strong popular dissent. These failures, moreover, generated what is best understood as a 'critique' from within the Economics profession in the form of the 'Rational Choice' approach, which in turn led to the emergence of the "New Institutionalist Economics" (e.g. North 1990; see Fine 2001). Neoliberalism has subsequently been partly reformulated. Instead of merely aiming at the 'liberation of the market', it now seeks to provide the institutional and normative conditions, which can optimise the flows of capital.

Strategies of economic competitiveness have come to demand particular legal-political institutional structures, or a "new constitutionalism", which discipline economic behaviour into conformity with the expectations of markets (Gill 2000). In this sense, the neoliberal emphasis on 'de-regulation' shifted to emphasising a particular form of

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reasons. Firstly, as a response to the 'costs' of financial regulation on lending or credit creation, financial services firms have sought to circumvent controls over the flows of assets and liabilities registered on balance sheets. Secondly, as "the volume of information available to assess the relative creditworthiness of borrowers" has increased considerably with technological developments, costly face-to-face assessments have been replaced with at-a-distance methods for rating credit worthiness (269). These new methods have increased the transparency of debtors rendering discretionary and confidence-based credit practices increasingly obsolete, particularly for the less financially resourceful. Moreover, this has in turn enabled the bundling and selling of credit risks in a complex process known as 'securitisation' (Montgomerie 2006). "More uneven and more intensely polarized landscapes of investment and borrowing" have been produced as a consequence (French and Leyshon 2004: 270; see also Ericson et al. 2000). Also, increased transparency has made cross-financing, particularly known from the Japanese, French and German economies, difficult. French and Leyshon identify three spatially related outcomes of this type disintermediation. Firstly, leading financial centres, like the City of London and Wall Street, have become more powerful nodal points of financial flows, as "centres of interpretation, calculation and power" (2004: 270). Secondly, at different spatial scales, disintermediation, especially in relation to the advent of 'e-finance' and 'e-commerce' has served to deepen processes of inclusion and exclusion in relation to the provision of credit and financial services. Finally, due to national and supranational forms of regulation as well as deep-seated routines and practices (Langley 2006a), disintermediation has advanced unevenly across space. Among the western capitalist economies, considerable variation remains with the Anglo-American economies as the supposed ideal.

”reregulation” (Majone 1990), from the “nightwatchman” type of government to “governance” (Jessop 2002). Neoliberals now sought to institutionalise individualism through the offer of choice and agency (Garland 1997), but neither freedom nor liberty (Rose 1999). The discourses and practices produced by international institutions, particularly the World Bank (Williams and Young 1994), the International Monetary Fund (IMF) and the Organization for Economic Cooperation and Development (OECD), tendentially shaped, but also gave legitimacy to neoliberal policy,.

In neoliberal, increasingly hegemonic, accounts, these developments were evidence of ‘globalisation’, a homogenous and inexorable process exogenously driving national economies to converge around the economic model seen as the benchmark of liberal capitalism, that of the world capitalist economy’s leader – the US economy (see Rassekh et al. 2001; Ohmae 1990, 1996; Thurow 1994). These “convergence forces” are identified by their original neo-classical proponents (e.g. Baumol 1986; Ambramovitz 1986) as the importation of technology, the opportunities to higher returns to capital and the absence of demanding “distributional coalitions”, which slow down growth (Olson 1980). These factors of convergence are seen as causing national economies to compete with one another (Cerny 1995). Governments consequently take on a remote, juridical role in relation to the economy and thereby providing a transparent and more predictable economic environment for market forces (Gill 2000). This is supposed to attract and retain the productive economic agents and capital flows which will enable national economies to catch up with the leading US economy, and do hence join the process of emulating the benchmark neoliberal capitalist economic model. In turn, this puts pressure on governments, especially those with large public sectors, high tax levels and significant regulations on economic activity and capital flows, to deregulate their economies and to minimise tax levels. Expensive and regulatory economic institutions that provide welfare and the capacity to macroeconomically steer economic activity, such as Keynesian risk-socialising pension systems, are therefore considered to have a negative impact on competitiveness and economic growth, as they interfere with the mechanisms of the market.

Yet, this disciplinary neoliberalism has been differently interpreted, formulated and resisted in distinct socio-economic and institutional contexts. In fact, it is questionable whether this argument has any real correlation in empirical developments (Hirst and Thompson 1996; Hay 2000). Neoliberalism can, thus, not be understood as a uniform ideology or political economy. To treat neoliberalism as "a phenomenon which manifests itself everywhere and in everything" would be "politically paralysing" and analytically unhelpful (Gamble 2001: 134). Avoiding such tendential reification demands the careful deconstruction of neoliberalism "into the different doctrines and ideas which compose it, and relate them to particular practices and political projects" (ibid.).

In accordance with the neoliberal 'convergence thesis', the most central neoliberal political projects of today are those undermining risk-socialising welfare systems, and particularly post-war pension systems. The role played by Neo-classical Economics to these projects cannot be understated. Debates within Neo-classical Economics have been crucial to the reform debate. Here, the wedding of the fragile inverted

Malthusianism to particular sets of neo-classical economic ideas has been a crucial neoliberal discursive strategy. Consequently, this section will discuss the development of neo-classical debates on pension reform through the lessons learnt from the 1981 Chilean 'reform experiment' and onto the Swedish pension reform. However, first, the central ideas of Neo-classical Economics to pension reform must be outlined.

IV The Significance of Neo-classical Economics to the Design of the Chilean Pension Reform

Orthodox Neo-classical Economics rose to prominence and dominance in policy-making in the 1960s and 1970s, at the expense of Keynesian Economics. This was largely the orthodox doctrine established during the decades around the turn of the previous Century. Its canonical foundations, greed, rationality and equilibrium, are not only highly pessimistic of humankind (greed), but also unrealistic (rationality and equilibrium). However, since then it has been noticeably revised, starting with the Arrow-Debreu specification (1954). Still, this revision has not been convincing to all Neo-classical Economists, nor has it been adopted wholesale within the Economics profession (Schiffman 2004). Neoliberal policy-makers, whose knowledge of the economy is generally a product of the formers' narrow teachings (Keen 2001), seem uninterested in integrating these revisions and, instead, keep on referring to and drawing much of their legitimacy from an outdated 'Neo-classical Economics' and its foundational canon. As Fine (2001: 149) argues with regard to the World Bank's research on 'privatisation':

> Whilst consistently and aggressively pursued as a policy measure, the World Bank's research has remained impoverished at best and apologetic at its worst. Analytically, it has fallen far short of the content of the approach that dominates the orthodoxy – with its conclusion that ownership as such does not matter relative to the conditions of competition and regulation. Its empirical work has simply and primarily been self-serving. If the lessons from existing literature had been learnt and followed in advance, policies would have been very different, particularly in terms of the desirability as well as the sequencing and integration of privatisation, or public sector reform, with other policies.

As we will see later in this chapter, this also goes for World Bank pension policy.

Broadly speaking, the world, according to orthodox Neo-classical Economics is defined by 'general equilibrium theory' and inhabited by rational utility-maximisers, so-called *homines oeconomici*. Individual human action is here "characterized by perfect[, and hence symmetrical,] information, an absence of strategic behaviour, public goods or externalities, and perfect forecasts (or, in the absence thereof, by a complete set of future markets) [because an existing] market economy guarantees that equilibriums are pareto-optimal" (Boyer 2005: 535). Thereby "economic agents can be modelled as if they form their expectations of future events according to the best available economic theory or econometric analysis" (Mackenzie 2004: 304). The most obvious instance of this general equilibrium theory is the 'efficient market hypothesis' (Fama 1970), to which we will return shortly.

Many Neo-classical economists, at the time of the Chilean pension reform, believed that extreme risk-privatising pension systems had the potential to contribute to the emergence of efficient markets. The role of active pension savers was central to this belief. The claim was that through the buying and selling of assets, investors exchange information about the expected future value of these assets. Investment decisions are based on the individual, rational evaluation of the economic fundamentals underpinning such a value. ‘Market opportunities’, in the form of opportunities to optimise the rate of return on investments, function as powerful incentives providing the impulse to act. The belief in the social power of these incentives derives from the assumption of rational expectations of utility-maximisation, as determined by the optimisation of investment returns. It is assumed that information is fully and equally available to both buyers and sellers, yet, due to time-differentials in the evaluation of prices, opinions vary on the correct value of assets. The law of averages ensures that deviating opinions on the price for these assets even out to produce the true price at any given time. Accordingly, the greater number of active and ‘financially literate’ participants, the greater the efficiency of the market. Nonetheless, should this price-setting mechanism in the market fail to generate the true price, arbitrageurs, such as institutional investors, will invest to eventually profit from this market failure, once fully corrected. Hence, the market is self-equilibrating, and if left to its own devices will produce the correct values of assets. Consequently, a fully functional market is assumed to be an efficient mechanism for the allocation of resources in any economy (ibid.). The specification of Arrow and Debreu (1954), and the critiques of North (1990) and Stiglitz (2001), among others, have weakened this extremely rationalistic, ‘market-friendly’ and self-equilibrating understanding of markets. However, to neoliberals, at the time of the Chilean pension reform, as will be shown below, this was an extremely attractive theorisation of the market economy.

A crucial second neo-classical idea, relevant to the Chilean pension reform, was economist Martin Feldstein’s thesis on the negative impact of U.S. social security[4] on

[4] U.S. social security is a PAYGO defined benefit system funded through income tax.

national aggregate savings and hence aggregate accumulation (1974, 1975, 1976). Based on the comparison between the post-war performance of the stock exchange and wage growth, he argued that private accumulation generated vastly higher aggregate accumulation than ‘social security wealth’. Echoing Friedman’s argument (1957: 123), he stated, that in the hypothetical absence of social security, workers would save for their retirement over the life-cycle. They would save less in their youth and progressively more when approaching retirement (the so-called ‘humped life-cycle thesis’). However, social security “induces” the worker to retire earlier than in its absence (Feldstein 1974). As social security pensions imply a loss of income relative to pre-retirement wages, the worker saves privately to ‘smooth’ life-cycle income (Arno and Modigliani 1963). However, without social security, retirement would not generally occur before or at the age of 65, but rather later as consumption levels would have declined significantly. Thus, social security does potentially generate savings. The “net effect [on national aggregate savings] of the social security program will therefore depend on the balance between the extra savings due to induced retirement and the reduced savings due to the replacement of private accumulation by social security ‘wealth’” (Feldstein 1975: 85). On the basis of his subsequent calculations, he came to the conclusion that national income was significantly reduced (by as much as 60%) (Feldstein 1974) and thus the social security system was suboptimal. Yet, the combination of anticipated population ageing (Feldstein 1975: 79-81) and the politically induced expansion of the social security system (ibid.: 75-76), had reduced the rational inclination to work and save (1974: 906). In this Malthusian manner, he came to the conclusion that US social security was becoming increasingly untenable (1975).

Interestingly, a central element of his formula for adjusting the social security system to the modern economy (1977: 97) was the development of a large “social-security capital fund”, to reduce the burden on coming generations for financing the pensions of retirees. This would be done, in a manner politically compatible with the spirit of social security, by buying “outstanding government debt” (ibid.). In turn, this “would add to the nation’s rate of saving and real capital accumulation…[and be] an efficient way to finance future benefits (ibid.). Not to mention, this would reduce heavy US state indebtedness and hence extract the US economy from the claws of credit rating agencies (Sinclair 1994) and financial markets. This solution to the problem was not attractive to neoliberals, as it would return power to the State at the expense of the financial markets (Blackburn 2002). However, his problematisation of US social security and risk-socialising PAYGO defined benefit systems more generally was embraced by neoliberals. To neoliberals, risks in the saving for pensions should be shifted to the individual, so as to ensure market-conforming behaviour and maximise aggregate savings. Moreover, for pension savings to be allocated efficiently, without state interference, private financial institutions would have to be in charge of their management. This would in turn greatly enhance aggregate accumulation and thus ensure pareto-optimality. In addition, this would result in the distancing of the State from the economy. A neoliberal interpretation of the efficient market hypothesis and Feldstein’s theories were largely incorporated in the design of the new pension system in Chile.

V The Chilean Pension Reform

As argued in the introduction to this chapter, the replacement of one pension system by another implies the uprooting of particular social relations, or distributive coalitions, backing this historical compromise. Yet, these social relations can only be uprooted if the ideas, norms and practices upon which these social relations are forged are rendered obsolete and inferior to alternative ones. Against the background of the discourse of globalisation, the deployment of the discourse of inverted Malthusianism has aimed to construct risk-socialising pension systems as 'sub-optimal' and risk-privatising pension systems as optimal, or rather 'pareto-optimal'. The search for 'this optimal alternative' arguably started with the 1981 reform experiment in Chile, the country that Raffer refers to as "the lab of privatisations" (2003: 3; Orenstein 2005: 190). However, demographic considerations were of minor concern to the reformers (Madrid 2002). Unsurprisingly, to neoliberals, and to some extent neo-classical economists, the particular political, economic and social conditions of the Chilean reform were allowed to play little role in their deliberations. The pension reform was part of a strategically uneven neoliberal overhaul of the economy hit by the 1970s stagflation and emerging debt crisis. The technocrats of the recently acceded Pinochet military junta designed a 'shock therapy' for large parts of the economy, yet purposefully sparing some actors (like the military and the higher echelons of the civil service) while undermining the power and the social conditions of others (Blackburn 2002: 73, 227; Ippolito 1998: 140). This should also be understood as part of the early period of the international financial institutions' (IMF and World Bank) programme of extreme structural adjustment in Latin America (Laurell 2000). Accordingly, as Madrid (2002: 159) argues, the pension privatisation scheme was "a response to severe capital shortages,… as well as the influence wielded by international financial institutions, especially the World Bank,…rather than to the financial problems facing some of the pension systems". Pinochet's University of Chicago-trained finance minister, who was in charge of the introduction of this system, perceived the old system as founded on the basis of a flawed "collectivistic concept of man and society" (Acuna and Iglesias 2001: 23). Hence, 'parametric' reform was not an option (Raffer 2003: 4). The reform had to be 'structural' and aiming to reduce the weight of the State in the economy (Blackburn 2002: 227).

The Chilean pension reform can be seen as the materialisation of late 1970s and early 1980s neoliberal ideas on pension reform (Raffer 2003). As the first pension reform to replace a PAYGO system[5] with a risk-privatising pension system, it incorporated a set of neo-classical economic ideas, which had started to make inroads into the emerging debates on pension reform. Thus, neoliberals and neo-classical economists understood this reform as an extremely significant experiment in pension risk-privatisation, from which crucial lessons could be drawn for subsequent reforms in more sizeable economies (World Bank 1994, chapters 4 and 6; Edwards 1998; Feldstein 2001: 8; Normann and Mitchell 2000: 9; OECD 2006). Whilst it was crucial to neoliberals because a success of this reform would empower them in their advocacy of risk-privatising pension reform, neo-classical economists were eager to study the turnout of their neo-classical theories. Introduced was a 'funded defined contribution' scheme (FDC) constituted by a privately and competitively managed mandatory saving programme (World Bank 1994: 204) consisting "of individual capitalization accounts

[5] The old pension system in fact consisted of several PAYGO pension systems (see Kritzer 1996).

financed solely by the employee" (Kritzer 1996: 45).[6] This was complemented by the provision of minimum pensions to those who qualified for it. Launching this new system aimed at switching "the burden of retirement to the individual, lessen the government's financial responsibilities, stimulate the economy [by increasing the equity savings base], and encourage employment" (ibid. 46). The transitions in structural, risk-privatising pension reforms are commonly known to draw problematically high fiscal costs (e.g. World Bank 2005: 44), the so-called 'double payment problem'[7]. In the Chilean case, this was covered by the revenue from the privatisation of state-owned firms (Diamond and Valdes-Prieto 1994).

Needless to say in the context of pension systems, the Chilean pension system is complex in more or less all of its elements and I will therefore just briefly outline those characteristics of particular significance to this thesis.[8] Firstly, the system was supposedly designed to encourage the seeking of sustained and formal employment by awarding such with increased pension coverage. A complex system of mandatory and voluntary pension contributions[9], however, applied differently to different categories of wage-earners, also to encourage formal employment. In a 'tight' formal labour market, the very high percentage of 'self-employed' (37% in 1996) could choose whether to contribute or not. Monthly pension contributions were set at a rather high level and did thus seem to discourage (10%), rather than incentivise, this group of workers from ensuring coverage. Other differentially marginalised groups faced a

[6] The Chilean FDC scheme was not the first of its kind. As Gillion et al. (2000) show, FDC schemes had existed since decolonisation in several former British colonies in Africa and Asia. However, these schemes were not harbouring privately managed funds. As such, they differ markedly from the Chilean scheme which relies upon the management of pensions by private funds.

[7] This refers specifically to the issue of one generation having to fund both its own pensions and the retirement of another.

[8] For a detailed study of the Chilean pension system, see Valdes-Prieto 2001.

[9] Mandatory pension contributions stand at 10% of monthly wages.

complex set of rules for participation. Still, those workers who did regularly contribute still had to work for a certain number of years and reach a certain level of pension savings in order to receive a ‘full’ pension. Those who did not qualify for full entitlements to these savings faced a difficult struggle to secure a minimum pension (Kritzer 1996).

Secondly, pension savings are invested by 10-20 pension funds[10] (AFPs[11]), between which pension savers choose. In accordance with the efficient market hypotheses, consumer choice was of course central to engendering competition between the AFPs. The AFPs could be formed by shareholders, but not banks. Since the introduction of the system, the regulations on the investment practices of AFPs have gone from extremely strict and low-risk (effectively limiting investments to the Chilean economy and hence to its performance) to moderate. In 1981, AFP investments were limited to “low-risk domestic instruments, such as government bonds, time deposits and securities of financial institutions, bonds guaranteed by financial institutions, letters of credit sent by financial institutions, debentures of public and private companies, and shares in other pension funds” (Kritzer 1996: 48). By 1995, the restrictions on AFP investment had been relaxed, as illustrated by figure 3.

[10] Between 1981 and 1996, the number of AFPs fluctuated between 12 and 21 (Kritzer 1996: 51).
[11] Administradoras de Fondos de Pensiones.

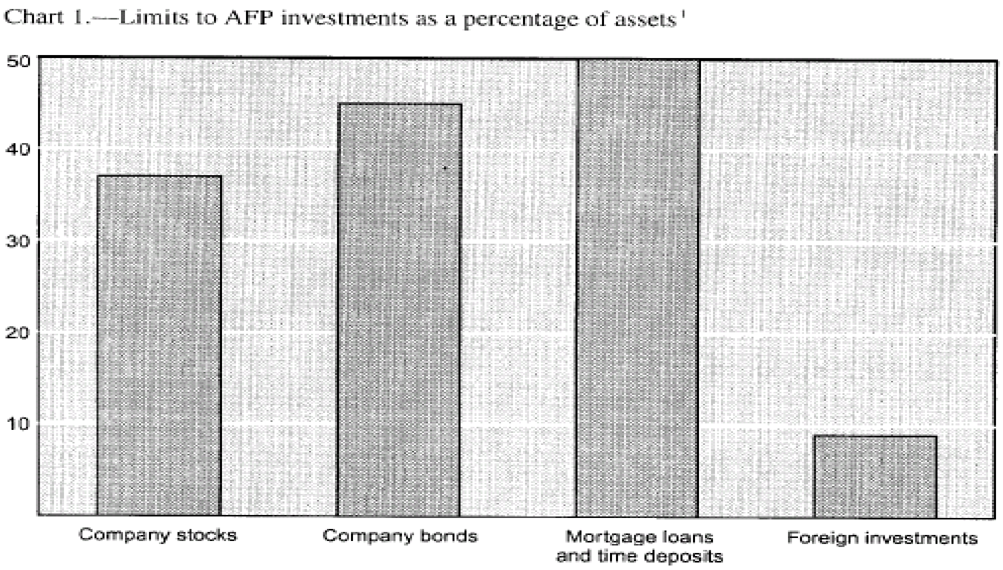

Figure 3: Maximum percentages of AFP investment by forms of asset (taken from Kritzer 1996: 48).

The Chilean pension reform is understood as an integral part of "the Chilean miracle" (e.g. Collins and Lear 1995; Edwards et al. 2000) making the Chilean economy into a potential "puma" (relating it to the East Asian 'miracle' and the East Asian 'tigers') (Sznajder 1996). The supposed success (e.g. World Bank 1994: 276) of the reform has made it "fashionable" to refer to (Cichon 2005: 1). However, this 'success' cannot merely be taken for granted. Thus, in order to assess the success of this pension system and hence the ability of neoliberals and neo-classical economists to draw upon the Chilean case, the outcome of the reform up to at least the mid-1990s must be analysed in order to be able to understand its relevance for the pension reform debates of the 1990s. This ought to still be an insufficient time period as neoliberals and neo-classical economists claim, and in the case of a risk-privatising pension reform requiring 'behavioural adjustment', there to be a time lag between the reform and its coming to fruition (see Lindbeck and Persson 2002: 28-40). Yet, them singing its praise must allow others to engage with its success story.

Four main objectives with the introduction of the new risk-privatising system can be identified:

- to privatise risk and hence call upon the thrifty and rational individual to take responsibility for his pensions;
- to relieve the financial burdens of the government and thus distance it from the economy;
- to encourage employment; and
- to stimulate the economy by increasing aggregate national savings and the efficient allocation of capital in the economy.

Firstly, the reform certainly privatised risk, yet few individuals seem 'rational' and 'thrifty' enough to manage their pensions as intended. The risk-privatising system was intended to 'incentivise' pension savers to acquire 'financial literacy', here understood as being able to understand present market values and to vaguely be able to predict future such, without educational support. However, whilst making choices between AFPs was complex at the outset, the required financial literacy became higher with the relaxation of the investment rules of the AFPs. In addition, at the time of retirement, pension savers had to make difficult and expensive choices when converting their savings into steady pension income (Diamond 1996: 83). As Rix (1995: 5) claims,

> [w]orkers' ability to make the wisest investment decisions, to say nothing of their interest in keeping abreast of all that they need in order to make wise decisions, is questioned in Chile....Workers under the new Chilean system, aside from the minimum benefit, are not ensured against poor decisions; nor can the system guarantee a particular rate of return.

Rarely having the skills or the knowledge to obtain such financial literacy, Chilean pension savers became highly exposed to AFP and financial sector marketing and led to the seeking of expensive investment advice (Kritzer 1996: 47). Indeed, the system, along with the rest of the technocratically designed economy, has created a bifurcation between, on the one hand, "a new commercial farming class in the countryside and a new financial and industrial entrepreneurial class in the cities" and, on the other hand, the urban working classes and the rural poor (Portes 1997: 241).[12] Thus, towards the late 1990s, only 32.1 percent of the population of working age were in some sense active in and were hence potentially more comprehensively covered by the pension system (Valdes-Prieto 2001: 7). The complex and strict rules of participation seem likely to have contributed to that large numbers of workers, for instance female family-rearing workers, aimed for just qualifying for the minimum pension and/or securing retirement income outside the pension system. All in all, according to the calculations of Valdes-Prieto, "[t]his means that, in an average month, 67.9 percent of the population above the age of 15 was inactive (out of the labor market), was active and exempt from contributing, or was evading contributions" (2001: 7). This can hardly have been aided by the unreliability of employers, who are legally responsible for transferring the pension contributions to the pension system. Kritzer notes that in early 1996, 150.000 law suits against employers remained unresolved (Economist Intelligence Unit in Kritzer 1996: 49).

Secondly, the State budget was indeed relieved of much of its pension liabilities. Two general pension systems were assumed responsibility for: the Minimum Pension and

[12] However, in the early 1990s, the minimum income was raised, partly intended to increase pensions. Still, as Valdes-Prieto (2001) argues, this had no real impact upon pension levels.

the Assistance Pension. Whilst the former requires 20 years of working pension contributions, the latter remains extremely difficult to obtain (Valdes-Prieto 2001: 14).

Thirdly, some neo-classical economists claim that the pension system has resulted in an increase of labour market efficiency, and hence employment rates by between 1.0 and 1.5% (Edwards et al. 2000). Other research has shown that the impact has been insignificant (Gruber 1997). Overall in the economy, the 1960s were characterised by unemployment of around 6%, but this increased in the 1970s with stabilisation policies and structural adjustment programmes to about 15%. During the debt crisis in 1982-1983 unemployment rose to 30% before stabilising again in the early 1990s at close to 6% (Larranaga and Paredes 1999: 930). The authoritarian imposition of neoliberal policies in Chile (Portes 1997) may, to some extent, account for this restabilisation, yet without "large unemployment insurance programs nor publicly provided work subsidies in Chile,…the family support network [has been] critical (Valdes-Prieto 2001: 10).

Finally, with regards to aggregate national savings, much of the literature is actually showing that the effect has been negative during the time-period 1981-1995, and this was before the difficult years of 1996-1997 (Beattie and McGillivray 1995; Holzmann 1997; Arenas de Mesa 1999; Acuna and Iglesias 2001). In late 1995, the total wealth of AFPs was 40% of GDP. Yet, the growth-contribution during this period of the AFPs has been deemed difficult to assess, as the introduction of the new system corresponded in time with a large number of other changes in the economy (Mesa-Lago 1994; Vittas 1995). In addition, although the average annual rate of return for the investments of the AFPs during the 1981-1995 period were high (12.9%) (Kritzer 1996: 49), this was still more than 10% below the Selective Share Price Index of the Santiago stock exchange and just 4% higher than the average rate of bank deposits (Acunas and Iglesias 2001). Still, this hides a high level of fluctuation from AFP to AFP and from year to year, which, of course, affects pension levels substantially.

The effect of the Chilean reform on workers is thus the subject of great debate, yet

> [i]t is clear nonetheless that workers will face more risk in the private systems because most pension guarantees have been eliminated. It is also likely that some groups, such as women, will fare poorly in the new system because they live longer or because they often have prolonged absences from the labor market while raising children (Arenas de Mesa and Montecinos 2002: 160).

Thus, the neoliberal claim that a pension reform like the Chilean one is pareto-optimal seems odd, unless politically or financially motivated.

To neo-classical economists, the experiment remained of great significance as the shift from a risk-socialising system to a risk-privatising system now had been empirically tested. This was of course enhanced by the authoritarian means by which the reform took place. The social relations upon which the old PAYGO system rested were brutally uprooted and the new ideas, norms and practices were coercively imposed (Portes 1997). The expected high degree of conflict promised by structural reform constitutes a problem to neo-classical economists as ideas, norms and practices were even more unstable than otherwise. Assuming rational expectations and the provision of the right incentives, it is not the system itself which is problematic, but the reform process. As Rodrik argues, “a lot of economists [covertly find that] the search for consensus and compromise” may just hinder the introduction of a new and supposedly functioning system (1996: p.33). Of course, under the junta such a reform could be made without seeking popular consensus or having to make compromises with too many social partners. Thus, the introduction of the risk-privatising pension system in Chile provided the ideal ‘apolitical’ test for their ideas. Through the coercive neoliberal restructuring of the Chilean economy, with the new pension system in the forefront, market-conforming behaviour was to be ensured.

VI Struggle over Pension Reform

In 1994, the World Bank’s publication *Averting the Old Age Crisis: Policies to Protect the Old and Promote Growth* implied the shift of considerable attention to pension reform worldwide. It was also the starting point of the World Bank’s (the Bank) highly active advocacy and direct engagement with pension reform worldwide (Orenstein 2005: 191). As suggested by its title, *Averting* invoked inverted Malthusianism in full force and combined it with a recipe for growth: risk-privatisation and financial market stimulation. The fundamental starting point was Feldstein’s claim, as outlined above, that DB PAYGO pension systems, or rather US social security, significantly reduce national aggregate savings and hence economic growth. The Bank admitted that this had turned out to be wrong empirically in many cases (Canada, France, Germany, Japan, Sweden and UK. Sweden had even shown positive trends.), but gave a number of reasons for this:

- The financial sector had not been able to provide adequate financial instruments for savings to make sense, especially when wage contributions to DB PAYGO systems ‘crowd out’ consumption.

- DB PAYGO systems induce workers to retire early, which forces them to save more and sooner for retirement.
- Inverted Malthusianism had undermined the credibility of pension systems to such a degree that it had made pension savers hedge against the possibility of its collapse (World Bank 1994: 307-8).

Hence, this empirical misfit did not provide strong enough reasons for the Bank to advocate parametric reforms. Feldstein's claim, as outlined above, that DB PAYGO pension savings generated significantly lower rates of return than equity savings strongly suggested to the Bank that, for the sake of promoting growth, pension reform should involve the shift to equity savings (WB 1994: 307-9).

The rational consumption smoothing life-cycle thesis, crucial to the post-war DB PAYGO systems (Samuelson 1958; Merton 1983) and the Feldsteinian 'humped life-cycle thesis' of skewed life-cycle consumption (1976) crucial to the Chilean reform, were addressed in *Averting*. The Bank's acknowledgement of the overly simplified and stylised assumptions made by these previously dominant understandings of life-cycle savings and consumption patterns was on the surface politically open, but implicitly neoliberal. By pointing to the great variety of needs and preferences in relation to consumption and saving, it implicitly advocated lower levels of pension contributions (yet obligatorily funded) than in e.g. the European welfare systems. Compensatory private voluntary savings should not be allowed to be 'crowded out' by high rates of inefficient DB PAYGO pension transfers (1994: 2, 49, 66-7, 80, 293-5). With the preference for equity savings for the purpose of growth, the obvious solution was the

Chilean model of funded defined contribution pension schemes. Yet, these schemes could not be allowed to be too small (below 5%) because this would also crowd out voluntary private savings through increased consumption (ibid.: 93). The advocated funded defined contribution schemes thus had to be substantial, at least 10% of wages (ibid.: 251). Thus the discourse of inverted Malthusianism had gained a considerable boost.

Despite its seeming failure, the model proposed was the Chilean one:

- A mandatory tax-financed public pillar designed to alleviate poverty
- A mandatory funded, privately managed pillar (based on personal accounts or occupational plans) to handle people's savings
- A supplementary voluntary pillar (again based on personal saving, or occupational, plans) for people who want more protection. (World Bank 1994: 292)

The neoliberals' and the financial sector's advocacy of cutting back on the public provision of pensions, in order to make people save for their own retirement, packaged in threats of inverted Malthusianism, had been given considerable legitimacy and respectability (Blackburn 2002: 16). No, better: following the Chilean example, the Bank proposed that such savings should be mandatory, substantial and managed by the financial sector. Maybe this was not coincidental. As former World Bank chief economist Stiglitz argues, in the Bank's formulation of policy it tends to be heavily influenced by the IMF, who in turn has close ties to the transnational financial services industry as a consequence of sharing the same pool of high-ranking staff. Hence, Bank policy often reflects the interests of finance (Stiglitz 2002).

Through the wave of financial deregulation sweeping over most of the world since the time of the Chilean reform, pension funds and other institutional investors saw the prospects for spreading the ‘equity culture’, which had come to characterise the, by neoliberals so cherished, Anglo-American model. Prior to the publication of *Averting*, the market for the private management of pension savings was a small business in most economies other than the Anglo-American ones. The spread of inverted Malthusianism had frightened some into saving on the side at the event of public system implosion, however pension funds were restricted to struggling against the “sales resistance” of “voluntary savers” in domestic markets (ibid.: 433). With the World Bank’s embrace, the conditions now seemed ripe for the construction of a transnational market for pension savings.

However, the World Bank approach attracted criticism from two directions. Firstly, it received a strong critique from the International Labour Organization (ILO) on the grounds of its assumptions that post-war PAYGO defined benefit pension systems were demographically doomed. The Bank, through *Averting*, had problematically contributed to this perception. ILO’s Cichon responded that these pension systems do not suffer from a financing problem, but a problem of employment. With more people working, these systems are not in danger. It is only if the additional labour supply cannot be absorbed that the problem of employment becomes a problem of financing. Yet, even in such a case, these pension systems were not necessarily doomed, but could be adjusted to accommodate this financing problem (1995: 83-84).

Cichon’s argument was further developed in another paper. Here, he argued that the Bank’s claim of the financial non-sustainability of these systems was a political one. It primarily targeted the type of costs of the redistributive system of the “European model of social protection” and advocated a shift to another type - the supposedly less costly redistributive system of the US economic model (1997: 1). The financial non-sustainability of the European model resulted from its preference for redistribution through "social protection transfers financed through taxation and social security contributions", while the perception of the US model of redistribution as less costly was based on the disregard for the implicit taxes paid through the redistribution of jobs and poverty (ibid.: 11). European workers, Cichon showed, were significantly more productive than US workers, which in turn offset some of the costs for unemployment, and this was a consequence of, among other things, labour market regulation (ibid.: 10). In fact, Cichon showed that the two models of redistribution are equally costly. The World Bank's claim was biased towards the US model. Thus, the World Bank made the biased assumption that sharing work was better than sharing income, when, according to Cichon, dealing with an ageing population required both. In addition, Cichon could have argued that the World Bank's data on France's and Germany's national aggregate savings rates (as equal to those of the US) were not unquestioned. According to Blackburn, the historical aggregate savings rates for France and Germany have been higher than those of the US, despite having more generous pension systems. Hence, not only Sweden showed higher savings rates than the US, but also the two main economies of the European model (Blackburn 2002: 219). Thus, the World Bank's celebration of the US equity culture would seem spurious.

Nevertheless, the retaining of the "European model of social protection" was a political decision that had to be made (Cichon 1997: 21-22). Cichon argued that "[e]uropean social policy is at a critical crossroad":

> As long as it maintains its low poverty priority and as long as growth rates in Europe do not show substantial improvements, Europe has a clear-cut choice: either it accepts unemployment

> and maintains high wages and high social transfers or it substitutes some of its disposable income and its social transfers by the financing of additional (social) employment. (1997: 32)

According to Cichon, promoting and facing inverted Malthusianism, the Bank hence cared more for risk-privatisation and finance-led growth than for income redistribution and risk-sharing. In fact, the latter were costly, sub-optimal for growth and not pareto-optimal. The Bank's response to this criticism was to re-emphasise the financial non-sustainability of parametric reforms, yet to acknowledge the need for dialogue with the ILO (Holzmann 2000: 28). The end of the heated struggle over pension reform seemed to have reached its conclusion with the Bank's embrace of the "third way" Swedish Notional Defined Contribution (NDC) system (World Bank 2001: 2).

This shift in Bank policy, to which I will turn shortly, was primarily founded on considerable theoretical criticisms of its strong policy preference for the Chilean model. Particularly notable criticisms, or rather 'critiques' came from four economists, claimed by the Bank to have directly contributed to *Averting* (World Bank 1994: xvii): Ippolito, Barr, Diamond and Bodie. This internal 'critique' constitutes the second strand of criticism. According to Diamond, World Bank pension policy advocacy can be characterised as being of a highly uneven quality and of "overselling" (2007). He raises two concerns with reference to the latter: "one is that there has been too much advocacy at the cost of more balanced, and so more educational, presentations...[There has been] a near-religious war about the virtue of funded versus unfunded provisions, and the merits of defined-benefit versus defined-contribution plans." He adds: "it should be recognized that the Bank's economists set (and sustained) the tone for these interactions" (Diamond 2007: last page).

Thus, also the ILO critique seemed to have been acknowledged, albeit in a still politicised manner, as the Bank came to accept that it had to meet “some of the objections of labor and pensioners’ organizations” (Williamson and Williams 2005: 502). Addressing a number of myths that have arisen as a consequence of the discursive construction of inverted Malthusianism, Barr points to the flawed understanding of funded schemes as capable of resolving the ‘old age crisis’. The costly effect of increasing dependency ratios on funded schemes is “equally inescapable”, just more subtle (2001: 2). Instead of taking its expression in that greater tax contributions have to be made by the working population as in DB PAYGO systems, the retirement of a large generation of workers in a funded scheme, turning its financial asset savings into annuities or the like, “will exceed purchases of assets by the smaller younger generation, leading to falling equity prices and, hence, to lower pensions” (ibid.).

The Bank’s promotion of funded schemes as generating superior rates of return to pensioners and growth in the economy was also strongly criticised. Feldstein, who in his critique of the DB PAYGO pension system of US social security in the 1970s and early 1980s had not gone so far as to embrace a funded defined contribution scheme with individual accounts like the Chilean one, had since the early 1990s changed his opinion. Now, Feldstein “became a leading advocate” of the Chilean model (Blackburn 2002: 392). Based on new data, on stock market performances in several economies since 1960 which included the upswing of the late 1980s and early 1990s, “Feldstein claimed that the real return that individual accounts could reap on the stock market was higher than had previously been thought” (ibid.). Feldstein advocated the adoption of a standardised portfolio consisting of 60% shares, rather risky by nature, and 40% government bonds, usually of low risk. He argued that since the introduction of individual capitalised accounts would add additional return on capital, and because voluntary pension savings enjoyed tax exemption (not only in the US but also elsewhere, including Sweden), "[g]overnments should be willing to forgo those corporate taxes" and use them to pay for the costly transition (ibid.). Even in the universal and generous pension systems of Europe, this was a solution to the 'double payment problem'. Still, as Barr points out, this is only a solution if the investments made under such a scheme generate increased productivity: "it cannot be assumed that pension fund managers make more efficient choices than other agents in channeling resources into their most productive uses" (2001: 2). As suggested by Blackburn above, the private pensions-induced equity culture of the US has not necessarily generated higher growth than in the income redistributive European economies, where, bar the UK, there is no strong private savings culture. The rise of "pension fund capitalism" in the US since the mid-1970s (Clark 2000) has, thus, *not* made growing equity markets the sources of increasing real investment capital. Financial markets merely have a "refinancing function", which enables owners of capital to turn illiquid assets into liquid assets; they do not add new "productive capital" to the total capital stock. US capitalism has as a result of the growth of the private pensions market become characterisable by the notion of "rentier capitalism" (Toporowski 2000: 22-3).

Of course, the supposed mobility of finance capital on largely deregulated financial markets enabled private pension providers to freely switch markets and exploit price differentials on assets. However, since the 1970s, the risks on financial markets have not become smaller, but significantly greater. Financial innovation (Mackenzie 2004), increasing market performance pressures on institutional investors (Harmes 1998: 406), and the international financial institutions imposition of a uniform technical model on financial markets (Best 2005: 124-5, 147) have served to increase, rather than reduce, this volatility. The politically approved application of financial economics in financial market practice "performed" to generate this unexpected outcome (Mackenzie 2004). Understandably, in this context, Ippolito accused Feldstein of ignoring the risk it imposes upon pension savers:

> a risky return on capital cannot be compared to a riskless return on a government-enforced pay-as-you-go system…On a risk-adjusted basis, it is not clear that the return on the pay-as-you-go system is lower than [in] a funded system. (Ippolito 1989: 140)

Barr added to this by arguing that under a funded system the fluctuations of stock markets will render markedly different outcomes: "[t]wo individuals with identical lifetime contribution profiles could end up with very different pensions" (2001: 3). Thus, as Diamond states, pensions are directly affected by the risk reflected in realised rates of return rather than, as in DB PAYGO systems, spread across generations (1996: 81). Moreover, as Bodie argues, building on the argument of Merton and Samuelson (1974), pensions in funded systems are determined by volatility, not by average rates of return in the long run (1995). Hence, the pensioner's timing of the cashing of her pension savings becomes critical to her retirement income, although the choice of when to retire is often limited by need. There is thus often an in-built risk in retirement in funded schemes.

However, choice itself could surely not be negative? In the end, consumer choice is central to the efficient markets hypothesis. This is, in turn, key to orthodox Neo-classical Economics and neoliberal thought, and the claim that by increasing choice, welfare is enhanced. Barr makes the caveat that increasing the choice of pension plans, or fund managers, is only "desirable if consumers know enough to choose well. However, pensions are complex even for financially sophisticated consumers." (Barr 2001: 3) 'Choice' itself was acknowledged to be problematic, despite that this was theoretically understood to be the very engine of the market – the fundamental driver of a Pareto-optimising economy.

Problematic on a deep theoretical level, the neo-classical economists' assumption that the economy's inhabitants were so-called *hominess oeconomici*, having perfect and symmetrically available information, had to be questioned. Still, in 2001, Holzmann, in charge of strategic and conceptual issues in the area of pensions for the Bank, stated that one of the main items on the policy research agenda for the World Bank was: to seek to understand "the (non-) participation decisions of individuals in the workforce in order to design second-generation reforms with a view to increasing coverage" (Holzmann 2001: 27). Thus, Holzmann cautiously acknowledged that the decisions of individuals within funded schemes were hard to grasp for the World Bank economists. Had these rational utility-maximisers been acting as if they had internalised 'the best available economic theory or econometric analysis', they would have responded to the market-designs of funded schemes by participating and by making the appropriate choices. Human agency was found to be more complex than anticipated. However, the quest for the perfect pension system continued, largely on the grounds of rationalist assumptions.

In the late 1980s and early 1990s, economists had, however, increasingly started to acknowledge the flaws in the ‘rational expectations’ approach. North had pointed to the importance of ‘institutions’, other than the market, and behavioural norms in order to reduce transaction costs in the market economy (North and Weingast 1989, North 1990). In contrast to orthodox Neo-classical Economics and neoliberal ideas, the State was acknowledged to play a significant role in the economy: “[f]or economic growth to occur the sovereign or government must not merely establish the relevant set of rights, but must make a credible commitment to them” (North and Weingast 1989: 803). Capitalist behavioural norms had to be fostered and secured rather than expected to naturally arise as a response to market incentives. Norms stipulating a duty to respect capitalist property rights had to be in place. For this to occur, behaviour had to be “constrained to obey a set of rules that do not permit leeway for violating commitments” (ibid.: 804). Whilst the State had “a comparative advantage in coercion”, and thus could violate property rights to secure the surplus at will, the State may have an interest in upholding the latter. By “striking a bargain with constituents that provides them some security, the state can often increase its revenue” (ibid.: 806).

Echoing Gill’s idea of ‘new constitutionalism’, these ‘New Institutionalist Economists’ claimed that the role of the constitution was central to the capitalist economy because the State’s general interest did not suffice for an economy to grow. Whilst the bargaining “parties may have strong incentives to strike a bargain”, compliance with this bargain ex ante “is always a potential problem” (ibid.). Therefore a constitution was required, but a constitution which would reflect the incentive problems anticipated in the historical context between the bargaining parties, as well as “the potential enforcement problems among the relevant parties" (ibid.). Thus, "[s]uccessful economic performance…must be accompanied by institutions that limit economic intervention and allow private rights and markets to prevail in large segments of the economy" (ibid.: 808). Williamson, North and Weingast pointed to that such institutional structures should organise incentives so that they can: "be realigned and/or superior governance structures within which to organize transactions may be devised" (ibid.: 806).

The integration of these ideas into mainstream economic thought under the umbrella of heterodox, 'Rational Choice' economics seemed to have shaken the efficient market hypothesis to its very foundations. Firstly, the State had an important role to play in the capitalist economy (Stiglitz 1998: 25. Secondly, information was neither perfect nor symmetrically available (Orszag and Stiglitz 2001). Thirdly, capitalist behaviour was also political and thus had to be shaped through constitutions and 'good governance', beyond the provision of incentives (Stiglitz 2002). It was not that the World Bank did not allow for public regulation; it just did not trust public agencies with the management of pension savings, or rather, it had a bias towards private pension management for the purpose of stimulating finance-led growth. Orszag and Stiglitz showed in a paper, highly critical of the Bank's approach, that leaving pension management in the hands of the financial services industry was problematically costly because "suppliers chasing pension contracts that were to last a lifetime had a motive to engage in exorbitant marketing expenditure" (Blackburn 2006: 166). Information was, in addition, 'asymmetrical' in the relationship between pension savers and pension funds, which led to that marketing distorted the choices of pension savers. In their stead,

> well-staffed public bodies have the capacity to remedy [these] information asymmetries. Indeed there is a bias toward collective provision in pensions because of the expense of marketing and administering millions of individualized schemes and because of the logic of risk pooling and information sharing. (in Blackburn 2006: 166)

Given its subscription to the assumptions of neo-classical orthodoxy, the Bank's confusion over "(non-) participation" in funded schemes, even if perfectly designed according to the assumption of 'rational expectations', may be understandable. As Thaler argues,

> The economic theory of the consumer is a combination of positive and normative theories. Since it is based on a rational maximizing model it describes how consumers *should* choose, but it is alleged to also describe how they *do* choose…[I]n certain well-defined situations many consumers act in a manner that is inconsistent with economic theory. In these situations economic theory will make systematic errors in predicting behavior. (1980: 39)

Through the receipt of heavy criticism from some of its supposedly closest allies, the Bank's embrace of the Chilean funded model had taken a severe toll. The criticism had undermined the dominant position in the pensions debate, which the World Bank had acquired through *Averting* (Orenstein 2005). Yet they continued their active advocacy of funded schemes worldwide, whilst, at the same time, starting to look for an alternative, particularly with regard to the Western European pension systems.

Still, in the Western European OECD economies, the projection of inverted Malthusianism by the OECD (1995, 1998), national governments and the financial sector had generated a popular sense of crisis with regard to DB PAYGO pension systems (Eurobarometer 2004). This was hardly alleviated by the monetarist policies inscribed into the Maastricht Treaty in 1992, including the launch of the EMU and the so-called 'convergence criteria' forcing a minimisation of budgetary deficits onto the European economies (Scharpf 2000; Martin and Ross 2004; Blackburn 2005; Cafruny and Ryner 2007; Mathers 2007). Meanwhile, the World Bank's argument about how a funded system would stimulate finance-led growth had become explicitly attractive to the OECD (1998)[13] and implicitly attractive to the European Commission's Lisbon Strategy (1999, Bolkestein in van Apeldoorn 2006: 19; Clark 2002; Bieling 2006). Structural reform towards a Chilean model involved very high transition costs (the 'double payment problem') for the European welfare economies. Also, structural reform à la Chile seemed politically unfeasible as these pension systems, along with Delors' "European Social Model" (Ross 1992), enjoyed considerable popular backing (Eurobarometer 2004). Yet, with the perception of a looming threat of rapidly rising social expenditure and with projected enormous outlays for the transitional costs of structural reform, the undermining of the main structural reform alternative was still a problem. The objectives of boosting the financial services industry and reducing the financial responsibility of States and firms still had to be met and, as such, parametric reform was insufficient. With most Western European governments, much of the industrial sector (European Round Table of Industrialists (ERTI) 2002), the financial sector (European Financial Services Roundtable (EFSR) 2002) and the EU Commission (EU Commission 2000/2001; Jenson and Pochet 2005; cf. EU Pension directive 2003) in pursuit of such an alternative, the Swedish "third way" alternative was a blessing, and the reason for policy convergence, even with regard to the World Bank (Quiesser 2000: 40).

[13] One of the "seven principles to guide reform" that the OECD outlines is that "The development of advance-funded pension systems should go hand-inhand with that of the financial market infrastructure, including the establishment of a modern and effective regulatory framework." (OECD 1998: 2)

VII The Swedish "Third Way" Reform

The Swedish invention of the Notional Defined Contribution (NDC) system was according to some a "paradigm shift" in the provision of public pensions (Palmer 2000: 2).[14] However, as Cichon argues, this is not "a new type of pension formula", but rather "a novel pension policy instrument", designed to obscure the shift in underpinning values and norms from tendentially oppositional elements in the electoral base, particularly labour and pensioners' organisations (1999: 1; Myles and Pierson 2000; Lundberg 2003). Indeed, the Swedish pension reform was a distinct elite project under the auspices of a coalition of the main political parties (including the Social Democrats), which excluded such organisations from the design process and kept the opportunities for public debate small (Lundberg 2003). This will be discussed in greater depth in chapters 4 and 5. Yet, the "reform fundamentally changed the provision of public pension benefits and redefined the benefit promise" (Sundén 2004: 1). Its adoption in European economies will imply the introduction of "a new 'zeitgeist'" (Cichon 2005: 1). Solidarity and risk-sharing are abandoned to the benefit of risk-privatisation and "actuarial fairness" (World Bank 2001: 2; Lundberg 2003).

A central motivation behind the NDC system is to strengthen the link between individual pensions and individual lifetime contributions. It does so by creating 'notional' individual accounts in a DC PAYGO system. These accounts are fictional, simply recording contributions whilst used for pension payments. A notional interest is credited to these contributions each year and is used to calculate pension benefits at retirement. Supposedly, this provides pensions with more transparency and incentives

[14] Although the NDS was invented for the purpose of the Swedish reform, it was introduced in other countries before, as the process of reaching the phase of implementation took longer in Sweden.

for extending the working career, which in turn would lower the need for raised contributions. Also, the dependency of one generation upon another is reduced in this system. In fact, it is so constructed that there is an in-built “automatic benefit adjustment process that responds to changes in longevity” (Sundén 2004: 9). Such a process is also attached to economic growth. In case economic growth dips underneath a certain level, pension levels are reduced (Settergren 2001). This latter fact also relates to the transitional costs involved in this structural reform:

> [b]y maintaining pay-as-you-go finance, notional accounts avoid the transition costs incurred by a shift to funding. Yet, by mimicking the structure of defined contribution plans, they avoid some of the problems of schemes with a defined benefit formula, associated with ageing populations. (World Bank 2001: 2)

The Swedish reformers, however, did not settle with the introduction of a pension system based on the invention of the NDC system, but added a smaller mandatory savings system, the Premium Reserve System (PRS), as well as a means-tested element. Whilst the means-tested element was introduced to guarantee a basic pension, the PRS was introduced, in accordance with the Chilean model, to boost individual responsibility for pension savings, provide incentives to attain financial literacy and enhance the efficiency of the allocation of pension capital in the economy.[15] Indeed, it was intended that the pension derived from the NDC system would not guarantee a ‘normal’ standard of living in old age (Forslund, 2004), in order to function as an incentive for an active involvement in the PRS as well as to increase voluntary private savings. Yet, the small size of the funded element did not necessarily reflect the future plans of the Swedish reformers (interview with Margit Gennser 2005). As Orenstein (2005: 188) argues, the introduction of smaller funded elements is often seen “as a first

[15] Feldstein himself had been consulted by the Swedish pension reformers, and it seems likely that he exercised some form of policy influence here (interview with Margit Gennser 2005; Feldstein 2002).

step towards the introduction of [more substantial] private savings accounts, in part by changing the mentality of contributors and beneficiaries" (Orenstein 2005: 188; also James in Williamson and Williams 2005: 493). However, to introduce individual accounts is also, as I have shown above, a costly exercise. In the Swedish case, a large part of previously accumulated capital in large public pension funds (the AP funds) was used to smooth the transition. However, the politics of this move will be discussed at length in chapters 4 and 5.

More precisely, the Swedish funded PRS system is constructed and managed by the Premium Pension Authority (*Premiepensionsmyndigheten*) (PPM). It is built up on the basis of savings from 2.5 percent of individual annual earnings. Pension savers are given the opportunity to choose a portfolio of up to five among 750-800 'unit trust' funds with different levels of risk, managed by accredited institutional investors allowed to advertise to attract pension savings. If a choice is not made, although discouraged by the PPM (Cronqvist and Thaler 2007: 425), an index-tracking public pension fund makes investment decisions for 'passive', 'non-participatory' pension savers. The PRS is organised according to supposedly superior neo-classical portfolio management and arbitrage principles. The PPM authority is, in recognition of heterodox, new institutionalist economics, assigned to cultivate norms of equity investment in pension savers by regularly providing them with information about financial markets and to educate them about financial risk and risk-management. As such, it is a state apparatus with explicit socialisation functions (Sweden. SOU, 1998: 87; Sweden. Ministry of Finance, 2005a; PPM, 2006).

The role of the PPM can be described by Thaler and Sunstein's term "libertarian paternalism", by which "the program designer [creates] an environment in which unsophisticated participants are gently guided in a manner that is intended to make them better off without restricting the freedom of the more sophisticated participants" (in Cronqvist and Thaler 2007: 424-425). As such, it is by design allowing for expected inequality in outcome. Yet, as Froud et al. have shown with reference to several Anglo-American economies, even the more sophisticated participants in an environment of wide-ranging choice make highly illogical investment decisions (2007). Apart from the specific role of the PPM, the PRS is an extremely 'pro choice' design, in accordance with neo-classical theory. Although we will wait to analyse this until chapter 5, based on our discussion of 'choice' above, offering this very high number of choices seems, even for the best trained professional investor, to generate an overly complex and risk-induced investment landscape. Moreover, it also seems, according to Orszag and Stiglitz above, prone to high administrative costs as a result of the advertisement costs of competing fund managers. Their competition, in turn, may very well generate further distortions of 'sensible' investment decisions on behalf of the average pension saver (Cronqvist and Thaler 2007: 428).

Allowing such a high number of funds seems thus, at this first glance, to either be a reflection of Neo-classical Economics enjoying a condition of Kuhnian paradigmatic normality (Kuhn 1962) among policy-makers in Sweden, or the power of the financial lobby to impose the inclusion of a large number of its constituents in the system. Considering the small percentage of wages allocated to these investment choices, it presents itself more as a system of governance. As such, it seems to aim at a mental transformation of pension savers rather than generating increased aggregate rates of savings or growth rates. Indeed, the PRS is expected to accumulate the same volumes of capital as the previous AP funds (Palme 2005: 87). And without greater governmental regulation, any savings, whether privately or publicly managed, promise to fail to generate such. Hence, neoliberal policy is here aiming at generating consumer choice and agency, but will not necessarily create greater freedom and liberty (Rose 1999). Chapter 5 will deal with these issues in greater detail.

VIII Conclusion

The emergence of the reform alternative of this hybrid, multipillar system containing both a NDC system and the funded PRS system, speaks to the belief-system of neoliberal policy-makers and to the interests of the financial sector. Both pillars, as supported by means-tested pensions, are "consistent with the neoliberal ethic of individualizing costs and limiting the redistribution of resources" (Williamson and Williams 2005: 493).[16] Consequently, it is not difficult to see that the introduction of these systems may come "at a high cost to pensioners" (Cichon 2005: 1), whilst a much reduced such to the State and employers. In the Western European context, if receiving a greater subscription, this hybrid promises to be the optimal type of pension system in the eyes of neoliberal policy-makers. It is thus not surprising that it received the blessing of the Heritage Foundation (2000), a neoliberal think thank very influential during the neoliberal revolution in the US throughout the 1970s and early 1980s (Cockett, 1995). How the introduction of such a system could be possible in any Western European economy, with their tradition of high levels of redistribution, is

[16] However, the Swedish pension reformers allowed e.g. higher education, military service and parenting to generate pension contributions. Thus, a degree of redistribution, apart from the means-tested element, exists in the system.

critical to understanding the degree of neoliberal restructuring of daily life and elite level appreciation for finance-led growth. How it was possible in the case of Sweden is in itself critical to understanding the power of the neoliberal, finance-oriented project. Furthermore, given the anticipated strong social democratic legacies in Sweden, the viability of a neoliberal, finance-led economy is best explored in the Swedish economy, and particularly through the study of subject-formation. To reassert the focus of this thesis: the impact of risk-privatising pension reform on the formation of the necessary microfoundations for a neoliberal, finance-led economy in Swedish daily life is critical to an improved understanding of the feasibility of the emergence of a neoliberal, finance-led economy. Yet, such a study cannot rely upon a rationalist ontology.

As I have discussed above, orthodox Neo-classical economics, from which neo-liberals pick up much of their thinking, but also derive their legitimacy, relies heavily upon such rationalist assumptions about human nature. This is also the reason why it is likely to continue to cause the World Bank difficulties in the defence of its pension policy advocacy. Despite its adherence to a strict positivist scienticity à la Popper, the orthodox Neo-classical Economics' postulate of the logic of utility-maximisation provides its theorists, and now also neoliberal policy-makers, with an empiricist approach, which in itself cannot be empirically disproven (Hodgson 2001: 232-44).

The combination of this epistemological arrogance with a rationalist ontological superficiality allows for the discarding of approaches, which take 'externalities' seriously and attribute unobservable structures an independent causal role in its systems of explanation. For, in orthodox Neo-classical Economics, general market equilibria can be constructed without taking the latter into serious account. The approach needed to tackle the issues dealt with in this thesis must therefore be based on different assumptions. Indeed, ‘externalities’, strategic behaviour and public goods are commonplace in the human world, and collective action problems can be overcome by wilful and strategic actors (cf. Olson 1980). As Mackenzie argues, the very markets in which the *homo oeconomicus* appears to thrive cannot be created (if they require the solution of collective action problems)… by *homines oeconomici* (2003: 116). As such, orthodox Neo-classical Economics, on which neoliberal policy-makers depend, is unable “to analyse the economic process in terms of the time lived by its subjects…[and cannot] express the social content of economic relations, and consequently to interpret the forces and conflicts at work in the economic process”, which is primarily due to the logic by which the concepts of these approaches are developed (Aglietta 1979: 9; see also Hodgson 2001).

While the Rational Choice approach, partly elaborated upon by the ‘new institutionalist economists’, claims to have tackled these inadequacies, and have been internationally recognised for this (Noble Prize laureates), their critiques are largely cosmetic. This Rational Choice approach only takes “the social half-seriously” (Fine 2001: 145). Five overarching reasons can be given for this.

1. It does not violate the Neo-classical assumption of utility-maximising behaviour, it merely provides a “deeper understanding of the latter in the context of market, non-market and informational imperfections” (ibid.: 143). Individuals and collectivities are thus still merely ‘pleasure-seeking’.

2. Despite considering so-called ‘endogenous’ factors (e.g. ‘random shocks’, ‘multiple equilibria’ or ‘path-dependency’) more seriously than Neo-classical Economics, ‘exogenous’ factors stipulated by “underlying axiomatic model-building implies that outcomes are heavily predetermined” (ibid.: 144). The supposed inevitability of ‘Globalisation’ is a case in point (Hay et al. 1999; Watson and Hay 2003).
3. Although adding market and informational imperfections, Rational Choice remains insensitive to socially and historically specific conditions of particular spaces. Hence, economies allocate “scarce resources between competing ends with these, in turn, determined by given production functions, preferences, and factor endowments” (Fine 2001: 144). The discursive construction of Inverted Malthusianism is a perfect example of economies being exogenously shocked with given (fiscal) constraints to adaptation.
4. Rational Choice continues to strip issues of their complexity as well as their social and historical content. Society, albeit imperfectly informed, is merely the aggregate behaviour of individuals.
5. Without adding any new analytical insight, Rational Choice justifies addressing ‘old’ issues with reference to ‘parsimony’ (ibid.). Thus, when large parts of the social sciences are taking notions of space and time, issues and structures of power and identity, as well as processes of conflict and transformation more seriously, Rational Choice ‘dumbs’ social inquiry down.

Although, this ‘challenge from within’ has had an impact, it seems to have been unevenly affecting Neo-classical Economics and Neoliberal policy-makers. Thus, not only neoliberals lag selectively behind mainstream developments within the discipline of Economics, Neo-classical Economists do too. Indeed, the normativity and hauteur of those economists who still derive their voice from association with orthodox Neo-classical Economics are thus beyond question, and in the context of highly complex pension reform these are outspoken: “[w]hen the politicians are ready to act, I hope that we in the economics profession are ready to help them” (Feldstein in Blackburn 2002: 349). In this particular historical context, we can thereby talk about Neo-classical Economics as being ‘performative’ (Callon 1998) as well as paradigmatic, in a Kuhnian sense. Unsurprisingly, this is having an impact on society.

Since the rise of neoliberalism, increasingly the assumptions of orthodox Neo-classical economics seem to have become internalised by human agents as normal (Hay 2004). Wedded to inverted Malthusianism, they have shown to have a propensity towards becoming self-fulfilling (Offe 1987). In accordance with this idea and fundamental to my thesis, the neoliberal construction of a discourse of inverted Malthusianism is potentially capable of rendering risk-privatising pension reform the only ‘objectively’ correct alternative. By selectively drawing upon neo-classical economic ideas, reconstructing them and subsequently deepening their paradigmatic status, neoliberalism seeks to render the contingent necessary (Watson and Hay 2003). It thus seeks to benefit some, at the expense of others. As Cox famously puts it: “[t]heory is always *for* someone and *for* some purpose” (italics in original, Cox 1981 [1996]: 87). As such, neoliberalism is morally hazardous (Ericson et al. 2000)

To carry the discussion of this chapter over to the next's of how to understand economic restructuring as political and contingent, it seems meaningful to end with a quote from a disillusioned renegade member of the European financial community:

> The systematic search for the highest value possible for the shareholder is nothing other than the disguised expression of rentier interests, with a strong preference for the future over the present, a translation of the power of Anglo-Saxon pensioners (who are the only ones to save so strongly) over the whole of world society, in short of old, or ageing, Americans and Britons to the detriment of young people of all other countries. Have we already succumbed to this new form of serfdom? Let us forget for a moment frontiers and nationalities: within each of us, to put it another way, old age is in charge of what we do. The high rates of interest we have known for nearly twenty years, are they not the expression of this new domination, of governance without debate?...Indeed we find that today's workers have no say over how their savings are invested and the activities of the most powerful financial interests are legitimated. (Jean Peyrelevade, President of Credit Lyonnais, in Blackburn 2002: 224)

Chapter 2: Finance-led Post-Fordism, Coupon Pool Capitalism and Financialisation: the Significance of Pension Reform

I Introduction

Chapter 1 pointed out the contingencies and contradictions in the dominant transnational discourse on pension reform. The "old-age crisis", caused by growing volumes of pension liabilities, is still considered the most pressing issue for advanced capitalist economies. Discourses of inverted Malthusianism point to the necessity of pension system retrenchment. I showed that this retrenchment is presented as necessarily requiring the transfer of risk from the national economy and firms to individuals in order to enable the liberation of capital from the liabilities of pension obligations. Yet, extreme market-oriented pension reforms are acknowledged as politically sensitive because the post-war defined benefit pensions are deeply embedded in society. The proposed solution has therefore been the shift to hybrid forms of pension provision, in which defined-benefit elements are transformed into a residual element and combined with defined-contribution and funded elements, and away from risk-socialising, defined-benefit systems. This nevertheless implies a significantly greater risk exposure for wage-earners and households. At the same time, this is understood as providing greater incentives to manage risk efficiently. Considering that pension capital has become the greatest source of investment capital in advanced capitalist economies, the economy is to benefit substantially from more efficiently allocated pension capital. Risk-induced pension reform is as such a powerful instrument in channelling pension capital to financial markets at the same time as it supposedly relieves the economy of the 'burdens' resulting from risk-sharing. This neoliberal conception of the role and function of pensions in the economy stands in stark contrast to post-war organisational forms of pension provision. Neoliberal pension reform must therefore be understood in the context of the post-war development of such economies.

The post-war, social democratic Swedish economy is, quite arguably, the context in which neoliberal pension reform protrudes the most, and can thus be expected to have the greatest socio-economic and political consequences. The literature on neoliberal restructuring of the Swedish economy since the early 1980s helps to explain, to some extent, how the introduction of a neoliberal pension system, in 1999, was politically possible. Although the new pension system was not introduced for nearly another two decades, the role and function of pensions underwent considerable transformation, partly paralleling this economic restructuring. Both economic restructuring and gradual pension reform must therefore be understood not only as closely linked, but also as originating in the crisis of the post-war economy.

The literature on this crisis and restructuring is both considerable and thorough (e.g. Lipietz 1987; for a comparative study of the Nordic cases, see Mjöset 1987). Also, the coverage of the economic restructuring that ensued in Sweden is exhaustive (Svensson 2001, 2002; Ryner 2002; Blyth 2002), yet this is only suggestive of what has followed. Through a comprehensive literature review, this chapter provides a conceptual framework for the particularly finance-oriented developmental trajectory, which seems to be emerging out of this period of crisis and restructuring. In particular, the chapter conceptually explores the particular points of departure for this trajectory, or contingent tendency, identified in this literature and relates these to the changing role and function of pension provision in such a politico-economic future development.

The chapter pursues this in a number of steps. Firstly, I briefly review the dominant approach to the restructuring of Fordism in the political economy literature: the Varieties of Capitalism approach (e.g. Hall and Soskice 2001; Garrett 1998; Kitschelt et al. 1999). I identify the theory of the post-industrial trilemma (Iversen and Wren 1998) as highly influential in this literature. I proceed by critiquing Baumol's underpinning cost-disease theorem (Baumol 1967). My argument is that these approaches and theories neither consider institutions, nor the political nor contingency sufficiently. Consequently, I turn to Parisian Regulation theory, and particularly its more recent versions such as the SSIP approach (Amable 2000; Amable and Petit 2001; Boyer 2005). Whilst Parisian Regulation theory, in an open-ended manner, addresses the institutional and political inadequacies emerging out of the Varieties of Capitalism literature, it is insufficiently sensitive to the institutional specificities of national economies and thus suffers from a relative inability to comprehend contingency. Moreover, the Parisian Regulation School primarily consists of economists, albeit highly politically aware economists. Therefore, it is not so surprising that they neglect politico-strategic agency. By developing the notions of "accumulation strategy" (Jessop 1982), "societal paradigm" (Jenson 1989), "the capitalist state" (Alnasseri et al. 2001; Lipietz 1988) and "uneven development" (Harvey 1982), I seek to conceptualise the period in the aftermath of the crisis of Fordism as politico-economically strategic and contingent. Considering the financial direction of this development and the role of pension reform therein, I pay particular attention to the idea of the emergence of a “finance-led growth regime” (Boyer 2000a) or a “coupon pool capitalism” (Froud et al. 2002). I also consider the significance of other actors, e.g. the ‘financial lobby’, in these developments (Posen 1993; Svensson 2001), the notion of “financialisation”, and the contradictions emerging out of the imposition of processes of financialisation on a variegated societal paradigm, which still answers to notions of risk-sharing and solidarity. I will summarise by pointing to the critical importance of the Swedish case for this direction of development. The literature on the “financialisation of the Swedish economy”, to which pension reform potentially contributes significantly, suggests a surprising resilience of neoliberal restructuring in such a seemingly inhospitable environment (Henreksson and Jakobsson 2003; Reiter 2003). However, the “institutional incompatibility” (Amable 2000) of the resulting matrix of institutions nevertheless promises systemic fragility (see chapter 4). This review will set the stage for chapter 3, in which a distinct ‘cultural political economy’ approach will demonstrate the need to approach the financialisation of the Swedish economy in a manner which is sensitive to contingent subject-formation, i.e. the complex tendencies in the microfoundations of this particular process.

II Conceptualising Profound Socio-Political Change – A Rejection of the Varieties of Capitalism Literature

As I showed in the previous chapter with reference to the work of Feldstein, theories based predominantly on the ‘axiom’ of rational expectations, still dominate mainstream economics. They are not helpful in our endeavour to comprehend economic behaviour, if, as here, understood as inseparable from its complex context in ‘daily life’.[17] The rationality axiom, the basis for neo*liberal* understandings of the equilibrating, pareto-optimalising market economy made up of autonomous, perfectly informed, utility-maximising individuals, paradoxically becomes the grounding for a dangerous structuralism (Hay 2004b). In a more upfront manner, structuralist approaches also reduce our ability to identify prospects for radical change as contingency is removed from processes of subject-formation. Here, the individual subject is reduced to the “mere personification of a given structure” (Morley 1986: 43). This is where this chapter contributes to the intervention of this thesis: to develop an approach which is capable of understanding the seeming profound, yet contingent, change implied with the ‘financialisation’ of the Swedish economy since the 1970s, but still attributing crucial importance to processes of subject-formation, understood as intrinsic to the contingencies in this development. Hence, such an approach would be required to operate on many levels of analysis and only momentarily discriminate between them.

As stated above, the dominant literature on economic restructuring in the context of the profound changes witnessed in the advanced capitalist economies since the late 1960s, and particularly from the early 1980s, has become the ‘varieties of capitalism’ literature (e.g. Hall and Soskice 2001; Garrett 1998; Kitschelt et al. 1999). Its prominence requires me to pay it attention here. However, as we shall see, the coming to the fore of this literature within (comparative) political economy suggests a continuing failure to adequately account for complex, socio-political change. Consisting of a number of different approaches, this literature has reached a relative

[17] See footnote 30.

“theoretical synthesis” around the understanding of the impact of pressures derived from capital mobility and the shift to postindustrial employment on:

> particular configurations of interlocking and interdependent political-economic institutions which produce different forms of behavior on the part of economic actors, different economic and social outcomes, and different patterns of economic development (Howell 2003: 103).

The outcome is a ‘dual convergence’ around two models of economic development, the Liberal Market Economy (LME) and Coordinated Market Economy (CME) (ibid.: 109; Blyth 2003: 215). Out of these approaches, Hall and Soskice (2001) have received the most attention, for seemingly good reasons:

> [o]ne can clearly see the strengths of this approach when taken as a whole. Micro, meso and macro are all there. The interactions of agents and institutions in their wider structural context is apparent, and how that context shapes those interactions is central to the approach. It has microfoundations, meso institutions and macro regimes. It offers a coherent account of what we see empirically; that globalization did not change everything, that agency and institutions still matter. (Blyth 2003: 216)

The central analytical point for Hall and Soskice’s approach is the capacity of firms to resolve five coordination problems (collective action problems) in these institutional configurations, partly shaped by the emerging, abovementioned pressures. In cases where firms are incapable of this, the given variety of capitalism proves untenable. Firms respond rationally, modelled in game-theoretic terms, to these coordination problems, which generates equilibria, which only seem to be disturbed by exogenous factors (Hay 2005). Hence, the ‘structuralism’ of the rationality axiom haunts also this approach (Boyer 2005). The interests and behaviours of economic actors are derived from their institutional contexts, yet, as Amable points out, game theory is more capable of explaining conventions than institutions proper (2000: 653). Consequently, the VoC is not, contrary to its expressed allegiances, sufficiently institutionalist to account for the variation, on which it focuses (Hay 2005: 21). If these contexts, however, are destabilised, institutional adaptation occurs in rather functionalmechanistic terms (Watson 2003; Hay 2005). Hence, the strength of their approach lies in explaining stability, not the contradictory features of institutional configuration or the contingency of political agency, both potentially central to the notion of radical change. Nevertheless, as other varieties seem untenable, the outcome is convergence around two ideal-type models: the LME and the CME. The outcome is thus divergence in convergence.

These, in turn, are modelled, largely, on the US and the German economies respectively. However, as Hay points out, no deductive reasoning is provided for this outcome, nor for the exclusion of, say, a social democratic alternative (2005: 11-12) other than the decline of “peak-bargaining” (Howell 2003: 109). Social democratic alternatives are considered as plausible and temporary sub-varieties of the coordinated model (Hall and Soskice 2001: 33-26; Esping-Andersen 1996), but not alternatives in their own right. Here, Hall and Soskice rely upon, arguably ‘contingent’, statistical evidence to parsimoniously make their case (Hay 2005: 11-12). A number of OECD economies are simply plotted on a diagram constituted by two axes, according to which their ‘degree of coordination’ can be read (Boyer 2005: 528-9). The data, seemingly inductively applied (Hay 2005: 12, with reference to Hall and Gingerich 2001), suggest that the US and the German economies are the two strong survivors under these pressures, by being able to provide institutional configurations in which firms can continue to successfully resolve their coordination problems. As Blyth points out, the basis for this reasoning seems questionable. Firstly, the German model, as described by Hall and Soskice, no longer meaningfully corresponds to the German economy. The difficult fate of the German economy during the 1990s (Streeck 1997) and the early 2000s hardly supports their case. Secondly, the data pointing to the US economy's capacity to maintain low unemployment rates, one of Hall and Soskice's indicators of success, ignores the extraordinary incarceration rates, along with its often 'privatised' costs, which reduce official unemployment levels and serve to highlight the expenditures of the European welfare states for unemployment and retraining (Blyth 2003). Hence the costliness of European welfare states is emphasised, but they may survive due to the 'institutional comparative advantage' they enjoy: the high levels of strategic (non-market) coordination displayed.

Thus, according to Hall and Soskice, particular institutional configurations provide national economies with the conditions for firms to specialise and engage in trade relations, which render those economies successful. Yet, as Watson argues, this Ricardian approach largely neglects the political and the contingent in the formation and reproduction of institutional configurations (2003: 231-2). Instead they come across as pre-givens of, or functional to, economic systems (Hall and Soskice 2003: 248). In a Ricardian manner, it is almost as if institutional comparative advantage is naturally endowed. Thus,

> [t]he political choice to construct social institutions in one way, thus foregoing all possible alternatives, appears to be an epiphenomenon of a more essential economic logic. In this respect, decisions relating to the socio-institutional organization of the economy remain overwhelmingly technical in nature. Politics is reduced to the struggle for the authority to impose efficient institutions for economic policy-making (Watson 2003: 232).

However, as Hall and Soskice concede, the varieties of capitalism approach was not intended to fully explain the origins and changes of institutional configurations (Hall and Soskice 2003: 249), although this is clearly discussed in the original volume (2001). As Boyer argues, the paradoxical neglect of the political and more generally of change is more a result of their “strong interest in economics, specifically in microeconomic theory”, despite coming from political science (2005: 523)

Models of stasis are of limited value in times of change, not the least in the times of radical, profound change, which the Swedish economy, along with other ones, have experienced during the time period from which the varieties of capitalism literature draws its data. The main claim with regards to change, Ricardian-style, is that facing pressures of liberal convergence, both the liberal market and the coordinated market models are not only likely to survive, but to be reinforced “by encouraging each country to specialize in what it does best”, institutionally (Hall and Soskice 2003: 247). Hence, the more an economy resembles one of the two models, the more economically efficient it is likely to be and the more likely it is to survive these pressures (ibid.: 244-5). Hall and Soskice, however, provide arguments and supporting data, which contradict these claims, and to the benefit of the liberal market model. Firstly, given the liberal nature of these pressures, coordinated market economies are required to be particularly flexible, despite resulting conflict, in its approach to its institutional design (ibid.: 246). Secondly, liberal market economies are expected to provide superior conditions for the provision of terms conducive to radical and rapid innovation. Considering that the significance of such innovation is reinforced during this period of increased competition, it seems that Hall and Soskice are claiming that liberal market economies will strengthen their comparative institutional advantage and attract mobile firms. As coordinated market economies ‘merely’ enable incremental innovation, they will lose out (Hall and Soskice 2001: 42-3; 2003: 248). Hence, at this historical juncture, at least, liberal convergence, nevertheless, seems likely, according to their account. Yet, as Hay shows (2004), the data is pointing towards a different scenario. Coordinated market economies, and particularly the, by Hall and Soskice neglected, socially democratic economies in Northern Europe have shown to be the most attractive to research & development-intense firms world-wide. Hence, the 'dual convergence' thesis seems problematic and not useful to this study (cf. Henreksson and Jakobsson 2003[18]).

III Repoliticising Change – A Regulationist Critique of the Postindustrial Trilemma

In Blyth's critique of the VoC, he argues that the German economy is underperforming due to the slow rate of adjustment demonstrated. Here, adjustment is hindered by defensive trade unions, a political system with multiple veto points and decreasing popular legitimacy of tax increases (Blyth 2003: 219-220; Hall and Soskice 2003: 242-3). Iversen and Wren argue (1998) that this is symptomatic of Baumol's cost-disease theorem relating to the rise of the service economy (see also Esping-Andersen 1996), around which a consensus has been formed among economists (Iversen and Wren 1998: 511). The basis for this idea is that manufacturing has the potential to increase productivity because it can be technologically progressive and thereby capable of reducing labour costs, whereas services cannot; innovation, capital accumulation and economies of scale can benefit the former whilst the latter cannot significantly reduce labour costs per unit produced and at the same time retain or improve the quality of the produced service (Baumol 1967). Iversen and Wren state this in clear terms: "[t]eachers can serve more students, nurses more patients, and waiters more customers,

[18] Henreksson and Jakobsson claim that the Swedish economy is a CME, but developing corporate governance and ownership structures similar to those of LMEs (2003: 98).

but this is not easily achieved without a decline in the quality of the service" (1998: 511-512). In post-industrial economies, manufacturing reduces its labour costs through technological progression and labour is hence inevitably shed to the extent that this has to be compensated by increases of employment in the service sector.

According to this literature, the "virtuous circle between falling prices and rising real demand" during the post-war period was broken in the late 1960s and 1970s, as the expansion of manufacturing slowed down (ibid.: 512). Given the size and political role played by the public sectors in the post-war CMEs, the public sector became the obvious space of employment expansion (ibid: 511; Esping-Andersen 1990). Problematically, solidaristic wage increases in post-industrial economies, with shifting emphasis of employment towards the tertiary sector, become decreasingly viable, particularly if linked to wage-setting in manufacturing. Whilst centrally bargained, solidaristic wage policies served to reduce inflationary pressures and sustain full employment during the post-war period, not least in their country of origin Sweden (see e.g. Erixon 2001, 2003; Ryner 2002), post-industrial CMEs now instead supposedly face the reversed effect of solidaristic wage-setting as it compresses wages in manufacturing and sustains high wages in the less dynamic service sector. Consequently, this process requires economies to either accept increasing wage inequality or increased public spending and taxation to finance service sector expansion. They further argue that public sector expansion can cause "incentive problems", so-called "moral hazards" (Lindbeck 1995a, 1995b), capable of undermining economic efficiency (Iversen and Wren 1998: 512-513). Yet, increasing unemployment can only exacerbate the problem, in particular when dependency ratios increase, the ‘inverted Malthusianism’ described in the previous chapter. The “post-industrial trilemma” supposedly arises, particularly problematic for the CMEs of Europe.

However, this is, as I have shown, premised upon the acceptance of Baumol’s cost-disease theorem. Although the formal integration of this theorem into Swedish economic policy-making is recent (2003) (Mahon 2007), its general line of reasoning started to become increasingly characteristic of the latter in the late 1980s, as I will show in chapters 4 and 5. Therefore, to show the arbitrariness of this argument is central to accounting for radical, largely strategic change in the Swedish economy since then. In brief, the Baumol thesis claims that the service sector is “asymptotically stagnant”, i.e. the value of its produced services remains constant although the costs of the required labour increases together with those of the manufacturing sector. Firstly, economists, or in the case of the VoC literature rational choice-inspired political scientists, have tended to make such claims on the grounds of drawn trajectories of per unit costs over time for service sectors which have “performed” poorly. Nevertheless, empirically, such criteria fail to measure productivity accurately as they do not account for either increases in product quality or diversity. Services can potentially benefit from innovation just as much as manufacturing (Cowen 1996: 210-211). Hence, the cost-disease thesis underestimates the scope for innovation in service production, and hence overestimates the relative rise in costs of such. There is thus neither any a priori nor a posteriori reason “to expect lower rates of productivity growth from the arts, from health care, or from education” (ibid.: 211). Secondly, a clear interpretative dimension, of popular norms and values influenced by marketing and politics, is neglected by Baumol's neoclassical and technology-centred understanding of labour costs and price-setting. More 'primitive' technologies and production processes may be more highly valued than more 'sophisticated' ones, whether it is in the service or manufacturing sectors. The same interpretative dimension, informing norms and values, can make people willing to pay considerably for public services, via taxes. Such attitudes have been dominant in the Swedish economy (Svallfors 1999; Rothstein 2001). However, primarily, "it ignores the contribution of the service sector to productivity and lower costs in the goods-producing sector" (Mahon 2007: 81). And, secondly, "it falsely assumes a determinist logic of socio-economic development" (Ryner 2002: 40). Contingency and variety in capitalist development are thus downplayed. This is not the case in Parisian Regulation theory.

In contrast to the VoC literature, Parisian Regulation theory evaluates the ability of economic systems to survive, not on the grounds of economic growth, but by their ability to regulate conflicts emerging out of capitalism, which, of course, in turn can generate extended periods of growth, such as that of the post-war 'golden age' (Aglietta 1979). Hence, the economic contribution of the service sector, and even more so the public sector, is considered important, despite difficulties in quantitatively determining its contribution to economic growth (Mahon 2007: 81). This more open-ended approach also implies a greater willingness to identify a greater number of 'varieties of capitalism' than the VoC literature, including a Social Democratic one (Amable 2000; Boyer 2005) and a finance-led model of growth (Boyer 2000). The Parisian Regulation School[19] (PRS) arose from the identification of the inadequacies of

[19] Jessop (1990) famously identifies seven different strands of Regulation theory. Here we focus on its Parisian strand.

the methodological individualism of neoclassical economics and the structural determinism of Althusserian Marxism. The critique of the former resulted in a neo-marxist form of institutionalism emphasising changing norms and modes of economic calculation, whilst the objection to the latter led to a commitment to openness of historical processes (Jessop 1997).[20] Given my metatheoretical concerns, laid out in chapter 1, and the weaknesses of the dominant literature on the political economy of the post-1980 economic restructuring, the PRS presents considerable promise in my search for a conceptual approach to comprehend the financial restructuring, which seems to characterise the Swedish economy of the 1990s and the 2000s, and the role of pension reform therein. Yet, it is both complex and in some regards limited. It thus requires the ensuing rather extensive discussion.

Fundamentally, as Jessop points out, the PRS is committed to accounts of 'ontological depth' (1990b). This has its foundation in that research, like social life more generally, is discursively constituted and can therefore never be void of theory. Instead, concepts have to be developed and persistently refined in order to be able to tendentially capture complex 'reality' with its multiple determinations. The identification of the 'real mechanisms' determining this 'reality' is thus a difficult, albeit necessarily so, process moving from the 'real-concrete', or as Marx labels them, 'chaotic conceptions' (1857 [1973]: 100-1), to 'concrete in thought'. This movement can be characterised as "a dialectical interplay of abstract and concrete which moves in spiral fashion as the introduction of lower order concepts entails modifications in higher order concepts" (Jessop 1990b: 163). Indeed, the formulation of a concept is a 'thought-experiment',

[20] The PRS has frequently been accused of functionalism, similarly to Polanyiesque institutionalism, but their commitment to openness moderates this accusation (Elam 1994: 60). Yet, as we shall see, this accusation is founded on some substance.

which is “not empirically ‘testable’ in a positivist sense”, but is evaluated on the basis of its ontological depth and logical coherence (Ryner 2002: 198). It is thus not, and cannot be, striving towards the verification of a finished theory (Aglietta 1979: 66).

Ontologically then, following Marx and Keynes, the PRS understands the basic social link under capitalism to be money rather than commodities, as money is required for commodity exchange to take place (Aglietta 1979; 1998). Hence, the relations between individual and society are predicated upon the settling of debts rather than commodity exchange. In fact, “individual actions are validated by the obligation to settle debts” (Aglietta 1998: 46). Income generated by wage-labour enables the repayment of debt, which in turn validates the division of labour from which this wage-labour originated. Yet, the repayment of debt is predicated upon income security, but this is related to historically concrete forms of socio-political organisation of the contradictory wage relation (ibid: 47). The contradictory nature of the wage relation, nevertheless, threatens to surface in the form of crisis, but despite this, capitalism is not expected to inevitably implode (Aglietta 1979). Instead, capitalism can be ‘in regulation’, i.e. the social contradictions of capitalism can be, at least temporarily, overcome. Hence, regulation is the ultimate focus of the PRS, and can be understood if a constellation of related ideas - social relation, reproduction, contradiction and crisis – is explored (Lipietz 1988: 14).

According to the PRS then, and in contrast to Marx (in Harvey 1975 [2001]: 238), the extended period of balanced growth experienced in the twenty years after the Second World War was not purely accidental. A “growth regime” was forged on the basis of the regulation of a mass productionist-consumptionist “regime of accumulation” by a "mode of regulation" made up by mechanisms coercing and mediating behaviour to stabilise accumulation through the formation of subjects (Aglietta 1998; Lipietz 1987). Similar to Polanyi, the process of production here requires (continuous) processes of primitive accumulation, in which extra-economic, fictitious commodities are explored and brought into the process of valorisation (incl. gender, the body, language, etc.) (Elam 1994: 60; Jenson 1987, 1989). Following Schumpeter, innovation is here also understood as critical, not the least to minimise wage costs. The PRS claims that particular technological paradigms structure innovation, guiding the development of principles of labour organisation and production techniques (Lipietz 1994: 339). Specific norms of production are hence established, which in turn provide the structural conditions together with particular norms of consumption (the regime of accumulation) seeking to overcome the contradictions of capitalism (Grahl and Teague 2000: 161; Ryner 2002: 41).

The golden age following the Second World War was until recently referred to as 'Atlantic Fordism' by the PRS, during which the economic model advocated briefly by Ford in the 1920s' USA was spread to Western Europe. The cultural, financial and, finally, institutional imposition of American Fordism on Europe and Japan[21], generated economies of mass demand for American products (Lipietz 1987: 31; Aglietta 1979), seeking to sweep away the "Old Regime" in the form of a Gramscian 'passive revolution' (Elam 1994: 63). A Fordist intensive "regime of accumulation", deriving its dynamism from Taylorist-Fordist 'scientific' norms of mass production[22]

[21] But also elsewhere, although only partly, in the form of "peripheral fordism" (Lipietz 1987: 44-5).
[22] Taylorism refers to Frederick W. Taylor's ideas of scientifically managing the division of labour. As such, it involves the extreme specialisation of labour into the carrying out of tasks as moments of the production process. Henry Ford is known for having mechanised this process through the introduction

and values of social mobility underpinning consumption, came to be sustained by a Keynesian-welfarist "mode of regulation", alleviating the exploitative wage relation. As Esping-Andersen has famously claimed, such welfare-institutional forms were de-commodifying (1985).[23] These welfare-institutional forms were 'armistices', institutionali[s]ed compromises" of struggles (Lipietz 1994: 339), contested from within and from the outside and potentially resulting in "societal paradigms" (Jenson 1989), or in other words "a mode of structuration of the identities and legitimately defensible interests within the 'universe of political discourses and representations'" (ibid.: 340). The regulation of the fundamental contradiction of capitalism between wage minimisation and consumption maximisation was thus institutionalised in the mediating mechanisms of the welfare state. However, these institutional forms, supporting a largely nationally embedded liberalism, were enabled in the first place by Keynesian institutions on the international level, which regulated economic flows in the world economy (Lipietz 1987). As such, the PRS adopted an extreme macro-approach to institutional forms giving primacy to the "wage-labour nexus", ahead of "forms of competition", "international relations", "money" and "public authorities" (Amable 2000: 664-5). This configuration was labelled the Fordist "growth regime", a coherent economic system enabling a sustained period of growth.

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of the conveyor belt. This inevitably results in the separation of conception and execution of the task at hand and the replacement of skilled craftsmanship with de-skilled and intensified work. By breaking down the production process into fragments, management enjoyed enhanced opportunities for the monitoring, controlling and disciplining of the workforce (Ryner 2002: 216fn. 9). As such, the Fordist application of Taylorist principles of mass production is conducive to increasing scales of production, but also, as I will show in chapter 4, to (the cognitive) alienation of the workforce.

[23] The principle of "de-commodification" empowers labour and stems market sovereignty by making "collective action possible. Only when workers command resources and access to welfare independently of market exchange can they possibly be swayed not to take jobs during strike actions, underbid fellow workers, and so forth. Where the market is hegemonic, the labour movement's future depends on its ability to provide an 'exit' for workers that concomitantly ensures collective solidarity" (Esping-Andersen 1985: 31).

However, the preoccupation of the PRS with the spread of American Fordism came with a strong emphasis on Fordism as a 'system'[24] and thus a degree of neglect of capitalist diversity.[25] The tendency towards "ascribing history a systemic, functionalist and logical coherence" is noticeable (Amin 1994: 11). More recently, Boyer (2005) has provided a rather strong 'self'-critique of this tendency within the early PRS, re-emphasising in its stead historical contingency and the uniqueness of national developmental trajectories in the post-war period. As such, Fordism is, if not fully discarded (see also Elam 1994: 62-65), reduced to a description of developmental similarities and a few shared dynamic factors (e.g. international system). Whilst the theorisation of Fordism suggested

> symmetrical macro-economic connections (in terms of growth, productivity, and capital intensity), [historically specific economies] could be of a very different nature…Growth was export-driven in some of these economies, with competitiveness stemming from a price effect (or from quality and innovation) and wage bargaining first occurring in the export sector before spreading to the rest of the economy. All of these interconnections reversed the direction of causality as postulated in a Fordist model (Boyer 2005: 515).

Hence, I will understand Fordism in abstract terms, as a loose referent to a set of dynamics enabling a number of different developmental trajectories. As we shall see in chapter 4, the specificities of the Swedish economy, even in relation to other Social Democratic economies, are striking (Mjöset 1987). Moreover, when similarities in institutional architectures and the composition of the socio-political landscape could be identified, the effects of these "varied since the modes of regulation and…the modes of growth did not obey the same principles", along with that the strategic choices of actors differed radically from one economy to another (Boyer 2005: 515). Given inevitable cultural and socio-political specificities of economic activity, capitalist diversity is the rule and the belief in convergence around "a canonical form of

[24] Lipietz here develops it further to imply a "world system" with peripheral Fordism.
[25] This is acknowledged by the PRS (e.g. in Lipietz 1987).

capitalism" naive (ibid.: 516). The 'organicity' of institutional configurations is however to some extent retained, yet the extreme macro-focus of the PRS has been largely abandoned (cf. Aglietta 1998).

Instead, capitalist diversity has increasingly come to the fore of PRS research and with that an increasing sensitivity to the notions of 'institutional complementarity' and 'institutional hierarchy', more capable of grasping the national specificities of regulation (Amable 2000; Amable and Petit 2001; Boyer 2005). This involves a revival of a structuralist tendency within the PRS, which "seeks to find the conditions under which it is possible to combine the various breakdowns of each institutional form or, more generally, the components of a social organization" (reference to Therét in Boyer 2005: 528). One significant theoretical development is the Social Systems of Innovation and Production approach (SSIP), which despite its name does not infer any technological determinism (Amable 2000: 670). The SSIP approach operates largely on the same intermediate level of analysis as the VoC approach, but the former is still more macroeconomic and distinctly more empirical than the latter (ibid.: 669). The antagonistic, complementary or independent consequences of combining particular institutional forms have become the focus of this institutionalist approach (Boyer 2005: 528). Instead of analysing the role of a single institutional form in the economy, several institutions, understood in the broad sense, "taken together reinforce each other…so that they form a coherent and stable but not everlasting structure" (Amable 2000: 656).

> Just as one particular institution defines a set of constraints, possibilities and incentives for individual agents, several institutions will define a set of interrelated incentives which are going to jointly influence the individual agent's behaviour. (ibid.: 655)

However, their joint impact is specific to the social context in which they operate, and of course, as Boyer reminds us in the midst of this rather functionalist language, “most institutional forms are the outcome of social and political struggles” (2005: 522). In so doing, the endogenous sources of reproduction, contradiction, crisis and change are believed to be emphasised further (Amable 2000: 683fn; Lourdon 1997).

Amable identifies seven sub-systems in his 2000 variation of the SSIP approach:

- science (forms of research),
- technology (process and impetus),
- competence and skills,
- labour markets,
- competition (regulation),
- finance,
- products (innovation);

two regulatory (in its traditional sense) dimensions:

- public intervention (forms of),
- international regime (preference and constraints);

and having consequences for:

- innovation (nature of process), and
- industrial specialisation (sectoral management) (671-674)

As such, the SSIP approach is “more restrictive in the set of institutions considered” than by the PRS, but shares the objective of analysing whole production systems (Amable 2000: 660). Using its five institutional forms (see above), the PRS enables the analyst seemingly to flexibly integrate these forms into her accounts, but the hierarchy of these, with the exception of the dominant wage-labour nexus, remains unclear. Institutions, in the PRS, are hard to attribute to its five institutional forms (ibid.: 667), whilst, as I will show in chapter 4, the model of analysis of the SSIP approach suffers less from this difficulty. There is no a priori hierarchy between these different sub-systems, but different hierarchies may be differently compatible and “[c]hanging one element of the system may have consequences well beyond the area concerned and threaten a certain pattern of complementarity”, as well as the hierarchy of sub-systems (ibid.: 658). Consequently, the compatibility of different sub-systems enables the organic coherence of economic systems and may, therefore "ex post [define] the growth trajectories of nations" (ibid.: 664).

On these grounds, Amable (2000) and Boyer (2005) provide four main, ideal-type, varieties of capitalism, as opposed to the VoC's two:

- Market-based,
- Meso-Corporatist,
- European Integration/Public,
- Social Democratic,

which are each characterised by a general, overarching principle:

	Market-based	*Meso-corporatist*	*European integration/public*	*Social democratic*
General principle	The market is the dominant organizing principle and is applied to most institutions	Principles of solidarity and mobility within a large size economic unit (corporation) with diversified production	Conciliation of the objectives of public authorities with private sector development, either through negotiation (Germany) or under the control of the state (France): a regulated capitalism	Bargaining between social partners for rules that apply to the economy and society

Figure 4: the general principles of the capitalist varieties of the SSIP approach (taken from Amable 2000: 671).

This general principle colours the different sub-systems, which serve to provide a tendency towards the development of coherent wholes, in the form of incentives to and possibilities for actors. This is expressed in implicitly or explicitly favoured objectives with regard to the provision of welfare (ibid.: 677).

Moreover, the SSIP enables, in contrast to the VoC approach and in more specific ways than in the PRS, transnational processes to have some impact on processes within the regulatory confines of the national economy (ibid.: 669). Hence, change can be both endogenously and exogenously driven.

However, while this approach provides the arguably most refined understanding of variations in capitalism, it, in very similar ways to the PRS, requires elaboration and politicisation of the dynamics of change, the social conditions of complementarity, the unevenness of development, politico-strategic agency and the role of the State, if it is to be helpful in seeking to grasp the role and function of the introduction of a financialised pension reform for the viability of a finance-led developmental trajectory in a social democratic context.

IV A Critique of the SSIP Approach (PRS)

(a) Societal Paradigms, Discursive Struggles and Politics of Representation

Successions of regimes of accumulation are by Regulationists presented as merely evolutionary and techno-economic, and hence rather agentless. The political lies in the regulation of such inherently contradictory regimes. Through the formation of a mode of regulation, these regimes can be stabilised and become growth regimes. The production of a growth regime is thus presented as lying in the political. The early enunciations of the PRS problematically spoke, in functionalist terms, about a self-regulating system (Aglietta 1979: 20), but the PRS has continued to have difficulties to conceptually grasp the system's reproduction. It is only in the work of Alain Lipietz in which we find any serious attempts to theorise the system's reproduction. As he himself puts it: "[t]he reproduction of a capitalist market economy via its transformations is far from self-evident" (1994: 339). With reference to the Gramscian concept of 'hegemonic bloc', Lipietz has sought to inject a degree of agency in this reproduction, yet a functionalist obsession with systemic cohesion is still apparent here. The coming of hegemony of a 'social bloc', understood as "a stable system of relations of domination, alliances and concessions between different social groups", refers to its interests' correspondence with those of a nation as a whole, the marginalised being but a small minority (ibid.: 340). In relation to the regime of accumulation and the mode of regulation, the hegemony of the social bloc becomes apparent if its constituent and reproducing consensus revolves around economic interests (ibid.). Yet, the accusation of functionalism is partly neutralised if, as he does, we turn to the work of Jane Jenson and the concept of 'societal paradigm'. In a rare gesture of inclusion of non-Parisian regulationists, the work on the reproduction of growth regimes by Canadian Jane Jenson has been allowed to occasionally contribute (e.g. Boyer 2005).

To Jenson, 'societal paradigms' (see above) are capable of complementing 'regulation', here crucially understood as a *process* of capitalist reproduction. In this process, agency, in the tradition of Marx's 'people make their own history', takes on a dual form: "actors are simultaneously *subjects* of *structures* and *acting subjects* carrying in their practices and meaning systems the possibilities of both social stability and change" (italics in original text, 1989: 236). Societal paradigms are the potential and constantly evolving results of politics of representation, or socio-political projects, which involve discursive struggles over collective identity, interests and politics of difference. Collective identities are mobilised by actors on the grounds of socially constructed interests for the purpose of “achieving representation”. The politics of representation implies struggles and compromises over what and who to be included in this achievement.

> Politics therefore involves the formation of collective identities as much as it entails conflict among groups and organizations over disputed claims about who gets what, when and how. (1989: 238-9)

Because actors are pervaded by a variety of co-existing collective identities in the universe of political discourse, “their practices and meaning systems jostle with each other for social attention and legitimacy” (ibid.: 238). These different practices and meanings have unequal degrees of legitimacy and attract different levels of social attention, which impacts upon the social power of actors. This depends upon these practices and meanings’ relation to a societal paradigm, which, if enabling, affords power, but otherwise seeks to blur the identity of the actor and hence threatens to marginalise her in so doing. Societal paradigms contain

> a view of human nature, a definition of basic and proper forms of social relations among equals and among those in relationships of hierarchy, and specification of relations among institutions as well as a stipulation of the role of such institutions. Thus, a societal paradigm is a meaning system as well as a set of practices (ibid.: 239).

If a social compromise brings the largest part of society to share the societal paradigm’s interconnected premises, the paradigm becomes hegemonic. Each societal paradigm includes and excludes contenders for representational power and hence only some identities can be constituted under a societal paradigm. This can relate to e.g. class, gender, sexual desire, language, rural-urban identities, age, etc. However, competing meanings for the same power relation may continue to exist outside, on the margins. The societal paradigm seeks to divide and blur these meanings in order to prevent the latter actors from forming a collective identity. However, as Scott argues

(1990), this does not necessarily imply that these actors fail to express their shared identity. They may do so in between themselves, as a hidden discourse away from the coercive apparatus of the hegemonic societal paradigm, or as a sub-culture in open, but unrecognised protest (Hall and Jefferson 1976). As such, the discursive struggles of the politics of difference revolve around “the representation and reproduction of power relations based on difference” (Jenson 1989: 238). Although contributing to the regulation of social relations, societal paradigms are not always hegemonic.

The possible eruption of crisis in the societal paradigm can very well cause a crisis in the regulatory consciousness. At the same time, a hegemonic societal paradigm can be disturbed by intensifying contradictions in the mode of regulation’s ability to distribute resources and power, originating from the regime of accumulation, in a legitimate way. The emerging conditions may no longer be accounted for by the societal paradigm and hence a period of discursive struggle erupts, in which competing collective identities seek to account for the new conditions and extend their representational systems. If a crisis evolves into a set of social relations in regulation (institutionalised compromises), a new societal paradigm is likely to accompany it, which includes contributions from new actors who succeeded in extending their representational strength during the discursive struggle (ibid.: 239).

On this theoretical basis, Lipietz identifies two forms of struggle: one infra-paradigmatic and another contra-paradigmatic. The former aims at the operationalisation or improvement of regulatory mechanisms, which the hegemonic bloc, within the regime of accumulation, is supposed to guarantee. Here, typically, differences over “the equity or even the reality of the distribution of…benefits” are at the centre of the dispute. The latter form of struggle seeks to contest the hegemonic paradigm, and in its extension the existing regime of accumulation, mode of regulation and the hegemonic bloc, and replace it with a competing paradigm, and “a different conception, past or future, of social life” (Lipietz 1994: 340). These may of course, and particularly in the latter case, aim to cause a crisis in the societal paradigm to force a regulatory crisis on the level of ‘everyday’[26] consciousness. As such, discursive constructions of crises in the regime of accumulation or mode of regulation can be seen as critical to change. The discursive construction of crisis, and the promotion of an adherent consciousness, enhance the time and space of possible opportunities for change. Crisis is a particularly powerful moment in the struggles on the level of discourse (Jenson 1989: 239). The discursive construction of a crisis may involve a struggle over what direction of change is to be chosen in the economy in a given time and place. As such, a particular discursive construction of a crisis can become hegemonic in its wedding to a particular set of solutions as we saw in chapter 1 with regard to inverted Malthusianism.

The regulationist SSIP approach equally lacks a discursive dimension to its concepts. The looming economic determinism of the notions of institutional complementarity and institutional hierarchy require my attention in order for them to become useful for my purposes. Following Lipietz’s and Jenson’s valuable incorporation of Gramscian concepts, the notion of institutional complementarity must, at least to some extent, be understood in discursive terms. Necessarily, institutional complementarity is partly a

[26] This Lefebvrian term will also be properly introduced in chapter 4.

discursive construction, which has to be reproduced continuously. This is neither saying that the notion of institutional complementarity has no meaning in a “real”, “economic-material” sense, nor that discourse is just an additional dimension to the economy; particular designs of economic institutions are more compatible than others, but they are all constructed and reconstructed through discourse. In a similar manner, the hierarchies of institutions derive their legitimacy from their inscription into hegemonic societal paradigms, and cannot therefore be understood in just an economic-material way. Yet, even in Lipietz’s and Jenson’s accounts, there are traces of ‘organic’ conceptions of the economy. Therefore, Jessop’s reminder is valuable: these configurations are “always relative, always partial and always provisional” (1988: 151). Similarly, the struggle over the institutional, practical and discursive formulation of the desired direction of economic development is hegemonic in nature, and cannot therefore ever result in a final, completed project, but is necessarily tendential. As Laclau (2000) argues, the struggle for hegemony never ends, the universalisation of the particular can never be completed. Thus, with the added role played by societal paradigms in capitalism, the tendential functionalism of Regulationist approaches is moderated. This brings the critique naturally to the regulationist conception of techno-economic change.

(b) Accumulation Strategies

By understanding the succession of the techno-economic regimes of accumulation in largely evolutionary terms, in conjunction with the possible emergence of modes of regulation, the PRS, and with that the SSIP approach, see change in insufficiently politico-strategic terms. Jessop has advanced the concept of ‘accumulation strategy’ in order to provide an enhanced understanding of politico-strategically driven economic restructuring. Promoted by different, and often competing, fractions of capital, accumulation strategies compete with one another over the strategic coordination of the crisis-prone moments of social relations within the circuit of capital, which are otherwise just formally unified as part of the generalised commodity production. The objective is thus the substantial unity of these moments. In brief, "[a]n 'accumulation strategy' defines a [historically] specific economic 'growth model' complete with its various extra-economic preconditions and outlines the general strategy appropriate to its realization" (Jessop 1982: 89-91). Potentially, a financialised pension system could constitute a major element of an accumulation strategy towards a process of valorisation on the terms of financial markets. By incorporating the pension capital of large numbers of everyday savers into the circuit of capital, and thereby potentially transforming the social relations of its internal moments, substantial, as opposed to merely formal, unity in the circuit of capital can be achieved. This is, however, only possible if this is made compatible with the hegemonic societal paradigm, which may very well turn out to be an uncertain or highly conflictual process. Crucially, the potential contradictions emerging out of this process could bring the accumulation strategy as a whole into question. The introduction of financialised pension reforms in social environments, dominated by conflicting societal paradigms, is an uncertain process. In accordance with the adopted SSIP approach, institutional complementarity around a financialised institutional configuration could, however, be shaped, if this were to be successful. Here, the role and function of the capitalist state are key.

Although the PRS, as well as the SSIP, understand the capitalist state as playing a critical role in the capitalist economy, it has remained poorly conceived by them.[27] Pension systems are particularly significant 'mediating mechanisms' (Aglietta 1998) of modes of regulation and it has often been integral in the formulation of accumulation strategies. Thus, by constituting the largest form of savings in any advanced capitalist economy, pension capital can play a crucial financial role to welfare systems and all sub-systems in a SSIP. However, this, of course, depends upon the role played by it within the accumulation strategy. However, accumulation strategies can only become hegemonic if they are organised through the capitalist state. This requires us to better understand what the capitalist state is. Inspiration for a more adequate understanding requires us to turn to Joachim Hirsch and his followers (here Alnasseri et al. 2001) in, what Jessop refers to as, the "West German School" of the regulation approach (Jessop 1990a).[28]

Such Poulantzas-inspired State theory opposes both liberal and orthodox Marxist approaches. On ideological grounds, it opposes liberal state theory, separating the State and economic forms through political enforcement (Ryner 2002: 111). On a theoretical basis, it disagrees with the 'vulgar economism' of the Marxism of the 2nd and 3rd Internationals, which reduces the State to the interest of capital. Thus, I here conceive of the capitalist state as having two roles in the context of reproducing the capitalist economy. Firstly, in its quest to secure its tax base, the State seeks to provide the

[27] This is despite the fact that Aglietta paid dividends to a rather sophisticated understanding of the capitalist state, already in the "founding" piece of work of the PRS (1979: 26-9). In the attempts made, the PRS aims to strike a delicate balance between the capitalist economy's different sources of regulation. As such, [t]he régulation perspective consciously strives against an 'over-politicisation' of the state and 'under-politicisation' of the other arenas where social cohesion is secured" (Elam 1994: 60-1).

[28] However, noticeably, my approach does not follow the State theory of the West German School perfectly, but modifies and elaborates upon it.

institutions and the policies, which serve to integrate the economy. By seeking to mediate in the conflictual relations between capital and labour (Alnasseri et al. 2001), it renders the economy capable of generating the necessary tax revenue for the State's survival. This integrating function is thus necessary for the reproduction of the capitalist economy (cf. Lipietz 1988: 24). Secondly, the state furnishes the historical, yet regulated, space in which the historical struggle between capital and labour, emanating from the capital relation, is played out and reflected in. As such it is not just a social relation (Alnasseri et al. 2001), but an institutionally mediated struggle. In the context of financialisation, a term which we will discuss in section five of this chapter, or, in brief, the reorientation of economic activity in line with the disciplinary power of financial markets, we can imagine several social actors seeking to impose their agendas on state regulation. However, they do so in a historically and institutionally specific context. For instance, Posen discusses how the idea of central bank independence became so influential so quickly in the monetary policy of governments in advanced capitalist economies. He argues that the financial sector's opposition to inflation was based on its (flawed) conviction of the correctness of monetarist, neo-classical economists' theorisation of the deflationary impact of central bank independence. Following this conviction, the financial sector's lobbying had a strong impact upon this policy shift. Yet, institutions, such as central bank policies, require "the support of a politically powerful interest coalition – as a form of…life insurance" (1993: 46). When labour union support for traditional central banking is politically cut off, "or its political effectiveness wanes", the 'life insurance' for the existing monetary policy is largely removed and the financial lobby becomes significantly more effective (ibid.; see also Watson 2002: 190; Hay 2004a).[29]

As such, the regulatory space provided is a historically specific terrain, which creates biases in favour of and against competing accumulation strategies as well as projects striving towards the hegemony of societal paradigms. This institutionally mediated struggle takes its discursive expression in the production, reproduction and disciplining of institutions, which are both "within" the State (state institutions) and in civil society more generally. These discursive expressions thus have clear material consequences for 'daily life'. Yet these material consequences are shaped by their complementarity and its reproduction partially dependent upon the historically specific, subjective responses in daily life. 'The everyday'[30] consciousness of uneven conditions of exploitation, representation and processes of commodification and de-commodification are strongly related to the everyday conflicts between competing accumulation strategies and societal paradigms. The State has historically played a crucial role in these articulations as a legitimating force, derived from "the cloak of state sovereignty forged by the history of civil and foreign struggles" (Lipietz 1988: 24, see also Hay 2006: 230-3) and pluralist democracy. The quantitative and qualitative shape of the economy is thus rearticulated, displaced and condensed through processes regulated by the State (Alnasseri et al. 2001: 165).

(c) The Regulation of Uneven Development

[29] See Martin and Ross (1999) for the historically and institutionally specific role played by European labour unions in the more general struggle in relation to neoliberal restructuring.

[30] I use the term 'daily life' to refer to the microsocial foundations of the economy. 'The everyday' relates to daily life as dialectically exposed to spatial processes of financialisation (cf. Lefebvre in Davies and Niemann 2002: 558fn.).

Regulation is a form of legitimation, a process in which the capitalist state plays the main role. The major social transformations of the post-war period, including the universal extension of the wage relation (and thus linked welfare rights, with pension rights dominating), implied a tendency towards a unification of the wage-earning classes. This occurred, of course, differently in each economy, yet the trend in many advanced capitalist European economies was major industrialisation, urbanisation and concentration of capital leading to a deep division within the capitalist class (Aglietta 1979: 18-19). Despite these acknowledgements, the PRS, and with that the SSIP approach, has shown limited interest in uneven development and the role of the capitalist state therein. Economic geographers have, however, picked up on this relation and inserted it in a regulationist framework (esp. Peck and Tickell 1995). Although 'uneven development' is a constant feature of capitalism, the Fordist 'phase' reflected a new, wage-labour oriented sequence in the role of the capitalist state in legitimising this particular regime of accumulation (Offe 1987: 513, 529). Thus, this specific division and systematic reallocation of the social product (Lipietz 1988) displayed, as all, a particular spatial and demographic structure, or economic geography. Capitalist development is 'variegated' (Peck and Tickell 2002). As Marsden et al. argue,

> [e]ach regime's distinctive territorial division of capital and labour is superimposed upon and so modifies, and is modified by, previous geographies and is then subsequently transformed (restructured), so creating simultaneous spatial patterns of economic growth and decline (Marsden *et al.* in Bowler 1994: 347).

Uneven development, as significantly state-orchestrated and as understood by Harvey (1982), is both geographical and demographic. As traditional spatial barriers have become more deregulated and more penetrable, firms have become more transnational in their ownership. Hence, the threat of exit has been consequently more powerfully made. This understanding of the hypermobility of production, coming under the ambiguous term of globalisation, is powerful, yet far from producing the expected consequences in national economies (Hay 2004a; 2006). As Harvey (1982: 239-412; 1997: 294-8) argues, space has not become less important, but more important. Spatial competition between places generates both processes of convergence and divergence as different capitals seek different factors of production. In turn, with the dematerialisation and de-spatialisation of financial capital and its resulting uncertainty, the compression of time-space through credit-based financial manipulation becomes all the more important to capital. This development carries with it contradictions, which are relatively speaking neglected at this historical juncture. A very good example is the ongoing rapid and unstable transformation of the Swedish economy (Khakee 2005). This quest for time-space compression through credit-based financial manipulation (Harvey 1997: 294-298) has, over time, unevenly contributed to the emergence of a bubble-prone, financialising economy. It projects biases in both geographical terms and in terms of subject-formation. The uneven distribution of circuits of capital across space, time, social class, gender, sexual desire and age, strongly contribute to the production of particular outcomes, discourses and practices. In this context, the capitalist state plays a critical role in the execution of accumulation strategies, in ensuring the reproduction of its tax base as well as expressing historically specific, yet institutionally mediated capital-labour relations, i.e. in the legitimisation and orchestration of particular processes of subject-formation in the spatial economy. Yet, as we will see in chapters 3, 4 and 5, these are processes which are particularly difficult to control, thus having a multitude of unintended consequences.

V The finance-led growth regime, Pensions and Financialisation: the importance of cultivating mass investment cultures

Risk-oriented pensions, discussed in the previous chapter, are central to the economic model, known as the "finance-led growth regime" (an ambiguous variant of the SSIP's 'market-based' model), in which financial markets, in a de-regulated environment, are at the top of the institutional hierarchy (Boyer 2000). Boyer argues that this seems to be the direction of development in many advanced capitalist economies today, and since the mid-1990s several of these are showing clear signs of resemblance:

> Many giant mergers, capital mobility between countries, pressures on corporate governance, diffusion of equity among a larger fraction of population; all these transformations have suggested the emergence of a finance-led accumulation regime…[Also known as] 'the new economy': this regime would combine labour-market flexibility, price stability, developing high tech sectors, booming stock market and credit to sustain the rapid growth of consumption, and permanent optimism of expectations in firms. (ibid.: 116)

Given that such a regime of accumulation is at all viable, financialising pension reforms are critical to ensuring the stability and institutional complementarity of economies operating according to its logic. However, risk-oriented pensions are critical to the finance-led growth regime, not because they are capable of ensuring welfare and thus regulating ageing economies (cf. Boyer 2000; Aglietta 1998), but because they fuel financial markets, boost asset-prices and enable the structuring of the economy according to shareholder value prerogatives. In this section, I will discuss what function the infusion of risk-oriented pensions has in the finance-led growth regime through a review of three key texts on the topic (Boyer 2000; Watson 2008; Froud et al. 2002). I will consider the impact of 'financialisation' on firms (innovation, production and wage relations), its required mode of regulation (institutional investors and central bank) and the importance of cultivating mass investment cultures to financialising accumulation strategies.

In an arguably provocative[31] paper in a special issue of *Economy and Society* on the impact of financialisation and shareholder value on present-day capitalism, Boyer hypothesised what a finance-led growth model would look like. He modelled this vaguely upon the financialised, 'new economy' emerging at the end of the long search in the US economy for a new growth regime, following the long crisis of American Fordism. The contrasts between the two growth regimes are striking. Rising to the fore of the economy was the priority of shareholder value (see Lazonick and O'Sullivan 2000), demanded by institutional investors largely at the behest of increasingly demanding pension savers, which became internalised in the corporate governance structures of firms. In the model, the shareholder value prerogative forces firms to slim their activities, become more cautious in their productive investments, flexibilise the labour contract - to overall adopt a short-termist outlook on the firm's activities. For households, the income insecurity deriving from the flexibilisation of the labour contract is supposedly offset by financial gains resulting from equity holdings.[32] Hence, the "malaise that eats into the individual psyche when the energy that used to be channelled into work is converted into fear of an unforeseeable future" (Aglietta 1998 72) is, at least, partly socially regulated. Discourses of inverted Malthusianism undermining the credibility of pension systems and promoting individualised, private solutions also contribute to the dependence upon financial market performance for the securing of welfare. Decisions on whether to consume or save are thus strongly

[31] As it, rather uncritically, assumes a number of dynamics in the economy, which are, firstly, highly questionable on their own terms and, secondly not in line with the Marxist-inflected PRS. Particularly, this relates to the constraints of the regulatory role of the State in the economy.
[32] Boyer adds: "[t]his is true whether households use pensionfund intermediaries or whether they invest their savings directly on the stock exchange, or even if they join savings plans run by the firm" (2000: 120).

influenced by the performance of these equity holdings on financial markets, particularly affecting purchases of homes and durable goods. Short-termist consumerism is instead encouraged by the promotion and extension of consumer credit. Through the securitisation of consumer debt, the risks of providing consumer credit are pooled and transferred to the consumer in the form of individualised credit costs, which also impacts upon consumption/saving decisions in 'the everyday' (see also Montgomery 2006). As such, household economic behaviour is 'wealth-driven' in the finance-led growth model. Similarly, the sensitivity of the State to actual rates of state bonds, due to the crisis-legacy of high levels of public indebtedness, and decreasing capacities to tax capital forces the State to bring its public expenditure in line with the disciplinary expectations of financial markets (cf. Swank and Steinmo 2002) and credit rating agencies (see also Sinclair 1994). Financial market discipline, however, "relieves" central banks of their more recent priorities of fighting inflation and encouraging growth, just to be replaced with the supposedly critical regulatory role of containing the speculation of skittish investors and thus financial bubbles (Boyer 2000 118-121). The mechanisms of a hypothetical finance-led growth regime are shown in figure 5.

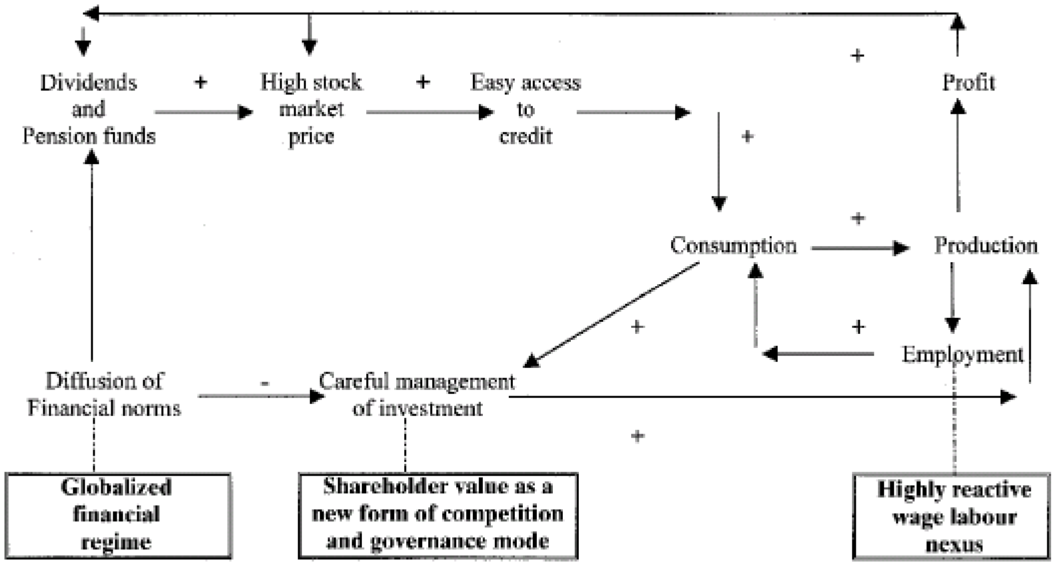

Figure 5: the mechanisms of a finance-led growth regime and its institutional forms, (taken from Boyer 2000: 117).

Matthew Watson's more detailed account of the dynamics of the finance-led growth regime (2008) is highly sceptical of its viability arguing that its microfoundations are contradictory and will result in the withering of financialisation. Two types of actors are considered to play key roles in this context. As in Boyer's account, the primary actor is the firm. In the quest to attract shareholders, (high rates of) 'shareholder value' becomes more a marketed 'product' than a realistic objective of corporate governance. However, the short-term demands of the stock-market are internalised in the organisation and the running of the firm (Froud et al. 2000). With the spread of shareholder value-inflected corporate governance structures (Williams 2000) and accounting techniques (Froud et al. 2000), firm managers, compensated in part with stock options for the purpose of aligning their interests with those of the shareholders, seek to boost the price of their stocks primarily in two ways: by continuously altering 'the capital structure' of the firm and by seeking optimal accounting methods.

Myopically, firms come to seek disinvestment, retaining just their most profitable parts, as well as to promote the misrepresentation of financial information, through the direct or indirect encouragement of accounting dodges. The immediate results are a reduced potential for product market growth and a supplanting of financial risk to individual investors. The result is that "the firm's health…becomes a reflection of its stock price rather than the stock price being a reflection of the firm's health" (Watson 2008: 4).

In parallel, with the financialisation of public welfare systems and the increasing volumes of private savings being channelled into financial markets, individual investors, or rather the fund managers of institutional investors play the second critical role for the contradictory dynamics of a finance-led growth regime. Due to a 'funnel effect' of private savings, the decisions of individual investors rarely constitute more than an indication of investment orientation leaving the 'real' decisions to a fairly small and homogenous group of fund managers, broadly sharing investment strategies. This seems to be particularly the case with reference to pension capital. Blackburn (2002: 115) therefore refers to pension capital as "grey capital", as

> [t]he division of responsibility between trustees, money managers and consultants, the power of the sponsor and the limited rights of the policy holder or members all conspire to ensure that retirement funds will be 'grey capital'…because the property rights represented by the funds represent a grey area in terms of law and political economy – that they are also funds held to finance old age is a source of vulnerability to those whose sacrifices have established them.

The demands on fund managers are two-fold: portfolio diversification and short-term performance. Thanks to new, technologically enabled financial instruments, serving to integrate stock and index options (derivatives), fund managers can with little difficulty create 'superportfolios' - index-tracking portfolios. According to Sharpe's Capital

Asset Pricing Model (CAPM), central to Financial Economics and any MBA programme pursued by most fund managers, 'beating the index' is down to luck, whereas tracking the market is both possible and the most efficient investment strategy. On the one hand, while shareholder value-inflected firms seek to persuade individual investors and fund managers to purchase their stocks, the CAPM renders shareholder value strategies transparent hoaxes in the eyes of MBA-educated fund managers (Watson 2008). On the other hand, fund managers are subjected to tough and frequent performance assessments generating a highly short-termist investor outlook (O'Barr and Conley 1992).

This myopic perspective leads fund managers to move out of uncertain markets to those with clear price trends and to take forward positions within these markets. This leads to price overshooting and pro-cyclicality, which reinforces the tendencies produced by the firm's disinvestment strategies. Worse still, price overshooting and pro-cyclical investment behaviour are key characteristics of financial bubbles, which fund managers are not slow to exploit. The result is that financial bubbles are inflated additionally. Thus, according to Watson's account, if power is closely related to shareholder value, and hence the management's ability to generate this, firms are only powerful to the extent that their financial manipulation successfully attracts household savings in the form of direct shares. As such, direct shareholding is crucial to the corporate economy as firms are dependent on this for retaining of their power. Without direct equity holdings, they have little or no power over the stock price apart from the use of share buybacks.

In Watson's account of the finance-led growth regime, financial bubbles hence become a structural feature, underpinned by increasing volumes of private savings. Given the index-tracking strategies of fund managers and the promotion of the shareholder value concept by firms, whose financial information is likely to be misrepresentative of 'economic fundamentals', individual investors are the ones who end up losing out. So, while this regime feeds off asset-based welfare and the flexibilisation of production, it also carries within it the contradictions potentially threatening the very policies that enabled it in the first place. The extent to which these processes and logics are in place, even in the US economy, is of course uncertain. Looking specifically at the Anglo-American economies, the British Social Accountants (BSA), Froud et al. (2002) claim that this logic(s) is spreading, although unevenly, across the economy.

The BSA, operating on a more historically concrete level of analysis, have developed a model to describe an economy in which financialisation is occurring: "coupon pool capitalism".

> Coupon pool capitalism is constituted when, under specific conditions, the capital market moves from intermediation to regulation of firm and household behaviour (Froud et al. 2002: 126).

At the core of this form of capitalism is, thus, the problematic institution of the pool of coupons (financial papers of various types), from which firms draw or inject (share buy-backs) capital to enhance their performance. Instead of providing a coherent and harmonious structure, the existence of coupon pool capitalism "intensifies contradictions and inaugurates incoherence at the level of firms and households at the same time as it increases instability" (ibid.: 135). This is the moment from which "financialisation" unfolds, i.e. from a gap between financial market expectations on firm performance and outcomes (ibid.: 126, 140), or simply between profit level demands and the capacity of firms to recover costs (ibid.: 137). Here, shareholder value plays a crucial normative role as "a powerful object of emulation" in management and media discourse, although its meaning or optimal method, beyond emphasising results, is contested (ibid.: 122-3; Froud et al. 2000). This performance gap is problematically persistent and thus forces the shareholder value rhetoric, which in itself largely sustains the objective of maximising shareholder value.

However, financialisation is uneven, particularly among blue chip corporations and other productionist firms, which serves to partly suspend the discipline of the stock market on managements. In contrast to Boyer's model, the BSA includes commodity trade and capital flows, which enhances our ability to envisage possible variations of coupon pool capitalisms. This would be critical to the case of Sweden, whose historical openness to trade (Katzenstein 1985) and more recent vulnerability to capital flows (Svensson 2001) can impact significantly on the disciplinary impact of financialisation on firms. This discipline varies with economic sectors, but overall tends to force firms, in the medium-term, towards financialisation, the adoption of shareholder value strategies or financial sub-firms (Froud et al. 2002: 138). As such, they believe themselves to have constructed a historically concrete model with open dynamics, as opposed to the more abstract and "mechanical models" of the regulation theorists, and arguably the one of Watson. Yet, despite their supposedly open-ended argument that these tendencies may vary from one financialising economy to another and that shareholder value is "an unrealisable project" (Froud et al. 2002: 140), convergence around particular firm behaviour, in accordance with shareholder value objectives, seems unavoidable due to the centrality attributed to shareholder value as norm and discourse.

In their treatment of the financialisation of the ‘everyday’, they claim the existence of a degree of delinking with the corporate economy, which is not present to the same extent in Watson’s or the Regulation theorists’ accounts. Firms are here deemed to be largely self-financing, conceiving the secondary market as mediating between “the immobility of productive investment and the time-preferences of household savings” (ibid.: 126). This differs from “productionist capitalism” where “the capital market is [a supposedly] unproblematic intermediary between saving households and productionist firms, or between some firms such as banks or network leaders who own stakes in other firms” (ibid.). Following the privatisation and financialisation of pension savings, in particular, households contribute to these “specific conditions” by creating large flows of capital into a secondary market, which is ‘liquid’, through an alteration of their saving patterns towards directly or indirectly held securities and away from bank deposits (ibid.: 126-7).

Coupon pool capitalism is fuelled by middle class savings. The BSA find that only the top forty percent in the Anglo-American cases has the sufficient margins to save for retirement and welfare, and hence very few are in a position to secure their welfare or ‘life investments’ through financial market investment. Thus, in marked contrast to Boyer’s account, very few will ever benefit from any substantial dividends or the rise of corporate share prices (ibid.: 142). Also, within these forty percent, there are marked differences in income and savings patterns, which themselves contribute to increasing inequality also within this top forty percent in the everyday economy (ibid.: 143). Financialisation promotes circuits of accumulation and procyclical patterns of price-formation, which accelerate inequality in ways that increase the importance of the household (ibid.: 141-2). Increasing dependency on the core family could thus be expected to develop out of financialisation. Yet, with the institution of the family unravelling in the 21st Century (family relations becoming increasingly serial as life expectancy increases), the household is likely to provide a weak buffer against the volatility of asset values, which in turn calls for the re-pooling of stock market risks in "social funds" (ibid.: 145), or the reconfiguration of family relations.

In sum, the fates of firms and households seem clearly interlinked according to these three accounts. The consideration of the transnational dimension by the BSA approach must not be marginalised in our understanding of the unfolding of financialisation in different economies. While the finance-led growth regime may have no historically concrete corollaries in present-day capitalism, its mechanisms and processes are spreading. As such, it seems reasonable to consider financialisation in the context of coupon pool capitalism, rather than finance-led growth regimes. However, by focusing on the key characteristics of these, i.e. shareholder value, the appreciation of variety within finance-led economies is to some extent lost. Although their insights into finance-led growth are crucial to the argument of this thesis, the broader range of issues that the PRS-based SSIP approach considers have to be considered. To any variety of finance-led capitalism, financialised pension systems, even if they are not purely funded systems, are necessary complements.

Whilst this finance-led economy is increasingly understood as attractive by finance, banking and some venture capitalists, firms, particularly ‘national’ blue-chip and ‘productionist’ firms may be rather ambiguous about financialisation. According to the SSIP approach, many of these firms rely heavily upon innovation for their cost recovery models. Indeed, structuring of the innovation processes remains one of the crucial factors in the competitiveness of modes of regulation. There is here a strong, yet contingent, path-dependency inscribed (Amable and Petit 2001). During the second half of the 1990s, this became apparent with the emergence of the ‘new economy’, yet financial systems and societal paradigms prevented this from succeeding.

Seemingly suitable to such a development, the US-modelled market-based SSIP provides a system for the innovation process, complete with a sophisticated system of financial risk management, which is conducive to “Schumpeterian waves of (radical) innovations; importance of patents and individual rewards to innovation” (Amable 2000: 674). This system of innovation was the foundation for the US economy’s attempt to make the great leap towards a technology-intense ‘new economy’. Yet, given its preoccupation with shareholder value, the economy did not reward radical innovation more than e.g. shedding labour or outsourcing as investment strategy (Boyer 2000: 123), which may very well have diverted the innovation efforts away from sustainable cost recovery models (Feng et al. 2001). On the extreme other hand, the social democratic SSIPs, exemplified by Sweden and Finland, are “characterised by their production system’s high level of technological intensity…[and] by their international competitiveness” (Amable and Petit 2001: 25-26; see also Hay 2004c), yet their ‘turn’ to the ‘new economy’ in the late 1990s could not have occurred without rapid restructuring of their financial systems and the privatisation of pension provision, as we will see in chapter 5. Venture capital seemed to exist in abundance, yet the ‘everyday’ economic outlook, informed by the hegemonic societal paradigm, did not allow the new economy to succeed. The above accounts of the finance-led growth regimes do not seem sufficiently to account for the complementarities between dimensions of innovation, financial system and societal paradigms. Accumulation strategies seeking to render the finance-led growth regime viable must address both societal paradigms and structures of innovation for the ‘new economy’ to be viable.

Still, many European economies seem keen on retaining some coordinating elements and welfare institutions providing a degree of de-commodification. However, the previous large-scale socialisation of risk, through de-commodifying welfare institutions and commitment to solidaristic wage policy and full employment, is now, according to inverted Malthusianism, the post-industrial trilemma and the moral hazard thesis, costly obstacles to competitiveness. As I will show with reference to Sweden, neoliberalised social democrats in Europe have embraced different versions of Giddens’s ‘third way’ thesis. Based on the microeconomics of the neoliberal economic arguments (esp. Lindbeck, e.g. 1995a, 1995b, 1998), the previous social democratic commitment to risk-socialisation has come to generate “disincentives, sub-optimal economic behaviour, and inefficiencies” in the economy (Giddens in Ryner 2002: 12). Although not advocating full-scale re-commodification, risk should be individualised to the extent that “the positive or energetic side of risk” is harnessed and encouraging the entrepreneurial spirit in society (ibid.: 13). In this sense, strict labour laws, common in the advanced capitalist economies of Europe, may be acceptable as long they do not encourage moral hazard, such as long-running generous benefits (Giddens in Ryner 2002: 16). In such ‘moderated risk economies’, the universal entitlements of defined benefit systems have been and continue to be a key target for such a discourse. Instead, people must learn to take responsibility for the performance of their pensions, yet pension provision guaranteeing a ‘decent standard of living’ in retirement must be provided. Whilst much of the corporate economies and political elites of ‘coordinated Europe’ seem to be for ‘uneven financialisation’, the project of transforming the societal paradigms, which came to be hegemonic during the ‘Fordist’ post-war period, towards the entrepreneurial embrace of risk is a considerable and uncertain project, as it also involves politics of representation, not just economic incentives (see chapter 1).

In line with this risk-oriented Third Way politics, neoliberal restructuring both enables and emphasises the development of the financial dimension of the economy (cf. Ryner 2002). In restructuring social democratic economies, in which universalistic, yet modified, welfare systems still are in place, this is a complex scenario, which lacks scholarly treatment. The introduction of hybrid, partly financialised pension systems to financially deregulated social democratic economies produces a complex set of signals, contradictions and conflicts, whose regulation requires the modification of structures of experience and the introduction of risk-management practices in the ‘everyday’. As shown in chapter 1, the financialised element of such pension systems targets two objectives. Firstly, it seeks to provide efficiently allocated investment capital to the economy by individualising and privatising risk. Secondly, as a prerequisite for the former, it seeks to transform passive pension savers into active, financially literate, investor subjects. It thus has a socialising function. However, this is a socialisation of financial ideas and practices, which is conducive to neoliberalisation, possessive individualism (Harmes 2001) and societal divisions on the grounds of inequality (Leyshon and Thrift 1996: 1150), notions which stand in *some* contrast to the societal paradigms developing out of 'Fordism'. Nevertheless, the (im)plausibility of such a major societal shift, even in the highly unlikely case of Sweden, cannot be derived from studies of Fordism alone. This can only be achieved through an historically concrete analysis, which is sensitive to shifts in subject-formation. However, as Aitken (2005) shows, processes of subject-formation are historically constituted; there is a strong continuity in these processes. Accordingly, the historically concrete analysis of this thesis will emphasise the continuities in the interplay between financialising accumulation strategies and struggles over societal paradigms in the Swedish economy in the context of pension reform. Thus, this thesis aims to overcome the VoC-inspired literature on the financialisation of the Swedish economy (e.g. Henreksson and Jakobsson 2003), which, focusing merely on institutional change, overstates the resilience of neoliberal restructuring in what could be expected to be a socially inhospitable environment for such change. Hence, such literature states the likelihood of convergence of the Swedish economy around a neoliberal, Anglo-American economic model, while a more complex institutionalist PRS-SSIP approach has shown the historical contingencies of such developments by pointing at the potential institutional incompatibility and systemic fragility of the resulting matrix of institutions.

In order to go beyond this impasse, I will, in the next chapter, adopt a cultural political economy approach to financialisation, in which processes of financialisation are situated in the uneven spaces of the everyday. The PRS-SSIP framework here developed will contribute to this approach by informing my view of economic structures and their inherent social contradictions; however, it "tends to overlook human subjects, their changes and what is happening to them with the disorganisation and reorganisation of social relations" (Gambino 1996: 43). [33] Therefore, the cultural economy approach will be invaluable as it will emphasise processes of subject-formation and the contingencies of such, as embedded in the regulated economy.

V Conclusion

This chapter has developed a Regulationist theoretical framework for the purpose of being able to conceptualise the economic restructuring that has taken place in the Swedish economy in recent decades in chapters 4 and 5. This framework was developed out of a critique of the dominant Varieties of Capitalism literature and its assumption of the post-industrial trilemma. I argued that this approach inadequately conceives institutions, the political and contingency, and thus tends to overemphasise convergence. By instead turning to Parisian Regulation theory and its Social Structures of Innovation and Production approach, I developed a platform for grasping these dimensions better. This platform allowed for the development of a framework, which considers the institutional specificities of national economies and contingency. By

[33] This seems to derive from what much of the PRS (other than the more experimental Lipietz) considers to be the difficulty in integrating micro- and macro-levels in the same account: "[w]here heterogenous features are taken into account in the behaviour of microeconomic players, the coherence of the entire system becomes a puzzle" (Aglietta 1998: 43). Aglietta argues that "microscopic and macroscopic phenomena cannot be described with the same formal tools", and that this is a well known problem in the physical and social sciences. Yet, fundamentalist, but still hegemonic, neo-classical economists refuse to address this issue by stubbornly adopting a methodological individualism. The problem is ignored in order to satisfy the "desire to found macroeconomics on microeconomic principles[, perpetuating] the postulate of homogeneity against all empirical evidence" (ibid.). For this reason, Regulation theory is, following my critique in chapter 3, *partly* useful. The difficulties of bridging the micro-macro-gap, should not simply be accepted as unbridgeable. Through the critique provided in section IV above, the foundations of this bridge have already been made.

calibrating the notions of "accumulation strategy", "societal paradigm", "the capitalist state" and "uneven development" to fit with this framework, the aftermath of the crisis of Fordism can be understood as politico-economically strategic and contingent.

The significance of the financial direction of this development and the role of pension reform therein led me to pay particular attention to the modelling of the "finance-led growth regime" and "coupon pool capitalism". I also discussed actors, such as the "financial lobby", and processes, like financialisation, which seem likely to contribute to the emergence of economies resembling such models. Nevertheless, agency is not predictable and such processes are not uncomplicated. Societal paradigms still answering to notions of risk-sharing and solidarity, which seem likely to be particularly entrenched in the Swedish economy albeit unevenly, will inevitably constitute resistant logics, meanings and practices to processes of financialisation. Thus, the Swedish case is here understood as critical to grasping the limitations of the finance-oriented neoliberal project. An analysis of the social impact of the introduction of a risk-privatising pension reform in the Swedish economy, however, requires an elaboration of this Regulationist approach in order to sensitise the study to the tendencies and countertendencies in subject-formation in Swedish daily life through the imposition of processes of financialisation.

Chapter 3 - The Financialisation of Daily Life

I Introduction

In chapter 1, I argued that the partial financialisation of pension savings has, enabled by the large-scale deregulation of financial systems, become a strong objective for many governments in the advanced capitalist economies of Europe. The increased freedom of financial actors in the economy has allowed for the promotion of individualised, private saving forms, which, prior to pension reform, has resulted in significant increases in the pensions capital injected into European financial markets and beyond. Risk-privatising pension reforms were seen as a key strategy for the further development of financial markets capable of efficiently allocating large volumes of capital into the European economy. These developments have laid the foundation for, and have indeed aimed for, the financialisation of 'daily life' in Europe. I understand financialisation as a set of interlinked and contingent processes along the interface between the credit system, on the one hand, and production/consumption, on the other hand, exposing more and more parts of the economy to the valorising processes of financial markets. As such, it is having tangible, material effects, which are formally and informally institutionalised in the everyday.

Chapter 2 developed a Regulationist conceptual framework to understand financialisation of advanced capitalist economies. This framework, which is sensitive to meso-level institutional change, allows for contingency and variety in capitalist development and is capable of grasping politico-strategic action in relation to the economy. Financialisation is also a strongly normative set of processes, which serves to transform our approach to life, credit, savings and consumption. Generally speaking, money should be put to work on the markets for the enhanced well-being of the individual or the household (partly depending on context) rather than serving particular political strategies in the economy, as under Fordism. At the core of this normative shift is the notion of risk. While risk was socialised to a significant extent under "Fordism", the coupled processes of neoliberalisation and financialisation attribute particular significance to individual appreciation and practice of financial risk-management in the everyday. The privatisation of financial risk is thus inevitably causing inequalities. As a consequence, this becomes more than a norm – it becomes a life strategy (Martin 2002).

With regards to the notion of regulation, as developed in chapter 2, our understanding of the impact of financialisation on the economy must include a serious consideration of the everyday. The contradictions of coupon pool capitalism are very much present in the microfoundations in the everyday. For its reproduction, these microfoundations have to be in regulation. It is indeed questionable whether this is feasible, and thus whether finance-led growth regimes, in its extension, are viable at all. Public pension systems are particularly significant mediating mechanisms in modes of regulation. The financialisation of pensions further shortens the calculative time-horizons for firms and fund managers, whilst extending them for pension saving wage-earners. With the weight of the responsibility for welfare and consumption shifting towards wage-earners and households, financial concerns in the everyday often take on proportions of being central to individual life strategies, whilst the financial concerns of firms and fund managers relates increasingly to that of shareholder value in the short-term. Moreover, I conceive of financialisation as central to the uneven capitalist development, which has become so pronounced under modes of neoliberal governance and government since the early 1980s. Financialisation redistributes risk in geographically and demographically specific ways, frequently discriminating for the urban and the "superincluded", relatively wealthy and financially literate (Leyshon and Thrift 1996: 1150) and against the hinterland and the excluded. The uneven distribution of financialised circuits of capital consequently impacts upon the meanings and practices of economic activity in the everyday. Finance-led capitalist development becomes variegated. Variegated capitalist development also sets demands on accumulation strategies pushing for financialisation, which, depending on existing societal paradigms, will address the contingencies and contradictions of financialised pension systems in order to enable regulation.

This chapter will conceptualise financialisation in the everyday, in order to grasp its potential tensions and contradictions. The literature on the financialisation of the everyday predominantly focuses on the neoliberal Anglo-American economies. Financialisation of the everyday in social democratic Sweden is a very different and, arguably, more complex set of processes. Contradictions and tensions can be expected to be rife. In order to approach this, I must, through a critical engagement with this literature, develop an understanding of daily life which is sufficiently complex as well as of explanatory power for this radically different social context. This is an absolutely essential exercise to enable the historically concrete analysis of financialisation in Sweden, in chapter 5, as founded on the analysis of subject-formation in the context of

Swedish Fordism and its crisis in chapter 4. Chapter 5 will set a number of criteria for the assessment of the extent to which the financialisation of the Swedish economy, very much inclusive of the everyday, is occurring and whether it is possible to identify tendencies and countertendencies testifying of the viability of a finance-led economy in Sweden.

I will proceed in the following manner. Firstly, I will develop a cultural political economy approach to the financialisation of daily life, which considers the multi-levelled sociologies underpinning economic activity. Following the Regulationist approach developed in the previous chapter, this must originate from the social contradictions emerging out of the crisis of Fordism and financial deregulation. The next step in this conceptual move is to develop the notion of 'economic aesthetics'. This notion will be capable of grasping the complex everyday constitution of subjectivities formed at the busy crossroads between accumulation strategies and politics of representation in the variegated economy. As such, it is sensitive to discourses of class, gender, age, language, rural-urban identities, etc. In the context of the financialisation of the critical case of the Swedish economy, conflict can be expected to arise along these lines as processes of subject-formation clash. This conceptualisation of the everyday will also enable us to grasp the emergence of particular forms of resistance to, and non-participation in, a financialising economy. Finally, I will discuss the implications of analysing financialisation beyond the Anglo-American cases. This will result in the formulation of a number of questions regarding the viability and resonance of financialisation in the Swedish economy, and the legitimacy and credibility of the finance-led accumulation strategy striving towards its regulation through the introduction of a partly financialised pension. Only a historical account, assessing the impact and role of the new pension system on Swedish daily life can answer these questions (see chapters 4 and 5).

II Fordist Legacies for Subject-Formation under Financialisation

The impact of financialisation is the neutralisation of fiscal policy and a radical transformation of firm and household behaviour. The transformation of household behaviour is predicated upon "the development of household shares or securities portfolios" tying the welfare of households and individual fates to the performance of financial markets. As such, stock-market values play a key role in the everyday decisions between savings and consumption (Boyer 2000:123). Beyond such seemingly rational, monetary deliberations, the approach to the risk of missing out on financial gains by opting for consumption, similar to a gambler's dilemma in the context of largely incalculable risks (Forslund 2004), is frequently subjected to processes of re-enchantment (Martin 2002:91). As such, the strong normative and psychological dimensions impacting upon the social relations of financialisation cannot be underestimated. As "money is the primordial social link in market economies" anyway (Aglietta 1998: 46), financialisation threatens to make money even more central to social relations. However, in the first place, the overarching requirement of the formation of a 'coupon pool' is large scale flows from households. Considering the contrasting Fordist organisation of savings, and particularly retirement savings, as underpinned by a hegemonic societal paradigm emphasising the importance of the socialisation of risk in order to enable solidarity and relative equality, the normative and psychological basis for these meanings and practices has to be largely dismantled and reshaped.

The PRS enables us to consider the processes of subject-formation inaugurated under the Fordist mode of regulation and how their contradictions point to their crisis. According to Aglietta (1998), regulation under the Fordist growth regime primarily focused on the wage relation. Income insecurity of wage-earners was significantly reduced by two factors: the relative stability of the internal rules of welfare institutions and rigidly institutionalised compromises between interest groups. Stimulated by capitalism, one fundamental compromise was the (further) inclusion of labour into the process of the circulation of wealth. This compromise

> established constraints on the accumulation of capital which [gave] a collective purpose to the pursuit of interests, thereby legitimizing both parts of the dichotomy between individual goals and membership of society (Aglietta 1998: 54).

The spread of the wage society generated new markets, while at the same time wage-earners acquired new social rights to the wealth they produced. Thus, capitalism was allowed to expand on the legitimating premise that it allowed for social progress (ibid.). Hence, a societal paradigm, formulating a sense of belonging, was constructed on the grounds of the destruction of the normative and practical foundations of pre-Fordist forms of life (ibid.: 55). Social progress was ensured under the auspices of large industrial and financial organisations making the necessary compromises to ensure the expansion of the wage society to the benefit of all parties, often under the coordination and mediation role of the state (particularly in the case of Sweden). This belonging was supposedly based on collective risk-sharing and the enabling of social mobility. Universal education, employment security, and clear labour market hierarchies committed to ‘equal pay for equal work’ ensured supposedly fair rules for social mobility (yet, social mobility was constrained in the Swedish case by high and flat income tax rates (see Steinmo 1992)) and solidarity. Countercyclical monetary and economic policies along with guaranteed and high replacement rates during unemployment, illness, parental leave and retirement rendered private forms of savings and insurance a practice of primarily high-income earners. Thus, individual goals such as social mobility, as defined primarily by status rather than income, were conceivable to the individual (Aglietta 1998: 56-7).

However, the processes enabling the achievement of these goals may come to threaten the stability of a growth regime. Its inherent social contradictions may mature and surface to contribute to the crisis of the very same growth regime. According to Aglietta, "the renewal of individual interests" was the consequence of the maturing of the Fordist growth regime (ibid.: 62). Rising individualism has weakened collective identities, reduced solidarity and weakened collective objectives (ibid.: 66-7). Fordist regulation had both enabled and constrained individual ambitions. One example derives from the encouragement of the norm of mass consumption to provide demand for mass produced goods in the Fordist regime of accumulation. Once a certain level of material standard was satisfied and incomes came to "exceed the levels required for the mere perpetuation of existing lifestyles" (ibid.: 70), a more varied range of goods began to be demanded, which in turn increased production costs as flexible forms of production were required (Piore and Sabel 1984). The production of a greater range and more individualised lifestyles grew and enabled social markers of belonging and differentiation. The Fordist regime of accumulation was becoming exhausted. Its crisis is however only understandable when considering the changes, which extended beyond the national mode of regulation. With the suspension of the US-Dollar standard, decreasing levels of productivity, increasing indebtedness, rising inflation, “offshorisation” (Palan 1998) and an increasing transnationalisation of production, labour union power was weakening resulting in the undermining of collective wage bargaining and increasing wage drift. Wage solidarity increasingly came to be replaced by the individualisation of wage structures and thus heightened competition on the labour market. Productivity increases and ‘real’ wages became increasingly disconnected and with that the regulatory foundations of the Fordist growth regime were undermined.

Claus Offe ‘completes’ this picture of structural disintegration with his account of the decline of the legitimacy of the welfare state, crucial to Fordist regulation. He points to a number of different explanatory variables, out of which the wealth-induced rising individualism discussed by Aglietta is central. However, he also refers to the significance of the uneven development of leftist politics of industrialisation and urbanisation (1987: 513; 527; see also Ryner 2002: 58). The dissolution of welfare state-supporting “self-conscious collectivities of political will, economic interest, and cultural values” and the looming fiscal crisis, captured by the notion of inverted Malthusianism, provided the structural opportunities for ideological and strategic attacks (Offe 1987: 527). The loss of the former, and the increasingly serial nature of family relations (Froud et al. 2002: 145), deprived the welfare state of its necessary conditions: “solidary and collectivist attitudes and ideologies” (Offe 1987: 527). Consequently,

> an interpretive pattern that is deeply distrustful of social policies as ‘public goods’, and that tends instead to unravel [substantially de-commodifying policies] in terms of gains and losses, exploitation, free-riding, redistribution, and so on that is, in individualist "economic man"

> categories, the behavioural consequences of which are best captured and predicted by rational choice theory (ibid.: 528).

The societal paradigm underpinning the welfare state was thus being undermined by its own inherent contradictions. The moral appeal of the welfare state as a 'just' and 'progressive' socio-political project was, however, also 'actively' undermined by the reluctance of governments, even social democratic ones, to intervene preventatively to avoid the moral crisis of the welfare state (see also Hacker 2004). Moreover,

> [t]he more the interpretation finds a base in perceived reality that the distributive effects are much more intertemporal (i.e., self-paternalist) in nature than intergroup (i.e., redistributive), the appeal and legitimacy of the welfare state project as a secularized and modern version of Christian ideals of charity must necessarily suffer severe damage (Offe 1987: 534).

Finally, social democratic parties and labour unions lack the ideological tools to defend the welfare state against the discourse of inverted Malthusianism, which, as we have seen in chapter 1, incentivises citizens to "jump the sinking boat" and 'go private' (ibid.). Offe claims that the open turn to a pure individualism is justified through a process of subject-formation, of a "moralizing and/or particularistic kind" (ibid.: 533). As we saw in chapter 2, neoliberal Third Way politics have tended to replace the de-commodifying and solidaristic policies of social democratic governments and, as Lipietz argues, labour unions on the defensive tend to serve the project of perfecting the capitalist system, "by implicating itself in the struggle for productivity and quality" (1989: 91).

Although this account of the breakdown of the Fordist growth regime provides us with potential tendencies and continuities in its aftermath, it has its natural limits in understanding subject-formation during its aftermath as well as under financialisation. For instance, the Nordic experiences of the period of crisis in the 1970s, policy fumbling in the late 1970s and early 1980s and major economic restructuring during the 1980s (Mjoset 1987: 445- 454) are not adequately understood by the PRS. Such times of intensified discursive struggle and politics of representation, which in turn enabled new societal paradigms to form and new accumulation strategies to be institutionalised and seeking regulation through the capitalist state, cannot be grasped with reference to the Regulationist framework developed in chapter 2 and so far here alone. Recently there have been some attempts to get to terms with this. They have contributed to the understanding of financialisation, yet remain conceptually inadequate to simultaneously deal with the complexity of subjects and processes of social transformation.

Adam Harmes (2001a; 2001b; 2002), a neo-Gramscian, has analysed the ideological consequences of the privatisation of pensions in the US, Canada and the UK as “transforming tens of millions from passive savers into ‘active’ investors”. By producing “mass investment cultures”, he argues that financialising pension reform creates a “powerful ideological tool” to expand the consensus behind neoliberal macroeconomic policies. Neoliberalism is thus naturalised and depoliticised. The hegemonic project of securing the participation of wage-earners *from above* is reproduced *from below*, through the engagement with public policy initatives, financial education programmes, advertisement campaigns and other opinion-making drives. Financialisation is thus produced from above and consumed by the masses. In fact, he argues, “the origins of mass investment lie in the privatization of pensions” (2001a: 105). While the latter may be a key objective of the introduction of financialised pension systems, the successful completion of such objective cannot be taken for granted. In fact, even in the US, this process is proving to be a far from smooth and predictable process (Munnell and Sundén 2004; Langley 2006a: 927, 931). One critical reason for this may be the contradictory processes of subject-formation under neoliberal governmentality (Langley 2006b). In brief, Harmes underestimates the complexity of subject-formation under financialisation. Here, Langley offers a seemingly more convincing account.

Reacting to 'capitalocentric' neo-marxist and neo-gramscian accounts[34], notably the work of Harmes (2001), Langley constructs a rather sophisticated, Foucauldian framework, which understands subjects performed in Anglo-American economies as uncertain. Langley makes use of a Foucauldian understanding to allow him to demonstrate the uncertainty of subjects 'called up' under neoliberal governmentality. Under the disciplinary power of discourses of neoliberal governmentality, subjects are both the means by which discourses of power are rendered fragile and vulnerable and the vehicles of these discourses (Amoore). Here, neoliberal governmentality puts coexisting subjectivites, such as the 'investor subject', the 'worker-entrepreneur' and the 'consumer subject, at odds with one another (Langley 2006b: 78-85). He contrasts his approach with neo-Marxist and neo-Gramscian accounts of the investor subject to show their weak understanding of such subject positions: "the investor is [in these approaches] performed relatively smoothly as the processes of financialization and neoliberalization march on. He further claims that neo-marxist and neo-gramscian

[34] Echoing Gibson-Graham, 'capitalocentrism' "manifests itself in two major problems": the ubiquity and omnipotence of financialisation on the one hand and an unsatisfying account of consciousness and resistance on the other (Langley 2006b: 86-7). The second problem is a consequence of the first: the lack of contingency in the everyday life in such accounts. This lack of contingency "prompt[s] forms of politics that clearly and unequivocally refute financialization" (2006b: 86).

approaches “remain inadequate for understanding the embodiment and performance of everyday investment” (Langley 2006b: 72). Everyday investors continue to appear as artifacts of, and not architects in, processes of change” (2006b: 72-3). Following Aitken (2005: 334), he states that finance capital should not be understood as a “macro-structural entity, but as something made in the spaces of everyday life” (Langley 2006b: 72). However, in Langley’s account we are not offered any other competing discourses than those originating from neoliberal governmentality. Surely, even in the case of the US, competing discourses exist.

However, the pension reforms introduced in the Anglo-American economies do not follow the recipe of mandatory financialisation of pension savings. New, financialised Anglo-American pension systems are to a large extent either voluntary, or only cover some employees. Thus, they end up, like in Chile, applying primarily to ‘the fortunate’ forty percent constituting the middle classes in these economies (Langley 2006c). However, as Aitken points out, the cultivation of mass investment cultures are historically and culturally specific moments of financialisation. Neo-Gramscian accounts of neoliberal hegemony, according to him, are too epochal, stressing discontinuity too much (2003, 2005). He claims that there are plenty of examples of efforts to appeal to popular notions of finance across time and place (2005).

Indeed, neo-Gramscians like Harmes tend to overplay the power of what can be referred to as accumulation strategies in their accounts, while downplaying the complex and potentially conflictual, materially and culturally specific of the everyday (see Harmes 2001a: 103). Neglecting the hegemonic processes relating to societal paradigms, subject-formation becomes merely a function of accumulation strategies. Aitken claims that instead of the epochal and discontinuous accounts of many neo-gramscians, analyses of popular appeals of finance must seek the historical continuities, upon which such are built (Aitken 2005: 357-8). As Forslund shows, there are strong continuities in present attempts to popularise finance in Sweden, which draw upon values, norms and practices rooted in historically and culturally specific societal paradigms (forthcoming 2007).

The conceptual framework, which will be developed in the next section, agrees with many of the objectives of the account of Langley, yet with two notable differences. Firstly, this approach will, building upon the Regulationist SSIP approach in the previous chapter, consider the macro-processes of financialisation very seriously. It will, however, combine this with a micro-understanding of subject-formation. As such, it disagrees with Langley's belief that neo-marxist approaches are incapable of grasping subjects under financialisation. As argued previously, subject-formation occurs at the busy and complex crossroads of struggles over accumulation strategies and societal paradigms in a variegated capitalism. Secondly, although resistance, or 'dissent' as Langley calls it (2006b: 87), to financialisation is taking place, and one should take care not to undervalue these efforts, unorganised resistance is likely to be insufficiently powerful to overcome it. Here, re-radicalised trade unions (Lipietz 1989: 87) may very well play a significant role in the construction of collective identities and interests, which can come to seek the moderation of or even transgression of financialisation, as Aglietta argues (1998: 80-1).

III Cultural Political Economy and the Economic Aesthetic

Political Economy, indeed, tends to understand subject-formation as ‘from above’. Arguably deriving from Marx’s understanding of labour, there is a distinction made between ‘work’ and ‘interaction’ (Habermas in Wittel 2004: 17). ‘Work’ relates to the objectively economic and ‘interaction’ refers to the ‘cultural’ or ‘social’. In a linear manner, from disciplined production to cultural consumption, a causality is sustained. The former is shaped by elites and subsequently consumed, in a submissive and unquestioning fashion, by the masses (Adorno and Horkheimer 1976). “The culture industry produces mass deception and a false sense of happiness; it promotes an affirmative and conformist consciousness, thereby disallowing critical thinking.” (Wittel 2004: 13) Economy and culture are two distinct spheres in which the interests formulated in the former determine the action in the latter; the idea of economic determination in the last instance echoes here. As such, agency is reserved for the few at the top of socio-political hierarchies. Recently, O'Brian has called for a greater acknowledgement of agency within Political Economy. He argues that Political Economy “ignores the agency of non-elite groupings of people”, which “is a mistake both theoretically and empirically' (O'Brian 2000; see also Davies and Ryner (eds) 2006). This does not deny that certain agencies are more influential within particular contexts than others or that some are more problematically exposed to capitalist forces than others. The suggestion by Laclau and Mouffe’s post-structuralism, following Derrida’s re-working of Lacan’s understanding of the subject and unsettling of Saussure’s relational conception of language (Ryner 2004b: 5-7), “that there is no logical relationship whatsoever between position in the social relations of production and the mentality of the producers” is highly problematic (1984: 84-5). This claim, pointing at a ‘free play of difference’, implies a rejection of the social processes under advanced capitalism, which both enable and constrain such ‘freedom’ (Ryner 2004b: 34-5). As Hall argues,

> [w]hat has resulted from the abandonment of deterministic economism has been, not alternative ways of thinking questions about the economic relations and their effects, as the ‘conditions of existence’ of other practices…but instead a massive, gigantic, and eloquent disavowal. As if, since the economic in the broadest sense, definitely does *not*, as it was once supposed to do, ‘determine’ the real movement of history ‘in the last instance’, it does not exist at all! (1996: 258)

In order to avoid this, it is crucial, for epistemological and political reasons, to retain a notion of ‘the real’, although distant and historically specific, which structures economic action. Discourses must be understood as formulated intersubjectively within and beyond societal paradigms and accumulation strategies to construct collective identities, which in turn afford actors with different positions of influence. As such, class, gender, race, age and rural-urban identities are crucial. Discursive struggles seek to modify these positions, as well as the matter of inclusion/exclusion. Less powerful, even excluded, actors can thus seek to achieve the commonsensical status of a particular discourse or, better, societal paradigm. As such, even the way in which ‘economy’ and ‘culture’ are discursively filled with meaning and separated is a political process, which shapes the material reality of daily life (Castree 2004: 213-214).

The challenge in constructing a cultural political economy, which acknowledges differentially empowered agency to a greater extent, is to afford greater complexity to subjects *in their relation to* social relations, not more individual voluntarism. I will tackle this by building upon Buck-Morss’ interpretation of Walter Benjamin and Henri Lefebvre.

In a context in which financialisation is young and tendential, where we cannot assume that neoliberal governmentality is the only alternative set of discourses and in which, following the introduction of public, partly financialised pension systems, equity ownership is not reserved for the middle classes, I understand processes, discourses and practices of financialisation to trigger linked subjectivities formed under a historically unevenly developing economy. These in turn potentially render financialisation fragile. Over these subjectivities, there are constant struggles. These struggles occur over the societal paradigm and over accumulation strategies, and can either seek to address these from within or overcome them altogether. In combination with the traumas and desires emerging out of variegated capitalism, struggles over financialisation render subjectivities fragile, yet also potentially stable. As I argued in chapter 3, both accumulation strategies and societal paradigms can become hegemonic. This means that they with a degree of ease trigger supporting subjectivities in daily life. Understandings of what is, what is not, how to, how not to, what is moral and what is immoral become more or less commonsensical. As should be starting to become clear is that their full mutual correspondence is extremely rare, if not impossible. Instead, one finds different degrees of correspondence.

As I have shown, the importance of consumption to daily life became central with Fordism. Over time, social hierarchies and mobility became partly (see Bourdieu 1984 for other sources of status) predicated upon symbolic values (Baudrillard 1998) and exchange-values of commodities and leisure activities (e.g. tourism) (Diggens 1999). Consumption and partaking in leisure activities came to be understood as emancipatory processes. This understanding of consumption as emancipation was derived from the 'reification[35] of consumption'. The projected prospects of consumption, in the form of e.g. advertisements and shopping windows, were 'phantasmagorias' targeting what Buck-Morss calls the 'synaesthetic system'.

Susan Buck-Morss through her reading of Benjamin and, in turn, his reading of Freud, understands consciousness as closely related to sense-perception. She claims that she is capable of rescuing the notion of 'the aesthetic' from the clasps of the bourgeoisie in this way. She points to its inference as 'sensibility', 'fictitiousness' and the 'heteronomous', before ending up in Habermas' neo-Kantian schemata as "a kind of sandbox to which one consigns all those vague things…under the heading of the irrational…[where] they can be monitored and, in case of need, controlled (the aesthetic is in any case conceived as a kind of safety valve for irrational impulses)

[35] The notion of reification originates from Lukàcs and was integrated in a less totalising and considerably more open-ended and dialectical form into the work of the Frankfurt School by Walter Benjamin and Theodor Adorno (Buck-Morss 1977). My understanding of reification elaborates upon primarily Benjamin's work. In brief, according to Lukàcs, under capitalism, material social conditions came to be in a dialectical relationship with the Enlightenment consciousness and intellectual efforts of the bourgeoisie. In a complex manner, capitalism was reflected in the thought structures of the bourgeoisie. Not even the best or the most honest intellectual endeavours of bourgeois intellectuals and artists were thus capable of resolving the "contradictions in their theories, because the latter were based on a reality which was itself contradictory" (Buck-Morss 1977: 26). This reality was strongly characterised by what Marx had called "the commodity structure". In fact, the commodity was "the central structural problem of capitalist society in all its aspects"; it was the "model of all the objective forms of bourgeois society, together with all the subjective forms corresponding to them" (Lukács 1971: 83). As bourgeois intellectuals and artists accepted this given social reality as *the* reality, the commodity structure, on which this reality was modelled, posited "a barrier of irrationality which could not be overcome, because that barrier could not be removed from theory without being removed from society" (Buck-Morss 1977: 26-7). Bourgeois thought – idealism – was hence in a dialectical and inseparable relation to the capitalist economy. Buck-Morss (1977: 26) argues: "[j]ust as commodities in the realm of production took on a reified form, became 'fetishes' which appeared cut off from the social process of their production, so bourgeois theory's reified conception of the 'object' as an immutable 'given' obscured the sociohistorical process through which it had come to be. And just as the reified commodities took on an abstract exchange value, divorced from their social use value, so the reification of bourgeois logic was manifested in its abstract separation of form from content." In Benjamin's and Adorno's terms, reification derives from the Bourgeois Enlightenment Project, which promised emancipation, in the form of the universal truth – the gaining of true consciousness. Society gradually came to embody its instrumental rationality as institutionalised in bureaucratic-corporate practices as well as in various forms of aesthetic production.

(Jameson 1990: 232)". Returning to its ancient Greek origins, the aesthetic has two related meanings, both of which are relevant here: *Aisthitikos* refers to that which is perceptive by feeling, whereas *Aisthisis* signifies the sensory experience of perception. Sensing occurs through our nervous system, which connects our body surfaces with the brain. The exact nature of the effect of sensing is, however, a matter of theory and not (yet) scientific empirical study. The belief in the ability of (wo)man to completely separate mind from matter is a product of a flawed Enlightenment project inspired by Kant. Instead, the nervous system is not contained within the limits of the body, it is in fact a completely open system:

> As the source of stimuli and motor response, the external world must be included to complete the sensory circuit…Sensory deprivation causes the system's internal components to degenerate…The field of the sensory circuit thus corresponds to that of 'experience,' in the classical philosophical sense of a mediation of subject and object, and yet its very composition makes the so-called split between subject and object (which was the constant plague of classical philosophy) simply irrelevant). (Ibid.: 12-13)

The synaesthetic system is thus an aesthetic system of sense-consciousness.

Experience in capitalist modernity revolves around the neurological. In a Freudian manner, Benjamin understood capitalism as providing stimuli ('excessive energies'), threats of 'shock', against which the ego deployed consciousness to prevent these from imprinting themselves in memory. Thereby, trauma is prevented by isolating present consciousness from past memory. Without memories to relate experience to, the latter is impoverished. Yet, as modernity proceeds and Taylorist production processes 'exploits' labour (in a cognitive sense), shock becomes "the very essence of modern experience" (ibid.: 16-17). Modern experience involves the transformation of mimetic capacities from those of "empowerment or innervation" to that of a defensive "shock absorber" (ibid.: 17). Hence, the organism is paralysed or deprived of its active response, robbed of its imaginative capacity. Consequently, the system undergoes a reversal of functions. The synaesthetic system takes the role of protector, while consciousness is sidelined. The threats of bodily trauma and perceptual shock are now the task of the synaesthetic system to deal with. This cognitive system becomes a system of anaesthetics:

> Of course, the eyes still see. Bombarded with fragmentary impressions they see too much – and register nothing. Thus the simultaneity of overstimulation and numbness is characteristic of the new synaesthetic organization as *an*aesthetics. The dialectical reversal, whereby aesthetics changes from a cognitive mode of being 'in touch' with reality to a way of blocking out reality, destroys the human organism's power to respond politically even when self-preservation is at stake. (ibid.)

This is a crisis of "cognitive experience…that makes it possible for humanity to view its own destruction with enjoyment" (ibid.: 37). She ends this part of the paper with a quote from Benjamin: "[s]omeone who is "past experiencing" is "no longer capable of telling…proven friend…from mortal enemy" (Benjamin in ibid.). It is meaningful to stop this account at its most gloomy, where there seems to be no hope.

Given this effort to conceptualise capitalist modernity, it is questionable whether Buck-Morss would conceive of financialisation with its emphasis of risk, rising inequalities and rampant advertising campaigns in anything else than a desperate manner. It presents a picture of seriously damaged humanity, seemingly beyond repair. Yet, fortunately, Buck-Morss' account is too deterministic and too pessimistic. Let me rewind and seek to approach this slightly differently in order to inject agency and hope, because, although capitalism may seem hard to overcome, financialisation is a fragile set of processes in which struggle continues to be rife.

Returning to the notion of phantasmagorias in Buck-Morss's account, human beings having been given the hope of emancipation by the Enlightenment project, against the background of the ideology of religion (Marx 1845 [1975]), to be able to find the paths to the utopia of truth, or real experience, through sense-perception, capitalism disappoints humanity. Instead, the reification of consumption sets in. According to Buck-Morss, phantasmagorias target the synaesthetic system, seeking to manipulate them by flooding them. They attempt to "alter consciousness, much like a drug, but they do so through sensory distraction rather than chemical alteration, and – most significantly – their effects are experienced collectively rather than individually", assuming the status of objective fact (ibid.: 22-3). Here lies the difference in our accounts.

Indeed, phantasmagorias target the synaesthetic system, but whilst Buck-Morss believes that consciousness has, through the reversal of the system, become the protected and the synaesthetic system the shield, I claim that consciousness remains in place as protector and guardian of the desires and traumas of the synaesthetic system. As such, consciousness primarily anaestheticises the synaesthetic system, but it is an imperfect serum. The synaesthetic system is still capable of forming some desires and still experiences trauma. In relatively non-phantasmagorical environments, consciousness tends to switch off enabling the synaesthetic system to sense-perceive its environment and connect experience with past memories. This may allow for 'critical moments' to emerge as consciousness gives in to the desires and traumas of the synaesthetic system.

However, as capitalism and its phantasmagorical projections intensify, the ego's increasingly desperate deployment of consciousness to protect the synaesthetic system takes its toll on the connectivity between the ego and consciousness. Consciousness, increasingly disconnected from the role given by the ego, yet continuing to 'protect' the synaesthetic system, becomes tendentially reified. As such, it starts to accept certain, frequently phantasmagorically presented, 'imperatives' as threats to the possibility of 'real experience', i.e. consumption and leisure activity. The most frequently and seriously deployed imperatives may thus be projected onto the synaesthetic system, creating traumas and reactions of urgency by the latter, which in turn are attended to by guardian consciousness. In response to these imperatives, 'calculating agencies' (Callon 1998) are created by consciousness to hedge against the risk of lost 'real experience'.[36] Of course, the meanings and practices of these calculating agencies are also socially constructed as disciplinary, yet, as clarified by the above discussion, this social construction is not an automatic process of internalisation. It is full of uncertainty and conflicts. Equally, 'critical moments' may imply the birth of a discourse, which is averse to processes of reification and commodification. Critical discourses are produced when consciousness channels the desires and traumas of synaesthetic system in directions where they find resonance in others' desires and traumas. Competing with conflicting, reifying discourses, critical (or reifying) collective identities around particular interests may thus be shaped in politics of representation. As a result, societal paradigms can become hegemonic, although always threatened by reification. Similarly, under capitalism, reifying discourses, which seek to rationalise different processes of commodification, and

[36] "Calculative agencies must be framed and formatted by calculating tools which organize agents in a particular way and which allow actors to perform certain kinds of calculations." (Callon cited in Aitken 2005: 350)

practices, which operationalise such processes, can be combined to form regulatory mechanisms, which in turn are the bases for accumulation strategies. Regimes of accumulation, which unevenly and systematically reallocate the social product both geographically and demographically, may thus require a hegemonic societal paradigm to complement an accumulation strategy, although they may be partly conflicting. According to this framework, human agency is economically determined 'in the first instance', due to its internal and intersubjective complexity in the variegated economy (Hall 1996). The term for this historically shaped system of sense-consciousness, the regulation of which the economy relies upon for its reproduction and legitimacy, will here be called 'the economic aesthetic'.

It is here argued that in order to understand the tendencies or countertendencies in, and the stability or fragility of financialisation, *we need to understand how and to what degree financialising meanings and practices are embedded in the variegated economy, consciously and unconsciously, because such constructions need to overcome potentially resistant logics*. This can most usefully be understood through this theorisation of economic aesthetics where everyday meanings and practices are shaped bodily and intersubjectively. Individual economic aesthetics are thus characterised by trauma, desire and fragile strategic-political processes, as bodily mediated discourses in the everyday. The economic aesthetic is formed in the everyday of space.

Lefebvre tells us that the everyday is "an object of programming…, whose unfolding is imposed by the market, by the system of equivalences, by marketing and advertisements" (in Davies and Niemann 2002: 558; see also Adorno). Space thus relates to the socially produced grids and horizons of social life that guide as well as render possible the development of socio-economic relations over space and time (Lefebvre 1991: 129). *The economic aesthetic is therefore our unstable normative and practical positioning in relation to the unevenly developed economy. As such, it is an umbrella term for subjective, everyday dispositions towards the economy.*

In advanced capitalism, starting with Fordism, economic aesthetics have been shaped in the context of dramatic transformations. Fordist accumulation strategies and societal paradigms implied processes of "creative destruction" (Schumpeter 1934) favouring industrialisation, urbanisation, suburbanisation and specific processes of exclusion-inclusion. With regard to the latter, despite the expansion of the workforce and granting of certain rights (particularly welfare), it was also based upon the coercion and disciplining of threatening discourses, such as Marxism (e.g. the Red Scare in the US and the surveillance and disciplining of Marxist workers and intellectuals in Sweden). Such critical discourses increasingly came to take on less vocal and more "hidden" forms (Scott 1990).

Against the backdrop of coercion, Fordist creative destruction was a particularly brutal set of processes involving mass social dislocation and social disciplining, but also the creation of desires of consumption and social mobility. Particularly, Fordism caused traumas in the areas and amongst the social groups, whose consumption and leisure patterns were, at least temporarily threatened. The crisis of Fordism and the fumbling turn to 'flexible accumulation' (Harvey 1997: 147-197) in the late 1960s, 1970s and early 1980s also involved processes of creative destruction. While Fordism was brutal, stagflation and the subsequent turn to neoliberal anti-inflationary policies involved a new threat, particularly to some: the risk of unemployment and reduction of welfare.

Post-industrialisation and the rationalisation of agricultural production have involved further social dislocation, as unemployment has risen dramatically in the de-industrialised hinterland. The construction of the neoliberal imperative of risk, as implying the threat to individual consumption and leisure activities in terms of both financial and physical ability, has transformed societal paradigms, politics of representation and accumulation strategies radically. With financialisation, the socialisation of financial risk under Fordism has increasingly come to be replaced with the construction of risk, both discursively and institutionally, as individual and competitive (see Reith 2004). As such, risk becomes ambiguous and contradictory. On the one hand, it implies an imperative: a threat to the possibility of real experience. On the other hand, it is constructed as implying the chance to increase the possibility of real experience, if competitive choices are made. The choice is the individual's and with that the consequences. The individual thus faces a gambler's dilemma, or what Forslund (2004: 10-11) has called 'opportunity risk': the risk one exposes oneself to, if the risk of missing out on considerable financial gain is avoided.

Particular calculative agencies are created in the everyday to manage risk under financialisation. As such, they perform an essential role in the development of the kinds of capacities, which are central to financialisation itself (Callon 1998). Yet, these calculative agencies are less likely to form where the imperatives of financial risk are poorly spread and economic traumas are deep. With financial market activity and venture capital concentrated to the urban cores and research-intense areas (notably university towns) under the prerogatives of financialisation (Martin et al. 2002; Leyshon 2004), the exposure of the hinterland to the imperatives of financial risk is reduced, despite technological developments making the internet and cable-television a normality everywhere. The simultaneous processes of conformation and division of economic aesthetics, thus, seem to intensify under financialisation. Its consequences for equality can only be understood through the investigation of historically and regulation-specific processes.

IV Beyond the Anglo-American frontier: exploring the extension of financialisation to the Critical Swedish Case

To account for financialisation beyond Anglo-America involves the challenge of dealing with conditions, in which non-financial logics are not fully suspended. "In the early stages of financialisation, financial logic can be absorbed, assimilated and adapted by resistant institutions and non-financial logics", as the institutional preconditions are not fully met and employment relations and income distribution are not wholly determined by financialisation (Froud et al. 2002: 133-4). Consequently, price-movements on financial markets do not fully determine everyday decisions between saving/investment and consumption (Boyer 2000a: 123). As we saw in chapter 2, in Boyer's model of the finance-led growth regime, these dynamics are in full flow. In contrast, in the British Social Accountants' (BSA) model of coupon pool capitalism even the Anglo-American economies cannot be claimed to fully harbour such dynamics and everyday logics. Yet the preconditions for financialisation exist nevertheless, but only for the affluent middle classes. Their participation in the circulation of "coupons" contributes to unstable and contradictory processes of financialisation of the economy, as their demands for high rates of return structure the behaviour of firms. Due to price volatility, the household plays a central role as buffer when the savings of individuals fail to provide the financial security deprived through neoliberal restructuring. Yet, the PRS, the BSA and Matthew Watson remain sceptical about the viability of a finance-led growth regime even in Anglo-America, yet spend very limited time identifying any social processes which could challenge it.

In seeming contrast to Boyer's claim that "financialization affects open economies", the literature claims that the study of financialisation is not meaningful beyond Anglo-America, as such processes require particular discursive (neoliberal governmentality) (Langley 2006b) or economic conditions, and the absence of institutional resistances or incompatibilities (Montgomerie 2006: 207). Here, the literature is problematically biased. Firstly, in small and open economies (e.g. Sweden), commodity trade and capital flows become central concerns in a neoliberalising economy, as the exposure of the economy to these flows becomes significantly greater. Secondly, and related, the sustaining of a considerable, yet labour market-oriented, welfare system in the more coordinated economies, particularly the small and open ones (Katzenstein 1985; Mabbett 1995), maintains relatively low levels of reliance of individuals upon the household. The risk-oriented individualism required and promoted by financialisation may thus find fertile grounds there. Thirdly, indeed, as Amable and Petit shows (see chapter 2), small and open economies like Sweden and Finland showed at the end of the 1990s a surprising resemblance to models of the 'new economy', with high levels of private equity, venture capital and research-based technological development. Fourthly, the construction of the European single market, particularly for financial services, and the Lisbon Agenda promise increasing exposure to financial markets.

As my discussion in chapters 2 and 3 have shown, the Fordist State-sponsored encouragement of individualisation and financial autonomy lends itself to processes of State-sponsored financialisation, such as the marked privatisation of pensions in the 1980s and 1990s in several European economies, and more recently the introduction of partly financialised pension systems. With the crisis of the European welfare states, the individual securing of a continued high material living standard throughout retirement has been presented as an imperative, although income security in retirement depends upon the uncertain performance of equity holdings. The encouragement of equity savings has, indeed, resulted in high rates of compensatory private savings, especially in those groups most negatively affected by uneven development. Disappointingly, the literature's focus on the unequal Anglo-American economies has resulted in an understanding of financialisation as a phenomenon deriving from the equity savings of the forty percent of the population with the highest incomes. Focusing on advanced capitalist economies of Europe, which have experienced significant neoliberal restructuring (Ryner 2002) and a considerable degree of financialisation, particularly in the context of the recent wave of public, risk-privatising pension reform, entails the consideration of pretty much the whole population as owners of pension savings in equity. Could this result in the emergence of mass investment cultures in European economies? What is clear, however, is that the nature and impact of financialisation on these economies, and daily life more specifically, promise to be very different from

Anglo-America and highly contingent upon historical and State-led economic processes.

The challenge in this thesis is to identify how the state-sponsored, uneven and incomplete process of financialisation, as potentially furthered by a partly financialised pension system, affects the Swedish everyday and to what extent this influences decision-making in the corporate economy. That is, to what extent have financial risk-oriented economic aesthetics been formed in Sweden, and what has been the impact of the introduction of a partly financialised public pension system on this process? If such economic aesthetics have become the norm, then the "Swedish Model" may well just be "alive in theory" (Mahon 2007: 79-80), the consequences of which may be the end of social democracy and the 'proving right' of the 'dual convergence thesis', or worse the hyper-globalisation thesis.

One way to approach this is through the deployment of the conceptual framework developed so far in this thesis. As such, the analysis must engage in a historically concrete study of subject-formation in Sweden ending in the assessment of the impact of the new, partly financialised pension system on economic aesthetics. Based on the discussion so far, financialisation in Sweden can be expected to be a layered and complex set of processes, whose origins must be traced to times predating the onset of financialisation. Certainly, the post-war social democratic commitment to full employment and de-commodifying welfare should be understood as integral to the account of the emergence of financialisation. In particular, the construction of a public universal, defined benefit pension system has been a key mediating mechanism in the

Fordist mode of regulation, and must thus play a central role in the reception of a new partly financialised system. A historical analysis of subject-formation in the context of the accumulation strategies, politics of representation and societal paradigms under Swedish Fordism and its crisis must, thus, be pursued in the next chapter. This will establish the conditions for a financialisation of the Swedish economy. In other words, this will establish how critical the Swedish case actually is not only for the viability of social democracy, but also to neoliberalism and finance-led accumulation strategies. This, in turn, will enable me more directly to consider the role of the Swedish pension reform for the financialisation of the Swedish economy in chapter 5.

More specifically, a number of issues arise from the extension of the analysis of financialisation to the, arguably, critical Swedish case. Firstly, do the meanings and practices of a partly financialised pension system resonate with the dispositions of existing economic aesthetics? As Aitken has shown (2005), there are clear continuities in popular appeals of finance, as they draw upon historical politics of representation, collective identities and economic imperatives. This seems to be a prerequisite for the introduction of such a pension system to be made legitimate. Yet, many of the economic ideas and societal paradigm, which underpinned the former pension system must have been effectively dismantled and replaced to show the superiority of the reform design. With the element of risk-socialisation in the pension system considerably reduced and calculating agencies able to manage equity portfolios called for, are the meanings and practices of financial investment likely to be widely internalised in a social context where risk-socialisation for long has been the norm? Is it plausible that the seemingly contradictory 'notions' of universalism and financialisation, as embodied in these hybrid pension systems, can generate the necessary social dynamics and legitimacy for a mass investment culture on 'Third Way' grounds to emerge?

To assess this, it is crucial to address how these appeals are received and responded to in the context of the historically, unevenly developed economy. As such, we have to consider this with regard to the formation of economic aesthetics, and thus not only consider its institutional specificities and cultural constructions, but also its contradictions, contingencies and forms of resistance. Without positive answers to these questions in chapter 5, it seems unlikely that a partly financialised pension system can be accepted as legitimate. The consequence may very well be its popular contestation. In turn, this could point to the limits of financialisation in the Swedish economy, that a finance-led growth regime is not viable in Sweden. Its democratic regulation would be impossible. The finance-led accumulation strategies, which have promoted the pension system, in particular, and financialisation, in general, would lose its credibility. A new crisis would emerge. These are crucial questions to be posed and answered if we are to grasp the contingencies, complexities and contradictions of financialisation. The financialisation literature has, as I have shown above, yet to seriously account for these. These questions can, however, only be answered through a historical analysis of the foundations for the financialisation of the Swedish economy and economic aesthetics therein.

V Conclusion

By way of conclusion of this chapter, but also the development of the conceptual framework for this thesis, I will briefly outline the remaining task of this piece of work. The remaining analysis must engage in a historically concrete study of subject-formation in Sweden ending in the assessment of the impact of the new, partly financialised pension system on economic aesthetics. Based on the discussion so far, financialisation in Sweden can be expected to be a layered and complex set of processes, whose origins must be traced to times predating the onset of financialisation. Certainly, the post-war social democratic commitment to full employment and de-commodifying welfare should be understood as integral to the account of the emergence of financialisation. In particular, the construction of a public universal, defined benefit pension system has been a key mediating mechanism in the Fordist mode of regulation, and must thus play a central role in the reception of a new partly financialised system. A historical analysis of subject-formation in the context of the accumulation strategies, politics of representation and societal paradigms under Swedish Fordism and its crisis must, thus, be pursued in the next chapter. This will establish the conditions for a financialisation of the Swedish economy. In other words, this will establish how critical the Swedish case actually is not only for the viability of social democracy, but also to neoliberalism and finance-led accumulation strategies. This, in turn, will enable me to more directly consider the role of the Swedish pension reform for the financialisation of the Swedish economy in chapter 5.

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Chapter 4 – Neoliberal Restructuring, Financialisation and the Swedish Pension Reform

I Introduction

The conceptual framework developed in chapters 2 and 3 allows for the consideration of macro- and micro-processes in the context of financialisation. By thus taking the microfoundations of this set of processes seriously, it is possible to grasp the tendencies and countertendencies in, and the stability or fragility of, financialisation. This is so because financialisation relies upon the formation of economic aesthetics, which are capable of supporting such a development. As such, it depends upon the complex formation of particular subjectivities at the busy crossroads of accumulation strategies and societal paradigms in a variegated capitalist development. Thus, as I argued in the previous chapter, it seeks to *understand how and to what degree financialising meanings and practices are embedded in the variegated economy, consciously and unconsciously, because such constructions need to overcome potentially resistant logics* in the Swedish economy. Yet, as was also argued in the previous chapter, processes of financialisation must not merely overcome conflicting logics; they build and draw upon such logics and processes, which may thus very well be intended to counter such a development in the first place. Out of the traumas and desires, which transpire from variegated capitalism, financialisation may, however fragile, establish itself in the economy. To understand its potential to do so, an analysis of variegated capitalist development in the Swedish economy over time is required.

Nevertheless, to provide a thorough, in-depth analysis of such a complex history in this one chapter is, of course, an insurmountable challenge. The following analysis is thus at best selective, inevitably biased and unmistakably incomplete. However, I will present a historical narrative including key developments in the formation of Swedish capitalism leading up to the second face of the design of the Swedish pension reform starting in 1991. It will consistently be related to processes of subject-formation in daily life, as contextualised by and shaped in the 20th Century Swedish economy. Particular attention will be paid to the strugglesome formation, the unfolding and the crises of accumulation strategies, societal paradigms, modes of regulation and transnational developments. In particular, it will consider the emergence of norms, meanings and practices in relation to forming (tendential) institutional hierarchies within the economy and the discursive construction of the compatibility of these institutional matrices. In the Swedish context, as I will show, pensions inevitably play a key role to these processes. The theorisation of subject-formation, developed in chapter 3, will thus be incorporated into the Regulationist SSIP approach conceptualised, in chapter 2.

This historical account has a rather natural starting point in the formation of Swedish Fordism during the interwar period and immediately following the 2nd World War. Without the formation of Swedish Fordism, capitalist modernity could not intensify and consumption could not become interpreted in daily life as the bearer of emancipatory potential. As such, this is a crucial period to understand both developments in the economy and subsequent processes of subject-formation. Secondly, a protruding milestone in the regulation of Swedish Fordism was the introduction of the ATP pension system in 1958, which promised continued consumption in retirement. Thirdly, the analysis of the multi-phased and multi-dimensional crisis of Swedish Fordism will be commenced in the third section. Three stages can be differentiated here. The first crisis unfolded in the late 1960s and early 1970s as critical discourses were constructed, primarily as intra-paradigmatic challenges to social democratic Swedish Fordism, with the radicalisation of labour. These were followed by a reactionary contra-paradigmatic challenge from the "New Right" in the 1970s and early 1980s in relation to the LO-SAP project of democratising the economy. However, a substantial first phase of neoliberal restructuring in the Swedish economy was carried out by the 'third way' SAP in the 1980s. The foundations of a finance-led economy were thereby being constructed. However, the incomplete nature of these processes generated a major crisis of legitimacy for the labour movement, contributing to the recession in the early 1990s under neoliberal rule. Nevertheless, during this period, the general design of the new 'third way' risk-privatising pension system was formulated. Discussions of the ensuing turn of the SAP to "compensatory neoliberalism", and the period of fragile stabilisation in the 1990s (Ryner 2002), set the stage for the analysis of the third crisis in relation to the new pension system in chapter 5. I will conclude by pointing to the combination of processes that led to this moment, many of which emerged out of the inherent contradictions of Swedish Fordism. This will, in turn, enable the assessment of the new pension system's ability to regulate the emerging finance-led economy in the next chapter.

II The Formation of Swedish Fordism

The struggle for a universalist and decommodifying defined benefit pension system in post-war Sweden was one of the formative moments of Swedish Fordism, and key to the securing of stability in the economy. In the terms of the Regulationist-SSIP approach developed in chapters 2 and 3, the resulting ATP Pension system is understood as fundamental to generating institutional compatibility within the Swedish Fordist economy. As such, it is here conceived as positioned at the top of its institutional hierarchy. However, the formation of Swedish Fordism was not the product of an already hegemonic labour movement (cf. e.g. Esping-Andersen 1985), but rather a trial-and-error process, to which the labour movement contributed strongly, not least the umbrella organisation of the Swedish trade unions (*Landsorganisationen*)(LO) (e.g. Stråth 1998: ch. 1). The ATP pension system, decided upon in 1958, stipulated to reward loyal and diligent labour, whilst enabling sustained consumption in retirement, as part of Swedish social citizenship. Thus, the labour movement's formulation of the ATP pension system was crucial to the shaping of a hegemonic accumulation strategy complemented by a hegemonic societal paradigm. This cannot be understood without reference to the rise of solidaristic State-led Fordism in Sweden, rapid post-war industrialisation and the emergence of mass consumption. This I turn to next.

(a) The Origins of Swedish Capitalist Modernity

In the 19th Century (and still in the beginning of the 20th Century), Sweden was characterised by "a triangular power struggle" between the king, the gentry and the people (*folk*) (Stråth 2004: 6). The king prevailed on the grounds of a nationalist "popular royalism", by mobilising the large freeholder peasantry and the urban middle classes against the gentry and around the external threat of Russia (ibid.). The result was the strong State, which was instrumental to the brutal transformation of agrarian societies, which was implied by the first wave of rapid industrialisation starting in the 1880s, led by iron ore mining and timber logging for export to the British empire. This process also resulted in the emergence of the labour movement along with the revivalist and the temperance movement, collectively known as the 'People's Movements' (*Folkrörelserna*) (Ryner 2002: 58). These movements, resting in no small part on Scandinavian Lutheranism, can be seen as critical to Swedish modernity and formative of a whole host of different tendencies in Swedish society (ibid.: 11-12). These included the attribution of great importance to education, thrift, diligence (particularly relating to work) in daily life and individuality in terms of emotional life and experiences (rather than individualism), co-existing with a deep respect for political hierarchies and social order. Combined with turn-of-the-century progressive social liberalism and middle class concerns, it "was full of contradictions between rural and urban interests, as well as between Christian puritanistic and dogmatic moralism and atheistic value relativism" (Stråth 2004: 12).

This is the context through which the growing labour movement's multifaceted concerns and struggles were formulated. These were coordinated by the growing trade unions, but could not be meaningfully politically processed until Suffrage was extended to the whole of the working class by the king in the midst of fears of revolution in 1917 (Ryner 2002: 65).[37] The initially rather radical Social Democratic Party (*Socialdemokratiska Arbetarepartiet*) (SAP) emerged out of the labour movement and in a complex manner channelled their concerns and struggles.[38] Swedish conservatives had at the turn of the Century built a unifying socio-political strategy of ‘national socialism’ around the notion of ‘the People’s Home’ (*Folkhemmet*). This was strategically posited against intensifying class-struggles and the surging SAP as well as in consideration of the strong and potentially revolting Swedish peasantry. This strategy drew upon the notion of *folk* to mean the organisation of society as a family, afforded with responsibilities to uphold national welfare and security (Stråth 2004: 7-8). Thus, it stood in some contrast to the non-authoritarian socialist understanding of Germans Mosse and Landauer of the notion of *volk* meaning “a democratic community of equals”, which could be argued to catch the dominant sentiment in Sweden at the time and arguably subsequently (ibid.: 7).[39]

In the 1930s, the SAP dropped its radical socialist agenda and accepted the liberal-democratic State, inspired by the 2nd International. Through discursive struggle, in which the Conservative Party (*Högerpartiet*) was accused of advocating a “fortified poor-house”, the Social Democrats appropriated and reconstructed the notion of the ‘People’s Home’, drawing on Mosse and Landauer, to imply the securing of the happiness, in a more inclusive manner, of the lower classes, “of which the working class was just one part” (Stråth 2004: 8). If nothing else, this was due to the limited

[37] Suffrage was limited to ‘the three estates’ prior to the “Enclosure Movement” in the 19th Century, through which the peasantry attained voting rights as these were based on the ownership of land. Yet, of course, suffrage was a male exclusivity. 1917 signified the extension of the right to vote also to women.
[38] Yet, a significant urban working class did not emerge until after the 2nd World War with the rise of advanced technology manufacturing. See the below critique of Korpi’s ‘power mobilisation theory’.
[39] The particular national socialism of these Swedish social conservatives should be seen as different from the Nazi interpretation of *völkisch* (Stråth 2004: 7-8).

size of the working class, the 'logical supporter of Social Democracy', and the continued numerical domination of the freeholder peasantry. However, this came with the duty of contributing to the building of the *folkhem*. Thus, "*[f]olk* and *folkhem* as expressions of traditional values were mobilized" (ibid.) and reconstructed so as to support a social democratic project of battling poverty, or "poor Sweden" (*Fattigsverige*), and promoting inclusive democracy. As such, it is conceivable that it functioned as a Sorelian 'social myth' by providing a collective meaning to bridge present practices with future utopia (Laclau 1990: 231).

The social democratic myth of *folkhem* sought to construct an inclusive sense of belonging - a collective identity of the large majority of Swedish society around "more universal conceptions of fairness" (Ryner 2002: 66) and democracy. This was strengthened further during the 2nd World War under the 'father-like' leadership of Prime Minister Per Albin Hansson (Stråth 1998: 17). Yet, this would not have been possible without the support from the large Agrarian Party (*Landsbygdspartiet*) (although a cross-block coalitional government was formed during the War). Through the 1933 so-called "Cow Deal", the SAP secured the support from the Agrarian Party for their social and economic policies. The SAP, by withdrawing their support for the free trade in agricultural products for the purpose of food security, thus attained a coalitional ally in the Agrarian Party. However, this deal also involved the very active involvement of LO and the employers' organisation SAF (*Svenska Arbetsgivareföreningen*), as we will see further below.

(b) The Work Principle and Solidaristic Wage-Policy

Supported by the Agrarian Party, the SAP came to power in 1932, at the height of the 1930s depression, and held office until 1976. The SAP took office on a socialist reform agenda, in which substantial welfare legislation featured prominently. In the inter-war period, it sought to replace the liberal principle of 'help to self-help', as part of the overall liberal separation of public and private, economy and politics, which had characterised welfare programmes in the early 20th Century, with a more generous and universalist system. However, at the core of their politics, at this point, was 'the principle of work', which, given the dominance of the 'male breadwinner model', was highly gendered (Jenson and Mahon 1993). This principle was primarily expressed in a commitment to ensure employment through an active labour market policy[40], but decommodifying policies such as increasing unemployment benefits and expanding the eligibility to and coverage of the People's Pension system (*Folkpensionen*) were also introduced. Established in 1913 largely as a result of the middle classes' concern with the securing of income and standard of living (Stråth 1998: 18), the People's Pension had two components: one almost universal, but extremely limited, insurance-based pension and another means-tested pension, which did not meaningfully relieve poverty (Lundberg and Åmark 2001: 158). Sweden was the first country to introduce a (nearly) universal pension system. Moreover, a new family policy, containing gender emancipatory elements for the purpose of raising the birth rate, was also introduced. (ibid.: 157-164).

[40] As Åmark points out, labour market policies had existed during liberal rule too, however, these were means-tested and involved harsh policies of 'relief work' requiring the unemployed to take up work far from their families under rather ascetic conditions (1993: ch. 5).

The objective was two-fold. In the first instance, the depression had increased unemployment rates considerably, as demand for Swedish products both domestically and internationally sunk drastically. In the absence of substantial welfare provision, therefore, poverty was spreading rapidly. Hence, a commitment to employment at this particular juncture was understood as critical to alleviate poverty. In the second instance, the battle against poverty had a more principled background: to establish citizens' rights to a dignified life freed from poverty and the stigmatised 'poor relief'. Although significant differences existed between the political parties, the Social democratic project generally succeeded in bridging these objectives through the Swedish parliamentarian tradition of consensus and compromise (ibid.: 160). Stråth puts this eloquently: "[t]here was a communicative proximity between the various political factions, who all spoke for modernity, and a high degree of continuity in the emphasis of the role of the state" (2003: 480). Thus, although the People's Home came to be largely embraced by all political parties as they all had an affinity to it, it could be argued to have given a particularly strong "direction and cohesion to the labour movement, [enabling] it to project its political concepts beyond itself to…civil society at large" (Ryner 2002: 66).

In accordance with Myrdal's idea of 'productive social policy', and in contrast to the liberal understanding of social policy as 'a cost', the social democrats conceived of social policy as a progressive investment. As such, social democratic politics did not separate the economic from the political. Indeed, bolstering socio-economic security was intended to increase the Swedish economy's productivity (Andersson 2001: 12-15). By combining a commitment to employment, welfare and growth, the SAP formulated an accumulation strategy, which sought compatibility with a socio-political project based primarily on increased wealth and ability to consume.

Nevertheless, the story so far ignores capital-labour relations to a problematic degree and from this point on these relations become increasingly important to developments, as capitalism becomes deeply embedded in the Swedish economy. Much literature, particularly that which draws upon the ‘power-mobilisation thesis’ (e.g.; Korpi 1978, 1983; Stephens 1979; Esping-Andersen 1985), tends to make a direct link between the supposed material interests of the different actors in the formation of Swedish Fordism. Problematically, this highly materialist approach understands the social democratic working class as a rational actor, having a pre-given “identity, interest and ideology” (Ryner 2002: 60) derived from its “essential location in the social relations of production” (ibid.: 59). Of course, Stuart Hall has effectively demonstrated that the relationship between consciousness and material practice can neither be derived from such a location nor be causally assumed (1988, 1996). This in turn results in the reading of the growth of the Swedish universalist and de-commodifying welfare state as a ‘natural’ objective and outcome of the politics of the labour movement. It also leads to the assumption that the SAP was its natural ally in government, sharing both interests and conditions of action. This, as Ryner points out, ignores, in the former case, the potentially pacifying impact of de-commodification on the labour movement, and, in the latter case, the ‘imperative’ in power

> to sustain capital accumulation through a coherent mode of socio-economic regulation. The tension between accumulation and legitimation imperatives renders the relationship between social democratic state policy and labour representation much more complex and contradictory than power-mobilisation theory suggests (referring to Pontusson 1984 in Ryner 2002: 60).

To this should be added two points. Firstly, as Stråth argues, the SAP to a large extent was engaged in a difficult and prolonged process of problem-solving and compromise, having only been in a parliamentary majority position once (1968) during the 1932-1976 period (1998: 22-3). SAP politics, to a very large degree, was about expanding its electoral base through compromise and new inclusive politics of representation. This also involved taking advantage of particular moments in party politics to secure greater electoral support, which could be against its normal commitment to unity and solidarity between different social forces. Secondly, as Swenson argues (2002), the LO and the SAF developed a close working relationship to ensure a smooth running of the labour market and income developments. This frequently expressed itself in political moves, which would seem counterintuitive to a 'power-mobilisation theorist'. However, the relationship between the LO and SAF should not, in contrast to Swenson, be understood in terms of a 'cross-class alliance' but class compromise (Howell 2002: 25fn. 41).

Whilst employers, organised in the SAF, had been highly sceptical and indeed oppositional to the rise of the SAP and its policies, their approach started changing with the SAP's acceptance of the liberal democratic State, and, counterintuitively from a resource-mobilisation perspective, the latter's increasing commitment to 'solidaristic wage-setting'. This principle had become central to the LO through the famous 1925 'Skromberga Bakers' conflict (see Swenson 2002: 108). Wage differentials between the relatively high-paid sheltered, domestic sectors (e.g. food production and construction) and the low-paid export sectors (e.g. mining, steel, timber and paper pulp) had become understood as constituting a structural weakness in the wagenegotiations of LO. Shortly afterwards, the SAP government's Gustaf Möller reinforced the message by criticising the striking sectors' "crass selfishness and guild mentality" (ibid.). Thus, both the LO and SAP sought to destroy the old pre-industrialisation social structures and institutions and replace them with solidaristic wages and centralised wage-bargaining. To the LO, from then on centralising wage-bargaining and the adoption of the principle of 'equal pay for equal work' became critical guiding torches.

Similarly, the subsequent 1933 Cow Deal had first and foremost sought to alleviate the poverty-striking depression through a massive labour market programme, but it also involved overcoming the builders' union's relatively speaking excessive wage-demands. The crisis programme implied the creation of a very large number of jobs through the contracting out of construction contracts worth around 100 million Swedish Crowns as well as spending significant sums on the creation of 'emergency' and 'reserve' jobs. However, as these new jobs, however menial, would be paid for at union wages, this would reinforce the wage differentials between the 'greedy' building workers and workers in other sectors, particularly those in the export-oriented sectors. This would thus further undermine LO's ability to ensure solidaristic wages through centralised wage-bargaining. LO's interest in renegotiating new wage agreements in the building sector was thus tangible, and its irritation over SAP initiatives in the labour market rife. The Building Industry Association (*Byggnadsindustriförbundet*) also feared the crisis programme as it would effectively prevent the use of the labour market weapon of lockouts as the substantial funding would undermine the loyalty of some contractors. In addition, the crisis programme would also cause rampant intersectoral competition over workers and hence increased wages. This would in turn weaken SAF's ability to employ multi-sectoral lockouts to discipline workers across the labour market. Employers warned that the implementation of the programme would increase unemployment rather than lower it as rising wages would reduce the competitiveness of the export-sectors.

However, as the SAP government assured, if LO and SAF could not agree upon a labour market solution to this problem, arbitration legislation would settle the programme to their disadvantage (ibid.: 109-111). Indeed, LO's and SAF's interests corresponded at this juncture, as indicated by SAF's executive director Gustaf Söderlund's official response to the government: the programme would "cause private industry increased difficulties in their efforts to bring about the necessary levelling of the different wages" (ibid.: 112). Ensuring SAP's consideration of these concerns was the Agrarian Party's conditional support. Yet, given the strong sense of social liberalism among employers, this statement should not be understood as indicative of the forging of a "class alliance", as enforced by circumstances beyond the SAP's reach (cf. ibid.). Instead, through the Cow Deal SAF, LO and the SAP enhanced their communication, which in turn enabled this interwar class compromise, which in itself was not such a major move by the different actors involved (Stråth 2003: 480).

(c) The Role of Swedish Capital

The emerging dominance of the SAP and its still tendentially radical economic and social policies were however not popular among leading Swedish capitalists. The first wave of industrialisation in Sweden had been largely financed by "a handful of relatively discrete ‘spheres’ through investment banks/holding companies, through cross-ownership, and cross-membership of management and executive boards”. These were controlled by 15 dynastic families emerging out of trading houses mediating the Swedish commodity trade in the mid-19th Century (Ryner 2002: 70). Their substantial banking activities had resulted in the accumulation of significant funds through capitalising on interest differentials between foreign and Swedish credit. Through the absorption of shares in the 1921-22 recession as well as during the so-called 1931 ‘Krüger crash’, these financial spheres had acquired large equity posts, which turned out profitable in a low-interest rate environment in the 1930s.

As the SAP government sought to clamp down on risky shareholding following the 1931 crash, the financial spheres created family-managed holding companies in order to retain their equity investments and influence over large parts of the Swedish economy. Counterintuitively in a heavily regulated environment, these spheres were allowed to retain an absolute discretion over investment decisions in the Swedish economy (Ryner 2002: 70-71). As Steinmo shows, the taxation of Swedish capital favoured large and profitable corporations, while punishing smaller and unprofitable corporations (1993). The structure of the Swedish economy and the structure of Swedish capital were largely mutually complementary during the heyday of Swedish Fordism. However, as I will show further below, once this equilibrium was unsettled, not least discursively, Swedish Fordism was becoming undermined.

Four financial spheres were particularly significant to this ‘equilibrium’. The Wallenberg sphere, governing the Stockholms Enskilda Bank/Investor (SEB), was considerably larger in managed capital than the smaller Skandinaviska/Custos sphere, also family-run, and the smallest Handelsbanken-Industrivärden (SHB), which operated more like an institutional investor in the absence of tight family control (Ryner 2002: 71). The consumer cooperative (KF) with over half a million members already in 1932 and over one million members in 1952 was another large owner of Swedish capital (www.kf.se).

The heavy regulation of capital flows under the Bretton Woods system helped to sustain the domestic and long-term outlook of these spheres. Yet, much of this impetus was derived directly from the latter's maintaining of close relations with Swedish corporations in the role of 'house-banks' and through managerial steering, particularly in the case of the Wallenberg sphere (Ryner 2002: 221-222fn. 13). As such, Zysman's 'culturally inflected' understanding of a bank-mediated economy as tending towards a convergence between the consciousness of creditors and industrialists is applicable to understanding the Swedish economy, particularly during the formative decades of Swedish Fordism. Ryner argues that the Swedish bank-, or rather sphere-, mediated economic system provided the centralised conditions for "a more long-term view in finance and investment decisions, with particular emphasis on the prospects of the development of the productive (Fordist) system" (Ryner 2002: 71). Nevertheless, the interests of these financial spheres should not necessarily be understood as synonymous with that of SAF, although SAF's members were to a very large extent owned and to some extent steered by the spheres. It is thus possible to distinguish between the existence of a tendential accumulation strategy of SAF, as it was disciplined, but also potentially taken over by the financial spheres, and a more long-term accumulation strategy of the latter. SAF's running accumulation strategy was not based on the mobilisation of "an ideology of 'national popular leadership'", but rather to seek to "influence policy by providing 'technical advice' through participation in public commissions, tripartite boards, and through the creation and financing of research institutes" (Ryner 2002: 70). With regards to the financial spheres, as long as the overall arrangement was profitable, they accepted LO's solidaristic wage policy and approved of SAF's adoption of centralised wage-bargaining (ibid.). As I will demonstrate later in this chapter, this could also explain their approval of SAP's policy of corporate taxation and their later policy of radical economic restructuring.

Yet, at the time of the 1936 elections, the dominant Wallenberg sphere had not seen the full potential of this emerging economic model and was unsympathetic to the re-election of the SAP government. The SAP victory in these elections marked a significant strengthening of the party. Yet, the critical standpoint of the Wallenberg sphere was relaxed and Swedish Fordism took a great leap forward with the conclusion of a drawn-out negotiation between LO and SAF resulting in the 1938 Saltsjöbaden Agreement (*Huvudavtalet*) (Ryner 2002: 72). The negotiation processes sought forms of regulation of continuing hostilities on the labour market. In particular, this negotiation should be understood against the background of over a decade of tough labour market conflict and vanishing trust between workers and employers, reaching an early peak with the 1931 tragedy at Ådalen where hostilities had resulted in the calling in of the military to quash a minor labour revolt with several deaths as a consequence (Johansson 2001). However, the SAP's role in this process was limited to pushing for legislative action with this regard. Both SAF and LO were keen on avoiding legislation as this would threaten to cement hostilities rather than appease them, hence undermining both the antagonists' main weapons in bargaining. The agreement reinforced the employers' absolute right to manage the workplace with a minor concession with regards to the process of firing workers (Swenson 2002: 113). Moreover, albeit gradually, the aggressive employment of labour market weapons such as strikes and lock-outs were reduced. More fundamentally, the agreement served considerably to strengthen the working relations between SAF and LO, and render the negotiating road the preferred one over legislation.

Emerging out of this relative cease-fire on the labour market, the SAP's increasing understanding of its potential role in relation to the economy and capital's acceptance of the nascent State-'sponsored' tripartism was a "discourse of 'rationalisation'", which implied the "transition from stagnant firms and sectors to expanding and dynamic ones" (Ryner 2002: 137). This offset potential antagonisms not only between the different actors in the management of the economy in the 1950s and 1960s (Ryner 2002: 73), but tendentially also between different social groups included in and benefiting from Swedish Fordism. This 'interpellative hegemony' (Laclau 1977) should however not be overstated, as it was relying upon the centralised management of multiple demarcation lines related to social ordering and mobility (Stråth 2004: 16) in the context of a highly significant contrast in the experience of the problems of the crisis years of the 1930s to that of the strong growth and full employment following the 2nd World War (Stråth 1998: 21).

(d) Swedish 'Disarticulated' Fordism

The stimulation of demand for Swedish commodities in the post-war period, under the Bretton Woods-system of "embedded liberalism" and US credit for European reconstruction, resulted in a second wave of rapid industrialisation in the Swedish economy. Swedish Fordism emerged out of the product and process innovation, as well as expanding scales of production, in the timber and iron industries flourishing in the late 19th Century (Edquist and Lundvall in Ryner 2002: 69). The outcome was that manufacturing overtook both the production of semi-processed goods (steel, pulp and paper) and raw materials (iron ore and timber) in Swedish exports. The engineering input industry (Asea, Ericson, AGA), the production of electrical-engineering and mechanical-engineering goods (SKF, Sandvik, Atlas-Copco, Boliden), shipping (Kockums, Götaverken) and the agricultural processing industry (Alfa-Laval, Tetra-Pak) led this development, yet the Swedish second wave of industrialisation also involved diversification through the emergence of industries in consumer durables like automobiles/trucks (Volvo, SAAB, Scania) and household equipment (Electrolux, IKEA). The defence, telecommunication and pharmaceutical industries later developed into important industries as well (Ryner 2002: 69).

This generated enormous growth, even in relation to the leader of the world economy. In fact, as Swenson points out, from 1950 to 1973 Sweden consistently closed the productivity gap with the United States, and out of the few countries (also Norway and Switzerland) that succeeded with this feat Sweden did so at the highest rate (2002: 136). The application of Fordist-Taylorist norms of mass production enabled increasing productivity through intensified exploitation and expanding scales of production. Such productivity growth made Swedish industry potentially internationally competitive and enabled full employment.

Although, the domestic economy grew in significance and provided an important base, in terms of production, consumption and investment during the 1950s and 1960s, foreign markets remained critical to these industries. Equally, as we shall see further below, goods for mass consumption were primarily imported (Erixon 1997). Indeed, “Swedish mass production and consumption was mediated by the world market” (Ryner 2002: 69).

Yet, despite diversification, the Swedish economy never developed an encompassing productive system, which made the exporting industries crucial to the balancing of the economy’s external accounts by earning foreign exchange (Mjöset 1987: 410). Thus, the exposure to foreign demand was high, which in turn potentially put the economy in a relationship of dependency upon world markets. According to dependency theorist Amin, however, this situation in the core need not result in dependency, in contrast to peripheral economies; ‘disarticulated Fordism’ was possible given certain regulatory moves. As Ryner shows, tendencies of overproduction and underconsumption had to be regulated through the stimulation of “domestic consumption in a manner which simultaneously counteracts the tendency of the organic composition of capital to increase”. Hence, the growth in productivity and consumption had to be made synchronous (Ryner 2002: 68). Through the development of a highly innovative macro-economic model, the Swedish labour movement successfully ensured this synchronicity.

This model, which can be positioned in between Keynesianism and Monetarism (Erixon 200: 1), was developed by two LO economists, Gösta Rehn and Rudolf Meidner, and became official LO policy in 1951.[41] Crudely put, their model can be characterised as a recommendation of a fairly strict financial policy over business cycles in the medium-term, but broke with the expansionary policies of Keynesianism, as they argued for the use of deflationary policies as opposed to the inflationary policies of Keynesianism (Erixon 2002: 4). Moreover, this was combined with a selective labour market policy, which would enable intersectoral labour mobility and full employment in times of recession (Ibid.: 8). Yet, they argued for a strictly solidaristic wage policy through central wage-bargaining in combination with taxes on corporate profits in order to avoid wage drift (Martin 1984: 205-8). This sped up the structural transformation of the economy in favour of firms that could be internationally competitive whilst paying for 'solidaristic' wages in firms in the less competitive, sheltered industries and the public sector. However, the navigation between the Scylla of unemployment and the Charybdis of wage drift required considerable capacities of counter-cyclical management, and powers over exchange- and interest-rate setting. Hence, the Rehn-Meidner model depended on strict capital controls domestically, as well as internationally, as facilitated by the Bretton Woods system (Ryner, 2002: 82-91, 95-98). As such, the model sought to "combine full employment and growth with price stability and equity through the use of extensive selective employment programs, a tight fiscal policy and a wage policy of solidarity" (Erixon 2000: 1).

[41] This model originates from the work of economist Knut Wicksell of the Stockholm School, which included both Gunnar Myrdal and Bertil Ohlin (see Ryner 2002: 75-6). Nevertheless, these were modified in the Rehn-Meidner model.

The adoption of the model in 1955 enabled the SAP government to actively integrate Myrdal's ideas of combining productivity growth with socio-economic security in the resolution of these tensions.[42] At this juncture, LO's powerful politico-economic ideas were constructed by the SAP government seeking to impart Swedish political life with a reformist paradigm "at once pragmatic and ideological, adaptable and moralistic" (Heclo and Madsen 1987: 27). The SAP positioned itself at its centre with LO's constituents as its primary electoral base, but stretching out to the middle classes. Thus, "[t]he labour movement had found a paradigm that allowed it to ensure that its internal terms of legitimacy corresponded to the terms of capital accumulation and the historic compromise" with capital (Ryner 2002: 84). This paradigmatic shift also provides the backdrop to the introduction of increasing welfare provisions in the 1950s and particularly the ATP pension system in 1958.

III The Swedish Welfare State, the ATP Pension Reform and Mass Consumption

Welfare reform had been on top of the SAP agenda since their 1936 electoral victory. A struggle between SAP minister Gustav Möller, on the one hand, and the Social Welfare Committee and LO, on the other hand, over the basic principle of social insurance had extended over 15 years between 1937 and 1951. Möller, supported by the SAP, advocated flat-rate benefits while the Committee had stubbornly argued for benefits being linked to income in order to "uphold the standard of living as far as possible" (in Lundberg and Åmark 2001: 165). The LO agreed with the latter in order to uphold its principle of 'equal work, equal wage'. Former LO representative Gunnar

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[42] However, the SAP policy application of the Rehn-Meidner model should not be overstated (Erixon 2000: 4).

Sträng replaced Möller in 1951 and immediately embarked on coordinating a system of sickness, work accident and unemployment insurance on the grounds of the principle of income security, which also made social insurance interesting to white-collar workers. Following an unproblematic legislative process, all social insurance systems in Sweden thus became subject to the principle of income security in the first half of the 1950s (Lundberg and Åmark 2001: 165-168). A de-commodifying welfare system (Esping-Andersen 1985), which was capable of sustaining consumption levels throughout life without a strong reliance upon cyclical market performance, was in the making.

Yet, for substantial de-commodification to be achieved and mass consumption sustained under these high-growth conditions, two immediate objectives had to be met: full employment over the business cycle and high income replacing pensions. Reaching the objective of full employment was facilitated by the creation of a manpower policy and a labour market board (*Arbetsmarknadsstyrelsen*) in 1948. In 1957, this was expanded upon in order to alleviate cyclical unemployment (Martin 1984: 217; Pontusson 1992: 64-5). The expansion of the labour market policy (additional funding given to *Arbetsmarknadsstyrelsen*) did not become politically controversial as it was made prior to an expected minor recession in 1956-1957 and was expected to be partly reduced once the recession had passed.

With regards to pensions, the 1944 reform of the "People's Pension" was still made on the grounds of Möllerian universalism. A flat-rate system replaced the average industrial worker's wage by about 20% in retirement. This was sufficient, according to

Palme, to survive on, without having to rely upon poor relief (1990). However, it hardly sustained consumption in the booming 1950s and 1960s. Although this constituted a considerable improvement to blue-collar workers and farmers, white-collar workers frequently already had pension schemes, albeit limited, provided by their employers. Indeed, LO disagreed not only with the universalism of the reformed scheme, but with the continued inequalities in retirement income between blue-collar and white-collar workers as well as between workers in the export-oriented and the sheltered industries. Company pensions were not provided by a majority of SAF's member firms to blue-collar workers, whilst the larger ones provided meagre pensions. In fact, there had been a veritable freeze on these pensions among SAF members, as a means to avoid competition for labour on the grounds of pensions (Swenson 2002: 283-4). Thus, pensions were both low and of varying levels among blue-collar workers. Despite the 1944 reform, the SAP had right away motioned to put together a commission to look into the pension issue. The resulting 1950 report proposed the legislative introduction of obligatory supplementary pensions accumulated in pension funds (Stråth 1998: 35).

The 1951 LO congress supported this idea and set up a LO committee to study possible designs of a supplementary system and political strategies of its implementation (Stråth 1998: 32). While there was a near consensus in the committee on the design of the supplementary system, there were significant disagreements over whether to seek a legislative solution or a bargain with SAF to the issue. Also SAF was divided on the issue (ibid.: 33; Swenson 2002: 284-290). Like the centre-right parties, SAF was critical of the funding form of the pensions (ibid.: 285).[43]

Despite the ambivalence of the labour market forces, supplementary pensions became an issue of highest strategic importance to Swedish politics. Neither the contours nor the supposed functionality of a policy model resembling the Rehn-Meidner model had been popularly established, so the field still laid open for struggle over the general direction of economic development. This struggle resulted in a referendum, a government break-down, the securing of an unrivalled degree of de-commodification and finally the deep empowerment of the labour movement as a whole at the expense of the Right. The political centre-right had since the 1948 elections been on the rise. The liberal People's Party's (*Folkpartiet*) had received around 20% of the vote in 1948, 1952 and 1956, while the Conservative Party had risen from the low 12.3% vote in the 1948 elections to 14.4% in 1952 and 17.1% in 1956.

As Stråth argues, the Conservative Party's rise could be explained with reference to a new leadership propagating a liberal conservatism, as opposed to the social conservatism discussed earlier in this chapter (1998: 40). It put the individual citizen's opportunities to 'become his own' and to more freely consume the fruits of her or his labour in the spotlight. Advocated was an 'owner democracy' populated by household shareholders (*Folkhemskapitalism*), which was described as democracy in daily life, a society characterised by team spirit, individual freedom and responsibility (Ljunggren

[43] Much of SAF had already conceded that legislation on supplementary pensions was going to be brought through the *Riksdag*. In fact, obligatory and substantial pensions would even out pension contributions and hence increase labour mobility in the economy, which SAF had sought since the 1930s (Swenson 2002: 288-289).

1992: 126). Although both State and society, here understood as the big corporations, should take a step back, the State was granted a significant role in the economy. The new conservative leadership saw the State as an important guarantor of basic social welfare, of full employment, as ultimately responsible for the functioning of the market and progress. Yet, importantly, welfare policies should be promoted as paid for by the citizen, not as a benefit from the State 'above' (ibid.: 129-131). Drawing upon particular emotional and identity structures in the notion of the People's Home, like thrift, diligence, ownership and locality, the new Conservative Party thus adopted a socio-political strategy seeking to establish a political space adjacent to social democracy to which voters could move, rather than a wall over which they would struggle to climb (Stråth 1998: 40-41).[44]

Due to the potential of this socio-political strategy and the electoral progress already made by the centre-right, the social democrats were careful in their formulation of a strategy over the issue of supplementary pensions. Indeed, the rising Right had targeted the Social Democratic dominance over the State as an obstacle to the opportunities of the people to express their free will (Stråth 1998: 43). In recognition of this threatening discourse, the SAP accepted the centre-right's idea of a constitutional amendment stating the right of a minority opposition to call for a referendum on particular pieces of legislation. While the centre-right wanted such referenda to be determining of legislation, the SAP government accepted only an advisory role for such referenda. Following the first referendum in 1955, on the shift to right-sided from left-sided traffic, which had attracted about half of the eligible voters

[44] As we will see in a later section of this chapter, this liberal conservatism is strikingly similar to the 'compensatory neoliberalism' of the SAP in the 1990s.

to the polls, motions were put forward by parliamentarians from the liberal People's Party and the Agrarian Party for a referendum on supplementary pensions.

After much politico-strategic deliberation, three different proposals were presented:

1. SAP-LO: retaining the People's Pension and complementing it with a large and obligatory PAYGO DB system, guaranteed by the State (Stråth 1998: 45-46);
2. The Center Farmers' Party (*Centerpartiet Bondeförbundet*)[45]: an improved People's Pension and voluntary supplementary pensions based on the premium reserve principle; and
3. The Conservative and People's Parties-SAF: an improved People's Pension complemented by a voluntary system of supplementary pensions, based on the premium reserve principle, through collective agreements (Lundberg and Åmark 2001: 167).

Yet, the SAP-LO proposal was not only attractive to blue-collar workers. White-collar workers were also affected by the employers' varying commitment to company pensions. With Fordist Taylorism also affecting this group of workers, its status had dropped rendering the distinction between blue- and white-collar workers increasingly hard to make (Stråth 1998: 34). The Center Farmers' Party's proposal sought to appeal to "self-employed persons, such as the farmers" (Lundberg and Åmark 2001: 167). The third proposal sought to play the organisation of pensions into the hands of employers and capitalists.

[45] The former Agrarian Party had changed its name prior to the referendum.

A particularly divisive issue between the SAP-LO proposal, on the one hand, and the two centre-right proposals, on the other hand, was the issue of funding (cf. Pontusson 1984: 14). Rehn, the LO economist, had played an active part in the formulation of the proposal and had advocated the accumulation of large pension funds through employers' pension contributions, so-called AP-Funds (*Allmänna Pensionsfonderna*), as buffers in a future PAYGO DB system. In its initial phase, this was to function as a mechanism to squeeze profits and hence prevent wage-drift. The AP funds were, in this initial stage, also supposed to provide the credit market with investment capital for selected sectors and firms, and would as such contribute to the rationalisation of the economy (Pontusson 1984). Rehn and his co-designers feared that pensions organised according to the 2nd and 3rd proposals' premium reserve principle, similar to that of the Chilean pension system, were going to lead to the flooding of credit markets and thus render the realisation of positive rates of return on pension fund-capital impossible (ibid.: 101fn.12). The design, in accordance with the Rehn-Meidner model, was thus financially restrictive in order to contain inflation (Erixon 2002: 9), while promoting rationalisation as well as growth (Ryner 2002: 90). In Regulationist terms, the LO-SAP proposal could be seen as a key element of an accumulation strategy seeking to strategically coordinate the crisis-prone moments of social relations within the circuit of capital (see chapter 2). In response to this, the propagators of the 2nd and 3rd proposals "warned that centralised government control of pension fund capital was a step on the way to socialism" (Swenson 2002: 282). Indeed, the struggle over supplementary pensions was a critical moment for the outcome in the struggle between accumulation strategies.

Stråth (1998: 48) describes the mobilisation campaign within the labour movement:

> In a call every member of the labour unions were encouraged to support the SAP-LO proposal in the referendum, the legislative option. An intensive information drive on workplaces and in homes would follow, in which central union boards, union districts, local unions and members actively must get involved. The call was the start of a mobilisation of the labour movement around a political issue at a scale rarely seen before. (my transl.)

The referendum, attracting 72.4% of the electorate with 3.9% polling blank, was inconclusive:

- Proposal 1: 45.8%
- Proposal 2: 21.5%
- Proposal 3: 35.3%

The labour movement claimed victory due to its proposal receiving the highest vote, while the centre-right parties claimed that in sum their proposals had received a majority vote. Prime Minister Erlander had, prior to the referendum, stated that if the first legislative proposal would receive over 40%, this was going to be considered a firm grounding for a formal legislative proposal to be made (Stråth 1998: 57).

As a consequence of the outcome of the referendum, the start of the legislative process was proclaimed, which, in turn, made the Centre Farmers' Party leave the coalition government and the SAP chose to form a temporary minority government. However, this was far from the end of the battle over supplementary pensions. Following the 1956 elections, there was a majority in the *Riksdag*'s legislating second chamber against the legislative proposal, which was consequently voted down. The minority SAP government had no option but to call for new elections, in which the issue of supplementary pensions was bound to continue to be central. Yet, the SAP and LO's spirits were high following the successful mobilisation of the labour movement (ibid.: 59).

The result of the elections presented the SAP together with the Communist Party (*Vänsterpartiet Kommunisterna*) with a peculiar situation, not the least with regard to the pensions issue. The SAP and the Communist Party together had reproduced the same electoral outcome as in the previous elections, while the new coalition of the People's Party, the Conservative Party and the Centre Party[46] lost a little of their total vote. The SAP-Communist coalition now received 116 seats in the second chamber, while the centre-right coalition got 115 seats, however, in legislative votes, the Social Democratic Speaker of the chamber (*Talmannen*) may not vote. Thus, a dead heat could be the expected outcome of a vote. However, the SAP trump card was a People's Party parliamentarian, who was also a member of LO. The parliamentarian abstained from voting and the SAP-LO PAYGO DB proposal was legislated. The Conservative party, aggrieved by the narrow loss, vowed to continue the struggle, but SAF backed down, turning to support the new system to the great surprise and dismay of the centre-right parties (Swenson 2002: 282). After the SAP victory in the 1960 election, the ATP system was not going to be seriously challenged until the 1980s. The Right's concept of owner democracy had been thoroughly delegitimised and the labour movement, as a whole, consolidated (Stråth 1998: 63).

[46] The former Centre Farmers' Party had again changed name, in order to seek to represent a more white-collar clientele.

(a) The Regulatory Role of the ATP Pension System

Out of this extended struggle over supplementary pensions, the ATP pension system was born. ATP was financed through employers' and self-employed contributions, and was initially managed by three tripartite 'AP-funds' (Pontusson 1984). Given a working life of 30 years, it was designed to reward employees with a pension roughly equivalent to 60 percent of their 15 highest salaried working years (the 30/15 principle) (Palme 2005: p. 43). The system was gradually introduced as it was built up, and the 'ATP-pensioners' of 1979 were the first to receive full benefits. In addition, the People's Pension brought income replacement to 65% (Swenson 2002: 281). Moreover, following a series of increases and streamlining of company pensions, 90% of wage-earners could expect a sizeable addition to these 65% (Sweden. SOU, 2005: 54). Such a highly de-commodifying system, built on the basis of income replacement, was not the least attractive to the white-collar, middle classes.

According to this logic, the ATP system has however been described as redistributing from blue-collar workers to higher income earners, but also as leaving women disfavoured (Kruse and Ståhlberg 1977; Ståhlberg 1990). This, however, seems to warrant an analysis as it would have potentially undermined the legitimacy of the LO-SAP proposal.[47] On the one hand, the 30/15 principle could be seen as disadvantageous to blue-collar workers, as their careers would not see great pay rises. On the other hand, their shorter working careers, due to frequently physically demanding jobs, seem to have been well catered for by the system. Still, it could certainly be seen as discriminatory of women, who, despite an increasingly gender-

[47] However, pension systems are highly complex designs and can thus not necessarily be expected to be well understood in daily life. Yet, to conceive of the voters in the referendum as well as in the ensuing elections as uncritically internalising the messages of the campaigners is highly problematic.

conscious labour movement, were frequently consigned to by the system uncredited household labour. Yet, the active promotion of female participation in the labour market as well as gender-sensitive child-rearing policies may have offset such an injustice, at least partly (Mahon 2007; Hoem 2005). The pension system itself, bar the absence of crediting for household labour and child-rearing, did not seem to have contributed to persisting gender inequality in Sweden, rather the opposite (e.g. Stark and Regnér 2001; Stark 2005; Hobson 1997: 202-203; Sainsbury and Nordgren 1997: 11-17). Nevertheless, with the prevailing male gender-bias in the labour movement, any such effects were largely coincidental. In the 1950s, women were primarily understood as “gainfully employed housewi[ves]” (Hirdman in Jenson and Mahon 1993: 85).

Still, the SAP captured a substantial, new constituency of white-collar workers through the pension struggle, which allowed the party to sustain its power position without the support of the Centre Party. Jenson and Mahon claim that about 40% of white-collar votes consistently went to the SAP in the subsequent elections (1993: 85; Esping-Andersen 1985: 161-165). Yet, the ATP system became the symbol for labour’s increasingly unified struggle and power, and may be characterised as a breakthrough for Swedish Social Democracy (Pontusson: 1992: 79). In his memoirs, Tage Erlander pointed to the failure of

> the bourgeois strategists’…to anticipate how the pension struggle would weld together the trade union and political labour movement as never before. To him, it was an incredible experience to witness all over the country the enthusiasm and will to win that suffused the trade union people’s efforts. The pension struggle was their struggle. (in Martin 1983: 217)

But, the Swedish labour movement succeeded through the discursive struggles in the pension debates in constructing a more inclusive, national collective identity, related to the notion of the People's Home. As Heclo and Madsen argue, "[s]ocial democrats…captured the idea of the nation – they…successfully interpreted the national identity as one of an ever-reforming welfare state (1987: 27). Still, of course, challenges were made, but they were primarily of the infra-paradigmatic type. As Jenson and Mahon (1993: 79) argue,

> [t]here are times when there is a relative societal consensus about the names of actors, their interests, and the political spaces they inhabit. Debates still occur but the voices heard are those that speak the hegemonic language, even if in their own 'dialect'.

A hegemonic social democratic societal paradigm was being established around a project of modernisation and growth, which was to guide subject-formation during the 'golden age' of 'Swedish disarticulated Fordism'.

This hegemonic societal paradigm was, however, complementary to the LO-SAP accumulation strategy, which had become hegemonic too with the introduction of the ATP system. Pekkarinen argues with regard to the effect of the LO-SAP economic policy model on political discourse that:

> the boundaries of the economic policy agenda, that is to say, what can and cannot be accomplished by economic policy, and consequently what are seen as legitimate claims on policy, remain relatively fixed. Different groups tend to rationalize their adherence to the policy model in their own specific way . . . .The national policy model is consequently sustained by several "satellite" models, through which it is communicated to groups with diverse interests. (in ibid.: 79fn. 12)

The crucial stumbling block for the LO-SAP proposal had been the accumulation of pension capital in the AP Funds. However, by LO and SAP moving to assign the economically rationalising investment decisions of the AP Funds to tripartite boards, SAF had been convinced of the ATP system and following the unsuccessful 1960 elections, also the centre-right parties turned towards acceptance of the creation (and growth) of the AP-funds. They became "a natural [and normal] component of the mixed economy" (Pontusson 1984: 10). Although previously opposed to the ATP system, these forces and their activites, at least temporarily, became incorporated into the structures of the hegemonic LO-SAP accumulation strategy. As such, they operated to the benefit of the sustainability of the latter. This was, however, facilitated by the labour movement's recognition of the free market as "the most efficient mechanism to allocate capital within the private sector", and the value of business collaboration in order to transform AP fund "pension savings into productive investments" (ibid.: 94).

The ATP system would play a crucial function in the establishment of the labour movement's accumulation strategy. It served to support the growth model by enhancing the regulatory capacities of the credit system. In particular, the AP-funds eased policy conflicts within the Rehn-Meidner model: there was no guarantee that its two chief objectives – ensuring adequate investments for full employment and profits squeeze to counter wage drift (or promote wage equality and union cohesion) – could be achieved at the same general level of wage agreements. Macroeconomic policy was supposed to reduce the tension between these objectives. But this required favourable structural conditions that eroded as the Fordist growth trajectory was progressively exhausted.

To reduce this tension, the bank-centred credit system was strictly regulated to minimise the cost of credit for productive capital at the same time as facilitating capacities to pursue effective macroeconomic policy (Pontusson 1992: 70-83). These regulations included foreign exchange and credit controls, with penalty rates for excessive borrowing from the Central Bank. It also included the 'Investment Funds' whereby corporations could avoid corporate taxation on profit, and enjoy favourable depreciation allowances, through deposits with the Central Bank. Liquidity could be regulated that way without resorting to high and variable interest rates, and assets held in the Investment Funds were released to the corporations in recessions in accordance with counter-cyclical principles.

As the ATP-system was built up, the AP-funds came to play an increasingly important role. Since they were financed through employers' contributions, set so as to generate surpluses, they contributed to the profit squeeze that counteracted wage drift. Simultaneously, they made credit available for private as well as public investments. Significantly, the three AP-funds were only allowed to invest in bonds and could not purchase shares in corporations (though corporations could re-borrow 50 percent of the fees that they paid into the system, provided that a commercial bank took the risk of these 'retroverse loans').

This reflected converging interests between the welfare-state complex in having ample access to cheap credit for public investments and the Swedish financial spheres, which did not want to see a competing centre of corporate control emerging under labour inclusive tripartite auspices. As Tore Browaldh (1980: 178-79), the CEO of Handelsbanken and business representative on the Public Commission behind the design of ATP, makes clear: it was his priority to ensure that the AP-funds could only invest in bonds, "because there was no need for another credit institute…and because in an economic crisis, this might mean that a number of corporations must be taken over by the AP funds". At the same time, he expresses total satisfaction with how

Central Bank Governor Per Åsbrink chaired the Commission and its agenda, which was compatible with Browaldh's objectives. Browaldh also underlines that there was little cause for concern that other Committee members would advocate, for him, unacceptable solutions. The proceedings of the Committee, which included Rudolf Meidner as LO's representative, were harmonious and resembled an economics seminar. The ATP-system was very much a product of the 'Saltsjöbaden Spirit'.

As I argued in chapter 2, in relation to a discursively constructed growth model constituted by complementary mediating institutional mechanisms, the hegemony of a social bloc becomes apparent if its constituent and reproducing consensus revolve around economic interests. Indeed, the economic interests of the model's most likely opponents came to coincide with the implementation of the model. A growth regime was emerging and the ATP pension system played an absolutely central role in its regulation. I argue that the new pension system served to suspend the 'Malthusian imperative' of saving for old-age. As such, it regulated Swedish disarticulated Fordism by enabling mass consumption, which had been a key objective for the labour movement since the 1930s. The ATP pension system was thus, according to the Regulationist-SSIP approach developed in chapter 2, at the top of the institutional hierarchy and strongly contributed to the complementarity of the 'Swedish model'.

(b) Mass Consumption

The wide-ranging and substantial de-commodifying welfare reforms, with the ATP system at the forefront, as well as the policy application of the Rehn-Meidner Model, were resulting in productivity growth and increasing welfare towards the late 1950s and the 1960s. As Michael Taussig argues, this resulted in something akin to a "state fetishism" - a fascination with the institutions and symbols of the State (1992, 1997). However, primarily, it enabled the spread of mass consumption. This early mass consumption can be seen as the popular expression of the success of what has become known as the "Swedish model" (Childs 1947). Indeed, it became central to subject-formation for large parts of the Swedish economy. The social democratic construction of the People's Home had now sufficiently evolved to allow for indulgence in consumption and all its accessories. Strong and consistent growth had resulted in the "strong society" (*det starka samhället*) (Andersson 2003: 32-45) with "competitive consumers" (my transl., ibid.: 52). However, its development had been and continued to be far from gentle or even.

Rationalisation and active labour market policies accelerated the diversification of the Swedish economy into manufacturing, where Fordist-Taylorist production processes of cognitive and bodily exploitation were the norm. The traditional exporting sectors, related to iron ore and timber, and primarily located in the northern parts of Sweden, underwent heavy rationalisation and mechanisation under competitive pressures. This caused unemployment and "retardation" of the northern regions, as labour was replaced by machines (Khakee 2005: 73). Much of the relieved labour was actively channelled to the booming manufacturing industries, which, given horizontal integrative requirements, predominantly came to be located in urban areas. Yet, some "endemic unemployment" remained in many northern regions (Westerlund 1998). These processes of economic restructuring, regional depopulation and retardation, urbanisation and mechanisation of production are hard not to describe as brutal, despite the labour movement’s commitment to smoothing them. Indeed human experience under Swedish disarticulated Fordism involved trauma, dislocation, relocation and the formation of new desires through the intensification of capitalism. Yet, from afar, what emerged in daily life was

> a new scope for consumption and leisure, shorter working hours, more pay, longer holidays…The nation was on the move and the blueprints of the welfare state were now - at last - turned into practice at full speed. (Löfgren 2000: 3)

These new opportunities created scope for a new individualism developing out of the sense of individuality, which had been a significant element in the early moments of Swedish modernity. As I will show later in this chapter, this new individualism came to contribute to the undermining, in a contingent manner, of the strong notion of the People’s Home as well as the labour movement’s 1970s efforts to democratise the economy.

In the modern capitalist urban spaces of Sweden, where both employment and welfare were largely secured, the intensification of phantasmagorias of commodities, projected by increasingly advanced media, became rife. As a promise of modern utopia, dreams of consumption became commonplace in these spaces (e.g. Husz 2004), spurring the gradual divorce of daily consciousness from the ego. Fordist economic aesthetics were being shaped, particularly in urban areas. Yet, these were particularly Swedish. These economic aesthetics had a strong foundation in the strong, de-commodifying welfare state as well as in the popular norm of ‘being modern’ (Löfgren 2000: 2-3).

The disarticulated nature of Swedish Fordism seems likely to have contributed to the popular association of the modern with ‘the international’. Consumerist dreams were often developed, although far from unambiguously, in relation to American products of mass consumption. These had made their entry into Swedish daily life with growing purchasing power and the consolidation of *Pax Americana* following the 2nd World War. On the one hand, nothing was more modern than ‘America’. Sweden became increasingly “talked about as the most Americanized nation in the world" (Löfgren 2000: 3). On the other hand, American mass consumerism was understood as vulgarly materialist and American mass products were perceived as ‘cheap stuff’. ‘Americanisation’ was associated with over-consumption. Thus, “America represented both utopia and dystopia” (ibid.). Retaining a strong sense of, what had come to be, ‘Swedishness’, Swedes adopted American lifestyle with ambivalence and in an extremely Swedish way (O’Dell 1997). In fact,

> [t]he new patterns of consumption turned out not only to open up for international influences but also had a nationalizing effect: people could dream about an American refrigerator, a sub-scription to *Reader's Digest*, a glass of ice-cold Coca-Cola or a meeting with the Cartwright Brothers from the TV western *Bonanza*, but the end result was rather an increased homogenization of Swedish lifestyles. (Löfgren 2000: 4)

This ambiguous desire of American modernity undermined the power of class-based and local life-styles, opening up a new space in search for change and reorganisation of daily life. Yet, this turn to mass consumption and the quest for individual forms of expression were curiously mediated by the Swedish State. Löfgren (2000) illustrates this particular development with reference to ‘motorized citizens’.

During this period, a car society emerged with a significant symbolic and material power. The car and motoring were central elements of the Swedish-style American dream. The car enabled mobility, new leisure opportunities and the belief in the gaining sight of utopia. Moreover, it liberated the individual from the clasps of the State, in terms of publicly organised mass transportation. The car came to symbolise “individual freedom and capitalist spirit…[with its] roads, gas stations and car dealer strips [smelling] of *free* enterprise” (italics in original, ibid.: 4). This American aesthetic of motoring with its logos and architecture reached some of the most desolate areas of Sweden. Still, large-scale infrastructural projects had created an extensive and mass-utilised railway network decorated with national symbols and with state-managed temporalities.

The contradictions between the role and function of the State and the craving for free enterprise in daily life subject-formation surfaced, however, eventually in motoring. The State was called upon to provide ‘a car-friendly society’:

> Children must be educated about traffic problems, cities must be planned for mass auto traffic…More and more Swedes [came to share] the experience of road-sign drills in schools, driving tests as a *rite de passage* to adulthood, nationally controlled radio programmes for drivers, mandatory check-ups for driving safety, confrontations with traffic wardens and police. (Löfgren 2000: 5)

Rather than engendering a ‘liberated’ experience of ‘the international’, motoring in Sweden became a fragile vehicle for the creation of a motorised citizenship, disciplined through roadsigns, rules and penalties. Indeed, the relations between the individual and the State were tightened, reconstituted, gendered and rendered fragile through motoring: “[g]oing for a drive could both foster the feeling of free-wheeling individualism and the experience of responsible or restraining citizenship” (ibid.). In a subtle, yet material way, State-regulation of motoring “often had a stronger integrative effect than the traditional rhetoric of national unity” (ibid.).

Referring back to Lipietz in chapter 2, State-regulated mass consumption contributed to the coming of hegemony of the ‘social bloc’ of the labour movement by providing for and moulding the interests of the nation as a whole, marginalising but a few. Yet, as I argued in chapter 2 with reference to Aglietta, consumerist Fordism shaped an individualism of considerable strength. In the next section, I will return to the contingent consequences of this development. Moreover, the development of Swedish disarticulated Fordism generated new politics of representation targeting new inequalities in the economy and in society more generally. The 'disarticulation' of Swedish Fordism in combination with changing conditions in the world economy also added significant new pressures to this situation. These developments resulted in two crises of the economic aesthetics formed under social democratic capitalist modernisation. The first crisis unfolded in the late 1960s and 1970s. The second crisis emerged in the 1980s and early 1990s through the neoliberalisation of social democracy. In the next section, the first crisis will be discussed.

III The First Crisis of Swedish Disarticulated Fordism

This section considers a series of developments in the late 1960s and 1970s, which shook the labour movement to its very foundations. Economic aesthetics underwent a radical transformation originating largely from the inherent contradictions of Swedish disarticulated Fordism, but also from processes beyond the regulatory realm of the labour movement. More specifically, the radicalisation of the labour movement combined with increasing competitive pressures from the world market to force the radical re-orientation of the labour movement's accumulation strategy as well as politics of representation in the direction of the notion of 'industrial democracy'. Although rather unsuccessful, this, in turn, engendered a neoliberal counter-offensive in the second half of the 1970s, which significantly came to impact upon processes of subject-formation. Yet, as will be considered in section four, the SAP returned to power in 1982 facing both a structural crisis in the economy as well as a crisis of legitimacy.

(a) The Radicalisation of the Labour Movement

The 1968 elections gave the SAP a unique single-party majority. Almost the whole of the 1960s had been characterised by a relatively content SAP government continuing to be able to present strong evidence of "exceptionally favourable growth and productivity development" (Ryner 2002: 126), as well as the highest budget surpluses in the OECD (along with Norway) (Glyn 1995: 114). However, towards the late 1960s, and particularly with the relative downturn during 1967-1968, concerns about the sustainability of the international, US-sustained growth in demand of Swedish products emerged (Mjöset 1987: 419). Nevertheless, LO-SAP confidence in its policies remained high. The poor remaining were claimed to be leftovers from "poor Sweden", which the labour movement had nearly gobbled up during the construction of the 'strong society'.

However, under the surface, tensions in the labour market to some extent persisted and came to grow from the margins, and, shortly after these elections, radical discontent broke out. In December 1969, workers at the state-owned LKAB mine in Leveäniemi in the very North of Sweden started a so-called 'wildcat' strike, that is without the permission of LO. A whole series of wildcat strikes ensued in 1970 at different LKAB mines in the North of Sweden, but this sentiment also spread to other corporations such as Volvo in Gothenburg. A second wave of wildcat strikes followed in 1974

(Ryner 2002: 127). Not only were these strikes targeting the conditions of employment, and thus the wage relation, but also LO itself.

Their supposed union representatives, along with the SAP, were accused of neglecting the toils, struggles and ‘weaknesses’ of workers by being preoccupied with capital-friendly growth and full employment. With regards to wages, there was a growing sentiment of injustice in relation to white-collar workers. The number of white-collar workers in the economy had grown markedly and the formation of white-collar unions had resulted in wage-drift as these unions bargained separately from LO with SAF over wages. This, of course, weakened the negotiating power of LO, but at the same time led to more wage competition between employers. Hence, SAF was concerned with this development too (Martin 1975: 435-436). This growth in white-collar workers originated from two processes. Firstly, the increasing mechanisation and Taylorisation of production had resulted in greater needs for office-based, low-skilled workers. Secondly, large numbers of women had entered the labour market as “[r]eproductive work was increasingly moved from the family to the state” (Baude in Ryner 2002: 130). It was frequently these women who took the new office-based, low-skilled jobs. A clear majority of this new stratum of white-collar workers, represented by the Central Organization of Salaried Employees (Tjänstemännens Centralorganisation (TCO)), were neither well-paid nor had the high status of their older colleagues.

Yet, merely increased and just wages were not necessarily the primary objective of these striking workers. More fundamental issues were at stake. LO and SAP were no longer considered an offensive and radical force. LO's double loyalty to capital and labour, established with the Saltsjöbaden Agreement, was becoming an electoral problem (Stråth 1998: 122). The new stratum of white-collar wage-earners had not been captured by SAP and were organised outside LO making them attractive to the liberal People's Party and the Centre Party. Yet, these workers shared many of the concerns of blue-collar workers. Instead, a liberal offensive in the 1960s over corporate democracy, individuality in the workplace, decentralisation, locality, environment and, last but not the least, wage-earner funds sought to capture this constituency, and was indeed becoming a threat to the labour movement's top organisations (ibid.: 107-111, 118-120).

Yet, more profound, ideological issues had also surfaced and the wildcat strikes, or the threat of such, were becoming the labour expression of these. These rather new concerns were derived from developments in the Cold War:

> [t]he anticommunist consensus of the Cold War had dissolved under the influence of the struggle of Black Americans in the Civil Rights Movement, the independence of Cuba and Algeria as well as the revolutions and wars of independence in Asia. The rebellions in the periphery of the world economy shook its core and rendered the internal contradictions of capitalism visible and contestable. Youth were working the streets and squares for donations to the struggle of the FNL, and among the miners and their followers there was a growing consciousness that wage policy, rationalisation and labour market policies, and the Vietnam War were somehow connected. (Nyberg 2001: 120, my transl.)

As Ryner argues, these wildcat strikes were "[i]ndicators of a legitimacy deficit in existing procedures of social representation" (2002: 127). The historical compromise between capital and labour, and the social democratic approach of "socially engineering" the Swedish model, were thus being challenged from below (Nyberg 2001: 119). Rationalisation and active labour market policies typified these skewed considerations, but also the continued democratic deficit and unequal gender relations in the workplace resulting in inadequate working conditions (Stråth 1998: 85-104). Critical discourses were being formed and secure employment, as enabling mass consumption, was understood as no longer sufficient to satisfy these workers.

This legitimacy deficit had since prior to the elections been building up also within the labour movement's "cadres", the managerial stratum tasked to ensure 'societalisation' in the face of the disintegrative processes of capitalist commodification (in the sense of *Vergesellschaftung*)[48] (van der Pijl 1998: 14-30, 138-143). In a series of reports and publications from within the labour movement, the 'strong society' was fundamentally questioned. The construction of the 'strong society', on the basis of full employment and rapid growth, had not succeeded in gobbling up poverty. Instead, as social medicine scholars Gunnar and Maj Inghe argued in a 1967 publication, the construction of the welfare state was far from finished (Andersson 2003: 46).

Most problematic of these internal challenges came from the LO Low Income Survey (*Låginkomstutredningen*), which had been producing several publications during the second half of the 1960s and early 1970s, with LO economist Rudolf Meidner at the rudder from 1967. This survey showed that there were severe income differences remaining in the economy and that these differences had profound effects on a large number of aspects of wage-earners' standard of living. The survey found that considerable parts of Swedish society were suffering from serious welfare insecurity in several regards, which prevented them from fully participating in the economy. Worse

[48] This Marxian term of *Vergesellschaftung*, or societalisation, should not be understood as the opposite of commodification, rather its dialectical counterpart. Hence, *the cadres* are not responsible for de-commodification, but rather the relative unity of capitalist society. As such, *cadres* existed both within the labour movement and e.g. SAF.

still, the economic policies of LO-SAP were claimed to reproduce the class society, whose eradication they originally had claimed to seek, by benefiting a clear majority of well-off wage-earners, whilst marginalising low income-earners (in ibid.: 50-52).

The public "Long Term Survey" (*Långtidsutredningen*) of 1970 expressed concerns over these internal challenges to the negative effects of its growth policies, however its solution, particularly in consideration of a worsening balance of payments, was to concentrate harder on growth and to reduce the consumption of the public sector (ibid.: 53). In this context, SAF cadres had taken the initiative in 1967, in the context of the growing worries about the international competitiveness of the economy, to secure the previously so profitable dialogue with LO and particularly the practice of central wage-bargaining.

Economists from TCO, LO and SAF had agreed upon a new conception of the economy, the so-called EFO model, which divided the economy into "sheltered" (S) and "competitive" (C) sectors, with the former capable of significantly less productivity growth than the latter. The 'S'-sector was the domestic sector, which to a large extent was constituted by the growing public sector, whilst the 'C'-sector was directly exposed to competition in the world markets.[49] Established forms of negotiating solidaristic wage policy were understood as a pre-requisite for competitiveness by these economists, and the SAF initiative eventually led, in the 1970s, to an agreement between TCO and LO on solidaristic wage policy (Ryner 2002:

[49] It is worthwhile pointing out here that this distinction was fundamental to the Baumolian conception discussed in chapter 3, but also signified a break with the Myrdalian conception of productive social services, provided by the public sector.

130-1). However, the politics of the organisation of these investments emerged as the first stumbling block to the negotiating cadres (ibid.: 135-6).

Given the profit squeeze requirement for solidaristic wage policy, LO's growing preference with regard to investment was to work along the principles of the Rehn-Meidner model, and here the sustaining and expansion of the role of the supposedly temporary AP Funds, created with the ATP pension system, constituted the obvious solution. These funds had already started to play a significant role in the urbanising economy by funding large parts of the mass housing programme (*Miljonprogrammet*) started in 1965, as well as lending to the corporate economy. However, SAF strongly disagreed with such public forms of saving to fund private business research and development (Martin 1984: 246), and were concerned with their growing centrality for the provision of credit in the economy. The lending of the AP Funds had come to crowd out private investments to such an extent, according to a SAF economist, that "the lending market beside the (pension) fund will not be large enough that anybody can depend on it, and dare pursue corporate policies contrary to the intentions of the (pension) fund" (in Pontusson 1984: 16). However, to LO and SAP, private investment was increasingly seen as anti-thetical to the need to "make international competitiveness compatible with the principles of equality, social security and solidarity, and the need to counter concentration of ownership" (Ryner 2002: 138). For this to be possible, it was understood that capital's claimed absolute right to manage the workplace, consolidated in the Saltsjöbaden Agreement, had to be challenged and that required the abandonment of the negotiation route in favour of legislation (Stråth 1998: 128-9). With the radicalisation of labour, this became an imperative for LO and

SAP, if they were to uphold the legitimacy upon which they relied, and the ATP pension system and their AP Funds were to play a significant role in this project.

(b) Democratising the Economy

Rendering international competitiveness compatible with the welfare state and the commitment to full employment, however, started to constitute a serious dilemma for the labour movement. It pushed the labour movement to search for new radical solutions. Yet, this must be understood against the backdrop of the Swedish economy's relationship to the world economy, which was becoming increasingly difficult.

The fears of the late 1960s of a slowing world economy and its impact on Swedish disarticulated Fordism were surpassed by reality. Indeed, the world economy of the 1970s was characterised by a series of crises deriving from the maturity of US Fordism and the uneven development that its tendential diffusion had caused, as well as the decline of *Pax Americana*. Mjöset (1987: 419) summarises this 'external' situation perceptively:

> the United States faced sluggish growth of productivity, structural problems in the manufacturing sector, and a continuing loss of export shares. These problems spilled over into the monetary sphere, where a potential loss of confidence threatened the dollar. President Richard Nixon's new economic policies in 1971 demonstrated the increasing incompatibility of U.S. growth and Western European growth and the United States' temptation to export adjustment costs. Furthermore, the United States also faced hegemonic setbacks in the Third World; in particular, the Vietnam War reflected the problems of policing the Western sphere of interest. As these internal U.S. problems interacted with world economic uneven developments, international monetary relations and price levels were destabilized. Finally, a general crisis affecting demand and production in the First World economy followed in 1974-75…First, external pressure surfaced as the international monetary crises of the late 1960s. In 1971, the dollar became inconvertible, and with floating exchange rates from 1973 the dollar was devalued until 1980…Second, raw materials prices boomed significantly. The first OPEC oil shock of 1973 was the most visible example, but most other raw materials prices also rose dramatically…Third, there were difficulties in the international credit system: balance-of-payments disequilibria; the problem of recycling petro-dollars; and problems of controlling the new, strongly internationalized financial markets, particularly the Eurodollar market. Interest rates increased 1974-75, but heavy inflation caused real interest rates to become negative for several years…These developments coincided with internal Western European problems, particularly a tendency towards profit-squeeze in the late 1960s. First World business cycles

> had synchronized due to denser trade networks, particularly a growth of intra-industry trade. The U.S./European technology gap had diminished. Interest rates rose, raw materials prices soared, and a simultaneous drop of demand followed in all markets in 1974-75. The effect was that the profit-squeeze could no longer be contained. A drop in production and stagflation resulted, with increased unemployment and simultaneous high inflation.

These emerging conditions in the world economy of course had very serious consequences for a small, open and export-oriented economy like the Swedish one. In the first place, they strongly contributed to fluctuations in the economy and new troubles and traumas for workers. The labour movement faced a complex task. In order to secure legitimacy in the context of the radicalisation of labour, LO and SAP sought to re-orient its accumulation strategy and to transform its politics of representation.

This quest was considerably substantiated at the 1971 LO congress, which came to be pre-occupied with the notion of 'industrial democracy'. This became the start of a rapid succession of legislative moves. Supported by LO but also TCO, which forced the centre parties to collaborate, the SAP government introduced a series of legal motions between 1971 and 1976 with regard to the regulation of health and safety in the workplace (the Work Safety Law), employment security (the Security of Employment Act) and the representation of labour on company boards (the Co-Determination Act) (Stråth 1998: 105; Ryner 2002: 134). These legislative moves by the SAP government were central parts of the new politics of representation, which sought to construct a new hegemonic societal paradigm. Thus, the SAP government endeavoured to reintegrate the challenging discourses and growing segments of labour. However, they were also intended to offset the discursive liberal offensive of the 1960s by reformulating the concepts of business democracy, co-determination, decentralisation, locality and environment. Some of these concerns had nevertheless been deliberated within the LO for some time already. Yet, they had not been seriously considered, or rather avoided, as their full implementation were expected to bring LO and SAP into conflict with capital.

Similarly, the shift of focus to 'industrial democracy' also involved a re-orientation of the labour movement's accumulation strategy. Mass consumption of foreign goods had led to a deficit in the balance of payments, but rather than seeking to reduce consumption, large volumes of investment capital had to be channelled to the export industry (Stråth 1998: 137). Moreover, the combination of the SAP government's stringent macroeconomic policy and LO's successful round of wage-bargaining in 1970 had resulted in a severe profit squeeze. This threatened to cause a shortage of equity investment capital in the economy, which, in contrast to the beliefs underbinning the design of the ATP system, had been accepted as significant to sustained productivity growth by the 1970 Long Term Survey (Pontusson 1984: 92).[50] Here, a dilemma emerged in the context of increasingly competitive world markets.

Against the backdrop of safeguarding the welfare state and countering the concentration of ownership, the dilemma consisted of balancing the need to increase the rationalisation of national capital and policies of squeezing profit rates with the securing of investment capital, when the latter seemed to become increasingly internationally mobile. Drawing upon a 1961 LO report, the solution proposed by the metalworkers' union (*Metall*) was to further collectivise savings as a source of public investment capital. The 1961 report had advocated strengthened competition with the

[50] The Survey claimed that if corporations depended upon borrowed capital, this would lead to risk aversion and hence moderate the forces of economic restructuring, or rationalisation (Pontusson 1984: 92).

SHB and SEB spheres on the credit market as well as enhancing the channelling of investment capital to firms, which were expanding and innovative, through bipartite 'branch rationalisation funds'. Metall proposed a twofold strategy. Firstly, in order to increase equity investment capital and competition on the credit market, it called for the AP Funds to be allowed to invest in the shares of long-term planning and productive firms. Secondly, branch rationalisation funds should be set up in order to promote rationalisation. In the pot lay the offer to capital of further wage-restraint. The SAP government picked up on the first suggestion by enabling the 4th AP Fund to invest in shares, but not exceeding 5% of firm equity capital. This was later increased to 10%. Rudolf Meidner was approached to lead a committee, which also included Anna Hedborg to whom I will return in chapter 5, to work on the formulation of a possible plan for the second suggestion, to be presented at the 1976 LO congress (Ryner 2002: 137-139).

The Meidner committee presented its findings under the title "Wage-Earner Funds" (*Löntagarfonder*) in 1975:

> [t]wenty percent of corporate profits should be set aside for the wage-earners in the form of stocks. By dividing the value of the corporation into more shares, ownership would gradually be shifted to the wage-earner funds [up to 49% of firms' equity stock]. The funds were to be managed by representatives of the local union organisations, the central unions as well as representatives of society. It was emphasised that this was not a question of replacing one power bloc by another, but rather a matter of democratising ownership. (Stråth 1998: 164-165)

Connected to solidaristic wage policy, the absorption of 20% of corporate profits would further penalise firms' with low productivity, yet reward those showing high productivity and innovation. Arguably, this seemed like a reasonable policy in the context of what was labelled 'surplus profits' (*övervinster*) generated by the Swedish wood and metal industries with the escalation of prices on raw materials during 1972-

1974, ensuing wage explosion between 1975-1976 and the delayed economic downturn in 1975-1976 (Mjöset 1987: 422). Nevertheless, this initiative was a struggle against private business, but also evidence of labour power over business. However, the LO initiative did not aim at the termination of the market economy. Through dialogue, it was important to make employers realise that public opinion and the political situation required the elimination of tensions within the labour movement. Fundamentally, it was argued, this initiative, along with the previous ones of the 1970s, had as the objective to render the economy even more efficient; wage policy worked well already (Stråth 1998: 166-7).

Despite the radicalisation of labour and the events in the world economy, the Meidner Plan was far from unequivocally embraced by the labour movement. Although the proposal was extremely radical and provocative towards capital, the tensions remaining from LO's and SAP's brutal rationalisation and solidaristic wage-policies were still rife. The societal paradigm constructed had not become hegemonic and could not substantially support the accumulation strategy revolving around the AP and wage-earner funds. Although this was presented as the proposal of the ensuing parliamentarian commission, the Meidner proposal was far from the only formulation of the wage-earner solution. Several other suggestions were made on a so-far non-unified Centre-Right. Indeed, the Centre-Right, centred on SAF was hesitant to adopt a strong front. Given union tensions and SAP internal fragmentation, this was the case also within the labour movement. Whilst LO came forward with a proposal adopted at the 1976 LO Congress, which they, for strategic reasons, expressed their full conviction of, to publicly overshadow their internal struggles, the SAP was more cautious. The struggle over public opinion revolved around two perspectives of the consequences of the wage-earner initiative on the distribution of power: the LO perspective and the employers' perspective. LO contrasted private concentration of power with a decentralised wage-earner influence, whereas SAF characterised the Meidner plan as concentrating power in the hands of the unions and union confiscation of private property and against individual ownership and dividend income (ibid.: 156-166).

(c) The Neoliberal Counter-offensive

The 1976 elections result was that the SAP had to leave government for the first time since 1932. The economic downturn in 1975-1976 significantly contributed to the electoral loss. However the support from LO-members had steadily declined since the 1968 electoral success, from 81% to 66%. The brutal economic policies of LO-SAP and the ideological turn since these elections had had considerable effects on their legitimacy. Many of these votes had been picked up by the parties now in government (Petersson 1977).

Following the elections, a parliamentary committee was put together to evaluate different proposals. The divisions within the committee were considerable, particularly in relation to the Centre and Moderate Parties, and LO and SAP had to try to construct an alliance with the liberal People's Party and TCO. However, the People's Party, after internal debates between the social liberal strand and the more market-oriented strand, opted out of any form of cooperation with LO and SAP during 1979-1980. Their preference for individual accounts organised under the AP Funds as well as their aversion against any form of concentration of power made an alliance on the topic difficult (Stråth 1998: 170). While TCO had been initially supportive, their membership was politically neutralised over the course of the debate over the wage-earner funds. In 1979-1980, TCO retreated to a nonaligned position, as it stood clear that their membership was against the initiative (Pontusson 1993: 557).

The decline of the public support for the Meidner Plan, even in its later revised, less radical versions, was strongly related to the power of the campaign against the Plan. Pontusson argues,

> [c]learly, the [wage-earner fund] initiative challenged the interests of current owners of Swedish business. Current owners did not stand to lose any of their wealth, but they [stood] to lose some of their claim to future profits, and some – in the distant future, all – of their control over corporate decisions. The mobilization against the…initiative was aided not only by the political weaknesses of the…initiative itself, but also by political power resources mobilized by capital. (ibid.: 558-9)

After the 1976 elections, capital, in the form of the liberal Wallenberg sphere[51], had become politicised (Ryner 2002: 144). It used SAF as a vehicle to move public opinion away from the radicalising labour movement.[52] The wage-earner fund initiative provided SAF with the ideal symbol around which it sought to unify not only business, large as small, but also the bourgeoisie at large (Stråth 1998: 173). Abstaining from providing an immediate alternative to the LO-SAP initiative, it engrossed itself in a large-scale propaganda campaign of delegitimisation. Think tanks were set up, a publishing house was created, "a permanent infrastructure for organising seminars and workshops" was constructed (Ryner 2002: 145) and prolific members of academia,

[51] The Wallenberg sphere had gained additional power by acquiring the Skandinaviska Bank and merging it with the Stockholms Enskilda Bank in 1972 (*Skandinaviska Enskilda Banken* (SEB)) (Ryner 2002: 71).
[52] As Boréus (1994: 111) shows, SAF's counteroffensive started already in 1969, but it gained considerable strength with the Wallenberg sphere's active involvement and support.

supposedly close to the labour movement, were mobilised (Grassman 1985: 59-67). The language used in the campaign was, in Stråth's words "often offensive and vulgar" (my transl., Stråth 1998: 174).

A popular discursive strategy was to attack the notion of industrial, or economic democracy as being reminiscent of Eastern European communism and as subjecting the economy completely to the politics of the labour movement. The leading Swedish economist and still, at this time, SAP member Assar Lindbeck argued after the 1976 LO Congress that

> [w]hat is stated by the proposers…is in fact just as destructive for the economic system as the socializations arising in Eastern Europe after the Second World War, however with the difference that a "private" organization, the trade union movement, should take the place of the Government as the owner and employers organization – at the same time as the same organization claims to represent the employees also in future…I believe that not many of us would like to live in the society that would be the probable result of Meidner's trade union funds. There is, in my opinion, no more important task in Swedish political debate today than to warn the Swedish people of Meidner's and the LO-Congress proposal. (in Olsen 1991: 135)

Building upon such attacks, SAF sought to challenge the labour movement's 'discursive ownership' of the concept of democracy, since the 1920s. As a foundational idea, there was a return to the old notions of thrift and diligent entrepreneurialism, to which an individual-centred notion of democracy was attached. The LO-SAP proposal was accused of excluding large parts of society, which were not wage-earners, in its understanding of democracy. Consequently, the LO-SAP proposal was accused of breaking the supposedly fundamental democratic principle of 'one man – one vote' (Stråth 1998: 174-175).

Following the initial 'vulgar' offensive, SAF constructed an extreme neoliberal discourse of 'pure' market economics around a series of arguments:

- Wage-earner funds were unnecessary to ensure adequate capital formation, if profits were restored to 'normal' levels, i.e. to those which had been characterised by the labour movement as 'surplus' levels in the first half of the 1970s. 'Normal' profit levels were constructed as deriving from the free market economy, in which free enterprise and private savings were the norm.
- Such an economy was 'healthy'. However, a healthy economy required a fiscal policy, which did not reduce the incentive of profitability. Therefore, employers' fees had to be altogether removed.
- People did not want public funds, but individual equity. Despite the Meidner committee's adherence to the market economy, SAF claimed that the committee's proposal led to 'fund socialism'. The fund economy was, in stark contrast to the market economy, incapable of sustaining efficiency and competitiveness (ibid.: 175-176).

Against these arguments, the labour movement struggled to show that they indeed were wrong and why. The labour movement's project of synthesising the best of the plan economy with the market economy had no precedent, from which it could provide evidence. In the end, the Swedish labour movement was itself leading the way towards a harmonious synthesis of these two models. To convince an already traumatised electorate of its virtues was thus a matter of constructing a belief in a system, which was constructed, by a SAF with the wind in its back, as the very cause of these traumas. The social democratic notion of income and welfare security was being hollowed out. As Stråth argues, this is the background against which the labour movement's abstract notions of solidarity, equality and justice were becoming undermined to the benefit of a new embodied language celebrating individual strength, freedom and competitiveness. The State and the 'strong society' were depicted as constraining, suffocating and, at best, artificially conditioning the fulfilment of such ideals (ibid.: 177-178).

The consequences of the neoliberal counteroffensive were disastrous to the labour movement. The SAP lost the elections again in 1979, and the wage-earner fund issue had become a political liability to the party, despite the submission of a de-radicalised proposal in 1978, which "scaled down the scope of profit-sharing, and stipulated that wage-earner funds should partly be built up through payroll taxes" (Pontusson 1993: 555). The voters' opinion of the wage-earner fund initiative remained unchanged, as lukewarm (Holmberg 1984: 170, 186). Another, even more watered-down version was presented in 1981, prior to the 1982 elections. This stipulated the setting up of regionally based wage-earner funds which, through the purchasing of corporate equity, would contribute to the ATP system (Pontusson 1993: 555). The SAP managed to return to power through these elections. However, this was not thanks to this new twist in the wage-earner fund struggle, but despite it (Lewin in ibid.). Rather, their electoral success was the result of the failures of the centre-right governments of the late 1970s and early 1980s.

A long structural crisis had hit the Swedish economy between 1975 and 1979, the consequences of which were now carried over to the SAP government chosen in the 1982 elections. As Mjöset shows, the factor behind this crisis was not, although frequently argued by both leading economists and the centre-right parties in power, legacies of solidaristic wage policy and the commitment to full employment, but rather mark-up pricing by the large corporations "as pricing became competitive in their sectors" (1987: 437-438). These corporations demonstrated both inertia and flexibility in that they failed to adopt offensive production strategies, while succeeding in expanding their market shares in the US economy (ibid.: 439). Indeed, Sweden's "industrial performance was actually among the weakest in the OECD" (ibid.: 437). This was not the least due to SAF's move, as part of its free enterprise campaign, to reject the EFO model as redundant, and thereby central wage-bargaining, in order to fragment LO (Blyth 2002: 212). This, as I argued in chapter 3, initiated the disconnection of productivity growth from 'real' wages, and thus the undermining of Swedish disarticulated Fordism. Moreover, a growing budget deficit, partly due to the application of a set of, arguably, insufficiently expansionary Keynesian policies by the first centre-right government, was covered by foreign credit, which merely served to compound this deficit in the context of the second oil crisis in 1979-1980 and resulting hiking interest rates. The 1979 government, strongly supported by SAF and led by the neoliberalised Moderate Party (Ljunggren 1992: 393-400), initially continued this "policy fumbling", but soon controversially adopted austerity measures, embarked upon the retrenchment of the pension system and devalued the currency in order to tackle the growing deficit, but thus came into conflict with the labour unions over growing unemployment, wage and welfare policy (Mjöset 1987: 448). The lack of investment capital had not either been tackled.

What the SAP government faced at their return was thus the legacy of the policy fumbling, a failing austerity programme and an export sector reluctant to rationalise.

More fundamentally, however, they faced a crisis of legitimacy as the economic aesthetics formed under the golden age of the Swedish model had been shaken to its very foundations through the economic policies of rationalising structural transformation and the radicalisation of labour in the late 1960s and early 1970s. Nevertheless, the shift to 'Third Way' politics in the 1980s furthered individualism and transformed the perception of the welfare State in daily life. This constitutes the second crisis of Swedish social democratic capitalist modernity.

IV The Second Crisis of Swedish Disarticulated Fordism

Back in government, the SAP thus faced a legacy of crisis inherited from the centre-right governments 1976-1981. However, the labour movement as a whole was suffering from a deep legitimacy crisis and had primarily returned to power due to its adversaries' failures to tackle the crisis. Indeed, "[t]he crisis was our greatest asset" (my transl., Jan Wallander opening quotation in Grassman 1986). There was a clear understanding within the dominant elements within the SAP that a new path had to be sought, which renewed the labour movement's position of power in Sweden.

(a) The Swedish 'Third Way'

Released before the elections and leading up to the elections in 1982, two documents can be seen as foundational for the new 'Third Way' orientation of the Swedish social democrats. Firstly, a group of social democratic economists had at the end of the 1970s turned towards the adoption of monetarist Neo-classical Economics. These had been influenced inter alia by changes in business accumulation strategies, perceived changes of structural constraints and cumulative socialisation effects caused by decades of capitalist state management (Ryner 2004). Over a short period of time, there had been a rapid shift within the Swedish economics community towards Neo-classical Economics, and conformity was effectively policed through the channelling of research funding (Grassman 1986: 59-67; Sverenius 1999). Inflation and budgetary deficits were the greatest enemies of the economy. These economists quickly became highly influential within the SAP and strongly contributed to the "changing of mind" (Steinmo 1988) of social democratic economic state managers.

In February 1981, six of these economists published a famous article in a social democratic journal called "Here is the bitter medicine" (my transl.).[53] They argued that the right-centre government had not done enough to deal with the crisis and now budget deficits were at a record high, which in turn led to rising inflation. Consumption, public as well as private, was crowding out profit-driven investment into productivity and hence the competitiveness of the export-driven economy was seriously affected. The public sector had been allowed to expand excessively and the welfare State was automatically growing out of hand: "this means in explicit terms, unfortunately, that cuts have to be made in the rate of expansion of health services, childcare and education as well as *significant cuts in some of the larger transfer systems*" (my transl. Eklund et al. 1981: 2). Moreover, high marginal tax rates had enabled the middle class property owners to take high interest loans to fuel their swelling consumption. Hence, interest rates had to be raised in order to make borrowing more expensive. Private consumption was propped up by a social democracy, which now had to tackle the situation head on and accept necessary

[53] In Swedish the title was "Här är hästkuren".

adjustments. Thus, in contrast with the traditional profit-squeezing policies of the SAP and LO, increased corporate profits were now considered necessary to boost productivity and competitiveness, and this “the labour movement of today has to accept!”, if full employment and equity were to be reinstated (my transl. ibid.: 1). If LO would politically accept this situation and use its traditional channels of reaching out with the information, the Swedish citizenry would certainly accept the necessity of these adjustments (ibid.: 3).

Eklund et al. called upon the SAP-convened ‘Crisis Group’, which was due to present its report at the 1981 party congress, to not shy away from ‘this reality’. The Crisis Group did not disappoint. Its “A Future for Sweden” (*Framtid för Sverige*) was formulated as a veritable manifesto for a Swedish ‘Third Way’. The text, frequently vague and abstract, reformulated traditional social democratic values and principles in a neoliberal direction, yet was still framed within a traditional Social Democratic discourse. ‘The future’ involved the balancing of pressures for continued improvements in the standard of living with necessary budgetary restraint. Not only was it deemed necessary that everyone had to contribute to pulling Sweden out of the economic crisis, but the Swedish ‘Third Way’ sought to bring the future back to the present, to people’s daily lives. Echoing the SAP economists’ argument, albeit in more politically acceptable terms, that a wealth transfer from wage-earners to corporations had to take place, the road to economic stabilisation and private investment lay in elaborate austerity measures and budget cuts (SAP 1981). Thus, indeed, Swedes’ daily lives could be expected to be immediately affected by the ‘Third Way’. In the ensuing electoral campaign, the imagery of crisis was critical to both illustrate the failures of the preceding centre-right governments, but also to justify the new ‘Third Way’ policy direction. As soon-to-be finance minister Feldt admits, “[w]e tried our very hardest to instigate a consciousness of crisis” (my transl., opening quotation in Grassman 1986). The contingent was rendered necessary.

However, the project of these SAP ‘reformists’ was not met with open arms. As Lundberg argues, [t]he third way resulted in tensions within the [labour movement, within the] party’s leadership,…between union and party and in between different ministries” (2003: 234). More specifically, the reformists, with Feldt in the forefront, advocated an ‘economically realist’ policy package with continued austerity measures and one final devaluation of the Swedish *Krona*, in order to give the export industry the foundation for a new phase of growth and to reduce the budget deficit (Feldt 1991: 30-98). Feldt spoke about concrete solutions to the unprecedently difficult situation rather than sticking to an unrealistic adherence to social democratic ideology. Posts based on historical compromises in the state budget were questioned, which were deemed untouchable to the SAP ‘old guard’. Regaining control over the national economy was argued to imply a fundamental probing into such long-standing commitments such as indexations and traditional expenditure posts.

Nevertheless, inflation was on aggregate far from exceeding the OECD average. Moreover, as Grassman has emphatically shown, the idea of a threatening budgetary deficit was largely a political spin inflated by unscrupulous politicians and unknowledgeable media (1986: 85). These disagreements and thus seemingly politically motivated constructions added fuel to the fire within the labour movement and, as Lundberg claims, [m]uch speaks for that the issue of pensions was positioned at the centre of this over-arching discussion and that it expanded an already existing fissure within" the movement (2003: 234).

In the midst of cutbacks, austerity measures and overall language of 'economic realism', the symbolic significance of the ATP system was demonstrated as the SAP vowed to restore the value guarantee of pensions in order to ensure the support of the rank-and-file social democratic voter. As Lundberg points out, it is in this context extraordinary to find the retained, if not strengthened, commitment to the values underpinning the ATP-system. The bourgeois government's removal of the value guarantee was framed as a clear assault on the principle of de-commodification. The ATP-system was referred to, at a special session on social insurance and pension provisions at the 1981 party congress, by Sven Aspling, top member of the SAP, as our time's greatest institution of social security, 'the jewel in the crown' of the Swedish system of redistribution (Lundberg 2003: 118). While other supposedly costly historical commitments were to be profoundly questioned in the name of economic realism in order to clean out the state budget, pension provisions were to be guaranteed at any cost. The cost of restoring the ATP-system was considered independently from the threats and the fears expressed in the context of the precarious economic situation. Undeniably, "at the congress pensions were made into a kind of yardstick for the party's continued adherence to Social Democracy" (my transl., ibid.: 120). Yet, in the context of the sizeable devaluation of the *Krona* immediately after the elections, restoring the value guarantee was a slender compensation.

This can be seen as a strategic move by the SAP. Still, economic aesthetics in daily life revolved, to a significant degree, around consumption, income security and the welfare State. As Svallfors argues, the welfare State, funded by high taxes, was an unchallenged and significant part of Swedish daily life (1989). Had it not been for the SAP's credibility in restoring income and pension security after the elections, it would have struggled to return to power in 1982. The LO-SAP watered-down wage-earner proposal had certainly not provided the SAP with any electoral gains, rather the opposite (Pontusson 1993: 555). Yet, already in 1984 a parliamentary commission was set up by the SAP government to review the ATP system following the identification of another burgeoning threat to the welfare State – inverted Malthusianism. This will be discussed further below.

However, the ATP system was losing its significance as a mediating mechanism in the economy, particularly in relation to the supply of investment capital. As wages were failing to keep up with price developments, the credit provided by the AP Funds to the economy was shrinking relative to other sources of investment capital (Pontusson 1984: 64-65). The market for bonds through which the AP Funds was issuing this credit had become less significant with the growth of other financial markets, and with the defeat in the wage-earner fund struggle collectively owned equity had been effectively ruled out as a policy option. The SAP government's reply to the call for increased private equity savings was the launching of the tax-exempted Public Savings Scheme (PSS) campaign (*Allemanssparandet*), following the elections. The right-centre government had, in the previous year, sought to increase private equity savings through the Tax Fund (*Skattefond*) initiative. Prior to these initiatives, Swedish households held such savings to a relatively limited degree (Klevmarken 2006). Combined, however, they led to a mass popularisation of private saving forms, which continued in the 1990s (Grip 2001). While these different initiatives were part of the political struggle between the SAP and the neoliberal alliance, together they represented the burial of any meaningful wage-earner fund initiative. This can also be seen as the point from which LO became increasingly marginalised from the processes of economic policy-making. The neoliberal Tax Fund initiative was a weapon against LO, whereas the SAP's PSS campaign symbolised a break in the relationship between SAP and LO (Lounsbury and Jonsson 2004: 27-35). After having lost both the 1976 and 1979 elections partly due to its continued support of the wage-earner fund campaign, the encouragement of household equity savings through the Public Savings Scheme marked the neoliberalising SAP's estrangement from the radical elements within the labour movement and a distancing from the idea of wage-earner funds when returning to power in 1982 (Feldt 1991). Furthermore, the boom in private retirement savings was even causing worries about the ability of the ATP pension system to survive the competition (Dagens Nyheter 30/12/1982). By encouraging private equity savings, an even larger part of the wage-bill was transferred to corporations.

Yet, this transfer was the underpinning implication of the 'Third Way'. It meant the tendential replacement of the Rehn-Meidner model's combination of efficiency and equity with a neo-classical outlook emphasising the dual commitment to price stability and efficiency. However, this could not be achieved without the cooperation of LO in single-handedly restraining wages, following SAF's move to stop central wage-bargaining (Blyth 2002: 221-2). Hence, SAP put pressure on LO to restrain wages, however its much weakened control over wage-setting[54] rendered LO incapable of preventing wage-drift meaningfully. Consequently, LO took “a less cooperative stance with the state” (ibid.: 221). As the 1982 devaluation turned out unnecessarily sizeable, import inflation added to the “distributional anxieties” of an increasingly isolated LO:

> [i]n such a situation, when the state was seen by labor to be abrogating its commitment to equality and universalism through its new distribution policy, when the burden of the solidarity wage and increased import costs fell all the more heavily on the unions, and when business was seen to be reaping profits from what LO perceived as a zero-sum redistribution, the unions themselves started to turn against the third way. (ibid.: 222)

This resulted in the so-called ‘War of the Roses’ (*Rosornas Krig*) between the SAP government and LO. As Ryner argues, “[b]y the mid-1980s, neo-liberal norms had also permeated social democratic state-management circles, especially in the Ministry of Finance and the Central Bank” (Ryner 2002: 114). The new constitutionalist policies of the SAP party had resulted in a serious rift between the two axis powers of the Swedish labour movement (Goldthorpe 2001). The SAP party had moved towards the political centre and emerged now more distant from LO and closer to the centre, and the neoliberal ideas of the centre-right parties. The ‘Third Way’ had become “deliberately compensatory neo-liberal” (Ryner 2002: 126).

Yet, given SAP fears of worker disaffection leading up to the 1985 elections, finance minister Feldt nevertheless reluctantly went ahead with a compensation to pensioners for the reduction in pensions that the excessive devaluation had caused (Svensson 2001: 55). Again, the SAP commitment to the ATP pension system helped to re-elect the SAP. The processes of financial deregulation of the 1980s were going to lead to even further fragmentation of the labour movement.

[54] Metall and engineering workers had opted out of central wage-bargaining by 1983.

(b) Financial Deregulation in the Swedish 'Third Way'

The SAP government's deregulation of finance in the 1980s was almost wholesale, and driven by a small elite having the resources and the skills to construct a discourse of necessity to incorporate effectively the higher echelons of the Swedish economy and at the same time paralysing opposition (Blyth 2002: 219; Boréus 1994). It should also be understood against the background of substantial transformations in the world economy with its consequences for labour. Technological advances facilitated the intensity and extensity of capitalism and re-organised production processes away from the Fordist-Taylorist production process and towards transnationalised patterns of post-Fordist production, as accompanied and enabled by innovation in the financial markets, in turn facilitated by the suspension of the Bretton Woods system and offshorisation. In Sweden, financial intermediaries, generally created by the large commercial banks and operating beyond the organised credit market, emerged in the 1970s and 1980s for the purpose of circumventing the regulations of the Central Bank. However, also high-profit engineering firms like ASEA, Alfa-Laval and Volvo had turned to the creation of financial subsidiaries in order to reduce their dependency upon their 'house banks' (Olsen 1991: 128). As I argued in chapter 3, labour union power was weakened by these processes and thus had less capacity to provide the 'life insurance' required for the financial institutions of the 'Swedish model' to be sustained. Now, with the SAP government forced to deregulate the financial system, as expanded regulation seemed pointless (ibid.), remaining labour union control over investments was largely eradicated. In this context, the financial lobby emerged as highly influential in the policy process (Svensson 2001: 254-270).

Liquidity quotas were abolished (whereby banks and financial institutions such as the AP-fund were required to invest ‘excess liquidity’ in government bonds) and the Central Bank started to finance its debt through open operations on the bond market, which became increasingly ‘deep’ through the emission of a number of bond types. In 1985, the entire range of emission controls, borrowing ceilings, penalty rates, and administratively set interest rates were abolished, resulting in market-determined interest rates. There was a ‘big bang’ on the bond and stock markets. The annual turnover on the Swedish stock exchange increased rapidly from about SEK 5 billion in 1980 to 160 billion already in 1985.

A credit-induced real estate bubble emerged as banks and financial intermediaries rushed to capture ‘good debt’, taking the ‘poor debt’ as a necessary evil. Meanwhile, “the tax reform of the century” had been introduced by Feldt leading to the further boosting of private consumption and lending (Blyth 2002: 225). The deregulation of banking and credit markets had allowed the growing financial sector to offer households new forms of savings on the basis of tax breaks, particularly after the tax reform, and integrated services across the politico-historically separated spheres of banking and insurance in the Swedish economy (Berg and Grip 1992).Yet, as exchange controls had not yet been lifted to ventilate the bubble, “asset prices and commercial real estate prices skyrocketed” (ibid.: 224). The abolishment of foreign exchange controls in 1990 (Svensson 2001: 80-88; Reiter 2003: 109-11), however, only served to further inflate the bubble as even more speculative capital took forward price positions in the markets. Behind the removal of foreign exchange controls lay interests representative of both Swedish transnational corporations and the financial sector, which had become eager to expand into new markets and increase exit opportunities (Bieler 1999: 28-9). In addition, in 1985 the government introduced a ‘norms based’ monetary policy (*normpolitik*), with the aim of ‘sterilising’ financial flows. In short, a total U-turn had been completed, whereby financialising market discipline was significantly intensified in the mould of disciplinary neo-liberalism (Ryner 2002: 148-53; 2004).

The reforms initially resulted in institutional incomplementarity of economic policies, with massively destabilising pro-cyclical macroeconomic effects. In the long upturn 1983-1990, investment rates did, as desired, increase, full employment was maintained, and budget balances were restored without significant welfare cutbacks. However, productivity rates did not increase, wage drift became rampant; high and variable interest rates and asset price inflation added momentum to wage drift. Unionisation rates remained high, and compensatory wage bargaining exacerbated inflation and overheating. The consequence of the policy mix was that the full employment commitment had to be abandoned amidst runs on the currency in 1990.

Although largely successful for much of the 1980s, the disillusionment with SAP economic policies had with these changes become inescapable for the government by 1991: “underlying tensions manifested themselves dramatically in the form of strikes, leap-frog wage-bargaining and capital flights, and a plummeting of support for SAP” both in Sweden and beyond (ibid.).

(c) The 1990s Consolidation of Compensatory Neoliberalism

The economic downturn that followed between 1991 and 1994 was severe, and exposed weaknesses in the financial system. Massive loan defaults resulting from a quick increase in unemployment and a sudden switch to high real interest rates led to a virtual meltdown of the bank system in 1992. Overnight lending rates were increased to 500 percent to defend the exchange rate against speculation as the budget deficit skyrocketed due to bank bailouts, interest-, and unemployment insurance payments, as well as, importantly, a failing *normpolitik* tying the *Krona* to the ECU (Blyth 2002: 229-230). Interestingly, in the dying days of the social democratic administration of 1991, the SAP had met the long standing demand of LO by removing the restrictions on the AP Funds to invest in shares. This was, however, not, in any sense, a socialist move. The AP Funds no longer had the same impact on markets characterised by a much higher degree of capitalisation. In the new context, AP Funds also faced risks and incentives that compelled them to operate just like any other institutional investor. Subsequently, the AP Funds played a highly significant role in speculating against the *Krona* during the 1992 run. Also, at this juncture, Swedish corporations abandoned corporatist arrangements in efforts of defensive consolidation (Sandberg 1995).

The centre-right government of 1991-94, led by the neoliberal Moderate Party's Bildt and strongly supported by SAF, sought to further neoliberal restructuring. This neoliberal 'social bloc' openly targeted what remained of the 'Swedish model'. Again, a discourse of 'no alternative' was constructed. Union interference with the economy, the welfare State and the politically dependent central bank were blamed for the crisis (Blyth 2002: 229-230). Two immediate solutions were identified. Firstly, business was called upon to exit indefinitely tripartite cooperative forms (Blyth 2002: 228). Secondly, SAF drew up “a detailed plan for the complete privatization of the welfare state by the turn of the century” (Pestoff 1991: 153). These were justified on the grounds of market efficiency and consumer choice, resulting in the establishment of a public-private mix. As private solutions were primarily made accessible to the affluent, a two-tier system of welfare provision was in the making (Blomqvist 2004).

Yet, a strong discursive undermining of welfare state institutions dated back to 1988, and SAF’s intensified campaign in targeting these for privatisation. This had the desired effect of increasing private savings rate (Pettersson 1993: 26), raising equity ownership to 60% by 1994 (Fondbolagens Förening 2004). This in turn served to undermine the role of these systems. Thus, now, also the processes of financialisation of daily life were underway, but had to be cemented in the face of potential resistance. Two interlinked initiatives of cementation stand out after 1990: membership in the EU and pension reform.

EC membership had become attractive to SAP finance minister Feldt in 1988, and the bourgeois parties saw it as enabling the locking-in of anti-inflationary policies. Joining the single European market had been pushed for by transnationalised Swedish capital and the financial sector, but also export-oriented unions, although for conflicting reasons (Fioretos 1997: 295-7; Bieler 2003: 394). Much of the labour movement supported it too, as they saw it “as an arena for countering transnational capital and for combating unemployment at a broader level” (Bieler 1999: 40). The SAP government had announced in late 1990, without involving the LO, that in dealing with the growing cost crisis, there was no alternative to applying for EC membership and to adopt "its neo-liberal economic policy embodied in the Internal Market and the convergence criteria of the Economic and Monetary Union (EMU)" (ibid.: 22). The new neoliberal government came to see the Maastricht convergence criteria as the key to attaining changes in the investment system revolving around the AP funds, as well as in the tax and credit systems. The investment politics of Swedish social democracy were, nicely put, considered 'sub-optimal', and a threat to the competitiveness of the Swedish economy. By joining the EU, a strong degree of neo-liberal 'path-dependency' would be secured, as an external disciplinary environment would be imposed on economic and monetary policy-making (Blyth 2002: 231-4). The 1995 accession to the EU practically dismantled the investment politics of the 'Swedish Model'. The 1993 informal decision to make the Central Bank (*Riksbanken*) independent made accession largely inconsequential for monetary policy (Lindvall 2004: 127).[55]

The Swedish welfare state entered into crisis in the early 1990s, partly as a consequence of the deployment of the discourse of inverted Malthusianism. A key target was the ATP pension system, which already in the mid-1980s had become regarded as a stumbling block to the "international process of deregulation and increased financial sophistication" (Konjunkturrådet 1986: 73), by neoliberal forces. Pension reform was understood as critical for the deepening of financialisation and the discursive construction of inverted Malthusianism became absolutely fundamental to the achievement of this objective. SAF, enthusiastically supported by the financial

[55] The Central Bank was rendered formally independent in 1999.

lobby, paid considerable attention to driving home the seriousness of these threats, resulting in politicised debates in the ATP Review Commission launched in 1984 (interview 1, 2005). During these, suggestions of parametric reform, implying an extension of the so-called 15/30 principle to a 20/40 alternative, were dispensed with (Lundberg 2003: 157).[56]

Instead, the ATP pension system became increasingly framed as the bearer of "systemic risk" (e.g. Lindbeck 1998). The frequent political interventions into the institutional structures of the system were portrayed as the causes and evidence of opacity, instability and systemic inflexibility (see Kruse 2003). Systemic risk was conceived as an undoubtedly negative notion exposing the individual to undeserved, uncontrollable financial risks. This de-collectivisation of the Swedish economy was frequently reflected in large-scale advertisement campaigns deployed by the financial industry inciting fears of substantially lowered levels of consumption in retirement. These campaigns promoted financial services providing individualised, market-based, solutions (e.g. Banco Privatpension 1992-3). Thus, individual financial risk with regard to pension savings became presented as positive and associated with the "autonomisation", freedom and "responsibilisation" of the self (Rose 1999: 154), pushing for the appreciation of market efficiency and individual risk-taking. These processes combined to make fears of systemic breakdown widespread, which in turn strongly contributed to bringing the percentage of household savings in mutual funds to the 70% mark in the late 1990s (Fondbolagens Förening 2004; Grip 2001).[57]

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[56] The 15/30 principle implied that in order to receive pension benefits based on the 15 best income years, wages had to be earned for at least 30 years.

[57] It should be noted that the ATP system had an in-built ceiling for pension entitlements. Income over this ceiling did not generate pension rights. As this ceiling was not adjusted for inflation and wage

Following the election in 1991, the neoliberal centre-right government called together a parliamentary Pension Reform Commission to reform the ATP pension system. The 1984 committee had failed to produce any proposal due to its politicisation. This time, politics was not going to be allowed to stand in the way for reform. The Commission had been given the unofficial mandate of designing a structural reform. Yet, given the political significance of the ATP system, such radical innovations had to be presented as parametric 'reform', not structural novelty. The strong public interest in the reform made the radical reform process vulnerable to politicisation and external influences. The membership of the Commission was therefore selected to ensure cohesion, or the 'economics seminar' spirit, which had characterised the commission tasked with designing the ATP system in 1959. The Commission also moved to minimise the direct involvement of labour unions and business. Thus, the Commission worked in relative isolation from external pressures and with a strong emphasis on a consensual process of problem-solving. The members of the Commission that opposed this method were soon marginalised. The elites of the core political parties, consisting of the centre-right parties in government and the SAP, stood behind the work of the Commission, however the latter lacked a solid grounding in the mass party organisation. Instead of inspiring to public debate, the Commission, once the reform proposal was presented in early 1994, cut the debate as short as possible. The proposal encountered plenty of resistance, particularly from within the labour movement but also from a smaller number of journalists, intellectuals and state technocrats. The

increases, supplementary and private pension arrangements grew more popular among the affluent middle-classes, and the ATP system was gradually reduced in significance (see Lundberg 2003).

introduction of the PRS proved particularly agitating and neoliberal.[58] Protesters in the labour movement, frequently representing areas outside the urban cores, identified increased financial risks, the de-collectivisation of risk and unevenly possessed levels of financial literacy as particularly unfair with regard to their participation in this system. However, voices of resistance were soon silenced by the elites of the reform-sponsoring parties (Lundberg 2003: 247-278), as well as by the responsible state officials. The SAP top organisation went so far as ignoring an extremely large number of protests at the ensuing party congress as well as from various representatives from the labour unions. Indeed, it would be tenuous to claim that the pension reform process had a firm grounding in public opinion.

Nevertheless, and actually particularly for this reason, much of the international community of pension experts embraced the reform process as exemplary, as I argued in chapter 1. The looming conflicts within the Swedish economy over the pension reform were thus effectively pre-empted by avoiding public debate and reaching a party-political consensus across the left-right divide (Lundberg 2003). This conflict pre-emption served to further fragment the labour movement and additionally distance the SAP from LO.

[58] The representative of the former Communist Party (*Vänsterpartiet*) Ulla Hoffman has been highly critical of the pension reform, both in terms of design and process (e.g. 2005). With regard to the latter two groups of opponents, some were more vocal than others, for instance the former head of the Swedish Social Insurance Administration (*Riksförsäkringsverket*), KG Scherman (e.g. 2000; 2003), political journalists Johan Ehrenberg (2000), Anna-Karin Bratt (2000) and Dan Josefsson (2003), author and professor of literature Sven Lindqvist (2000, as well as a series of newspaper articles and other) and Agneta Stark (1993; 1994; Lindqvist and Stark 1996). Also noteworthy are Jan Hagberg and Ellis Wohlner's contributions (2002; 2004). Notable is also the manifestation against the introduction of the PRS on the 31st of October, 2000, when a number of demonstrators symbolically burnt the information they had received from the PPM encouraging pension savers to make active choices between the accredited fund managers (www.geocities.com/lyckligmedborgare).

These arguably undemocratic moves may not be so surprising given that the new system was intended to ‘retrench the system for pension provision in Sweden, undermining a return to a defined-benefit system and exposing the individual to a greater range of risks in relation to the economy (Hacker 2004). Nevertheless, the turn to the hybrid, risk-privatising pension system, as discussed in chapter 1, was presented by the SAP as providing substantial and universalist pensions in the traditional language of social democracy. According to Cichon’s argument presented in chapter 1, the Swedish ‘Third Way’ reform is not “a new type of pension formula”, but rather “a novel pension policy instrument”, designed to obscure the shift in underpinning values and norms from tendentially oppositional elements in the electoral base, particularly labour and pensioners’ organisations (1999: 1). Re-commodification through state-sponsored financialisation was accordingly either obscured as marginal or presented in positive and necessary terms, as drawing upon the growing tradition of private equity savings since the early 1980s and as generating greater cost-efficiency and individual consumer choice. The risk-socialising ATP system was being replaced by a risk-privatising system, yet nothing was going to change. I will, of course, return to a discussion of this shift in the next chapter. At this point, however, I want to make the claim that this pension reform amounts to a key component in a project, which could be labelled ‘subversive neoliberalism’. Under adverse political conditions, subversive neoliberalism aims to construct the financialisation of daily life gradually as ‘normal’. Thus, the cultivation of a mass investment culture is sought. As such, this pension reform can be seen as a crucial element in a new accumulation strategy striving towards the formation of a Swedish coupon pool capitalism, the foundations of which were laid in the mid-1980s with financial deregulation.

Despite this strategy of locking-in neoliberalisation, paradoxically, neoliberalisation itself was, at least in the short-term halted in this period. The combination of high unemployment and devaluation effects, gave incentives to both labour and business to conclude coordinated mesocorporatist deals, resembling the German model (Pontusson 1997). Such coordination now became subject to market discipline to a greater extent than before and it resulted in wage segmentation. Replacement rates in social insurance were also reduced to stabilize the budget.

The social democrats returned to office in 1994 drawing on traditional social democratic imagery. The UK *Guardian* reported that SAP's return to power was "interpreted in Sweden as…a fierce determination among the voters to protect the extensive welfare system, which came under sustained attack during Bildt's tenure" (in Blyth 2002: 236). This SAP government administered fiscal consolidation and its tenure coincided with a rather impressive economic recovery. The SAP government also came to embrace a move by the neoliberal 1991-1994 government to inject a relative flexibilisation of the labour market, inspired by European developments. The services provided by the public labour market board (*Arbetsmarknadsstyrelsen* (AMS)), strongly linked to LO and TCO interests, were complemented by the invitation of private recruitment firms (Manpower, Proffice, etc.) to generate further flexibility on the labour market. Yet, the activities of private recruitment firms were circumscribed in order to avoid labour market segregation (Svensson 2001: 128-9).[59] Moreover, unemployment compensation was reduced by 10% and rules and conditions

[59] Svensson states that in 1998, 0.5% of the labour force was employed by these private recruitment firms (2001: 129).

for compensation were sharpened between 1992 and 1998 to generate further incentives for the unemployed to seek re-employment. Supposed potential moral hazards created by unemployment benefits were thus targeted. The result was that very few reached the maximum income replacement level of 80%, which engendered a system of compensation possible to characterise as basic. Consequently, "unemployment was made more threatening and risky to the individual" (my transl., Svensson 2001: 140). These developments represent a partial recommodification, a process which a weakened LO 'on the defensive' came to embrace (Nyberg 2001: 311-326). Nevertheless, welfare universalism remains, and in comparative terms social expenditure levels are still high. Moreover, the popular support for these cornerstones of the 'Swedish model' continued to be substantial (Svallfors 2001). This is despite the fact that the everyday became bombarded with neoliberal discourses undermining the public sector and the welfare system on the grounds of inefficiency, lack of consumer choice, anti-state paternalism (see Boréus 1994) and inverted Malthusianism. The economic aesthetics shaped during social democratic capitalist modernisation seemed, at least on the surface, to stay intact despite this extended period of crisis in social democratic subject-formation. However, the impact of the 1999 pension reform on these economic aesthetics remains uncertain and is thus the subject of the next chapter.

V Conclusion

This chapter has sought to provide a highly selective, yet hopefully illustrative, account of economic restructuring and subject-formation in the Swedish economy up to the introduction of the new pension system in 1999. More specifically, I have discussed the emergence of Swedish social democratic capitalist modernity through the formation of Swedish disarticulated Fordism in the post-war period. A hegemonic societal paradigm complemented a hegemonic accumulation strategy in the 1950s and 1960, a unique condition for which the 1958 ATP pension reform was absolutely critical. Indeed, Swedish disarticulated Fordism received its institutional complementarity through the ATP pension system, which thus can be seen as at the top of the institutional hierarchy. During this period of capitalist intensification, economic aesthetics became dislocated, which brought mass consumption to the fore of Swedish daily life. However, the social democratic management of Swedish disarticulated Fordism involved brutal socio-economic processes, which finally caught up with the labour movement during the late 1960s and 1970s. Labour was radicalised under the influence of Cold War politics and challenged the SAP and LO to push for the democratisation of the economy. This constituted the first crisis of Social Democracy in Sweden. The response from SAF and the centre-right parties was strong and increasingly neoliberal. The SAP of the 1980s sought a political space further to the centre in order to challenge the centre-right, which had won consecutive elections at the end of the 1970s. The 'Third Way', nevertheless, estranged the SAP from LO as it embraced neoliberal ideas of financial deregulation at the expense of the Rehn-Meidner model. The 1990s were characterised by a further shift towards neoliberalism, its consolidation and a seeming consensus around the formulation of a subversive neoliberal project aiming at the financialisation of Swedish daily life through the design of a new pension system. Still, Swedish economic aesthetics are strongly in tune with a risk-socialising welfare system, which secures consumption.

Blyth (2002: 246) asks: "[t]he key question for Sweden is, will the lack of public support for these new [neoliberal] ideas and the policies they augur prevent their consolidation, or will such an order be constructed *despite* the wishes of the majority?" This particular formulation of the 'Swedish question', however, seems dangerously to overemphasise the power of political elites and to neglect the power of daily life. Had it not been for the fears of the political elites with regard to pension reform, there would have been limited reason behind a subversive approach to it.

Yet, is it not possible that 'the majority' can be 'convinced' of that risk-privatisation and financialisation are, if not immediately desireable, necessary? Cannot an imposed regularisation of risk-oriented practices in daily life contribute to a shift in economic aesthetics towards the acceptance of risk-privatisation? In particular relation to inverted Malthusianism, as Offe (1987) argues, such a 'necessitarian' discourse could very well become self-fulfilling. As Hay argues, there is a tendency, since the rise of neoliberalism, that the assumptions of Neo-classical Economics increasingly have become internalised by human agents as normal (2004). As I showed in chapter 1 and will continue to show in the next chapter, the new pension system, as the embodiment of the project of subversive neoliberalism, entails a considerable challenge to the stability of social democratic economic aesthetics in Sweden. If the new risk-privatising pension system becomes considered a legitimate and normal element of the economy, what remains, in terms of a breeding ground for social democracy in Sweden, promises to be substantially diluted. Moreover, if financialisation of daily life occurs, the 'Swedish model' may be replaced by a Swedish 'coupon pool capitalism' in the matter of two decades. The next chapter therefore assesses, building upon the questions posed at the end of chapter 3, the success of the new pension system to contribute to the normalisation of neoliberalism and the financialisation of daily life in the Swedish economy. Its success would imply the third, and potentially final, crisis of Swedish social democracy with its adherent consequences for social democratic politics in Europe and beyond.

Chapter 5: An Assessment of the New Pension System and Its Capacity to Generate A Mass Investment Culture in Sweden

I Introduction

As I argued in chapter 4, the de-commodifying 'Swedish model' had been largely dismantled by the late 1990s. What remained on the level of formal economic institutions was a rather rigidly regulated labour market and substantial welfare provisions. Support for these 'leftovers' continued to be high in daily life, also across different social divides, on the basis of retained norms of solidarity and secure mass consumption. The 1999 pension reform, however subversively presented, promised the introduction of a new *Zeitgeist* in the Swedish economy, as the new risk-privatising, hybrid system, discussed in chapter 1, was consistent with the neoliberal ethic of individualizing costs and limiting the redistribution of resources. The new system considerably increases the exposure of daily life to financial market discipline. It should thus constitute a critical case study for the project of subversive neoliberalism's ability to transform Swedish daily life into a mass investment society, which is capable of supporting a neoliberal accumulation strategy of creating a Swedish coupon pool capitalism. It seems as if the new neoliberal *Zeitgeist* has to be accepted and internalised for this to occur in a social context that still harbours a strong adherence to traditional social democratic values, norms and practices. This chapter therefore assesses the reception of the new Swedish pension system in order to develop an understanding for the depth of social democratic economic aesthetics in Sweden at this critical juncture for social democracy in Europe.

Firstly, however, the chapter briefly discusses the state of the Swedish economy in terms of financialisation and market exposure at the Millenium. Against this background, the new pension system is reintroduced (following the outline in chapter 1) and the project of popularising the new pension system is analysed. Subsequently, the method of assessment, in light of the Regulationist-SSIP approach developed in chapters 2 and 3, is presented. Thirdly, tendencies and divisions, as related to variegated economic aesthetics, in the popular reception of the system are identified through the evaluation of six criteria. This brings the chapter to a preliminary conclusion of the thesis, in which the introduction of the pension system is discussed as a potentially powerful, yet so far failing attempt to effectively expose daily life to financial market discipline. Echoing Watson's (2008) sceptical assessment of the viability of a finance-led growth regime, I point to the inherent contradictions of accumulation strategies seeking to implement such an economic model, particularly in the Swedish case.

II The State of Financialisation at the Millenium

With the 'big bang' financial deregulation of the second half of the 1980s, the Swedish economy became increasingly exposed to financial markets. However, one should take care not to assume a linear development towards financialisation from this point. Rather, as I argued in chapters 2 and 3, this process is contingent upon politics on several levels of the economy.

(a) The Tendential Anglo-Saxification of the Economy

Henreksson and Jakobsson argue that there has been a “general adaptation to Anglo-Saxon policies” in the corporate economy (2003: 98). Financial deregulation has enabled an awesome growth of the Stockholm stock exchange since the mid-1980s. The massive growth of the equity ownership of domestic and foreign institutional investors has resulted in that ownership becoming increasingly diffuse and corporate control more anonymous. As Reiter shows, this diffusion of ownership and control has been significantly boosted by the abandonment of specific voting rights granted by the ownership of the so-called ‘golden shares’, which enabled the Swedish financial spheres to exercise corporate control during the post-war period (2003).[60] Firstly, the promotion of private equity savings has been highly successful. By the late 1990s, 70% of Swedish households owned equity. Symptomatic of this interest in shareholding is the rise in membership of the Swedish shareholders’ Association from 30,000 in 1980 to 141,500 in 2000 (Aktiespararna 2000). The most common reason for shareholding is to save for retirement. Secondly, foreign ownership of Swedish firms has increased from 8% in 1990 to 43% in 2001. The transnationalisation of large Swedish corporations, which started in the late 1970s, has been dramatic (see figure below).

[60] The reason for these large owners’ concession of these special voting rights, originates from the undermining of financial regulation in the late 1970s and early 1980s and the diversification of their portfolios, according to Reither (2003). However, the case can certainly be made that the financial spheres’ continued support, and particularly that of the Wallenberg sphere, of SAF’s and the Moderate Party’s ideological campaigns starting in the 1970s, eventually came to strove towards an economic development, in which these spheres took on a different, more free, role in relation to the Swedish economy.

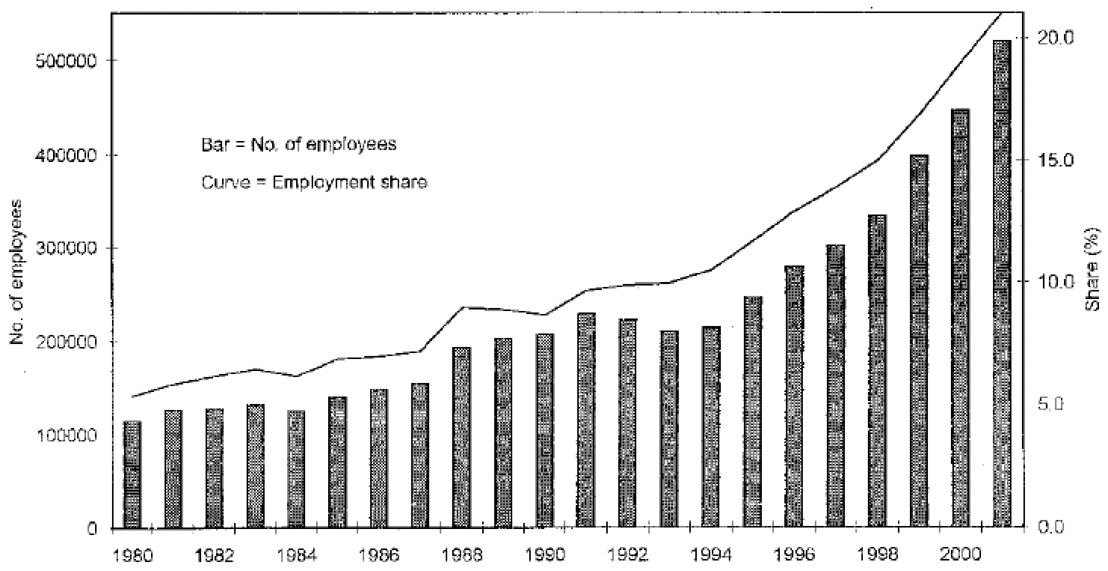

Figure 6: Number of employees in foreign-owned firms in Sweden and their share of all employees in the Swedish business sector 1980-2001 (taken from Henreksson and Jakobsson 2003: 93).

Also, inward foreign direct investment, enabled by the removal of exchange controls in the late 1980s, increased markedly during the second half of the 1990s to around 55% of total gross investment, which could be interestingly compared with the 31% of the 'Irish Tiger' during the same time period (ibid.: 94; for the Irish case, see Smith 2005). What attracts these investments is, however, not only an untapped market, previously protected from inward investments, as Henreksson and Jakobsson seem to suggest (see ibid.: 94). As Hay shows (2004), the data is pointing towards a different scenario. Socially democratic economies in Northern Europe have shown to be the most attractive to research and development-intense firms world-wide. This is supported by Amable and Petit (2001: 25-26), who argue that the social democratic SSIPs, exemplified by Sweden and Finland, are “characterised by their production system’s high level of technological intensity…[and] by their international competitiveness”.

Thus, ownership restructuring in the Swedish economy had clearly surpassed much of that of the rest of corporatist Europe. Swedish corporate governance structures have become increasingly similar to those in the US economy, according to Henreksson and Jakobsson (2003: 96).

De Geer et al. (2003) study the expected clashes between Swedish norms and values of solidarity and conflict-avoidance and the US-style of corporate governance of individualism and confrontation within a traditional engineering firm taken over by a US giant corporation listed on the New York Stock Exchange. They conclude that “there are small signs of a new Anglo-Saxon shareholder oriented model that is gaining ground at the expense of a more traditional Scandinavian stakeholder model” (188). Interestingly, they show that the cultural distance between the two corporate cultures is surprisingly limited (ibid.). Supporting this finding, attitudes towards individual entrepreneurship and free business have changed drastically since the late 1970s. Among young men and women, such attitudes have gone from critical to very positive, with men slightly more positive than women (Henreksson and Jakobsson 2003: 90-91).

The financialisation of the corporate economy certainly concurs with the objectives of the campaigns of SAF and the neoliberal Moderate Party from the late 1970s.

(b) The Partial Re-Commodification of Labour

These tendencies towards the Anglo-Saxification of the corporate economy are, however, paralleled only to a limited degree with regards to the re-commodification of labour. Labour market regulation remains fairly strong. The flexibilisation of labour, through the rapid growth of the private recruitment industry, has undermined employment security and unemployment benefits have been significantly reduced during the 1990s. The welfare State underwent significant changes during the 1990s resulting from the invitation of private providers and the provision of welfare consumer choice. A growing segmentation of the citizenry could be identified between affluent and urban private consumers and less affluent public consumers on the margins of the economy. Nevertheless, as Blomqvist argues, by the late 1990s

> tendencies towards convergence with respect to the organization of the welfare services sector remain as yet marginal. The relative share of private providers is still no bigger than 5–□15□ per cent in Sweden, which is significantly lower than in most other parts of Europe. However, there are reasons for believing that their share, as well as the share of private financing, might increase in years to come. (2004: 151)

With regards to pensions, Swedes had increased their participation in private pension plans significantly from, in 1980, 6% of men and 4% of women to 31% of men and 40% of women, in 2001 (Andersson et al. 2004: 80). Grip (2001) claims that women have since the early 1980s used private savings schemes to a considerably greater degree than men due to wage inequalities and the smaller percentage of women being covered by corporatist pension agreements.

This massive increase in combination with the emergence of mass equity ownership can be seen as an ‘objective’ realisation of a weakened welfare State by the Millenium, but should also be understood as a result of large-scale opinion-making campaigns targeting the welfare State and increased individual shareholding. Certainly, in line with financialisation, it significantly exposes consumption/investment decisions in daily life to the performance of financial markets. Yet, it is clear that a large portion of the Swedish population was not directly exposed to financialisation. Returning to Froud et al.'s qualification of the preconditions of financialisation in chapter 3, it is perceivable that these are not fully met in the Swedish economy. The institutional conditions were not sufficiently there, financialisation is not capable of suspending the macro and monetary effects of employment relations and income distribution and it seems as if the meaning and practices of financial investment are not well-spread. However, this cannot be said even of the US economy, where substantial shareholding is limited to the affluent middle classes.

The Swedish approach to further inject this dimension to daily life was typically universalist Swedish. The new hybrid, 'Third Way' pension system intentionally brought consumption insecurity to the 'People's Home' and further incentives to engage with financial market investment (Hagberg and Wohlner 2002). Consumption seemed to be perceived as reserved for those who had successfully (albeit often temporarily) secured their financial margins. As such, the new pension system serves the purpose of containing inflation through economic stratification. The main pillar, the 'Income Pension' (*Inkomstpensionen*), is designed to reward "each Krona contributed…[with] one Krona of pension credit" (PPM 2002: 29-30). However, pension credits can be accumulated through e.g. higher education, military service and parenting. Still, redistribution is highly limited within this system. As such, it is considered to be based on what the *National Strategy Report on the future of pension* *systems* calls “actuarial solidarity”, rather than on traditional social democratic egalitarian solidarity:

> [w]hat is meant by egalitarian solidarity is that the pension system in the broad sense of the terms, evens out income differentials among those covered, both within and between cohorts. What is meant by actuarial solidarity is that the relationship between current value of pension contributions and pensions received is constant for all individuals and cohorts. (in Lundberg 2003: 348fn.65)

The Income Pension does not guarantee a ‘normal’ standard of living in old age (Forslund, 2004). It is, generally speaking, generating lower pension levels than the ATP pension system and is automatically adjusted, that is without formal political intervention, to changes in the economy’s age structure as well as the growth-performance of the economy (the so-called *Bromsen*).[61] As such, it is intended to provide incentives to endeavour to pay attention to the market opportunities presented in the PRS system and privately.

The funded PRS system, although just absorbing a limited percentage of annual pension contributions (13.5%), combined with the financialisation of all corporatist pension schemes since the early 1990s produce extremely unequal pensions (Svenska Dagbladet 03/08/2007). The principle of ‘equal work, equal pay’ is thus effectively made redundant and replaced with the imperative of acquiring financial literacy in order to be able to take individual responsibility for ones pension. Financial literacy is closely associated with the effective evaluation of financial risk.

[61] Unless an increase in annual wages of 1.6% occurs, the real value of pensions decreases. Settergren shows that between 1960 and 2001, this occurred 17 times (2003: 3). As Forslund (2005: 7fn.7) points to, the National Social Insurance Board (*Riksförsäkringsverket*) calculates that the average yearly increase of the income index was 1.2 per cent for the period 1960-1995.

In the extreme 'pro choice' environment created with the PRS, in accordance with orthodox neo-classical theory and neoliberal ideas of 'consumer choice', effective evaluation of financial risk was presented as critical to success in the individual's saving for retirement. PPM, the state apparatus assigned with explicit socialisation functions (Sweden. SOU, 1998: 87; Sweden. Ministry of Finance, 2005a; PPM, 2006), actively discouraged the choice of letting the index-tracking public pension fund (ironically, the 7th AP Fund) manage pensions. Instead, PPM pushed for the embrace of active and frequent investment practices in the choice of 5 between almost 800 privately managed 'unit trust' funds. This is in agreement, consciously or not, with an accumulation strategy favouring short-term shareholder value strategies over more long-term, productivist growth strategies. Nevertheless, the PPM authority is, in recognition of heterodox, new institutionalist economics, assigned to cultivate norms of equity investment by regularly providing pension savers with information about financial markets. According to Thaler and Sunstein, the role of the PPM can be described in terms of "libertarian paternalism". Largely financially illiterate participants are accordingly "gently guided in a manner that is intended to make them better off", while allowing more sophisticated participants to make their investment decisions freely (in Cronqvist and Thaler 2007: 424-425). As such, it is in its very approach assuming inequality of capability and outcome.

As privatised risk and financial investment remained a rather novel condition to large parts of Swedish daily life, PPM commissioned a mass campaign to spread the meaning of financial risk and popularise practices of financial investment. A private advertisement agency – SJWE – was tasked with the organisation and operationalisation of this mass campaign (PPM 1999). Subsequently, PPM would continue this work itself, but on a smaller scale once a market-friendly meaning of financial risks had become internalised and practices of financial investment normalised.

We must, however, grasp the size of the challenge faced by the PPM and the SJWE advertisement agency in this project to popularise financial risk and investment practices across the class, gender, educational, income and geographical (urban-rural) divides (PPM 1999), which had been shaped by the rationalising economic policies of the labour movement and the subsequent neoliberalisation of the economy. This was fundamentally a project of preference-harmonisation, or the reconstitution of economic aesthetics. This was, of course, no small task.

Hodgson's (2002) study of the role of advertising in the processes of neoliberal restructuring and financialisation in the context of the United Kingdom is instructive for this task. Hodgson claims that

> marketing draws largely on the disciplines of sociology and psychology, as it integrates large-scale demographic/economic surveys and focused motivational/attitudinal research to achieve a social mapping of desire. A key element in this process is the segmentation of the population on the basis of their patterns of consumption." (2002: 322)

On these grounds, marketing proceeds by not merely responding to identified needs, but also by constituting and modifying them, and thereby allowing "us to construct, sustain and remodel the self" (Knights and Sturdy 1997 cited in ibid.). Hodgson (ibid.) goes on to argue that

> marketing technologies aim to construct objective categories summarising in a quantifiable and calculable way differences between consumer groups producing forms of knowledge which enable both the formulation of business strategy and the manipulation of these groups through a variety of marketing techniques.

Such techniques, he claims, are wide-ranging, but nowadays frequently involve a heavy usage of information technology.

Interestingly enough, this is nearly a blueprint copy of the marketing strategy employed by the SJWE advertisement agency when attempting to project the notion of risk onto Swedish daily life. A ‘social mapping of risk appreciation’ was constructed by the agency, outlining what was considered to be the existing sources of segmentation. On this basis, the mass campaign was built employing a wide range of techniques and media to reach out to society, and particularly to those who were identified as having economic aesthetics, which were considered to be inconducive to adopting understandings of risk and practices of risk calculation in their daily lives. This social mapping of risk appreciation identified a segmentation of the Swedish economy into three groups of almost equal size (Interview 3, 2006). A Managing Director of AMF Pension – the indisputably most successful of the large pension fund managers, which is offering its services within the regulatory space of the PRS – confirms this mapping. This Fund Manager Director labels these groups according to the likelihood of them being swayed by the marketing drives of AMF Pension to purchase their financial services: “the willing investors”, “the hesitant, yet potentially persuadable” and “the hopeless”. He states that these divides refer to social class, income, education, gender and habitat (urban-rural) (Interview 2006), some of the most central factors in the continuous construction of the economic aesthetic.

In its communiqué to the SJWE, the PPM made clear that the expectation of public, basic financial literacy, participation and awareness of the PRS as a result of the mass campaign was significantly beyond what the SJWE considered to be a plausible result (PPM 1999):

A. At least 50% of the pension savers should make conscious decisions, i.e. making active decision in the PPM system.
B. PPM should be a well-known concept/brand to 60% of those who can make these choices.
C. 60% of those who have been in contact with PPM, the organisation, should perceive this institution as competent, easy to access and a clear partner throughout working life until the whole of the PPM pension has been paid out.
D. At least 75% of the pension savers should have understood that they can make a decision about how the PPM pension capital can be invested.

Several centre-right members of the commissions, tasked with the design of the new system, have confirmed that this expectation is in line with their objectives of fostering significantly improved levels of financial literacy and increased rates of active participation in the PRS across the divides of the Swedish economy (Interview 1, 2006, Interview 2, 2005).

The strategy used in the campaign included the employment of popular public figures to playfully explain the meaning of financial risk and practices of financial investment (e.g. in DVDs enclosed with the information packages sent out to pension savers). Moreover, following the strategy of the SAP's 1982 Public Savings Scheme initiative, the advertisement agency sought to utilise labour unions and the people's movements for reaching relatively non-financialised segments of the population. This was to be done through community meetings and discussion groups. That is, channels traditionally used to spread social democratic norms and values. In this endeavour, it encountered meanings and practices reflective of radically different economic aesthetics:

> There is a certain respect held for people from the big city/representatives of the State in the countryside, yet there is often a considerable distance in terms of shared values, norms and language, whereas in the big city there is a greater reticence to listen, although the audience is closer mentally. (Interview 3, 2006)

This indicates that the potentials to re-socialise the population through advertisement and corporatist channels were constrained by economic aesthetics. Attitudes to financial services and financial markets seem to be possible to relate to the pervasive, yet uneven, transformations of the Swedish economy. Whilst media-intense processes of financialisation have been central to the ongoing constitution of the relationship between the pension saver and financial markets since the 1980s, receptivity to the campaign seemed linked to the uneven everyday exposure to different types of information about financial services and the financial markets. Exposure to financial messages, concepts and logics of practice depends largely on access to the financial media and the financialised spaces of the urban cores (Leyshon 2004). Also, the daily life networks of popular movement culture have eroded further in the big urban centres than elsewhere.

However, in order to more closely assess the impact of the introduction, as including the mass campaign operationalised by the SJWE advertisement agency and continued by PPM, of the new pension system on economic aesthetics, a method of assessment is required.

III Method of Assessment

This assessment seeks to evaluate the success of the new pension system to regulate the economy, in the sense of the adopted Regulationist-SSIP approach. Firstly, as part of an accumulation strategy emerging out of the ‘big bang’ financial deregulation in the mid-1980s, the PRS is intended to play an increasingly important role, particularly if it is expanded as intended, in a Swedish coupon pool capitalism, in which the shareholder value paradigm is playing an increasingly important role. However, for this to be possible, the 'active' participation of Swedish pension savers is required. Indeed, the 'passive' choice of the index-tracking 7^{th} AP Fund prevents, in accordance with Watson's (2008) argument, shareholder value strategies from being effective in attracting capital. Yet, this active participation requires both receptivity to the ideas underpinning 'active' investment practices and the rejection of traditional social democratic politics of representation, in which equality and risk-sharing are key values and norms. An actively participating daily life can be characterised as a mass investment culture, particularly if it has the choice of being passive as in the PRS. Thus, the emergence of a mass investment culture is required for a Swedish coupon pool capitalism to form.

The method devised to facilitate this assessment consists of the evaluation of six criteria directly linked to the above argument:

Criterion 1 - Delegitimising Alternatives: A threat/set of threats have to be presented and internalised as undeniable and irreversible, so as to constitute a crisis of social democratic economic aesthetics, along with undeniable and seemingly persistent opportunities presented by financialisation.

This criterion refers to the finance-oriented discursive construction of inverted Malthusianism discussed in chapter 1. According to this discourse, a traditional social democratic economy is not a viable option. Moreover, parametric reforms of PAYGO DB pension systems, like the ATP system, or raised taxes are not plausible alternatives in dealing with the costs of ageing populations.

Criterion 2 – The Superiority of Financial Investment: It must be beyond popular doubt that financial market investment, in the long run, generates superior returns to alternative forms of investment. Therefore, mass society must understand financial risk as implying calculable uncertainty and thereby a source/measurement of opportunity (financial literacy).

PAYGO DB pension systems must thus be understood as generating inferior rates of return to pensioners' savings to that of the Swedish 'Third Way' 'alternative'. In order for this to be understood as rational, financial risk must be accepted as a largely positive and calculable factor.

Criterion 3 – Replacing Social Citizenship: Financial risk and significantly divergent financial outcomes as a consequence of the everyday practice of financial investment must be an accepted feature of economic life. This implies a shift from 'equal work, equal pay' to 'equal work, unequal pay'.

By accepting financial risk as largely positive and calculable, divergent financial outcomes become inevitable. However, divergent outcomes also have to be popularly accepted by a sufficiently large fraction of daily life for the system to be politically sustainable. The social citizenship, upon which the ATP system was based, must thus have been largely dismantled.

Criterion 4 – Providing the Infrastructure: The constitutive institutions of the mass investment culture must sufficiently embody the ideas, norms and values, which encourage mass investment. As meaning and practice cannot be meaningfully separated according to the theorisation of economic aesthetics, these institutions must provide the infrastructure to enable the practice of investment in daily life.

Accordingly, the PRS must embody the ideas, norms and values, which underpin the practices of equity investment conducive to a coupon pool capitalism, so that contradictions do not surface, which threaten the reproduction of the mass investment culture.

Criteria 5 – Financial Literacy: For high rates of 'active' participation to be possible, mass society must have the belief that it is sufficiently financially literate to over time successfully engage in the everyday practice of financial investment. Naturally, the sponsoring elites cannot express serious doubt about popular financial literacy.

If mass society believes itself to be financially illiterate, according to the 'active' definition of PPM, 'passive' choices are likely to be made rather than 'active' ones, although the financially literate option would be to make a 'passive' choice.. Consequently, financial literacy, according to the 'active' definition of PPM, is crucial for the system of mass choice not to be undermined, which in turn could result in the exit of the participating mutual funds from the system.

Criterion 6 – High 'Active' Participation Rates: Sufficiently high 'active' participation rates in the PRS must be mobilised so as to ensure the production of the PRS's political legitimacy.

Given PPM's strong discouragement of 'passive' investment, 'active' participation rates must be sufficiently high in order for the system not to be delegitimised. High 'active' participation rates are also necessary to generate the required dynamics for the system, as constituted by very large numbers of 'unit trust' funds, not to draw too high administrative costs. Moreover, the regulation (satisfaction) of the financial sector hinges upon this.

IV Assessing the Rise of A Mass Investment Culture

(a) Criterion 1 - Delegitimising Alternatives

This particular criterion is broadly satisfied. The ATP pension system had started to become presented as incompatible with a financially deregulated economy shortly after the 'big bang' (Konjunkturrådet 1986: 73). Financial deregulation had totally changed the context of the AP Funds' investment activities. The resulting boom on the Stockholm stock exchange rendered, as I showed in chapter 4, the AP Funds increasingly obsolete as a source of credit. The SAP's move to change their investment criteria in 1992 also fundamentally undermined their 'socialist' potential. Moreover, with the pension reform, much of the capital accumulated in the AP Funds (SEK 700bn) has been used to smooth the transition to the new system (the so-called ‘double payment problem’). Nevertheless, these latter two moves would not have been possible had not the ATP system become fundamentally delegitimised through the proclamation of inverted Malthusianism by neoliberal think tanks (SNS Konjunkturråd 1988, 1989), interest groups (Skattebetalarnas Förening 1991; SAF 1992; Försäkringsförbundet 1991, 1993) and the financial sector (e.g. Banco Spar 1992-1993), or the neoliberal shift among SAP elites (Ryner 2004).

In these campaigns and reports, inverted Malthusianism was discursively constructed so as to require risk-privatising solutions. Emphasising the growing ‘systemic risks’ of the ATP system and the decreasing coverage it provided to higher income earners (due to its inbuilt ceilings), a fear of radically reduced consumption levels was being produced. The embrace of risk-induced private pension savings was the only offered solution. However, practices of financial investment were depicted as ‘good for the character’ by enabling the self to acquire more freedom, autonomy and responsibility (see Rose 1999: 154). Also, economists and politicians, on all sides, came increasingly to emphasise the importance of risk-privatisation for the efficiency of the market. With the full employment commitment abandoned and Swedish industry declining in competitiveness, the economy was no longer capable of generating the growth required to sustain the system. The consolidation of this situation came with the ‘tax reform of the century’, which prevented any tax-related solutions to the growing costs of the ageing population. The resulting huge increases in private pension plans and equity savings (Berg and Bergström 1995) questioned the need for the risk-socialising ATP system. Nevertheless, the willingness of wage-earners to support the system remained high as always (Svallfors 1996).

According to this discourse, a parametric reform of the ATP system was not a legitimate solution. However, to introduce an extreme risk-privatising system, like the Chilean one would not have been politically feasible given the strong adherence of much of the electorate to risk-sharing and substantial pensions. The reformers had to construct a 'Third Way' alternative, which subversively introduced financialising pensions to daily life.

(b) Criterion 2 – The Superiority of Financial Investment

As I argued in chapter 1, the Swedish 'Third Way' pension system is a policy instrument designed to obscure the shift in underpinning values and norms from potentially oppositional elements. Yet, it also effectively depoliticises pensions as its main part, the Income Pension, is automatically adjusted for growth and demographic shifts. The Centre Party chairman of the reform commissions, Bo Könberg has consequently predicted that the new pension system "will last until the next ice age" (Könberg in Lundberg 2005b: 6fn.2). With regard to the PRS, PPM has explicit socialisation functions, yet the individual is in a financial relationship with financial markets, not the State. The State does not take any responsibility for the performance of pension savings in the PRS beyond the information and educational activities provided by the PPM. Both of these two pillars are thus consistent with the neoliberal ethic of individualizing costs, depoliticisation of pension provision and limiting the redistribution of resources.

Based on the Feldsteinian ideas on the historically superior returns of equity savings in a system like the PRS to those generated by a PAYGO DB system, like the ATP system, it is assumed that lower pension contributions will be offset by high returns on investments in the PRS to create equally high pension levels in the new system. According to Pia Nilsson, CEO of the Swedish Mutual Fund Association (*Fondbolagens Förening*), "[a]ll experience shows that stocks, on the average in the long run, give higher returns than so called interest-investments" (my transl., 2000: 11). As Ippolito and Bodie argued in chapter 1, such arguments do not consider sufficiently the financial risks in a funded system with a maturing portfolio.

Yet, such concerns were ignored at the time of the launch of the PRS. As the tech-stock bubble of the late 1990s and early 2000 was about to implode, financial investment, through the PRS, was universally introduced to Swedish daily life. Financial risks were presented by PPM as largely determinate, knowable and implying endless opportunities rather than being dangerous (Forslund 2004). Thus, paradoxically, at a time when the calculation of financial risk was at its most complex, the construction of risk was at its most positive and assertive.

The overconfidence in the superiority of equity investment, greatly magnified by the business media, influenced the behaviour of societal groups, otherwise highly reluctant to appreciate financial risk and the everyday practice of finance investment. The bubble served to convince such groups to marginalise, or at least temporarily suspend, resistant logics and attitudes (Elmbrant 2005). Even the otherwise most financially inconfident pension saver suddenly saw himself as a ‘speculating yuppie’, confidently investing in financial markets (see De Goede 2004: 207). Yet, this confidence was replaced with deep suspicion following the bubble’s traumatising implosion (Elmbrant 2005).

(c) Criterion 3 – Replacing Social Citizenship

Although the PAYGO DB ATP system was delegitimised in the early 1990s by invoking the threat of inverted Malthusianism, pensions as defined by social citizenship, has been one of the most central notions to social democratic economic aesthetics. Indeed, without the income security derived from defined pensions the consumerist quest for truth could not have been pursued. The ATP pension system enabled dreams of social mobility, as measured largely by consumption, to be nourished over the life cycle. However, these dreams were expressions of individuality in a solidaristic social environment, although largely illusionary, as the pension system did not substantially support such mobility. The individual autonomy enabled by the pension system, particularly to men, as part of the de-commodifying welfare State, was hi-jacked by the neoliberal counter-offensive, which sought to inspire individual entrepreneurship, risk-privatisation and de-collectivisation. These processes have, continued, as Henreksson and Jakobsson show, with an impact upon the legitimacy of risk-socialising welfare institutions (2003: 90-91). Just that the welfare state continues to be universalist does not necessarily entail that it retains substantial support in the increasingly financialised everyday (cf. Steinmo 2003). As Mahon (2007: 83-84) claims, on the basis of attitudes among politicians and citizenry, support for the substantial and universalist welfare state is being undermined by the growing acceptance of the post-industrial trilemma thesis (discussed in chapter 2). Indeed, politics matters to the prospects of survival for de-commodifying social citizenship. Considering the underpinning neoliberal ethic of the new pension system, its reception promises to be indicative of Swedish welfare State politics and citizenship. Here, the individualisms emerging out of the crises of the ‘Swedish Model’ seem crucial for an understanding of the direction of the Swedish economy and the reception of the new pension system.

Pettersson and Geyer argue that the new individualists,

> [c]ompared with the less individualistically-inclined,…do *not* show any stronger interest in increasing today’s wage differentials, they do *not* evidence any greater tendency to view the poor with a ‘they-just-have-themselves-to-blame’ attitude, they do *not* show any stronger tendency to regard their fellow beings in less of a spirit of trust and fellowship…They are neither the irrepressible entrepreneurs imagined by the Neo-liberals, nor the selfish egoists supposed by the Social Democrats. (in Rothstein 2001: 220)

Rothstein suggests that instead of the emergence of a strong ‘egoistic individualism’, ‘solidaristic individualism’ has stepped forward. Although seemingly contradictory, this concept entails that solidarity is not necessarily collectivist, “that is, that people have more or less the same values and share the same life-styles and may be interested in and engaged in the same organizations”, (such as the ‘People’s Movements’) as under the Fordist ‘golden age’ (ibid.). By ‘solidaristic individualism’, Rothstein means “that individuals are willing to give support to other individuals but also accept that they have other, different values and want to engage themselves for different causes” (ibid.). However, this solidaristic inclination is predicated upon the trust in reciprocity, which actually increased from 1981 to 1996, and was positively correlated with variables such as “education, activity in organizations, and satisfaction with democracy” (ibid.: 229). It seems, on the surface, as if these solidaristic individuals are fairly well, young and educated social liberals, supportive of the universalist welfare State rather than suspicious of it.

In July 2006, in the mid-stages of the election campaign, former SAP Prime Minister Persson stated, arguably in response to these solidaristic individuals' support of the universalist welfare state and in a book fittingly titled *See Yourself in Others: About Our Need For Solidarity in Times of Globalisation* (my transl.), that the new pension system had to be critically revisited in order to address the growing injustices within it. Two years earlier, the SAP Finance Minister Pär Nuder had provocatively stated that the large "40s generation"[62] was going to cause considerable problems to subsequent generations given the large pension expenditures expected and the automatic adjustment this was going to trigger (Expressen 1/12/2004). Klevmarken et al. (2006) as well as a study by the State Statistics Bureau (SCB) (2006) supported Persson's concerns, by stipulating that the pension system as a whole is likely to generate significantly lower pension levels in the future than the status quo claims of its sponsoring politicians and cadres.

(d) Criterion 4 – Providing the Infrastructure

If the PRS is supposed to support the emergence of a mass investment culture, constituted by active investor subjects, as well as providing the dynamics for a coupon pool capitalism, then the system must emulate the choices available outside the system. It has done so by offering an 'active' choice of 5 between 750-800 'unit trust' funds. It must also seek to encourage frequent participation in the system. This was supposed to

[62] The size of which is largely a consequence of SAP welfare and family policies during and after the Second World War.

be catered for by allowing free and unlimited swaps of funds. By, in addition, actively discouraging the ‘passive’ choice of the index-tracking 7th AP Fund, the neoliberal positive as well as normative notion of ‘consumer choice’ is fully embraced.

As suggested above and in chapter 1, however, the PRS embodies two seemingly contradictory set of ideas. The abundance of choice puts exceptionally high demands on the accessibility and quality of information, as well as the financial literacy of pension savers. The freedom of the ‘unit trust’ funds to target competitively pension savers with advertisements promises to add to these demands. Consequently, and in recognition of the information asymmetries, not only between provider and consumer but also between consumers, the PPM has adopted a ‘libertarian paternalist’ stance in relation to pension savers (Cronqvist and Thaler 2007: 424-428). Nevertheless, this has been shown to be insufficient. As Benartzi and Thaler (2002) as well as Sundén (2004) have argued, from a behavioural finance perspective, the choice is simply too large for ‘rational’ decisions to be possible, even for supposedly financially literate investors (see also Froud et al. 2007). Instead, Cronqvist and Thaler (2007: 428) claim that the optimal number of funds may be as low as 3. Also, according to orthodox financial economics, as pointed to by Watson (see chapter 2), a large choice is not of value in itself. According to orthodox financial economics, tracking the index is the optimal portfolio strategy. Yet, this would completely neutralise shareholder value strategies, which are central to coupon pool capitalism. Thus, with the present system, contradictions are bound to express themselves on the level of participation, and if ‘active’ participation is widespread, this is likely to add to the inequality already inscribed into the system.

(e) Criterion 5 – Financial Literacy

PPM's 'active' definition of financial literacy is of crucial significance to the legitimacy of the extreme 'pro choice' PRS. At the launch of the PRS in 2000, a large percentage made 'active choices' under the conditions of the tech-stock bubble. Little research has been done on the economic aesthetics of those who actually make these choices actively and their levels of financial literacy. However, according to Annika Sundén, former advisor to the government on pensions, in the first fund selection in 2000 "[w]omen were somewhat more likely than men to make a choice, and as expected, high-income participants were more likely to take an active role than low-income participants." However, drawing firm conclusions from this first round of fund selection is not possible, according to Sundén. This, she claims, is because since the deflation of the tech-stock bubble, the default, index-tracking 7th AP Fund has performed significantly better (around 10%) than the average portfolio of the active participant in the PRS (until 2004). Moreover, she suggests that "[o]ne explanation might be that the PRS received much less attention in more recent enrolment periods: advertising fell dramatically, as did private fund manager publicity efforts as compared to the initial election period" (Sundén 2004: 14-15).

A 'passive' choice, whether strategic or out of 'real' passivity, has proven to be a more profitable course of action. Moreover, reduced exposure to information about the PRS seems to have made first-time choosers less attentive, and hence maybe more passive with regard to their pension savings in the PRS. However, not even the default fund has given positive returns in the 2000-2003 period, but a 29.9% negative result (Cronqvist and Thaler in Sundén 2004). Although the information about this is limited, it is plausible that the “willing investors”, often high income-earners and women, are those who are the most confident and those who make the most ‘active’ choices in the PRS. Nevertheless, we can also infer from the work of Klevmarken (2006) and the research conducted by Länsförsäkringar/Länsspar (2002, 2005) that this group is proportionately poorly represented in the rural areas, most adversely affected by the brutal economic policies of the ‘Swedish Model’ and neoliberal restructuring since the 1980s. According to a 2005 survey, only 6 per cent of pension savers considered themselves to be sufficiently financially literate to invest confidently in the PRS, while 11 per cent claimed to be almost sufficiently financially literate (Sweden. SOU 2005: 87: 244).

Drawing upon these findings, former SAP Prime Minister Persson claimed that Swedish daily life was ‘not ready’ for a shift to financialisation. In vague terms, he explained that the meanings and practices of the new pension system “is so remote” from prevailing economic aesthetics (my transl., Dagens Industri 18/02/2005). Such a critical assessment of the risk-privatising pension system, along with the ones presented under criterion 3, may very well have significantly impacted upon the legitimacy of the system.

(f) Criterion 6 – High ‘Active’ Participation Rates

The launch of the PRS seemed a success with regard to the definition of participation of PPM. 67% of the first-time fund choosers made an ‘active’ choice in 2000. But with the end of the bubble, popular confidence imploded. A mere 8.4% made an active choice in early 2003, and just 8.0% in early 2005 (PPM 2003, 2005). Nevertheless, it should, of course, be recalled that the first-time choosers in 2000 included all age groups whereas the subsequent cohorts were more or less all young adults, who according to Feldstein's 'humped life-cycle' are significantly less interested in saving for their retirement. The extremely low number of active participants in the PRS and the seemingly limited "rational" appreciation of the notion of risk and risk calculation, even when financial markets again are showing signs of being 'bull markets', seems to suggest that there is low confidence in the PRS, but also that pension saver confidence is strongly related to developments on the Swedish stock exchange. The PRS/PPM has thus become a problem for the legitimacy of the sponsoring actors and the continued development of a mass investment culture (Benartzi and Thaler 2002; Sundén 2004; Forslund 2004), compelling the government to commission large-scale reviews. The most high-profile review suggested an improvement of the quality of information provided and a reduction of unit trust funds (Sweden. SOU 2005: 87).

The Swedish State Audit (*Riksrevisionen*) stated in its 2004 review that "PPM cannot fully provide the support that is demanded and does not have the capacity to turn several million [pension] savers into good managers of capital" (my transl., 2004: 33). Consequently, the mandate and objectives to generate a mass investment culture were changed. Surprisingly, they were made more ambitious:

In 2007	*Situation 2003*
80 % should know about the opportunities given in the PRS	*42 %*
90 % should be pleased w/ the service & information provided by the PPM	*70 %*
60 % should consider themselves to have sufficient knowledge to manage their PRS savings	*49 %*

(Riksrevisionen 2004: 32)

These objectives seem lofty, if not naïve, and are likely to reduce the already limited credibility of this political project. Indeed, this naivety on behalf of the PPM may have contributed to the suggestion by a recent public enquiry that it should be dismantled altogether (Sweden. SOU 2006:111).

Moreover, a KPMG report, released in 2005, testified of serious financial imbalances in the PRS. Insufficiently 'active' pension savers were raising the administrative costs of the system. However, the initially high costs related to the launch of the system and the large scale information campaigns (Sweden. Ministry of Finance 2005b) are expected to be reduced in the medium-term both in real terms, but also in proportion to the accumulated capital in the PRS. However, these predictions rely upon increasing participation rates among the pension savers, as relatively high fixed costs are proportionately lowered in relation to the low running costs.

An interesting part of the system is an anti-monopolistic mechanism, which progressively penalises those funds which attract the most pension savers. The greater the pension capital the higher are the charges required to be paid to the PPM authority (Riksrevisionen 2004: 41-42). In other words, to ensure competition pension savers have to pay higher arbitrage fees for the more popular, and often historically the most successful, mutual funds. Too great a spread of pension capital, however, over the several hundred fund managers generates high running costs for participating funds and lowered incomes for the PPM. In order to avoid mutual fund defection from the PRS, participation rates must increase. If not, the design of the PRS seems to cause its own demise.

We cannot expect pension savers to possess financial literacy, as informed by financial economics, which would advice to always opt for an index-tracking portfolio strategy.

Therefore, could their propensity to 'passively' choose the index-tracking 7th AP Fund be a "common sense strategy", cyclically following the developments on the (Swedish) financial markets? Swedish daily life has otherwise come to show a remarkable risk propensity, according to which investment in assets oscillates between the housing market and the stock exchange (Berg and Berger 2005). This seems to be reflected to a very limited extent in the investment decisions in the PRS. Had this oscillation been characteristic also of the PRS system, it would seem logical that the rate of 'active' choices would have increased rapidly with the return of 'bull markets' in 2005. Hence, there is good reason to believe that the financialisation of the public pension system carries more than a meaning of *use value*.

Indeed, a number of factors seem to play a role in the determination of 'active' choices in the PRS. Firstly, the introduction of the PRS implied that a large number of pension savers, who previously had not held equity savings, became exposed to the meanings and practices of financial investment. With the bursting of the bubble, these inexperienced savers became traumatised and have since been reluctant to make 'active' choices. Secondly, following the emergence of a strong segmentation of economic aesthetics in the Swedish economy, a clear three-tier division between 'the willing investors', 'the unwilling, but persuadable' and 'the hopeless' has formed. It is highly conceivable that the 67% who made 'active' choices in the first fund selection in 2000 correspond with the first two tiers. Subsequently, the second tier has retreated to becoming 'passive' pension savers. Thirdly, the democratic deficit in the pension reform and the neoliberal ethic of the resulting system has alienated the Swedish citizenry from the new pension system. This should of course be related to the deep-seated role the ATP pension system had in traditional social democratic politics of representation. The emergence of a large segment of young and solidaristic individualists with a strong taste for democracy and the welfare State may also have contributed to the low rates of 'active' participation since the first fund selection in 2000. To them and other reluctant or marginalised social 'groups', the new risk-privatising pension system symbolises the abandonment of risk-sharing egalitarianism in Sweden. Thus, the new system, with its subversive neoliberal origins, meanings and practices, is, in agreement with former SAP Prime Minister, remote from dominant economic aesthetics.

Nevertheless, capitalism is a powerful force and economic aesthetics are not immutable. Despite its unpopularity, the new pension system, with the PRS at the forefront of change, may in time, if it is capable of becoming a normal part of the increasingly financialised everyday, serve to cultivate a mass investment culture. Universalist financialisation, through the new pension system and funded corporatist pension arrangements, has made equity ownership a natural part of Swedish daily life. By 2006 the following data could be presented by the Swedish Mutual Fund Association:

- 94 per cent of the Swedish population between the ages 18-74 save in mutual funds
- Beyond the PRS, 77 per cent save in mutual funds
- 71 per cent of all children own mutual funds
- Shortly after pensions (54%), the most common reason for mutual fund ownership is to create a buffer against unexpected expenses.

Considering the changes in the labour contract and the gradual undermining of welfare institutions, financialisation is well underway in Sweden, yet the public pension system signifies something more than just the provision of pensions. It has a crucial regulatory role. With regard to the PRS, coupon pool capitalism cannot meaningfully develop in Sweden, at least in the short- to medium-term, without a mass investment culture developing out of this system.

V Conclusion

This chapter has brought the study of subject-formation in the context of the restructuring of the Swedish economy up to date. Critical in doing so is of course the consideration of the Swedish pension reform. The new hybrid pension system has a clear neoliberal ethic, and with the PRS an ambitious state-sponsored project of popularising financial investment has been launched. The contrasts between the economic aesthetics emerging out of social democratic capitalist modernity and the risk-calculating agencies formed under processes of neoliberal restructuring and financial deregulation are stark. Yet, there is a degree of continuity in the gradual shift from the former to the latter. The analysis in this chapter of this tendential shift took the form of an evaluation of a set of six criteria directly linked to the new pension system, and particularly the PRS. The results are far from conclusive, merely testifying of tendencies towards individualism in subject-formation in daily life. These tendencies, however, point to the fact that the public pension system is about more than just ‘use value’. It is of great symbolic value and the signs point to that the new pension system is not accepted as a normal and legitimate part of the economy. Considering its design and process of introduction, the new pension system is at the core of a project of subversive neoliberalism, which seeks to subject daily life to financialising dynamics, which in turn would support the emergence of a coupon pool capitalism in the Swedish economy. The partial rejection of this project has been picked up by the traditional guarantors of public pensions, the SAP, however, the party is still just paying lip-service to a commitment to reform. More fundamentally, it has lost most of its credibility for such a conflictual political project.

In the concluding remarks, I will briefly summarise the argument of this thesis and speculate about the future, particularly in the light of some recent developments with regard to a shift of emphasis in the finance-oriented accumulation strategy in Sweden: *Finansplats Stockholm*. I will also briefly consider the significance of this study for the project of European integration, and here especially the case of France.

Conclusion

This thesis has analysed the 1999 Swedish pension reform as a critical case study for the future viability of social democracy in the paradigmatic Swedish economy. Yet, interestingly, the particular design of the Swedish reform has come to play a key role in international and, more recently, European pension policy debates. As the World Bank's neoliberal and extremely risk-privatising policy agenda in the 1990s and early 2000s encountered stiff resistance, particularly in 'social Europe', the Swedish reform presented itself as a blessed 'third way'.

However, as an ILO economist pointed out, it is just the old wine in a new bottle. The Swedish reformers implemented a neoliberal reform under the guise of continuity with traditional social democratic values, meanings and practices. With the new system, the Swedish neoliberal reformers sought to subversively introduce a new market *Zeitgeist* to a social democratic society still substantially compensated for 'the ills' of disciplinary financial markets ("compensatory neoliberalism", Ryner 2002). To make Swedish daily life embrace and actively participate in a 'mass investment culture', the new pension system highlighted the importance of individual risk and savings for pensions in particular, and the economy in general. The Swedish variant of the 'knowledge-based economy' was going to benefit from the new pension system's contribution to more efficient financial markets. I understand this accumulation strategy as 'subversively neoliberal'.

With pension reform still being high on the European policy agenda, with powerful neoliberal and financial forces pushing for the privatisation of risk and a ‘financialised’ European ‘new economy’ and ‘European daily life’ holding onto promises of a ‘social Europe’ (Mathers 2007), the Swedish case can also be significant for the future of the European project of integration. This is not least the case as Sweden remains a paradigmatic reference for social democracy in Europe.

The first chapter sought to show the strong political dimension to the discursive construction of ‘Inverted Malthusianism’, the wedding of ‘the problem’ of ageing populations to ‘the solution’ of financialisation. These politics develop out of a neoliberal agenda promoted not the least by the World Bank, but also the OECD, the EU Commission and lobby groups representing transnational capital. This agenda relies heavily upon a laggard and selective appropriation of Neo-classical Economics. The chapter goes on to critically conceptualise the relationship between neoliberalism, transnational finance and Neo-classical Economics, and particularly the latter’s more sophisticated ‘Rational Choice’ approach. These all share a superficial, rationalist ontology and a problematically parsimonious epistemology. As such, they are incapable of understanding complex processes of subject-formation in the everyday, and thus how ‘financialisation’ unfolds in different spatial, social and historical contexts. Nevertheless, they may still have the impact of socialising subjectivities into conformity with the discipline of financial markets. Rationalist discourses and policies have a tendency, at this historical juncture, to reproduce themselves in everyday life. However, this tendency can only be assessed through critical-theoretical engagement.

Chapter two, therefore, develops a critical Regulationist-SSIP perspective, which, in contrast to rationalist discourses, understands the economy as fundamentally social and necessitating the reproduction of legitimacy in daily life in order to avoid crisis. It proceeds by critically engaging with the rational choice-inflected, dominant 'institutionalist' literature to show the need for such an approach. It thus points to the centrality of 'regularisation' of meanings and practices in the economy.

Chapter three explores this notion of 'regularisation' through the development of the concept of 'financialisation', as a historically continuous and spatially specific set of processes promoting the privatisation and regulation of risk in the everyday. However, the strategic constitution of investor subjects is not smooth, but a fragile set of processes, which produce unintended outcomes. Out of financialisation, different forms of resistance may thus emerge along the divisions and conflicts that it produces. This conceptualisation takes neo-Marxist understandings of financialisation beyond its structural impasses without abandoning the notion of the economy as inevitably generating deep inequities and struggle. Moreover, it pushes the research agenda on financialisation to consider cases beyond the Anglo-American economies, to which research so far has been restricted. Indeed, it could be claimed that this is precisely what research on financialisation should be doing at this juncture where the struggle over pension reform continues unabated. I will return to this shortly below.

The fourth chapter then applies this critical SSIP-Regulationist approach to the Swedish pension reform. As such, it analyses the significance of the regulatory role of pension provision in the Swedish economy. I here demonstrate the centrality of pensions to subject-formation from the formation of social democratic capitalist modernity to present-day finance-oriented neoliberal restructuring. This analysis conceives of the Swedish post-war ATP pension system as crucial for generating institutional complementarity and as at the top of the institutional hierarchy. It identifies and discusses three crises of Swedish social democratic 'regularisation' starting in the late 1960s and continuing with the recent pension reform. The emphasis on pensions is here shown to be crucial as it allows for the study of the shifts in the meanings and practices in daily life from the 1930s to present day. The analysis demonstrates that the significance of the ATP pension system for regularising mass consumption in the 1950s and 1960 cannot be underestimated. I argued that consumption, in the heydays of the 'Swedish Model', was reified to entail the quest for truth in daily life. This quest was challenged from within the labour movement in the late 1960s to produce the first crisis of Swedish social democracy. The second crisis of Swedish social democracy came to the surface with the neoliberalisation of the SAP in the 1980s and the early 1990s. Social democratic elites formulated the Swedish 'third way', which opened the economy up to the discipline of financial markets. This was consolidated through the accession to the European Union in the first half of the 1990s and the retaining of a strong 'compensatory' commitment ("compensatory neoliberalism", Ryner 2002).

The sixth chapter finally turns to the assessment of the success of the project of 'Subversive Neoliberalism' through the introduction of the Swedish 'third way' pension system. Although the historical extension of the previous research on the neoliberal restructuring of the Swedish economy (e.g. Svensson 2001; Ryner 2002;

Blyth 2002) hence is modest, it is significant because it tests the capacity of neoliberal policy-makers to transform the paradigmatically social democratic Swedish economy in its microfoundations, when the rest of the economy already is far down the path towards financialisation. By addressing this project of financialisation, key to subject-formation in daily life, in the light of the internationally celebrated Swedish 'Third Way' reform, I have emphasised existing resistant logics and institutions to financialisation. It thus assesses the most recent iteration of the neoliberal project in Sweden to deepen financial market discipline from a historical perspective. As such, this project is aimed at subjecting Swedish daily life to financial market dynamics, forcing the pension saver to consider the performance of her or his financial assets before consuming. Given the inbuilt sensitivity of the 'Income Pension' to economic and demographic shifts, consumption levels may be seriously challenged under negative conditions. This threat is of course reinforced by the introduction of the funded Premium Reserve System and the reform of the employers' pension systems. This potentially constitutes a third crisis of Swedish social democracy. However, as I have argued above, in moments of crisis there are opportunities for change and this may work in the favour of a more traditional social democracy.

The argument presented suggests that, despite neoliberal restructuring and a finance-oriented accumulation strategy formed in the late 1970s, there is still a breeding ground for social democracy in Sweden in 2007. This is founded on evidence of tendencies to resist financialisation in daily life. Despite that the new pension system has produced a 'mass investment society', there is no 'mass investment culture'. The active management of financial risk has not become a mass phenomenon, as evidenced by ‘active’ participation rates in the PRS system. Still, decommodifying welfare provision is very popular and values of solidarity and equality of outcome are held in high esteem in Sweden. Hence, a lifeline for a more traditional social democracy exists, but it is thin.

The contribution of this thesis is therefore significant in its findings because it shows the limits of the Swedish neoliberal project at this historical conjuncture. Indeed, as PPM chief economist Daniel Barr recently admitted: the active involvement of Swedish daily life into circuits of financial capital is limited to around twenty percent of the Swedish population. The large majority of pension savers are instead remaining ‘passive’, index-tracking investors (Barr 2008). This may, nevertheless, be the more sensible investment strategy with the result that the risk exposure of most pension savers is reduced.

However, this ‘popular sensibility’ in relation to meanings and practices of financial investment may be challenged by a new phase in the development of a finance-oriented neoliberal accumulation strategy, which seems to be crystallising. The financial lobby has grown extremely strong in Sweden with financial liberalisation, particularly since the labour movement has retreated from its positions of veto power in the economy. The recently expelled SAP government took a very serious interest in the financial sector’s most recent grand vision: ‘Financial Centre Stockholm’ (*Finansplats Stockholm).* This project, now also officially supported by the newly elected centre-right government, aims at creating a financial centre in Stockholm for the Baltic region. Under the regulatory auspices of the European project, seeking to construct an internal market for financial services, the Swedish financial sector is aiming to carve out a Baltic market with itself at its core. I believe that this may very well be a project to provide a new source of impetus for the financialisation of Swedish daily life with the pension system so far failing to generate a mass investment culture. Whether the remaining thin lifeline for Swedish social democracy will be strong enough to respond politically to such a development, only the future can tell. With the radical elements of the Swedish labour movement silenced in the 1980s and 1990s (Ryner 2004), the intellectual leadership for such a revival might be lacking. Yet, this must be considered in the light of recent developments in Swedish politics.

The fall of SAP leader Göran Persson in the 2006 elections and the moderation of the neoliberalism of the victorious Centre-Right alliance have implied new potential political contingencies. As Persson's successor Mona Sahlin has taken a considerable right-turn, the silenced radical elements of the labour movement may be regaining its voice. At the same time, the Centre-Right Reinfeldt government is scoring very low on opinion polls. With over two years left before the next elections, the electoral future is, however, uncertain. Popular responses to financialisation may, particularly in the context of great instability on financial markets worldwide, however strongly contribute to the outcome of these elections.

Beyond Sweden, the French case promises to be of great importance to studies of welfare State restructuring in the light of financialisation. While the dominant Swedish ATP pension system was a rather distinctly State-administered system in the post-war period, French post-war pensions were largely the realm of the trade unions. As such, French trade unions had a particular stake in the provision of pensions. Now, with French labour unions on the defensive ever since the Mitterand administration's famous 'U-turn' in 1982, the struggle over the direction of pension reform is fierce with the Sarkoszy government pushing for risk-privatisation to accompany the impressive rate of disintermediation, financialisation and transnationalisation of the French corporate economy (Morin 2000; Clift 2004). In France, this struggle has taken on a politico-symbolical dimension that has been largely absent so far in Sweden. Resistance to subversively neoliberal attempts to reform pensions and the constitution of French investor subjects has brought the general direction of economic transformation to the surface. In this context, the role of the European project has also become part of the conflict (van Apeldoorn 2006). The legitimacy of the increasingly 'unsocial' European project is fading quickly (Mathers 2007). Again, the outcome is uncertain and contingent upon politics, both more traditionally perceived and in the meanings and practices of daily life.

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